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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of U Microfinance Bank Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of U Microfinance Bank Limited as at 30 June 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flows statement, and notes to the financial statements for the six months' period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.



KPMG Taseer Hadi & Co.

Other matter

The figures for the quarter ended 30 June 2019 and 30 June 2018 in the condensed interim profit and loss account and the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

A handwritten signature in green ink, appearing to read 'Riaz Pesnani', written in a cursive style.

KPMG Taseer Hadi & Co.
Islamabad
17 July 2019

U Microfinance Bank Limited

Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2019

	Note	(Un-audited) 30 June 2019 (Rupees)	(Audited) 31 December 2018 (Rupees)
ASSETS			
Cash and balances with SBP and NBP	6	1,362,221,889	1,457,386,758
Balances with other Banks/ NBFIs/ MFBs	7	9,476,543,375	11,027,311,074
Lending to financial Institutions		-	-
Investments - net of provisions	8	1,988,157,018	1,967,824,071
Advances - net of provisions	9	18,919,507,258	17,019,838,156
Operating fixed assets	10	3,005,508,265	754,499,905
Other assets	11	3,326,670,705	2,523,062,846
Deferred tax asset	12	65,829,463	41,654,400
Total Assets		38,144,437,973	34,791,577,210
LIABILITIES			
Deposits and other accounts	13	20,080,703,548	20,534,770,395
Borrowings	14	7,380,000,000	6,010,000,000
Subordinated debt	15	4,599,520,000	4,599,640,000
Other liabilities	16	3,013,752,080	838,664,403
Deferred tax liabilities		-	-
Total Liabilities		35,073,975,628	31,983,074,798
NET ASSETS		3,070,462,345	2,808,502,412
REPRESENTED BY:			
Share capital		2,285,714,290	2,285,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Statutory and general reserves		178,914,625	178,914,625
Depositors' protection fund		44,728,656	44,728,656
Unappropriated profit		588,239,063	324,888,330
Share capital		3,071,882,344	2,808,531,611
Surplus / (Deficit) on revaluation of assets		(1,419,999)	(29,199)
Deferred grants		-	-
Total Capital		3,070,462,345	2,808,502,412

MEMORANDUM / OFF-BALANCE SHEET ITEMS

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U Microfinance Bank Limited

Condensed interim profit and loss account (Un-audited)

For the half year ended 30 June 2019

Note	Quarter ended		Half year ended	
	30 June 2019 (Rupees)	30 June 2018 (Rupees)	30 June 2019 (Rupees)	30 June 2018 (Rupees)
18	1,786,612,063	1,025,872,864	3,431,076,506	1,964,775,164
19	(916,270,089)	(382,444,940)	(1,781,223,981)	(727,194,785)
	870,341,974	643,427,924	1,649,852,525	1,237,580,379
9	(149,780,224)	(50,592,428)	(291,499,411)	(86,637,120)
	-	-	-	-
	-	-	-	-
	720,561,750	592,835,496	1,358,353,114	1,150,943,259
20	163,174,368	143,483,707	358,716,093	269,862,838
	-	-	-	-
21	3,334,308	4,377,236	4,763,157	6,885,552
	166,508,676	147,860,943	363,479,250	276,748,390
	887,070,426	740,696,439	1,721,832,364	1,427,691,649
22	(735,889,697)	(543,310,965)	(1,370,300,925)	(1,019,276,304)
	-	-	-	-
	-	-	-	-
	(735,889,697)	(543,310,965)	(1,370,300,925)	(1,019,276,304)
	-	-	-	-
	151,180,729	197,385,474	351,531,439	408,415,345
	(3,024,801)	3,947,709	(7,031,815)	8,168,307
	148,155,928	193,437,765	344,499,624	400,247,038
23	(42,378,103)	(61,207,692)	(103,230,771)	(131,101,624)
	-	-	(1,513,184)	496
	6,722,030	6,176,181	23,595,064	13,278,238
	(35,656,073)	(55,031,511)	(81,148,891)	(117,822,890)
	112,499,855	138,406,254	263,350,733	282,424,148
	475,739,207	176,167,360	324,888,330	32,149,466
	-	-	-	-
	588,239,063	314,573,614	588,239,063	314,573,614
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	588,239,063	314,573,614	588,239,063	314,573,614
	0.49	0.61	1.15	1.34

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

U Microfinance Bank Limited

Condensed interim statement of comprehensive income (Un-audited)

For the half year ended 30 June 2019

	Quarter ended		Half year ended	
	30 June 2019 Rupees	30 June 2018 Rupees	30 June 2019 Rupees	30 June 2018 Rupees
Profit for the period	112,499,855	112,620,238	263,350,733	263,350,736
Other comprehensive income for the period	-	-	-	-
Comprehensive income for the period transferred to equity	<u>112,499,855</u>	<u>112,620,238</u>	<u>263,350,733</u>	<u>263,350,736</u>

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

Items that may be reclassified to profit and loss:

Loss on revaluation of assets
Loss on revaluation of assets transferred to profit and loss
Related tax impact

(1,480,133)	(209,576)	(2,461,541)	(163,960)
371,333	194,661	490,741	237,280
554,480	121,439	580,000	21,996
(554,320)	106,524	(1,390,800)	95,316

Total comprehensive income for the period

<u>111,945,535</u>	<u>112,726,762</u>	<u>261,959,933</u>	<u>263,446,052</u>
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The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U Microfinance Bank Limited
Condensed interim cash flow statement (Un-audited)
For the half year ended 30 June 2019

CASH FLOW FROM OPERATING ACTIVITIES

	Note	30 June 2019 (Rupees)	30 June 2018 (Rupees)
Profit before taxation		344,499,624	400,247,038
Less: Dividend income		-	-
Adjustments for non-cash charges		344,499,624	400,247,038
Depreciation			
Amortization	10.3	72,232,052	48,844,522
Provisions against non-performing advances	10.4	11,134,789	8,316,104
Advances written off against provision	9.3	291,499,411	86,637,120
Provision for gratuity	9.3	(169,689,981)	(28,846,717)
Gain on sale of fixed assets	22	15,598,044	7,296,840
Operating fixed assets written off		(59,290)	-
Finance charges on leased assets		-	142,422
		1,177,052	92,222
		221,892,077	122,482,513
Increase in operating assets		566,391,702	522,729,551
Advances			
Other assets (excluding advance taxation)		(2,021,478,532)	(2,822,914,039)
Increase/ (decrease) in operating liabilities		(828,404,600)	(487,022,094)
Bills payables			
Deposits and other accounts		4,080,233	15,308,391
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		(454,066,847)	3,053,266,807
		529,635,545	22,846,038
		(2,770,234,201)	(218,514,897)
Net cash (used in) / generated from operations		(2,203,842,499)	304,214,654
Payments against provisions held against off-balance sheet obligations			
Gratuity paid			
Income taxes paid		(22,121,658)	(6,431,118)
		(43,357,203)	(151,813,299)
Net cash (used in) / generated from operating activities		(2,269,321,360)	145,970,237

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities - Government securities		(22,292,947)	599,560,132
Net investments in term deposits receipts		-	(520,000,000)
Investments in operating fixed assets		(721,305,031)	(229,912,795)
Sale proceeds of property and equipment disposed-off		59,290	-
Net cash used in investing activities		(743,538,688)	(150,352,663)

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated loan		(120,000)	(240,000)
Borrowings obtained during the year		1,800,000,000	1,035,164,995
Borrowings repaid during the year		(430,000,000)	(180,000,000)
Payments of lease obligations		(2,952,520)	(125,449)
Issuance of shares		-	1,000,000,000
Net cash generated from financing activities		1,366,927,480	1,854,799,546
Net (decrease) / increase in cash and cash equivalents		(1,645,932,569)	1,850,417,120
Cash and cash equivalents at beginning of the period		12,484,697,832	1,359,051,938
Cash and cash equivalents at end of the period		10,838,765,264	3,209,469,058

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The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.


PRESIDENT/CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U Microfinance Bank Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended 30 June 2019

	Share capital	Capital reserve			Revenue reserve	Total
		Discount on issue of share capital	Statutory reserve	Depositors' protection fund	Unappropriated profit / (loss)	
			Rupees			
Balance at 01 January 2018 (Audited)	1,285,714,290	(25,714,290)	69,503,178	17,375,794	32,149,466	1,379,028,438
Profit for the period	-	-	-	-	282,424,148	282,424,148
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	282,424,148	282,424,148
Transactions with owners, recorded directly in equity						
Contributions						
Issue of ordinary shares	1,000,000,000	-	-	-	-	-
Balance at 30 June 2018 (Un-audited)	2,285,714,290	(25,714,290)	69,503,178	17,375,794	314,573,614	2,661,452,586
Balance at 31 December 2018, as previously reported (Audited)	2,285,714,290	(25,714,290)	178,914,625	44,728,656	324,888,330	2,808,531,611
Profit for the period	-	-	-	-	263,350,733	263,350,733
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	263,350,733	263,350,733
Transfer to:						
Statutory reserve*	-	-	-	-	-	-
Depositors' Protection Fund**	-	-	-	-	-	-
Balance at 30 June 2018 (Un-audited)	2,285,714,290	(25,714,290)	178,914,625	44,728,656	588,239,063	3,071,882,344

The annexed notes from 1 to 30 form an integral part of these condensed interim financial statements.

* The Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations) require that the Bank annually transfers an amount equivalent to 20% of profit after tax to the statutory reserve; at the reporting date, this amounts to Rs. 52,670,147 (30 June 2018: Rs. 54,484,830). This appropriated profit is not available for dividend distributions.

** In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, require that the Bank annually transfers an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds; at the reporting date, this amounts to Rs. 13,167,537 (30 June 2018: Rs. 14,121,207). This appropriated profit is not available for dividend distribution.

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

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U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

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".

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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Microfinance Institutions Ordinance, 2001 (the MFI Ordinance);
- Directives issued by the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP); and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives under the MFI Ordinance and the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the MFI Ordinance and the Companies Act, 2017 have been followed.

The State Bank of Pakistan (SBP) has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, SBP is still considering the date of implementation of IFRS 9 'Financial Instruments' for Banks / DFIs / MFBs. Moreover, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. 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 the SBP through various circulars.

3.2 The disclosures in this condensed interim financial statements do not include those reported for full audited annual financial statements and should therefore be read in conjunction with the audited annual financial statements for the year ended 31 December 2018. Comparative condensed interim balance sheet is extracted from the audited annual financial statements as of 31 December 2018, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from unaudited condensed interim financial statements for the six months period ended 30 June 2018.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to application of IFRS 15, lessee accounting under IFRS 16 which are described in Note 5.2 and changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim period are proportionately accrued using the tax rate that would be applicable to expected total annual profit and loss account.

A. MEASUREMENT OF FAIR VALUES

When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

All financial assets are categorized in level 2 and there were no transfers between levels during the period / year. There were no changes in valuation techniques during the period / year. The Bank has not disclosed the fair values of all other financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the interim period is described in Note 4).

The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2019.

The Bank has initially adopted IFRS 15 Revenue from Contracts with Customers (see 5.1) from 01 January 2019 and IFRS 16 Leases (see 5.2) from 30 June 2019. A number of other new standards are effective from 01 January 2019 but they do not have a material effect on the Bank's financial statements.

5.1 IFRS 15 Revenue from Contracts with Customers

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

5.2 IFRS 16 Leases

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

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

The Bank has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 30 June 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

5.2.1 Definition of Lease

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

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 30 June 2019.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Bank has elected not to separate non-lease components and will instead account for the lease and nonlease components as a single lease component.

The Bank leases many assets, including office buildings and motor vehicles.

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Bank has elected not to recognise right-of-use assets and lease liabilities of motor vehicles as these have a lease term of 12 months. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Bank presents right-of-use assets within 'operating fixed assets'. The carrying amounts of right-of-use assets are as below.

Balance at 30 June 2019

(Un-audited)

Rupees

1,780,789,011

The Bank presents lease liabilities in 'other liabilities' in the condensed interim balance sheet.

i. Significant accounting policies

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

ii. Transition

Previously, the Bank classified property leases as operating leases under IAS 17. These include warehouse, branches, head office and guest houses. The leases typically run for a period of 10 years. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Bank has not applied this approach; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Bank applied this approach to all leases.

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

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Bank leases a number of items of leased vehicles. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 30 June 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

5.2.2 Impacts on financial statements

i. Impacts on transition

On transition to IFRS 16, the Bank recognised additional right-of-use assets, namely property and additional lease liabilities. Right of use assets have been measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments relating to the lease recognized in the condensed interim balance sheet as at 30 June 2019. The impact on transition is summarised below.

Present value of the future lease payments
Prepayments reclassified as right of use assets
Right-of-use assets presented in operating fixed assets
Lease liabilities

(Un-audited)
30 June 2019
Rupees

1,613,070,169
167,718,843
1,780,789,012
1,613,070,169

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate of 14.07%.

(Un-audited)
30 June 2019
Rupees

Operating lease commitment at 30 June 2019
Discounted using the incremental borrowing rate at 30 June 2019

2,970,585,472
1,613,070,168

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Bank recognised Rs. 1,780,789,012 of right-of-use assets and Rs. 1,613,070,169 of lease liabilities as at 30 June 2019.

As the date of initial application of IFRS 16 is 30 June 2019, accordingly, during the period depreciation on right of use asset and interest cost on lease liability has not been recognised.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
6 CASH AND BALANCES WITH SBP AND NBP	Note		
Cash in hand - Local currency		485,131,230	552,351,271
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	876,314,473	904,260,639
Balances with National Bank of Pakistan (NBP)		776,186	774,848
		<u>1,362,221,889</u>	<u>1,457,386,758</u>
6.1 This includes balance maintained with SBP to comply with the requirement of Prudential Regulations for Microfinance Banks to maintain minimum cash reserve not less than 5% (2018: 5%) of the Bank's time and demand deposits with tenure of less than one year. This also includes Rs. 44,728,656 (2018: 44,728,656) maintained with SBP under Depositors' Protection Fund.			
7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
In Pakistan - Local currency			
Current accounts	7.1	11,152,960	14,847,356
Savings accounts	7.2	3,865,390,415	1,112,463,718
Term deposit receipts	7.3	5,600,000,000	9,900,000,000
		<u>9,476,543,375</u>	<u>11,027,311,074</u>
7.1 This includes Rs. 7,425,000 (2018: Rs. 7,425,000) placed under lien with a bank in respect of standby letter of guarantee issued to Union Pay International.			
7.2 Deposit accounts carried interest at rates ranging from 6.5% to 13.80% (2018: 5.5% to 12.15%) per annum.			
7.3 This represents Term Deposit Receipts (TDRs) carrying interest ranging from 10.75% to 14% (2018: 10.75% to 13%) per annum having maturities between July 2019 to September 2019.			
8 INVESTMENTS - NET OF PROVISIONS		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Federal Government Securities			
<i>Available for Sale</i>			
Market Treasury Bills (T-Bills)		1,990,157,017	1,967,864,070
Unrealised loss on revaluation of investments		(1,999,999)	(39,999)
		<u>1,988,157,018</u>	<u>1,967,824,071</u>
Less: Provision for diminution in value of investments		-	-
		<u>1,988,157,018</u>	<u>1,967,824,071</u>
8.1 This represents market treasury bills having yield of 10.83% (2018: 10.28%) per annum and are maturing in July 2019.			
8.2 Revaluation of available for sale securities - net of deferred tax		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Market Treasury Bills (T-Bills)		(1,999,999)	(39,999)
Related deferred tax effect		580,000	10,800
		<u>(1,419,999)</u>	<u>(29,199)</u>

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

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9 ADVANCES - NET OF PROVISIONS

Loan type	Note	(Un-audited) 30 June 2019		(Audited) 31 December 2018	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		39,894	3,925,274,777	34,407	3,206,985,277
Unsecured		262,420	15,321,447,414	252,913	14,018,258,382
		302,314	19,246,722,191	287,320	17,225,243,659
Provisions held					
Specific provision	9.1	13,453	(179,171,078)	7,044	(72,258,960)
General provision			(148,043,855)		(133,146,543)
			(327,214,933)		(205,405,503)
Advances - net of provisions	9.2		18,919,507,258		17,019,838,156

9.1 General provision is maintained at the rate of 1% (2018: 1%) of unsecured micro credit balance net of specific provision amounting Rs. 179.17 million (2018: Rs. 72.26 million), risk coverage by SBP under credit guarantee scheme for small and rural enterprises (CGS) amounting Rs. 40 million (2018: Rs. 26.62 million) and credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 322 million (2018: Rs. 604.97 million), respectively, in accordance with the Regulations.

9.2 Particulars of non-performing advances

Advances include Rs. 448,692,005 (2018: Rs. 217,925,894) as detailed below, which have been placed under non-performing status. Non-performing advances include Rs. 10.55 million (2018: Rs. 23.18 million) of secured loans on which there is no provision as per regulation.

Category of classification	Provision rate	(Un-audited) 30 June 2019		(Audited) 31 December 2018			
		Amount outstanding	Provisions required	Provisions held	Amount outstanding	Provisions required	Provisions held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	118,673,575	-	-	64,818,836	-	-
Sub-standard	25%	57,749,073	13,744,693	13,744,693	37,405,717	8,841,473	8,841,473
Doubtful	50%	205,673,948	101,351,476	101,351,476	83,508,303	34,432,574	34,432,574
Loss	100%	66,595,409	64,074,909	64,074,909	32,193,038	28,984,913	28,984,913
Total		448,692,005	179,171,078	179,171,078	217,925,894	72,258,960	72,258,960

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9.3 Particulars of provisions against non-performing advances

	(Un-audited) 30 June 2019		(Audited) 31 December 2018			
	Specific	General Rupees	Total	Specific	General Rupees	Total
Opening balance	72,258,960	133,146,543	205,405,503	13,607,599	80,747,183	94,354,782
Charge for the year	276,602,099	14,897,312	291,499,411	207,314,443	52,399,360	259,713,803
Advances written off	(169,689,981)	-	(169,689,981)	(148,663,082)	-	(148,663,082)
Reversals	-	-	-	-	-	-
Closing balance	179,171,078	148,043,855	327,214,933	72,258,960	133,146,543	205,405,503

9.4 Particulars of advances written off

Against provisions
Directly charged to profit and loss account

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	Rupees	Rupees
	(169,689,981)	(148,663,082)
	(169,689,981)	(148,663,082)

10 OPERATING FIXED ASSETS

Right of use asset
Capital work-in-progress
Property and equipment
Intangible assets

5 & 10.1	1,780,789,012	-
10.2	341,914,674	49,912,875
10.3	766,284,321	595,586,622
10.4	116,520,258	109,000,408
	3,005,508,265	754,499,905

10.1 IFRS 16 'Leases', is effective for annual period beginning on or after 30 June 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer note 5.

10.2 Capital work-in-progress

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

Advances to suppliers/ contractors
Leasehold improvements

	(Un-audited) 30 June 2019	(Audited) 31 December 2018
	Rupees	Rupees
	276,220,546	40,288,098
	65,694,128	9,624,777
	341,914,674	49,912,875

10.2.1 This represents advance given for software, property and equipment.

10.3 Property and equipment

30 June 2019 (Un-audited)						
	Cost		Depreciation		Book value at 30 June 2019	Rate of depreciation % (per annum)
	At 01 January 2019	Additions	Disposals	At 30 June 2019	Charge for the period	At 30 June 2019
<i>Leased</i>						
Vehicle	26,362,716	-	-	26,362,716	1,026,858	2,636,272
<i>Owned</i>						
Furniture and fixture	137,162,430	14,605,203	-	151,767,633	25,072,232	7,332,412
Computer equipments	140,503,548	174,942,853	(1,185,875)	314,260,526	107,282,294	16,124,719
Electrical equipment	306,699,356	42,109,393	-	348,808,749	106,812,632	31,019,154
Vehicle	27,153,042	-	-	27,153,042	17,519,373	1,807,886
Office improvement	280,045,330	11,272,303	-	291,317,633	64,626,411	13,311,610
	<u>917,926,422</u>	<u>242,929,752</u>	<u>(1,185,875)</u>	<u>1,159,670,299</u>	<u>322,339,800</u>	<u>72,232,052</u>
					<u>(1,185,875)</u>	<u>393,385,978</u>
						<u>766,284,321</u>

31 December 2018 (Audited)						
	Cost		Depreciation		Book value at 31 December 2018	Rate of depreciation % (per annum)
	At 01 January 2017	Additions	Disposals	At 31 December 2018	Charge for the year	At 31 December 2018
<i>Leased</i>						
Vehicle	-	26,362,716	-	26,362,716	-	1,026,858
<i>Owned</i>						
Furniture and fixture	82,190,913	54,971,517	-	137,162,430	13,531,938	11,540,294
Computers	113,884,301	29,068,629	-	142,952,930	92,651,956	17,079,720
Electrical equipment	154,073,633	155,584,731	(2,449,382)	307,208,982	60,732,202	47,659,810
Vehicle	26,943,042	210,000	(2,959,008)	24,194,034	13,157,949	4,361,424
Office improvement	136,210,290	143,835,040	-	280,045,330	29,812,567	34,813,844
	<u>513,302,179</u>	<u>410,032,633</u>	<u>(5,408,390)</u>	<u>917,926,422</u>	<u>209,886,612</u>	<u>116,481,950</u>
					<u>(4,028,762)</u>	<u>322,339,800</u>
						<u>595,586,622</u>

10.3.1 The cost of fully depreciated property and equipment that are still in use is Rs. 178,972,502 (31 December 2018: Rs. 101,816,213). Addition to property and equipment during the half year ended 30 June 2019 amounts to Rs. 242,929,752 (31 December 2018: Rs. 410,032,633) and depreciation during the half year ended 30 June 2018 amounts to Rs. 72,232,052 (31 December 2018: Rs. 116,481,950).

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Note	30 June 2019 (Un-Audited)					Rates of amortization % (per annum)
	Cost		Amortization		Book value at 30 June 2019	
	At 01 January 2019	At 30 June 2019	At 01 January 2019	Charge for the period		
		Additions				Rupees
Computer softwares	165,878,303	18,654,639	184,532,942	57,277,885	10,734,799	68,012,684
Licenses	12,394,739	-	12,394,739	11,994,749	399,990	12,394,739
Mail server	78,378	-	78,378	78,378	-	78,378
	178,351,420	18,654,639	197,006,059	69,351,012	11,134,789	80,485,801
						116,520,258

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10.4.1 This includes operating system and microsoft office licenses.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

11	OTHER ASSETS	Note	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
	Income / mark-up accrued		2,574,744,456	1,826,626,488
	Advances, deposits and other prepayments		272,800,040	330,064,031
	Advance tax - net		-	24,796,741
	Inventory of ATM cards & stationery		13,744,810	7,568,722
	Advance to employees	11.1	7,160,683	11,732,575
	Receivable from SBP against crop and livestock insurance	11.2	400,527,370	269,805,856
	Others		57,693,346	52,468,433
			<u>3,326,670,705</u>	<u>2,523,062,846</u>
11.1	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.			
11.2	This represents the 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	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
	Deductable temporary differences arising in respect of		
	Provision against advances	94,892,331	55,459,486
	Deficit on revaluation of available for sale securities	580,000	10,800
	Remeasurements of employees' retirement benefits	2,161,351	2,012,293
	Lease finance facilities	4,950,351	5,357,705
		<u>102,584,033</u>	<u>62,840,284</u>
	Taxable temporary differences arising in respect of		
	Accelerated tax depreciation / amortization allowance	(36,754,570)	(21,185,884)
		<u>65,829,463</u>	<u>41,654,400</u>

13	DEPOSITS AND OTHER ACCOUNTS	(Un-audited) 30 June 2019		(Audited) 31 December 2018	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
	Fixed deposits	2,570	11,317,295,003	2,316	12,243,825,791
	Saving deposits	11,744	7,270,541,748	10,902	6,208,685,764
	Current deposits	673,209	1,492,866,797	608,030	2,082,258,840
		<u>687,523</u>	<u>20,080,703,548</u>	<u>621,248</u>	<u>20,534,770,395</u>

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U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

	Note	(Un-audited) 30 June 2019	(Audited) 31 December 2018
14 BORROWINGS			
Borrowings from Banks / Financial Institutions in Pakistan:			
<i>Secured</i>			
Pak Oman Investment Company Limited	14.1	-	100,000,000
Bank Alfalah Limited	14.2	60,000,000	120,000,000
United Bank Limited	14.3	20,000,000	40,000,000
Allied Bank Limited	14.4	1,000,000,000	1,250,000,000
Faysal Bank Limited	14.5	1,000,000,000	1,000,000,000
Allied Bank Limited - II	14.6	2,000,000,000	2,000,000,000
NBP-Running Finance	14.7	500,000,000	500,000,000
Faysal Bank Limited - II	14.8	1,000,000,000	1,000,000,000
Bank of Punjab- Running Finance	14.9	100,000,000	-
Bank of Punjab	14.10	200,000,000	-
State Bank of Pakistan	14.11	1,500,000,000	-
		7,380,000,000	6,010,000,000
14.1	This represent outstanding balance of term finance loan of Rs. 500 million carrying markup of 6-months KIBOR plus 2.0% (2018: 6-month KIBOR plus 2.0%) per annum payable semi-annually. This was 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 was repayable in 5 equal semi-annual instalments of Rs. 100 million each. Repayments 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% (2018: 6-month KIBOR plus 1.5%) per annum payable semi-annually. This is secured against first pari passu charge on present and future advances 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 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% (2018: 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 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% (2018: 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 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 (2018: 6-Months KIBOR plus 1% per annum) 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 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 (2018: 6-Months KIBOR plus 0.95% per annum) payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets excluding land and building of the Bank but not limited to advances and investments beyond CRR and SLR requirements of the Bank with 25% margin. Disbursement was initially made against a ranking charge which was upgraded to 1st pari passu with in 120 days of first disbursement. This loan is repayable in 06 equal semi-annual instalments with the first principal repayment falling due on eighteenth (18th) month from the first disbursement date. The loan was drawn on 31 December 2018.		

U Microfinance Bank Limited

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For the half year ended 30 June 2019

- 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 (2018: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis 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 (2018: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge 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.
- 14.9 This represent running finance facility of Rs. 100 million carrying markup of 6-months KIBOR plus 0.85% per annum (2018: Nil). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 133.34 million (25% margin).
- 14.10 This represent term finance loan of Rs. 200 million carrying markup of 6-months KIBOR plus 0.85% per annum (2018: Nil). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 266.67 million (25% margin). This loan is repayable in 4 semi-annual instalments of Rs. 50 million each after grace period of 06 months.
- 14.11 This represent term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 1.0% for the tenor of five years (2018: Nil). Markup is payable semi-annually from 30 June 2019. The target stated by SBP includes that the loan should be disbursed to 60% female borrower, entity should disburse 25,000 loans and all loans disbursed should meet the E&S guideline issued by SBP. This loan is repayable as a bullet repayment after completion of 05 years from the drawdown date.

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
15	SUBORDINATED DEBT		
	Term Finance Certificates	15.1 599,520,000	599,640,000
	Subordinated loan PTCL	15.2 4,000,000,000	4,000,000,000
		<u>4,599,520,000</u>	<u>4,599,640,000</u>

- 15.1 This represents term finance certificates (TFCs) of Rs. 600 million distributed in 120,000 TFCs of Rs. 5,000 each issued as subordinated loan in June 2017. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. The facility tenure is 7 years and is priced at 6 Month KIBOR + 3.50%. The instrument is structured to redeem at 0.02% of principal, semiannually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal installments 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 in March 2017 was A- with a 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 is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP.

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
16	OTHER LIABILITIES		
	Mark-up / return / interest payable	647,618,877	260,151,096
	Accrued expenses	157,491,562	260,644,585
	Payable to Pak Telecom Mobile Limited (PTML), an associated company	180,204,209	69,614,227
	Payable to utility companies for utility bills collection	103,772,352	30,604,224
	Uncollected remittances	58,843,401	55,428,921
	Sales tax / federal excise duty payable	36,590,011	-
	Finance lease liabilities	17,070,175	18,845,646
	Payable to staff retirement benefit - gratuity	2,513,392	9,037,006
	Payable to defined contribution plan - provident fund	6,150,085	12,096,665
	Lease liability of right of use assets	1,613,070,169	-
	Bills payable	84,378,129	80,297,896
	Others	72,782,125	15,708,359
	Workers' Welfare Fund payable	33,267,593	26,235,778
		<u>3,013,752,080</u>	<u>838,664,403</u>
16.1	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% (2018: 0.9%). The rentals are payable in equal monthly instalments in advance upto September 2023. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.		
16.2	IFRS 16 'Leases', is effective for annual period beginning on or after 30 June 2019. Accordingly, operating leases meeting the criteria prescribed within the standard are presented as on-balance sheet items. Also refer Note 5.2.		
17	MEMORANDUM/ OFF BALANCE SHEET ITEMS	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
17.1	Contingencies		
	There are no material contingencies as at 30 June 2019 (31 December 2018: Nil).		
17.2	Commitments		
	Standby letter of guarantee	7,425,000	7,425,000
	Property and equipment	23,681,761	37,782,009
	Intangible assets	-	25,379,362
		<u>31,106,761</u>	<u>70,586,371</u>
17.1	This represents letter of guarantee issued by the Bank to China Union Pay International Company Limited for interbank settlements.		
18	MARK-UP/ RETURN/ INTEREST EARNED		
	Mark-up / return / interest on advances	1,429,737,732	931,650,760
	Interest on investments in government securities	53,398,812	18,336,963
	Interest on deposit accounts / TDRs with other banks / financial institutions	303,475,519	75,885,141
		<u>1,786,612,063</u>	<u>1,025,872,864</u>
19	MARK-UP/ RETURN/ INTEREST EXPENSED		
	Mark-up / return / interest expense on deposits	581,110,332	289,057,730
	Interest expense on borrowings	335,159,757	93,294,988
		<u>916,270,089</u>	<u>382,352,718</u>
		<u>1,781,223,981</u>	<u>727,102,563</u>

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U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018	(Un-audited) 30 June 2019	(Un-audited) 30 June 2018
	Rupees	Rupees	Rupees	Rupees
20 FEE, COMMISSION AND BROKERAGE INCOME				
Loan processing fee	145,885,988	125,455,699	323,022,007	234,674,410
Branchless banking	13,363,346	11,346,405	30,180,717	25,644,982
Other fee income collected from customers	3,925,034	6,681,603	5,513,369	9,543,446
	163,174,368	143,483,707	358,716,093	269,862,838
21 OTHER INCOME				
Recovery against advances written off	3,654,658	4,314,706	4,771,586	6,821,670
Loss on sale of investments	(371,333)	(191,664)	(490,741)	(237,280)
Other	50,983	254,194	482,312	301,162
	3,334,308	4,377,236	4,763,157	6,885,552
22 ADMINISTRATIVE EXPENSES				
Staff salaries and benefits	361,626,785	274,612,362	682,412,907	523,252,168
Charge for defined benefit plan - gratuity	8,534,719	3,648,420	15,598,044	7,296,840
Contribution to provident fund	6,962,904	4,406,420	13,416,392	8,040,152
Non-Executive directors' fee	88,880	160,000	168,880	371,125
Financial charges on leased assets	639,368	92,222	1,177,052	92,222
Insurance	21,916,654	16,632,593	43,087,526	33,609,259
Rent, rate and taxes	75,253,169	61,353,677	145,979,434	118,893,940
Marketing expenses	6,461,624	7,046,759	14,519,757	11,184,478
Travelling and conveyance	19,902,333	16,518,550	41,371,098	29,741,311
Postage and courier	5,018,781	2,178,329	8,845,936	4,866,402
Utilities	22,510,197	17,263,227	37,147,771	26,529,504
Repair and maintenance	39,255,469	21,420,432	73,209,743	41,739,091
Depreciation and amortization	45,104,304	31,852,844	83,366,841	57,160,603
Software support and maintenance fee	22,234,413	10,339,218	29,910,164	20,032,433
Stationery and printing	13,238,864	11,795,383	20,772,072	19,918,370
Auditors' remuneration	200,000	174,999	571,080	1,211,498
Legal and professional fee	5,177,678	3,833,983	8,105,595	6,818,600
Security services	46,993,397	35,323,842	81,946,631	59,026,086
Office supplies	8,470,349	3,691,986	15,676,411	6,965,067
Internet and connectivity charges	8,540,686	7,119,299	21,979,598	11,339,817
NADRA verification charges	7,755,733	5,069,600	12,898,258	10,614,643
Bank charges	3,714,620	2,213,388	5,824,047	4,230,451
Upaisa expense - branchless banking	-	6,421,026	4,274,937	15,401,339
Other	6,288,770	234,628	8,040,751	1,033,127
	735,889,697	543,403,187	1,370,300,925	1,019,368,526
23 TAXATION				
Current	- for the year			
	- for prior years			
	(42,378,103)	(61,207,692)	(103,230,771)	(131,101,624)
	-	-	(1,513,184)	496
	(42,378,103)	(61,207,692)	(104,743,955)	(131,101,128)
Deferred	6,722,030	6,176,181	23,595,064	13,278,238
	(35,656,073)	(55,031,511)	(81,148,891)	(117,822,890)

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

24 CASH AND CASH EQUIVALENTS

Cash and balances with SBP and NBP
Balances with other banks / NBFIs / MFBs

(Un-audited) 30 June 2019	(Audited) 31 December 2018
1,362,221,889	1,036,613,613
9,476,543,375	2,172,855,445
10,838,765,264	3,209,469,058

25 NUMBER OF EMPLOYEES

Credit / sales staff

Permanent

Contractual

135

112

783

664

918

776

Banking / support staff

Permanent

Contractual

649

531

824

673

1,473

1,204

2,391

1,980

2,171

1,708

Total number of employees at the end of the period/ year

Average number of employees during the period/ year

26 NUMBER OF BRANCHES

Branches at beginning of the period/ year

Opened during the year

- Branches

- Service Centers / FCs

141

100

36

41

2

-

Branches & Service Centers at the end of the period/ year

179

141

27 EARNING PER SHARE

Basic

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Quarter ended		Half year ended	
	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees
Profit attributable to equity holders (Rupees)	112,499,855	138,406,254	263,350,733	282,424,148
Opening ordinary shares outstanding (numbers)	228,571,429	128,571,429	228,571,429	128,571,429
Weighted average number of shares in issue (numbers)	-	100,000,000	-	82,320,442
Total shares (numbers)	228,571,429	228,571,429	228,571,429	210,891,871
Earning per share - basic (Rupees)	0.49	0.61	1.15	1.34

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

[Signature]

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

28 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 30 June 2019 are as follows:

Transactions	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees
Parent Company		
Issue of share capital	-	1,000,000,000
Utility Bill collected on behalf of the Parent Company	32,020,970	46,474,226
Payment in regards utility bills collected on behalf of the Parent Company	31,036,747	46,269,416
Utility Bill collection charges	124,056	199,859
Payment for administrative costs and fixed assets	18,068,766	11,272,484
Interest expense on TIER-II Subordinated debt	253,297,517	-
Interest expense on PTCL employee GP fund	77,950,332	8,016,630
Payment for purchase of ICT hardware	69,287,244	-
Associated Company - Pak Telecom Mobile Limited (PTML)		
Payment for administrative costs and fixed assets	19,957,887	6,463,136
Payment against branchless banking and bills collected	-	61,343,828
Amount received against reimbursement of agent's commission	122,241,578	59,146,419
Interest expense on deposits	15,389,567	2,378,046
Expenses incurred on behalf of PTML	-	18,450,000
Associated Company - Pakistan Telecommunication Employees Trust (PTET)		
Interest expense on deposits	18,164,384	31,133,560
Employees' provident fund		
Contribution to provident fund	13,416,392	2,516,988
Employees' gratuity fund		
Contribution to gratuity fund	15,598,044	6,431,118
Balances	(Un-audited) 30 June 2019 Rupees	(Un-audited) 31 December 2018 Rupees
Parent Company		
Advance for purchase of ICT hardware	-	92,056,672
Payable against utility bills collected	1,165,731	181,508
Utility bills collection charges receivable	1,770,578	1,511,858
Employee GP fund	1,332,120,034	1,237,896,409
Sub-ordinated Debt (Tier II)	4,000,000,000	4,000,000,000
Interest Payable on TIER-II subordinated Debt	253,297,517	-
Payable against rent and connectivity	-	10,964,330
Interest payable on deposits - PTCL Employees' Gratuity Fund	712,560	3,564,138

U Microfinance Bank Limited

Notes to the Condensed Interim Financial Statements (Un-audited)

For the half year ended 30 June 2019

	(Un-audited) 30 June 2019 Rupees	(Un-audited) 31 December 2018 Rupees
Balances		
Associated Company - Pakistan Telecommunication Employees Trust		
Deposits	1,008,244,830	1,024,170,892
Interest payable on deposits	18,164,384	2,794,878
Associated Company - Pak Telecom Mobile Limited		
Employees' Gratuity fund	535,424,500	475,103,715
Payable against branchless banking and bills collected	180,204,209	69,614,227
Payable to Pak Telecom Mobile Limited		
Interest payable on deposits	-	159,159
Employees' provident fund		
Payable to provident fund	6,150,085	12,096,665
Employees' gratuity fund		
Payable to gratuity fund	2,513,392	9,037,006

29 GENERAL

- 29.1 Captions, as prescribed by BSD Circular No. 11, dated 30 December 2003 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

30 DATE OF APPROVAL

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

12 JUL 2019

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR