



KPMG Taseer Hadi & Co.
Chartered Accountants

U Microfinance Bank Limited

Financial Statements

For the year ended 31 December 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of U Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of U Microfinance Bank Limited (the Bank), which comprise the balance sheet as at 31 December 2018, 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 2018 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 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.
- 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.



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- 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) 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) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



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Other matter

The financial statements of the Bank for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 07 February 2018.

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

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
13 February 2019

U MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Cash and balances with SBP and NBP	6	1,457,386,758	772,153,529
Balances with other Banks/ NBFIs/ MFBs	7	11,027,311,074	2,586,898,409
Lending to financial institutions		-	-
Investments - net of provisions	8	1,967,824,071	1,786,374,826
Advances - net of provisions	9	17,019,838,156	10,554,358,150
Operating fixed assets	10	754,499,905	465,355,215
Other assets	11	2,523,062,846	1,444,876,987
Deferred tax asset	12	41,654,400	20,870,591
Total Assets		34,791,577,210	17,630,887,707
LIABILITIES			
Deposits and other accounts	13	20,534,770,395	11,971,358,214
Borrowings	14	6,010,000,000	3,069,486,748
Subordinated debt	15	4,599,640,000	600,000,000
Other liabilities	16	838,664,403	611,042,422
Deferred tax liabilities		-	-
Total Liabilities		31,983,074,798	16,251,887,384
Net Assets		2,808,502,412	1,379,000,323
REPRESENTED BY:			
Share capital	17	2,285,714,290	1,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves	5.10.1	178,914,625	69,503,178
Depositors' protection fund	5.10.2	44,728,656	17,375,794
Unappropriated profit		324,888,330	32,149,466
		2,808,531,611	1,379,028,438
Surplus / (Deficit) on revaluation of assets	18	(29,199)	(28,115)
Deferred grants		-	-
Total Capital		2,808,502,412	1,379,000,323

MEMORANDUM / OFF BALANCE SHEET ITEMS

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


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Rupees	2017 Rupees
Mark-up / return / interest earned	20	4,365,933,802	2,644,949,519
Mark-up / return / interest expensed	21	(1,676,143,400)	(1,152,285,232)
Net mark-up / interest income		2,689,790,402	1,492,664,287
Provision against non-performing loans and advances	9.3	(259,713,803)	(86,252,023)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		2,430,076,599	1,406,412,264
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	22	625,463,208	448,264,770
Dividend income		-	-
Other income	23	15,019,173	9,834,049
Total non-markup / non interest income		640,482,381	458,098,819
		3,070,558,980	1,864,511,083
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	24	2,267,866,712	1,446,736,556
Other provisions / write offs		-	-
Other charges	25	2,399,837	1,851,000
Total non-markup / non interest expenses		2,270,266,549	1,448,587,556
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		800,292,431	415,923,527
Worker welfare fund (WWF)		(16,005,849)	(8,318,471)
		784,286,582	407,605,056
TAXATION			
Current		(261,029,309)	(83,401,162)
Prior years		4,096,213	-
Deferred		19,703,750	(65,237,875)
	26	(237,229,346)	(148,639,037)
PROFIT AFTER TAXATION		547,057,236	258,966,019
Unappropriated profit / (loss) brought forward		32,149,466	(160,733,099)
Less: Other comprehensive income		(3,268,348)	(1,341,949)
Profit available for appropriation		575,938,354	96,890,971
APPROPRIATIONS:			
Transfer to:			
Statutory reserves		109,411,447	51,793,204
Capital reserve		-	-
Contribution to MSDF / DFP / RMF		27,352,862	12,948,301
Revenue reserve		-	-
Interim cash dividend Rs. 50 paisa per share (2017: Nil)		114,285,715	-
		251,050,024	64,741,505
UNAPPROPRIATED PROFIT CARRIED FORWARD		324,888,330	32,149,466
EARNINGS PER SHARE			
	30	2.49	2.01

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

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CHAIRMAN

DIRECTOR

DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Rupees	2017 Rupees
Profit for the year		547,057,236	258,966,019

Other comprehensive income for the year

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

Remeasurement loss on defined benefit liability - gratuity

Related tax

(4,349,657)	(1,917,070)
1,081,309	575,121
(3,268,348)	(1,341,949)
543,788,888	257,624,070

Comprehensive income for the year transferred to equity

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

Items that may be reclassified to profit and loss:

Deficit on revaluation of available for sale investments

Related tax effect

18	(39,999)	(40,165)
	10,800	12,050
	(29,199)	(28,115)

Total comprehensive income for the year

543,759,689	257,595,955
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The annexed notes from 1 to 39 form an integral part of these financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


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U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		784,286,582	407,605,056
Less: Dividend income		-	-
		<u>784,286,582</u>	<u>407,605,056</u>
Adjustments for non-cash charges			
Depreciation	10.2	116,481,950	59,558,849
Amortization	10.3	18,264,325	14,510,192
Provisions against non-performing advances	9.3	259,713,803	86,252,023
Advances written off against provision	9.3	(148,663,082)	(40,278,104)
Provision for gratuity	24	17,736,870	9,816,656
Gain on sale of fixed assets		(141,053)	(22,139)
Finance charges on leased assets	24	640,038	-
		<u>264,032,851</u>	<u>129,837,477</u>
		<u>1,048,319,433</u>	<u>537,442,533</u>
Increase in operating assets			
Advances		(6,576,530,727)	(5,071,910,841)
Other assets (excluding advance taxation)		(1,106,942,768)	(727,349,373)
Increase in operating liabilities			
Bills payables		25,975,898	36,672,708
Deposits and other accounts		8,563,412,181	3,861,434,611
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		<u>177,228,001</u>	<u>212,328,968</u>
		<u>1,083,142,585</u>	<u>(1,688,823,927)</u>
Net cash generated from / (used in) operations		<u>2,131,462,018</u>	<u>(1,151,381,394)</u>
Payments against provisions held against off-balance sheet obligations		-	-
Gratuity paid	16.3.10	(16,514,091)	(9,019,156)
Income taxes paid		<u>(228,176,187)</u>	<u>(117,800,285)</u>
Net cash generated from / (used in) operating activities		<u>1,886,771,740</u>	<u>(1,278,200,835)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		(181,449,079)	(657,800,941)
Net investments in term deposits receipts		2,000,000,000	(750,000,000)
Investments in operating fixed assets		(398,907,877)	(236,419,138)
Sale proceeds of property and equipment disposed-off		<u>1,520,681</u>	<u>44,280</u>
Net cash used in investing activities		<u>1,421,163,725</u>	<u>(1,644,175,799)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts of subordinated loan		4,000,000,000	600,000,000
Payments of subordinated loan		(360,000)	-
Borrowings obtained during the year		4,650,513,252	2,500,000,000
Borrowings repaid during the year		(1,710,000,000)	(430,513,252)
Payments of lease obligations		(8,157,108)	-
Issue of share capital		1,000,000,000	-
Dividend paid		<u>(114,285,715)</u>	<u>-</u>
Net cash generated from financing activities		<u>7,817,710,429</u>	<u>2,669,486,748</u>
Net increase / (decrease) in cash and cash equivalents		<u>11,125,645,894</u>	<u>(252,889,886)</u>
Cash and cash equivalents at beginning of the year		<u>1,359,051,938</u>	<u>1,611,941,824</u>
Cash and cash equivalents at end of the year	27	<u>12,484,697,832</u>	<u>1,359,051,938</u>

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


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 STATUS AND NATURE OF BUSINESS

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

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

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

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

1.1 Summary of significant events and transactions

Significant events and transactions affecting the financial statements are summarized as follows:

- The Companies Act, 2017 has brought changes with regard to preparation and presentation of annual financial statements of the Bank for the year ended 31 December 2018. These changes have resulted in the incorporation of significant additional disclosures which have been included in the draft financial statements for the year ended 31 December 2018.
- During the year, the Bank has issued 100 million additional shares by way of right issue at par value of Rs.10 per share to the Parent Company.
- During the year advances amounting to Rs. 148 million were written off against provision by the Bank.
- During the year, the Bank obtained subordinated debt amounting to Rs. 4 billion. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital.
- During the year, the Bank obtained borrowings amounting to Rs. 4.5 billion.
- During the year 41 new branches were opened by the Bank.

2 BASIS OF PRESENTATION

The financial information has been presented in accordance with the requirements of format prescribed by SBP Banking Supervision Department (BSD) Circular number 11 dated 30 December 2003.

3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and
- Provisions of and directives issued under the Companies Act, 2017

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

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

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

4.3 Use of judgments and estimates

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

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

Information about assumptions and estimation uncertainties or where judgment was exercised in application of accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2018 is included in the following notes:

Note 5.9.3 and 16.3.4 – measurement of defined benefit obligations: key actuarial assumptions;

Note 5.6 and 26 – recognition of deferred tax assets and estimation of income tax provision

Notes 5.11 and 19 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and

Note 5.4 and 10 useful lives, reassessed values, residual values and depreciation method of property and equipment.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 5.4.3 and 10.3 useful lives, residual values and amortization method of intangible assets.

Note 5.3 and 9.2 criteria / rates for provision against non-performing advances as per the requirements of the prudential regulations.

Note 5.2 and 8 Provision for diminution in the value of investment as per the regulations issued by SBP.

4.4 Standards, interpretations and amendments to the approved accounting 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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Bank is currently in the process of analyzing the potential impact of IFRIC 23 on adoption of the standard.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The bank has carried out an impact assessment as at 31 December 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for banks.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Bank is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Bank's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
 - The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Bank's financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

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

- i. Amendments to IAS 7 'Statement of Cash Flow' became effective during the year. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Accordingly, these disclosures have been included in the note 27.1 to these financial statements.
- ii. The Companies Act, 2017 specified certain disclosures to be included in the financial statements. The Bank has presented the required disclosures in these financial statements.

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5.1 Cash and cash equivalents

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

5.2 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

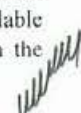
Investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any, and amortized cost 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.

Premium or discount on acquisition of held to maturity investments is amortized through profit and loss account over the remaining period till maturity.

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.

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



5.3 Advances

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

Other assets especially mentioned

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

Substandard

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

Doubtful

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

Loss

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

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

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

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

In addition to above, a general provision is made equivalent to 1% (2017: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations.

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

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

Under exceptional circumstances management reschedules repayment terms for clients who have suffered catastrophic events and who appear willing and able to fully repay their loans. The classification made as per Regulation is not changed due to such rescheduling.

5.4 Operating fixed assets

5.4.1 Property and equipment

Owned

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

Leased

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

5.4.2 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.

5.4.3 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.

5.5 Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Bank determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Bank separates payments and other considerations required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Bank concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability is recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Bank's incremental borrowing rate.

Lease payments

Payments made over operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

5.6 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.

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.

Deferred tax

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

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

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

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

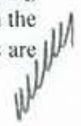
5.7 Impairment

5.7.1 Non-derivative financial assets

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

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

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



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

5.7.2 Non-financial asset

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

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

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

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

5.8 Financial instruments

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

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

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

Financial Assets

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

Financial Liabilities

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

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

Derivative financial instruments

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

5.9 Employee benefits

5.9.1 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.

5.9.2 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.

5.9.3 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.

5.10 Reserves

5.10.1 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.

5.10.2 Depositors' protection fund

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

5.10.3 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.

5.10.4 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.

5.11 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.

5.12 Revenue recognition

Mark-up / income on advances

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

Income from investment

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

Fee, commission and brokerage income

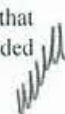
Fee, commission and brokerage income are recognised as services are performed.

Income on inter bank deposits

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

5.13 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. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.



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5.14 Off-setting

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

5.15 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.

5.16 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.

5.17 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.

5.18 Fair value measurement

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

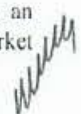
A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

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

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

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



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6 CASH AND BALANCES WITH SBP AND NBP	Note	2018 Rupees	2017 Rupees
Cash in hand - Local currency		552,351,271	307,915,282
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	904,260,639	463,463,399
Balances with National Bank of Pakistan (NBP)		774,848	774,848
		<u>1,457,386,758</u>	<u>772,153,529</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% (2017: 5%) of the Bank's time and demand deposits with tenure of less than one year. This also includes Rs. 44,728,656 (2017: Rs. 17,375,794) maintained with SBP under Depositors' Protection Fund.

7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note	2018 Rupees	2017 Rupees
In Pakistan - Local currency			
Current accounts	7.1	14,847,356	8,355,616
Deposit accounts	7.2	1,112,463,718	578,542,793
Term deposit receipts	7.3	9,900,000,000	2,000,000,000
		<u>11,027,311,074</u>	<u>2,586,898,409</u>

- 7.1** This includes Rs. 7,425,000 (2017: 6,365,151) placed under lien with a bank in respect of standby letter of guarantee issued to Union Pay International.

- 7.2** Deposit accounts carry interest rates ranging from 5.5% to 12.15% (2017: 3.75% to 7%) per annum.

- 7.3** This represents Term Deposit Receipts (TDRs) carrying interest ranging from 10.75% to 13% (2017: 8% to 8.55%) per annum and having maturity between March 2019 to July 2019.

8 INVESTMENTS - NET OF PROVISIONS	Note	2018 Rupees	2017 Rupees
Federal Government Securities			
<i>Available for sale</i>			
Market Treasury Bills (T-Bills)	8.1	1,967,864,070	1,786,414,991
Unrealised loss on revaluation of investments	8.2	(39,999)	(40,165)
		1,967,824,071	1,786,374,826
Less: Provision for diminution in value of investments		-	-
		<u>1,967,824,071</u>	<u>1,786,374,826</u>

- 8.1** This represents market treasury bills having yield of 10.28% (2017: 5.99% to 6%) per annum and are maturing in February 2019.

8.2 Revaluation of available for sale securities - net of deferred tax	2018 Rupees	2017 Rupees
Market Treasury Bills (T-Bills)	(39,999)	(40,165)
Related deferred tax effect	10,800	12,050
	<u>(29,199)</u>	<u>(28,115)</u>

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

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9 ADVANCES - NET OF PROVISIONS

Loan type	Note	2018		2017	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		34,407	3,206,985,277	26,556	2,444,172,827
Unsecured		252,913	14,018,258,382	161,121	8,204,540,105
		287,320	17,225,243,659	187,677	10,648,712,932
Less: Provision held					
Specific		7,044	(72,258,960)	1,461	(13,607,599)
General	9.1		(133,146,543)		(80,747,183)
			(205,405,503)		(94,354,782)
Advances - net of provisions			17,019,838,156		10,554,358,150

9.1 General provision is maintained at the rate of 1% (2017: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 72.26 million (2017: Rs. 13.61 million), 40% and 50% risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) amounting Rs. 26.62 million (2017: Rs. 2.62 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 604.97 million (2017: Rs. 113.59 million), respectively, in accordance with the Regulations.

9.2 Particulars of non-performing advances

Advances include Rs. 217,925,894 (2017: Rs. 48,443,116) as detailed below, which have been placed under non-performing status. Non-performing advances include Rs. 23.176 million of secured loans on which there is no provision as per regulation. Further, as per the instructions from SBP vide notification AC&MFD/MFPD/74073/2018-24664 the Bank has rescheduled non-performing loans amounting Rs. 11.20 million in order to provide relief to adversely affected borrowers.

Category of classification	Provision rate	2018			2017		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	64,818,836	-	-	20,209,645	-	-
Sub-standard	25%	37,405,717	8,841,473	8,841,473	9,663,507	2,316,777	2,316,777
Doubtful	50%	83,508,303	34,432,574	34,432,574	13,347,939	6,335,908	6,335,908
Loss	100%	32,193,038	28,984,913	28,984,913	5,222,025	4,954,914	4,954,914
Total		217,925,894	72,258,960	72,258,960	48,443,116	13,607,599	13,607,599

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9.3 Particulars of provisions against non-performing advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
		Rupees			Rupees	
Opening balance	13,607,599	80,747,183	94,354,782	8,172,251	40,208,612	48,380,863
Charge for the year	207,314,443	52,399,360	259,713,803	45,713,452	40,538,571	86,252,023
Advances written off	(148,663,082)	-	(148,663,082)	(40,278,104)	-	(40,278,104)
Reversals	-	-	-	-	-	-
Closing balance	72,258,960	133,146,543	205,405,503	13,607,599	80,747,183	94,354,782

	Note	2018 Rupees	2017 Rupees
9.4 Particulars of advances written off			
Against provision		(148,663,082)	(40,278,104)
Directly charged to profit and loss account		-	-
		<u>(148,663,082)</u>	<u>(40,278,104)</u>

10 OPERATING FIXED ASSETS

Capital work-in-progress	10.1	49,912,875	66,970,480
Property and equipment	10.2	595,586,622	303,415,567
Intangible assets	10.3	109,000,408	94,969,168
		<u>754,499,905</u>	<u>465,355,215</u>

10.1 Capital work-in-progress

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

Advances to suppliers / contractors	10.1.1	40,288,098	29,670,038
Office improvements		9,624,777	37,300,442
		<u>49,912,875</u>	<u>66,970,480</u>

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

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10.2 Property and equipment

	2018								Book value at 31 December 2018	Rates of depreciation % (per annum)
	Cost				Depreciation					
	At 01 January 2018	Additions	Disposals	At 31 December 2018	At 01 January 2018	Charge for the year	Disposals	At 31 December 2018		
	Rupees									
Leased										
Vehicle	-	26,362,716	-	26,362,716	-	1,026,858	-	1,026,858	25,335,858	20.00%
Owned										
Furniture and fixture	82,190,913	54,971,517	-	137,162,430	13,531,938	11,540,294	-	25,072,232	112,090,198	10.00%
Computer equipments	113,884,301	29,068,629	(2,449,382)	140,503,548	92,651,956	17,079,720	(2,449,382)	107,282,294	33,221,254	33.33%
Electrical equipment	154,073,633	155,584,731	(2,959,008)	306,699,356	60,732,202	47,659,810	(1,579,380)	106,812,632	199,886,724	20.00%
Vehicles	26,943,042	210,000	-	27,153,042	13,157,949	4,361,424	-	17,519,373	9,633,669	20.00%
Office improvement	136,210,290	143,835,040	-	280,045,330	29,812,567	34,813,844	-	64,626,411	215,418,919	10.00%
	513,302,179	410,032,633	(5,408,390)	917,926,422	209,886,612	116,481,950	(4,028,762)	322,339,800	595,586,622	
	2017									
	Cost				Depreciation				Book value at 31 December 2017	Rates of depreciation % (per annum)
	At 01 January 2017	Additions	Disposals	At 31 December 2017	At 01 January 2017	Charge for the year	Disposals	At 31 December 2017		
	Rupees									
Owned										
Furniture and fixture	43,140,018	39,050,895	-	82,190,913	7,791,761	5,740,177	-	13,531,938	68,658,975	10.00%
Computer equipments	97,332,824	17,003,044	(451,567)	113,884,301	80,598,742	12,482,640	(429,426)	92,651,956	21,232,345	33.33%
Electrical equipment	96,726,728	57,346,905	-	154,073,633	36,335,769	24,396,433	-	60,732,202	93,341,431	20.00%
Vehicles	23,877,735	3,065,307	-	26,943,042	7,907,825	5,250,124	-	13,157,949	13,785,093	20.00%
Office improvement	83,138,754	53,071,536	-	136,210,290	18,123,092	11,689,475	-	29,812,567	106,397,723	10.00%
	344,216,059	169,537,687	(451,567)	513,302,179	150,757,189	59,558,849	(429,426)	209,886,612	303,415,567	

10.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 101,816,213 (2017: Rs. 74,915,671).

10.2.2 Detail of disposals of operating fixed assets

Deletion of fixed assets during the year with book value in excess of Rs. 500,000 is Nil (2017: Nil).

Description	Original cost	Accumulated depreciation	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
Office equipment	2,959,008	1,579,380	1,459,250	79,622	As per policy (Replacement of gensets)	Various buyers
Computer equipments	2,449,382	2,449,382	61,431	61,431	As per policy (Laptops buy back by employees)	Various employees

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10.3 Intangible assets

Note	2018							Rates of amortization % (per annum)	
	Cost			Amortization			Book value at 31 December 2018		
	At 01 January 2018	Additions	At 31 December 2018	At 01 January 2018	Charge for the year	At 31 December 2018			
Rupees									
Computer softwares	10.3.1	133,582,738	32,295,565	165,878,303	41,492,508	15,785,377	57,277,885	108,600,418	10.00%
Licenses		12,394,739	-	12,394,739	9,515,801	2,478,948	11,994,749	399,990	20.00%
Mail server		78,378	-	78,378	78,378	-	78,378	-	33.33%
		146,055,855	32,295,565	178,351,420	51,086,687	18,264,325	69,351,012	109,000,408	
2017									
	Cost			Amortization			Book value at 31 December 2017	Rates of amortization % (per annum)	
	At 01 January 2017	Additions	At 31 December 2017	At 01 January 2017	Charge for the year	At 31 December 2017			
	Rupees								
Computer softwares	10.3.1	102,315,238	31,267,500	133,582,738	29,980,000	11,512,508	41,492,508	92,090,230	10.00%
Licenses		12,394,739	-	12,394,739	6,518,117	2,997,684	9,515,801	2,878,938	20.00%
Mail server		78,378	-	78,378	78,378	-	78,378	-	33.33%
		114,788,355	31,267,500	146,055,855	36,576,495	14,510,192	51,086,687	94,969,168	

10.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 06 years (2017: 07 years).

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11	OTHER ASSETS	Note	2018 Rupees	2017 Rupees
	Income / mark-up accrued		1,826,626,488	1,071,928,727
	Advances, deposits, advance rent and other prepayments	11.1	330,064,031	207,205,466
	Advance tax - net		24,796,741	53,553,650
	Inventory of ATM cards & stationery		7,568,722	1,845,436
	Advance to employees	11.2	11,732,575	2,042,166
	Receivable from SBP against crop and livestock insurance	11.3	269,805,856	103,264,058
	Others		52,468,433	5,037,484
			<u>2,523,062,846</u>	<u>1,444,876,987</u>

11.1 This includes an amount of Rs. 92 million (2017: Nil) paid to Pakistan Telecommunication Company Limited, the Parent Company, for the purchase of ICT hardware and Rs. 1.5 million (2017: Rs. 1.2 million) receivable on account of utility bills collection charges.

11.2 These represent loans to staff and executives of the Bank for a maximum period of 60 months. These are secured against the retirement benefits of employees. None of the individual advances is over one million.

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

12	DEFERRED TAX ASSET	2018 Rupees	2017 Rupees
	Deductable temporary differences arising in respect of		
	Provision against advances	55,459,486	28,306,435
	Deficit on revaluation of available for sale securities	10,800	12,050
	Remeasurement of employees' retirement benefits	2,012,293	930,984
	Lease finance facilities	5,357,705	-
		<u>62,840,284</u>	<u>29,249,469</u>
	Taxable temporary differences arising in respect of		
	Accelerated tax depreciation / amortization allowance	(21,185,884)	(8,378,878)
		<u>41,654,400</u>	<u>20,870,591</u>

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

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	Net balance at 01 January 2017	Recognised in		Net balance at 31 December 2017	
		Profit and loss	Other comprehensive income		
		Rupees			
2017					
Taxable temporary differences					
Operating fixed assets	(1,810,064)	(6,568,814)	-	(8,378,878)	
Deductible temporary differences					
Provision for advances	14,514,259	13,792,176	-	28,306,435	
Employee retirement benefit - gratuity	355,863	-	575,121	930,984	
Surplus / (Deficit) on revaluation of assets	(455,162)	-	467,212	12,050	
Unused tax credit	25,234,233	(25,234,233)	-	-	
Unused tax losses	47,227,004	(47,227,004)	-	-	
	86,876,197	(58,669,061)	1,042,333	29,249,469	
	85,066,133	(65,237,875)	1,042,333	20,870,591	
		2018		2017	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
13	DEPOSITS AND OTHER ACCOUNTS				
	Fixed deposits	2,316	12,243,825,791	1,684	7,313,252,894
	Saving deposits	10,902	6,208,685,764	9,337	3,524,891,946
	Current deposits	608,030	2,082,258,840	424,110	1,133,213,374
		621,248	20,534,770,395	435,131	11,971,358,214
13.1	Particulars of deposits by ownership				
	Individual depositors	620,714	9,028,911,931	434,738	6,590,486,984
	Institutional depositors				
	Corporation/ firms etc.	435	5,149,365,125	333	2,348,577,046
	Banks / financial institutions	99	6,356,493,339	60	3,032,294,184
	Total	621,248	20,534,770,395	435,131	11,971,358,214
13.2	This includes an amount of Rs. 2,737 million (2017: Rs. 1,649 million) relating to related parties.				
14	BORROWINGS	Note	2018 Rupees	2017 Rupees	
	Borrowings from Banks / Financial Institutions in Pakistan:				
	<i>Secured</i>				
	Pak Oman Investment Company Limited	14.1	100,000,000	300,000,000	
	Bank Alfalah Limited	14.2	120,000,000	240,000,000	
	United Bank Limited	14.3	40,000,000	80,000,000	
	Allied Bank Limited	14.4	1,250,000,000	1,500,000,000	
	Commercial Paper		-	949,486,748	
	Faysal Bank Limited	14.5	1,000,000,000	-	
	Allied Bank Limited - II	14.6	2,000,000,000	-	
	National bank of Pakistan - Running Finance	14.7	500,000,000	-	
	Faysal Bank Limited - II	14.8	1,000,000,000	-	
			6,010,000,000	3,069,486,748	

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- 14.1** This represent outstanding balance of term finance loan of Rs. 500 million carrying markup of 6-months KIBOR plus 2.0% (2017: 6-month KIBOR plus 2.0%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advances of the Bank with 25% margin over facility amount and post dated cheques of principal repayments. This loan is repayable in 5 equal semi-annual instalments of Rs. 100 million each. Repayments have started from April 2017.
- 14.2** This represent outstanding balance of term finance loan of Rs. 300 million carrying markup of 6-months KIBOR plus 1.5% (2017: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advance of the Bank for Rs. 400 million registered with SECP and State Bank of Pakistan guarantee through SBP Microfinance guarantee facility covering 60% loss sharing on principal amount disbursed. This loan is repayable in 5 equal semi-annual instalments of Rs. 60 million each. Repayments have started from September 2017.
- 14.3** This represents outstanding balance of term finance loan of Rs. 100 million carrying markup of 6-months KIBOR plus 1.5% (2017: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured 100% against first pari passu charge on present and future current assets of the Bank with 25% margin as well as assignment on revenue, charge amount of Rs. 133.33 million. This loan is repayable in 5 equal semi-annual instalments of Rs. 20 million each. Repayments have started from December 2017.
- 14.4** This represents outstanding balance of term finance facility under syndicate financing through Allied Bank Limited of Rs. 1,500 million carrying markup of 6-months KIBOR plus 1.10% (2017: 6-month KIBOR plus 1.10%) per annum payable semi-annually. These are secured against first pari passu charge over all present and future assets of U Microfinance Bank Limited with 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 250 million each. Repayments have started from September 2018.
- 14.5** This represent term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% per annum (2017: Nil) payable semi-annually. These are secured against first pari passu charge on book debts, advances and receivable of U Microfinance Bank Limited with 25% margin and Microfinance Credit Guarantee Facility (MCGF) from State Bank of Pakistan at 25%. This loan is repayable in 8 equal semi-annual instalments of Rs. 125 million each commencing from September 2019.
- 14.6** This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 2 billion carrying markup of 6-months KIBOR plus 0.95% per annum (2017: Nil) payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu within 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.
- 14.7** This represents running finance facility through National Bank of Pakistan Limited of Rs. 500 million carrying markup of 3-months KIBOR plus 0.75% per annum (2017: Rs. Nil). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis from March 2019.
- 14.8** This represent term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2017: Nil). 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 will be upgraded to first pari passu within 90 days from the date of this offer letter dated 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year.

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15	SUBORDINATED DEBT	Note	2018 Rupees	2017 Rupees
	Term Finance Certificates	15.1	599,640,000	600,000,000
	Subordinated loan PTCL	15.2	4,000,000,000	-
			<u>4,599,640,000</u>	<u>600,000,000</u>

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

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

16	OTHER LIABILITIES	Note	2018 Rupees	2017 Rupees
	Mark-up / return / interest payable	16.1	260,151,096	228,050,180
	Accrued expenses		260,644,585	188,109,032
	Payable to Pak Telecom Mobile Limited (PTML), an associated company		69,614,227	30,322,925
	Payable to utility companies for utility bills collection		30,604,224	19,456,086
	Uncollected remittances		55,428,921	58,824,313
	Sales tax / federal excise duty payable		-	10,026,840
	Finance lease liabilities	16.2	18,845,646	-
	Payable to staff retirement benefit - gratuity	16.3	9,037,006	3,464,570
	Payable to defined contribution plan - provident fund	16.4	12,096,665	-
	Bills payable		80,297,896	54,321,998
	Others		15,708,359	8,236,549
	Workers' Welfare Fund payable		26,235,778	10,229,929
			<u>838,664,403</u>	<u>611,042,422</u>

16.1 This includes amount of Rs. 6.51 million (2017: Rs. 21.40 million) payable to related parties on account of markup for the month of December 2018. For details of balances please refer to note 36 to these financial statements.

16.2	Finance lease liabilities	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
	2018			
	Not later than one year	3,287,457	2,019,382	5,306,839
	Later than one year and not later than five years	15,558,189	3,374,751	18,932,940
		<u>18,845,646</u>	<u>5,394,133</u>	<u>24,239,779</u>
	2017			
	Not later than one year	-	-	-
	Later than one year and not later than five years	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>

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- 16.2.1** The Bank has leased vehicles from commercial banks for a period of five years. These carry finance charge at six month KIBOR plus 0.9% (2017: Nil). The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

	2018 Rupees	2017 Rupees
16.3 Movement in the liability recognised in the balance sheet		
Present value of defined benefit obligation	47,612,926	29,488,343
Fair value of plan assets	(38,575,920)	(26,023,773)
Net defined benefit liability	<u>9,037,006</u>	<u>3,464,570</u>

16.3.1 Net defined benefit liability - gratuity

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

Movement in net defined benefit liability - gratuity

Balance at 01 January	29,488,343	19,085,965
Charge for the year	21,061,693	11,858,651
Experience adjustments on defined benefit liability	3,767,360	1,245,439
Benefits paid	(6,704,470)	(2,701,712)
Balance at 31 December	<u>47,612,926</u>	<u>29,488,343</u>

Reconciliation of liability recognised in the balance sheet

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
2018			
Balance at 01 January	29,488,343	(26,023,773)	3,464,570
Charge for the year	21,061,693	-	21,061,693
Experience adjustments on defined benefit liability	3,767,360	582,297	4,349,657
Benefits paid	(6,704,470)	-	(6,704,470)
Expected return on plan assets	-	(3,324,823)	(3,324,823)
Contributions to gratuity fund	-	(9,809,621)	(9,809,621)
Balance at 31 December	<u>47,612,926</u>	<u>(38,575,920)</u>	<u>9,037,006</u>
2017			
Balance at 01 January	19,085,965	(18,335,965)	750,000
Charge for the year	11,858,651	-	11,858,651
Experience adjustments on defined benefit liability	1,245,439	671,630	1,917,069
Benefits paid	(2,701,712)	-	(2,701,712)
Expected return on plan assets	-	(2,041,995)	(2,041,995)
Contributions to gratuity fund	-	(6,317,443)	(6,317,443)
Balance at 31 December	<u>29,488,343</u>	<u>(26,023,773)</u>	<u>3,464,570</u>

	2018 Rupees	2017 Rupees
16.3.2 Charge to profit and loss account net of return on plan assets		
Current service cost	18,252,061	10,173,816
Interest cost	(515,191)	(357,160)
	<u>17,736,870</u>	<u>9,816,656</u>

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

Administrative expenses	<u>17,736,870</u>	<u>9,816,656</u>
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	2018 Rupees	2017 Rupees
16.3.3 Charge / (credit) to other comprehensive income		
Actuarial loss on obligations	3,767,360	1,917,070
Actuarial loss on assets	582,297	-
	<u>4,349,657</u>	<u>1,917,070</u>

16.3.4 Key actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2018 using projected unit credit method with the following assumptions:

	2018	2017
Discount rate used for interest cost in profit and loss account	14%	10.75%
Salary increase used for reporting date liability		
Salary growth rate for 2018	13.00%	9.75%
Date of next expected salary increase	01 January 2019	01 January 2018
Mortality rate	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Expected return on plan assets	14%	14%
Duration (Years)	17.20	17.69
Withdrawal rates	Low	Low
Retirement assumption	Age 60	Age 60

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

16.3.5 Sensitivity analysis

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

	2018 Increase Rupees	2018 Decrease Rupees	2017 Increase Rupees	2017 Decrease Rupees
Discount rate	<u>40,510,158</u>	<u>56,354,445</u>	<u>24,827,046</u>	<u>35,259,712</u>
Salary increase rate	<u>56,596,420</u>	<u>40,223,782</u>	<u>35,419,984</u>	<u>24,637,154</u>

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

16.3.6 The Bank's expected charge for defined benefit liability - gratuity for the next six months is Rs. 23.54 million.

16.3.7 Risks associated with defined benefit liability - gratuity

Final Salary Risk (linked to inflation risk)

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

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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.

16.3.8 Expected maturity profile

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

	2018 Rupees	2017 Rupees
Year 1	811,453	560,339
Year 2	1,021,350	641,818
Year 3	1,045,853	645,152
Year 4	1,073,012	649,784
Year 5	1,103,864	656,507
Year 6 to Year 10	6,766,887	3,641,781
Year 11 and beyond	878,140,057	343,366,881

16.3.9 Historical information

	Present value of defined benefit liability Rupees	Net liability at the reporting date Rupees
2018	47,612,926	9,037,006
2017	29,488,343	3,464,570
2016	19,085,965	750,000
2015	13,411,845	2,198,524
2014	10,367,889	10,367,889

16.3.10 Fair value of plan assets

Total assets of fund - opening	26,023,773	18,335,965
Expected return on plan assets	3,324,823	2,041,995
Contributions to gratuity fund	9,809,621	6,317,443
Benefits paid on behalf of fund	6,704,470	2,701,712
Benefits paid	(6,704,470)	(2,701,712)
Actuarial loss on plan assets	(582,297)	(671,630)
Total assets of fund - closing	<u>38,575,920</u>	<u>26,023,773</u>

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	2018 Rupees (Un-audited)	2017 Rupees (Un-audited)
16.4 Employees provident fund		
Size of the fund	57,275,355	50,816,327
Cost of investments held	57,275,355	50,816,327
Percentage of investments held	100%	100%
Fair value of investments	57,275,355	50,816,327

Investments represent balances held with bank carrying interest at rate of 10% (2017: 10%) per annum.

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

17 SHARE CAPITAL

17.1 Authorized capital

2018 Number	2017 Number		2018 Rupees	2017 Rupees
800,000,000	300,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	3,000,000,000

17.2 Issued, subscribed and paid-up capital

2018 Number	2017 Number		2018 Rupees	2017 Rupees
20,000,000	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	200,000,000	200,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
200,000,000	100,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	2,000,000,000	1,000,000,000
228,571,429	128,571,429		2,285,714,290	1,285,714,290

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

17.4 All ordinary shares rank equally with regard to the Bank's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Bank.

17.5 During the year, the Bank has issued 100 million additional shares by way of right issue at par value of Rs.10 per share to Pakistan Telecommunication Company Limited (PTCL) being the sole sponsor of the Bank.

	2018 Rupees	2017 Rupees
18 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
Surplus on revaluation of fixed assets	-	-
<u>Surplus/(Deficit) on revaluation of securities</u>		
Federal and Provincial Government securities - Market Treasury Bills (T-Bills)	(39,999)	(40,165)
Related deferred tax effect	10,800	12,050
	<u>(29,199)</u>	<u>(28,115)</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19 MEMORANDUM / OFF BALANCE SHEET ITEMS

19.1 Contingencies

There are no material contingencies as at 31 December 2018 (2017: Nil).

19.2 Commitments	Note	2018 Rupees	2017 Rupees
Standby letter of guarantee	19.3	7,425,000	6,365,151
Property and equipment		37,782,009	91,954,043
Intangible assets		25,379,362	9,181,812
		<u>70,586,371</u>	<u>107,501,006</u>

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

20 MARK-UP / RETURN / INTEREST EARNED	2018 Rupees	2017 Rupees
Mark-up / return / interest on advances	3,957,189,332	2,348,006,537
Interest on investments in government securities	93,752,916	82,003,001
Interest on deposit accounts / TDRs with other banks / financial institutions	314,991,554	214,939,981
	<u>4,365,933,802</u>	<u>2,644,949,519</u>

21 MARK-UP / RETURN / INTEREST EXPENSED

Mark-up / return / interest expense on deposits	1,335,523,097	969,118,389
Mark-up expense on borrowings from banks / financial institutions	340,620,303	183,166,843
	<u>1,676,143,400</u>	<u>1,152,285,232</u>

22 FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee	572,636,675	359,647,603
Branchless banking	41,085,800	85,308,456
Other fee income collected from customers	11,740,733	3,308,711
	<u>625,463,208</u>	<u>448,264,770</u>

23 OTHER INCOME

Recovery against advances written off	14,045,058	4,987,033
Gain on sale of investments	-	4,736,459
Other	974,115	110,557
	<u>15,019,173</u>	<u>9,834,049</u>

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24	ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees
	Staff salaries and benefits		1,139,159,657	784,597,814
	Charge for defined benefit plan - gratuity		17,736,870	9,816,656
	Contribution to defined contribution plan - provident fund		18,117,078	11,612,427
	Non-Executive directors' fee		240,000	340,000
	Financial charges on leased assets		640,038	-
	Trainings		13,008,701	4,535,479
	Insurance		74,702,065	45,340,463
	Rent, rate and taxes		234,045,358	140,967,503
	Travelling and conveyance		65,394,992	43,636,246
	Postage and courier		8,036,147	6,736,802
	Utilities		64,523,381	38,194,494
	Repair and maintenance		82,314,766	39,319,214
	Depreciation and amortization	10.2 & 10.3	134,746,275	74,069,041
	Software support and maintenance fee		42,535,204	34,582,892
	Stationery and printing		47,959,063	26,649,513
	Auditors' remuneration	24.1	1,750,000	1,535,000
	Legal and professional fee		31,450,867	13,002,554
	Security services		128,672,447	69,756,814
	Office supplies		16,828,774	7,321,084
	Internet and connectivity charges		30,928,201	14,315,356
	NADRA verification charges		23,758,385	18,543,476
	Bank charges		22,613,845	8,549,191
	Marketing expenses		37,682,356	10,806,996
	Upaisa expense - branchless banking		25,468,509	40,945,622
	Other		5,553,733	1,561,919
			<u>2,267,866,712</u>	<u>1,446,736,556</u>
24.1	Auditors' remuneration			
	<i>KPMG Taseer Hadi & Co.</i>			
	Half year review		350,000	-
	Annual audit		600,000	-
	Fee for certifications		600,000	-
	Out of pocket expenses		200,000	-
			<u>1,750,000</u>	<u>-</u>
	<i>Deloitte Yousuf Adil</i>			
	Half year review		-	350,000
	Annual audit		-	600,000
	Fee for certifications		-	485,000
	Out of pocket expenses		-	100,000
			<u>-</u>	<u>1,535,000</u>
25	OTHER CHARGES			
	SBP penalty	25.1	20,000	1,851,000
	Loss on sale of investments		2,379,837	-
			<u>2,399,837</u>	<u>1,851,000</u>
25.1	SBP penalty paid during the year related to late submission of ECIB report.			

KPMG

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

26	TAXATION	2018 Rupees	2017 Rupees
	Current		
	- for the year	(261,029,309)	(83,401,162)
	- for prior years	4,096,213	-
		(256,933,096)	(83,401,162)
	Deferred	19,703,750	(65,237,875)
		<u>(237,229,346)</u>	<u>(148,639,037)</u>
	Effective tax rate	30.25%	36.47%

26.1	Tax rate reconciliation	2018	2017
	Profit before tax and after WWF (Rupees)	<u>784,286,582</u>	<u>407,605,056</u>
	Tax rate	29%	30%
	Tax on accounting profit	29%	30%
	Tax effect of income taxable at lower rates	-1.45%	-0.99%
	Prior year charge	-0.52%	0.00%
	Effect of super tax	2.02%	0.00%
	Effect of change in tax rate	0.27%	0.67%
	Permanent difference	0.93%	6.79%
	Tax expense for the year	<u>30.25%</u>	<u>36.47%</u>

26.2 Status of income tax assessments

According to the management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017 Rupees	2016 Rupees	2015 Rupees
Income tax provision for the year - as per financial statements	83,401,162	15,922,448	9,702,912
Income tax provision for the year - as per tax assessment	79,304,949	16,491,178	10,480,003

27	CASH AND CASH EQUIVALENTS	2018 Rupees	2017 Rupees
	Cash and balances with SBP and NBP	1,457,386,758	772,153,529
	Balances with other banks / NBFIs / MFBs	<u>11,027,311,074</u>	<u>586,898,409</u>
		<u>12,484,697,832</u>	<u>1,359,051,938</u>

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

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

28 NUMBER OF EMPLOYEES

	Numbers	Numbers
Credit / sales staff		
Permanent	112	40
Contractual	664	492
	776	532
Banking / support staff		
Permanent	531	308
Contractual	673	481
	1,204	789
Total number of employees at 31 December 2018	1,980	1,321
Average number of employees during the year	1,708	1,093

29 NUMBER OF BRANCHES

Branches / Service centres at beginning of the year	100	75
Opened during the year		
- Branches	41	25
- Service centres	-	-
Branches / Service centres at end of the year	141	100

30 EARNING PER SHARE

Basic

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

	2018	2017
Profit attributable to equity holders (Rupees)	547,057,236	258,966,019
Weighted average number of shares (numbers)	219,804,306	128,571,429
Earning per share - basic (Rupees)	2.49	2.01

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

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

31 DETAILS OF BUSINESS LOCATIONS

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

<i>Branch name</i>	<i>Address</i>
Nazimabad	Plot no 1/28, nazimabad no 1, Al-ghafoor . cden groud floor, karachi.
Rawalpindi	PTCL Exchange, OSS Hall, Kashmir Road, Saddar, Rawalpindi
Bhakkar	Plot# 156A2 Club Road Mandi town Bhakkar
Lodhran	Khata no.291, ward no. 26, Near Jalalpur Mor, Opposite Ahl-e-Hadis Masjid, Multan Bahawalpur Road Lodhran
Layyah	Khasra # 371, Near Paracha Petrol Pump Chobara Road, Near TDA Chowk Layyah
Lahore	117 -A, Chowk yateem Khana, Multan Road, Lahore
Rahim Yar Khan	House # 20A, Al-Hamra House, Modal Town, Rahim Yar Khan
Sahiwal	Plot # 183/c, Block # B-vii, Kachehri Road Sahiwal
Bahawalpur	House # 17, Texation # B-III, 2784/2, Ihata Sinda Ram, Stadium Road Farid gate Bahawalpur
Ahmedpur East	Khata # 136/134, Khatooni # 193, Near Rohi Autos, Kachahry Road, Ahmedpur East, District Bahawalpur
Dunya Pur	Khewat No. 233, Near Khawaja Asim & Qasim Company, Railway Road Dunyapur, District Lodhran
Karachi Gulshan	F-13/11, Block - 5, Gulshan-e-Iqbal, Karachi
Abbottabad	Shop # 1, to 3, first floor, Yousaf Plaza, Mansehra Road, Abbottabad
Mirpurkhas	PTCL Exchange Office near Main GPO chowk Mirpurkhas
Multan	Khewat No. 431, Khatooni # 786, Moza Neel Kot Chungi No 6, Bosan Road Punjab Nursery Gulgasht Colony, Multan.
Chistian	Khatooni no.397, Tal plaza near melaad chowk, college road, chistian dsitric, bahawalnagar.
Pakpattan	Plot No. B-1/92/A-II Khasra No. 208/14, Khewat No.2603, Khatoni No. 2928, College road Pakpattan
Faisalabad	Plot # 343-B, London Plaza, Ground Floor, Adjacent Ideal Bakers, Satiyana Road, Faisalabad
Muzafarabad	Shop # 1-6, 1st floor, Bilal Shopping Complex, Upper Adda, Muzaffarabad
Gujranwala	Khatooni no.65, Khawat no.65, Aftab Steel Market, Near Old Regent Cinema, GT Road, Gujranwala
Peshawar	Compound No.80, T.T.C, Opposite Gulbahar Road, District Peshawar.
Nawabshah	Samar Palace House# 25, 26 Hospital Road Nawab Shah
Ghotki	City Survey # 890, Ward B, Near Faisal Bank, Dewari Road, Ghotki
Khairpur	House # B-2443, Kachehry Road, Opposite ZTBL, Khairpur Mirus
Hyderabad	House # A/2592, Ward A, Bhurgury Road, Hirabad, Hyderabad
Mankera	Haji Ikram Filling station Asghar Chowk Mankera
Kot Addu	Khata#451 Khatoni#640 Near Al Quraish CNG GT Road Kot Addu
Okara	Khewat No 1320, Khatooni No 1408, Khasra No C/2771, Sahi Manzil, College Road, Opposite Municipal Corporation, Okara.
Kasur	Kasur Beroon (Jadeed Urban), Tehsil & District Kasur, Khawat # 169, Khatooni # 503, Khasra # 2193
Hafizabad	Khewat # 755, khatooni # 1793, Gujranwala road near MCB hafizabad
Gujrat	Khewat no.788,khatooni no.1374-1375,khasra no.31 mohal nanwan rangpura sargodha road gujrat
Sukkur	City survey no. 240, ward c, ptcl old cto compound building ,neem ki chari,minara road sukkur.
Ghulam Muhammad Abad	House no 1451B(4M 119SF) Main GMA Road sabri chowk. 70ft bazar,civil quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh	Khasra no 4203/150 , Near Jamiyah Muhammadia, Hafizabad road
Ali Pur Chatta	Khewat no.424,khatooni no 110 Gujranwala Road, Alipur Chatta

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NOTES TO THE FINANCIAL STATEMENTS
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<i>Branch name</i>	<i>Address</i>
Uch Sharif	13/13 , Khatooni No. 20 Sohail Trade centre, Near ZTBL, Ahmedpur East road, Uch sharif Tehsil APE, district Bahawalpur
Khanewal	Near Purana karkhana nad union council no 1 khasra no 205/29 khewat no. 28/27, zafar ullah raod Khanewal
Basirpur	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Baseerpur, Tehsil Depalpur District Okara
Depalpur	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra road, Deepalpur Opposite Iari Adda
Renala Khurad	Khewat no. 596, khatooni no.576 Chak # 21/2-L, Hussain Arcade, Androon Hadud committee, Renala district Okara
Hujra Shah Muqem	Khewat no.1440/1404, khatooni no.2193, salam khata no.333-4, qatta no.216, Circular Road, Hujra Shah Muqem, Attari Road, near Molvi Muhammad Siddique Daras
Chichawatni	Kewat no.17, Fazal Plaza, Begum Shahnaz road, Chichawatni
Darya Khan	Khata # 51, Khatoni # 72 Near govt. college of commerce railway road Darya Khan District Bhakkar
Khanpur	Ahmad Plaza Bypass Road Khanpur, Tehsil Khanpur, District Rahim Yar Khan
Sadiqabad	Khata # 6/6, Khatoni # 7, Nishtar road, Mehra Abad colony, Nehar Kinara, Tehsil Sadiqabad, District Rahim Yar Khan
Digri	City Survey # 1185, Mirwah Road digri Taluka Digri, District Mirpurkhas
Raiwind	Khewat no 2432, khatooni no 3482, sunder road near sohail surgical hospital raiwind
Khudian	Khewat # 285, Khatooni # 938, Khasra # 10133/7452/3-14, Moza Khudian, Androon Hadood Committee Near Lari Adda Tehsil & District Kasur
Kot Radha Kishan	Khewat No 301, Khatooni no. 449 Khasra no 1823, Near Noor Hospital, Pulli Stop, Main Raiwind Road, Tehsil Kot Radha Kishan, District Kasur.
Pano Aqil	Survey # 436, Baiji Road Tehsil Panuu Aqil District Sukkur
Shahdra	Khewat no 82 khatooni no 118 khasra no 163/143, gt road, saeed park, had bast moza fateh puri, tehsil lahore
Hasilpur	Khewat & Khatooni # 103, Altaj Plaza, railway road, Hasilpur, District Bahawalpur
Chowk Azam	Khewat # 19, China plaza, Near Khushhali Bank Ltd, Fatchpur road, Chowk Azam District Layyah.
Karor Lal Essan	Khata # 74, Khatoni # 264, Near PTCL exchange fatch pur road, Tehsil Karor Lal Essan District Layyah.
Kahrer Pacca	Khewat # 92, Dunyapur road near railway phatak, zafar abad tehsil Kahrer Pacca, District Ldhran
Jalalpur Pirwala	Khewat # 246, Mouza jalalpur pirwala, District Multan
Arifwala	Khasra # 2082, Khewat # 1346, Khatoni # 1361, Lakar Mandi, Arifwala Pakpattan
Dinga	Khasra no.211, Khawat no.700, Khatooni no.1700, Anaar Plaza, Thana Road Near Gulzar
Muridke	Plot no. 1-5, Khewat no.8302, khatooni no.2566, Khasra no. 3133 Timber Market, Qaiser Park,
Wazirabad	PT 1 no BV-11-s-3/RH; Malik Building; Rex cinema Road near Boys High School Wazirabad
Dharampura	SE6R-240/8/RH, Allama Iqbal Road, Lahore.
Jalalpur Bhattian	Khewat no. 78 & 739, Khasra no. 446 & 1166 Khatooni no. 134 & 472/2 Vinkay Chowk Pull Same Nala Jalalpur Bhattian district Hafizabad.
Pindi Bhattian	Khewat no. 183; Khasra no. 397; Khatooni no 476/494 Main Bazar Hafizabad Road near nalka Stop Pindi Bhattian; District Hafizabad.
Ellahabad	Khewat no.1100, Khatooni no.1992, Khasra no.3904/1167, Chunian road, Ellahabad, Tehsil & district Kasur
Jalalpur Jattan	Khewat no. 2000, Khatooni no: 2599, Marba no. 37 Qila no.26, Shahbaz pur Road, Near Patianwala Chowk Jalalpur Jattan District Gujrat.
Tando Muhammad Khan	Plot/city survey no.1940/1, ward-B, phuleli Road, Tando Muhammad Khan.
Phalia	Khatooni no.80, Khasra no.364, Heelan Road Near Heelan Choungi opposite gourmet baker, Phalia.
Shujaabad	Khewat # 92, Chungi # 10, Near ZTBL, Jalalpur road, Shujabad, District Multan
Ranipur	Plot no.659 National Highways, Ward no.04, Town Ranipur.

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<i>Branch name</i>	<i>Address</i>
Islamabad	Shop no.7 & 8, Plot no.64W, Masco Plaza,Ground Floor, Jinnah Avenue, Blue Area, Islamabad.
Jaranwala	P-1480, Faisalabad Road, Near NADRA office,Jaranwala, Tehsil &District Faisalabad.
Korangi	Plot No. N – 23, Ground Floor, Area – N Korangi No. 3 ½, Karachi.
Rajanpur	Khata no. 644, Intaqal no. 12720, Moza Rajanpur I,Kamran Market Indus Highway, Near Khushhali Bank,Rajanpur
Tando Allahyar	Plot no.7, Near Grid Station Mohalla Main Hyderabad Road Tando Allahyar Tehsil & District Tando Allahyar
North Karachi	Plot no R-12, sector no 5 c/4 North karachi township Karachi
Shahra E Faisal	Showroom NO.11 & 13 Ground floor Pak Avenue,Plot No 24/A survey Sheet No.35-P/1, Block No.6, PECHS, Shahra-e-Faisal Karachi
Jhang	Khata no. 55, Moaza Civil Station, Katchery Road, Library Chowk, Jhang.
Moro	Ward# 13 Main Road, Moro, District Naushahro feroze.
Tando Adam	Ward# A House# 516 Near Indus Hotel, Hyderabad Road Tando Adam District Sanghar.
Umar Kot	Plot # 19, 20, 40 & 41 Mirpurkhas, Road Umar Kot District Umar Kot.
Bahawalnagar	Khewat # 2222, Khatooni 2321,Minchen Abad Road, Near Askari Bank, Tehsil & District Bahawalnagar.
Kandhkot	Registration No# 464, Entry No# 1000, Juman Shah Mohalla Kandhkot District Kashmore.
Mehar	Ward# A City Survey # 752, 1041 & 1042 School Road Mehar District Dadu.
Mehrabpur	Plot No# III A-13 A Thari Mirwah Road ,Mehrabpur District Naushahro feroze.
Naseerabad	House No.# 2334 Ward-B Madina Shopping Centre, Mohallah Kathia Bazar, Badah Road, Nasirabad, District Qambar, ShahdadKot.
Shikarpur	Ward No# 51 Near Jahaz Chowk Station Road Shikarpur District Shikarpur.
Chundko	Plot# 149 Main Chowk near Bus Stand Chundko District Khairpur Mir's.
Sargodha	Bilal Plaza, Plot No 40 C, W – Block, new satellite Town, Sargodha.
Sheikhupura	Khasra no 1284/1285, Khawat no 5-13, 5 College Road 129 Civil Line Sheikhupura.
Dera Ghazi Khan	Shop no 21-22, Block E Opp. Civil Line Police Station Railway Road Dera Ghazi Khan.
Qambar	Ward –B city survey no 63/132-64/88, 65 & 66 Muhabbat Ali Road Old Shahdad Kot, Near NBP/Sindh Bank, Qambar.
Larkana	Ward A, City Survey no 571/1 and 570/2 Bank square, near Mobilink bank, District Larkana.
Muzaffargarh	Khewat no 646, Jhang Road, near bank of Punjab, Muzaffargarh.
Chowk Sarwar	Khatooni no 54, Khewat no 35/32, MM Road, opposite general Bus stand , Chowk Sarwar Shaheed , tehsil Kot Addu District Muzaffargarh.
Narowal	Khata no. 1171, Khatooni no 1958, Khasra no. 5206/2570 Jasir Bypass, Circular Road , Tehsil & District Narowal.
Noorpur Thal	Khawat no.1134/1072, khatooni no.1717 Joharabad Road near Rescue 1122 Office Noorpur Thal.
Dadu	City Survey 1003 revenue survey number 133 Kachehry Road Dadu.
Kashmore	Deh Pakka Kashmore, indus highway , oppositee shell petrol pump district kashmore
Ratadero	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.
Daherki	Survey No. 446, GT Road, Daharki, District Ghotki.
Qazi Ahmed	Ward No. 2 Sardar Colony, Near Police Station National High Way Road Qazi Ahmed, District Nawabshah.
Sanghar	Plot No. A - 8, City Survey no. 124, Ward A, Housing Society Main Nawabshah Road,Taluka & District Sanghar.
Mithi	Plot No. 10 and 11, Near Press Club Mithi District Tharparkar
Golarchi	Plot No. A-1, Main Karachi Road ,Golarchi , District Badin
Mirpur Sakro	Plot No. 285, Main Gharo Road Mirpur Sakro District Thatta
Vehari	Khewat # 48, Khatoni # 48 49-A ,Block Karkhana Bazar Vehari, District Vehari

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<i>Branch name</i>	<i>Address</i>
Ali Pur	Khata no. 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur	Khata Number 437 Ward # 09 Main Indus Highway Fazilpur Tehsil and Distt Rajanpur
Liaqat Pur	Plot no.133 City Center Rest House Road Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu	Khawat no.635, khattoni no.647, khasra no.1672,Din Plaza 1672 Bodla Road, Mian Channu District Khanewal.
Tibba Sultan Pur	Khewat no.126,,khattoni no.326, khasra no. 104/121,plot no.133,ward no.4,Qutab Pur Road Tibba Sultan pur tehsil Mailsi district vehari
Qasba Gujrat	Khata no. 118, Khattoni No. 326, Mansa Raam Khas ,Civil Hospital chowk. GT Road Qasba Gujrat tehsil kot addu District Muzaffargarh
Fort Abbas	Khewat no. 267, Khasra no. 126/B, Moulana Hafeez Street near Boys' High School , Fort Abbas,District Bahawalnagar.
Shore Kot	Plot # B-P207/SH, Tehsil Chowk, Cantt Road, Shore Kot City, Shore Kot, Distt. Jhang.
Haroon Abad	Khewat # 685, Khatoooi # 685, Shop # 195/C Block C, Bangla Road, Near Grain Market, Haroonabad, Distt. Bahawalnagar.
Burewala	Khewat # 286/292, Khatoooi # 532, 124-P, Lahore Road, Burewala, Distt. Vehari.
Minchen Abad	Khewat # 471, Khatooni # 472, Circular Road, Minchen Abad, Distt. Bahawalnagar.
Kot Mithan	Khewat no.1357, Khata no.17/486, Khawaja Ayaz Tower Baldia Chowk Kot Mithan Tehsil and District Rajanpur
Islamabad F-7 Markaz	Plot # 13-H, Jinnah Super, F-7 Markaz, Islamabad.
Bhiriya Road	Shop No. IIC-14/M, Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshero Feroze.
Maripur Truck Stand, Karachi	Plot No. 653 - A, Gate No.4, New Truck Stand, Hawksbay Road, Maripur (Kemari Town), Distt. Karachi West.
Super Highway, Karachi	Rahim view Shop no. 13, 14, 15 & 16, Flat No. B1-001 & B1-002, Sector 17-B, Gulzar-e-Bijri, 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, wha cantt.
Mardan	Main Telephone Exchange Building OSS Hall, Near College Chowk opposite Kechari, Mardan.
Charsadda	Main PTCL Telephone Exchange Building, OSS Hall, Nowshera Road, Charsadda.
Gojra	OSS Hall, Adjacent PTCL Exchange, Club Road, Gojra district Toba Tek Singh.
Hala	City Survey No.1365, Dargah Road Near the first Microfinance Bank District Matiari.
Faisal Town, Lahore	Oss Hall, PTCL exchange ,6-A civic center faisal town Lahore
Cto Compound, Quetta	Oss Hall, PTCL Smart Shop CTO, besides main GPO Zarghoon road Quetta.
Gulzar-E-Hijri	PTCL smart shop, gulzar-e- Hijri telephone exchange scheme 33, Metrovil III Gulzar-e-Hijri Karachi
Latifabad	Oss hall, ptel exchange near telecommunication building, unit no 7 latifaabd district hyderabad
Landhi	Ptel smart shop landi telephone exchange near landi -89, karachi

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U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

32 FINANCIAL INSTRUMENTS

A FAIR VALUES

32.1 Accounting classifications and fair values

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

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 2017	Note	Rupees						Rupees			
Financial assets measured at fair value											
Investments - net of provisions	8	-	-	-	1,786,374,826	-	1,786,374,826	1,786,374,826	-	-	1,786,374,826
Financial assets not measured at fair value											
Term deposit receipts	7	-	-	2,000,000,000	-	-	2,000,000,000	-	-	-	-
Cash and cash equivalents	27	-	-	1,359,051,938	-	-	1,359,051,938	-	-	-	-
Advances - net of provisions	9	-	-	10,554,358,150	-	-	10,554,358,150	-	-	-	-
Other assets	11 & 32.2	-	-	1,389,477,901	-	-	1,389,477,901	-	-	-	-
		-	-	15,302,887,989	-	-	15,302,887,989	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	11,971,358,214	11,971,358,214	-	-	-	-
Borrowings	14	-	-	-	-	3,069,486,748	3,069,486,748	-	-	-	-
Subordinated debt	15	-	-	-	-	600,000,000	600,000,000	-	-	-	-
Other liabilities	16 & 32.3	-	-	-	-	414,696,841	414,696,841	-	-	-	-
		-	-	-	-	16,055,541,803	16,055,541,803	-	-	-	-

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

32.3 It excludes accrued expenses and others.

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

B FINANCIAL RISK MANAGEMENT

32.5 Interest / mark-up rate risk

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

32.6 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in government securities or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rs. 21,497 million (2017: Rs. 12,995 million).

32.7 Liquidity risk


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

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

33 CAPITAL RISK MANAGEMENT

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

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

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

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2018. As of 31 December 2018, the net equity of the Bank stood at Rs. 2,808 million (2017: Rs. 1,379 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

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 2018, the Bank's Capital adequacy ratio (CAR) was appropriately 19.05% (2017: 16.16%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

34 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2018			31 December 2017		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	240,000	-	-	340,000	-
Managerial remuneration	5,960,592	-	73,316,127	4,102,200	-	56,267,053
Bonus	2,915,000	-	28,240,640	2,809,000	-	17,538,169
Gratuity fund	496,716	-	6,109,969	341,850	-	4,688,918
Provident fund	477,445	-	5,490,624	328,176	-	4,255,461
Rent and house maintenance	3,477,012	-	42,767,737	2,392,950	-	32,822,446
Utilities	496,716	-	6,109,678	341,850	-	4,688,920
Medical	149,581	-	3,599,625	211,139	-	2,029,720
Conveyance	679,250	4,460	10,609,977	660,000	44,136	8,870,167
Others	1,648,142	-	7,359,279	349,650	-	4,831,919
Total	<u>16,300,454</u>	<u>244,460</u>	<u>183,603,656</u>	<u>11,536,815</u>	<u>384,136</u>	<u>135,992,773</u>
Number of person(s)	<u>1</u>	<u>8</u>	<u>39</u>	<u>1</u>	<u>8</u>	<u>27</u>

34.1 Executive means an employee whose basic salary exceeds Rs. 1.20 million (2017: Rs. 1.20 million) during the year. Comparative figures have been restated to reflect changes in definition of executives as per the Companies Act, 2017.

34.2 Bank maintained vehicles are also provided to the chief executive officer and some of the executives as per their entitlement; the net book values of which are Rs. 25.33 million (2017: Nil)

34.3 No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 244,460 (2017: 384,136) was paid to the independent directors for attending the Board or sub committee meetings.

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NOTES TO THE FINANCIAL STATEMENTS
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35 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2018

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

U MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
Market rate assets					
Advances	10,554,358,150	488,422,210	3,765,132,325	6,146,619,407	154,184,208
Investments	1,786,374,826	398,876,044	1,387,498,782	-	-
Other earning assets					
Balances with other banks - deposit accounts	2,578,542,793	578,542,793	1,000,000,000	1,000,000,000	-
Total market rate assets	14,919,275,769	1,465,841,047	6,152,631,107	7,146,619,407	154,184,208
Other non-earning assets					
Cash in hand	307,915,282	307,915,282	-	-	-
Balances with SBP and NBP - current accounts	464,238,247	464,238,247	-	-	-
Balances with other banks - current accounts	8,355,616	8,355,616	-	-	-
Operating fixed assets	465,355,215	76,575,620	1,058,996	1,733,255	385,987,344
Other assets	1,444,876,987	1,368,676,388	53,732,808	22,449,198	18,593
Deferred tax asset	20,870,591	-	-	-	20,870,591
Total non-earning assets	2,711,611,938	2,225,761,153	54,791,804	24,182,453	406,876,528
Total assets	17,630,887,707	3,691,602,200	6,207,422,911	7,170,801,860	561,060,736
Market rate liabilities					
Large time deposits above Rs. 100,000	7,150,190,809	736,951,476	2,052,870,403	630,863,000	3,729,505,930
All other time deposits (including fixed rate deposits)	163,062,085	755,000	3,826,000	3,643,850	154,837,235
Other cost bearing deposits	3,524,891,946	3,524,891,946	-	-	-
Borrowings	3,669,486,748	20,120,000	180,120,000	1,359,606,748	2,109,640,000
Total market rate liabilities	14,507,631,588	4,282,718,422	2,236,816,403	1,994,113,598	5,993,983,165
Other non-cost bearing liabilities					
Deposits	1,133,213,374	1,133,213,374	-	-	-
Other liabilities	611,042,422	611,042,422	-	-	-
Total non-cost bearing liabilities	1,744,255,796	1,744,255,796	-	-	-
Total liabilities	16,251,887,384	6,026,974,218	2,236,816,403	1,994,113,598	5,993,983,165
Net assets	1,379,000,323	(2,335,372,018)	3,970,606,508	5,176,688,262	(5,432,922,429)

36 RELATED PARTIES TRANSACTIONS

The Bank is a subsidiary of Pakistan Telecommunication Company Limited ("the Parent Company"). Therefore all subsidiaries and associated undertakings of the Parent Company are related parties of the Bank. Other related parties comprise of directors, key management personnel, entities over which the Bank has significant influence, entities having common directors and entities over which the directors are able to exercise significant influence and employees retirement benefit funds. Detail of transactions during the period and balances outstanding as at the period ended 31 December 2018 are as follows:

Transactions	Note	2018 Rupees	2017 Rupees
Parent Company			
Issue of share capital		1,000,000,000	-
Sub-ordinated Debt (Tier II)		4,000,000,000	-
Payment for disaster recovery services		3,025,877	3,689,475
Internet, connectivity, utility & rental charges		25,127,826	13,361,030
Utility Bill collected on behalf of the Parent Company		87,593,509	189,134,991
Payment in regards utility bills collected on behalf of the Parent Company		87,412,001	188,663,413
Utility Bill collection charges		362,142	907,020
Payment for administrative costs and fixed assets		88,413,218	-
Interest expense on deposits		4,532,164	83,960,594
Interest expense on PTCL employee GP fund		57,222,068	-
Advance for purchase of ICT hardware		92,056,672	-
Associated Company - Pak Telecom Mobile Limited (PTML)			
Payment for administrative costs and fixed assets		27,022,339	11,684,739
Payment against branchless banking and bills collected		93,831,330	105,675,225
Amount received against reimbursement of agent's commission		193,422,299	60,054,067
Expense incurred on behalf of PTML		27,450,000	-
Interest expense on deposits		-	17,260,480
Deposit incentive		-	840,710
Associated Company - Pakistan Telecommunication Employees Trust (PTET)			
Interest expense on deposits		43,507,741	-
Employees' provident fund			
Contribution to provident fund		17,243,455	11,612,427
Employees' gratuity fund			
Payment to gratuity fund		16,514,091	9,019,156
Balances			
Parent Company			
Advance for purchase of ICT hardware	11.1	92,056,672	-
Prepaid for disaster recovery services	11	-	1,640,870
Payable against utility bills collected	16	181,508	471,578
Utility bills collection charges receivable	11	1,511,858	1,210,067
Employee GP fund	13.2	1,237,896,409	1,131,848,919

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Balances	Note	2018 Rupees	2017 Rupees
Interest payable on deposits - PTCL Employees' Gratuity Fund	16.1	3,564,138	8,016,630
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	13.2	1,024,170,892	500,000,000
Interest payable on deposits	16.1	2,794,878	13,390,411
Associated Company - Pak Telecom Mobile Limited			
Employees' Gratuity fund	13.2	475,103,715	18,018,892
Payable against branchless banking and bills collected	16	69,614,227	30,322,925
Payable to Pak Telecom Mobile Limited			
Interest payable on deposits	16.1	159,159	-
Deposit incentive		-	840,710
Employees' provident fund			
(Payable) / receivable to provident fund	16	(12,096,665)	580,535
Employees' gratuity fund			
Payable to gratuity fund	16.3	9,037,006	3,464,570

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

Name	Basis of relationship	Share-	Percentage of shareholding
1) Dr. Daniel Ritz	Director/Chairman	01	0.00%
2) Mr. Mohamed Essa Al Taheri	Director	01	0.00%
3) Mr. Nadeem Khan	Director	01	0.00%
4) Mr. Amir Siddiqi	Director	01	0.00%
5) Mr. Moqeen ul Haque	Director	01	0.00%
6) Mr. Javed Iqbal	Director	02	0.00%
7) Sahibzada Mansoor Ali	Director	01	0.00%
8) Casual Vacancy	Director	01	0.00%
9) PTCL	Parent Company	228,571,420	99.99%

36.2 Details of Associated Concerns (Pakistan Telecom Mobile limited)

Name	Basis of relationship	Share-	Percentage of share capital (%)
Dr. Daniel Ritz	Director/Chairman	01	0.00%

37 COMPLAINTS MANAGEMENT MECHANISM

U Microfinance 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' 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 26,847 (2017: 21,591) complaints were received by the Bank and were resolved with average resolution time of 11.88 hours (2017: 13.76 hours).

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38 GENERAL

- 38.1 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.
- 38.2 Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

39 DATE OF APPROVAL

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

~~08 FEB 2019~~



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR