



KPMG Taseer Hadí & Co.
Chartered Accountants

U Microfinance Bank Limited

Financial statements

For the year ended
31 December 2021



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 2021, 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 2021 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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



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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

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

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



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

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
Dated: 21 March 2022
UDIN: AR202110115DdtzsayNQ

U MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Cash and balances with SBP and NBP	6	3,799,930,850	3,160,116,831
Balances with other Banks/ NBFIs/ MFBs	7	6,223,904,412	1,908,209,748
Lending to financial institution		-	450,000,000
Investments - net of provisions	8	46,564,519,779	24,074,499,338
Advances - net of provisions	9	34,375,729,318	30,006,298,899
Operating fixed assets	10	2,886,170,228	2,917,413,581
Other assets	11	10,050,583,152	7,797,247,350
Deferred tax asset	12	677,447,619	399,616,598
Total Assets		104,578,285,358	70,713,402,345
LIABILITIES			
Deposits and other accounts	13	55,000,289,695	46,104,640,853
Borrowings	14	36,880,686,164	13,274,190,642
Subordinated debt	15	1,798,920,000	2,799,160,000
Other liabilities	16	3,407,296,747	2,860,212,627
Deferred tax liabilities		-	-
Total Liabilities		97,087,192,606	65,038,204,122
Net Assets		7,491,092,752	5,675,198,223
REPRESENTED BY:			
Share capital	17	4,085,714,290	3,085,714,290
Discount on issue of share capital		(25,714,290)	(25,714,290)
Advance against issue of shares	18	1,000,000,000	1,000,000,000
Statutory and general reserves	5.13.1	633,083,649	410,876,256
Depositors' protection fund	5.13.2	158,270,912	102,719,064
Unappropriated profit		1,926,314,403	1,099,564,241
		7,777,668,964	5,673,159,561
Surplus / (deficit) on revaluation of assets	19	(288,630,328)	628,774
Deferred grants		2,054,116	1,409,888
Total Capital		7,491,092,752	5,675,198,223

MEMORANDUM / OFF BALANCE SHEET ITEMS 20

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

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PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
Mark-up / return / interest earned	21	12,215,993,833	10,133,879,505
Mark-up / return / interest expensed	22	(5,589,495,387)	(4,341,888,111)
Net mark-up / interest income		6,626,498,446	5,791,991,394
Provision against non-performing loans and advances	9.4	(1,494,744,681)	(1,578,024,398)
Provision for diminution in the value of investments		-	-
Bad debts written off directly	9.4 & 9.5	(18,155,783)	(1,841,681)
Net mark-up / interest income after provisions		5,113,597,982	4,212,125,315
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income	23	1,018,362,875	1,124,650,050
Other income	24	259,408,477	138,370,093
Total non-markup / non interest income		1,277,771,351	1,263,020,143
		6,391,369,334	5,475,145,458
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	25	5,035,205,163	4,265,595,760
Other provisions / write offs		-	-
Other charges	26	19,000	5,477,000
Total non-markup / non interest expenses		5,035,224,163	4,271,072,760
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,356,145,171	1,204,072,698
Workers' Welfare Fund (WWF)		(27,110,218)	(24,081,454)
		1,329,034,952	1,179,991,244
TAXATION			
Current		(429,474,114)	(549,448,880)
Prior years		(12,701,793)	(52,310,066)
Deferred		224,177,922	327,927,656
	27	(217,997,985)	(273,831,290)
PROFIT AFTER TAXATION		1,111,036,967	906,159,954
Unappropriated profit brought forward		1,099,564,241	512,586,043
Less: Other comprehensive income		(6,527,564)	7,358,233
Profit available for appropriation		2,204,073,645	1,426,104,230
APPROPRIATIONS:			
Transfer to:			
Statutory reserves		222,207,393	181,231,991
Capital reserve		-	-
Contribution to MSDF / DFP / RMF		55,551,848	45,307,998
Revenue reserve		-	-
Interim cash dividend Rs Nil per share (2020: Rs. 0.32 paisa per share)		-	100,900,000
		277,759,241	326,539,989
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,926,314,404	1,099,564,241
EARNINGS PER SHARE	31	3.60	3.59

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


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
Profit for the year		1,111,036,967	906,159,954
Other comprehensive income for the year			
Items that will not be reclassified to profit and loss account:			
(Loss) / profit on revaluation of assets transferred to profit and loss	16.3.3	(9,193,752)	10,363,709
Tax Impact	12	2,666,188	(3,005,476)
		(6,527,564)	7,358,233
Comprehensive income for the year transferred to equity		1,104,509,403	913,518,187
Components of comprehensive income for the year not transferred to equity:			
Items that may be reclassified to profit and loss:			
(Deficit) / surplus on revaluation of available for sale investments	19	(340,246,013)	11,067,414
Related tax effect	19	50,986,911	(1,660,112)
		(289,259,102)	9,407,302
Total comprehensive income for the year		815,250,301	922,925,489

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


PRESIDENT / CHIEF EXECUTIVE


CHAIRMAN


DIRECTOR


DIRECTOR

U MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Advance against issue of shares	Discount on issue of share capital	Capital reserve Statutory reserve	Depositors' protection fund	Revenue reserve Unappropriated profit	Total
	Rupees						
Balance at 31 December 2019	2,285,714,290	-	(25,714,290)	229,644,265	57,411,066	512,586,043	3,059,641,374
Profit for the year	-	-	-	-	-	906,159,954	906,159,954
Other comprehensive income	-	-	-	-	-	7,358,233	7,358,233
Total comprehensive income	-	-	-	-	-	913,518,187	913,518,187
Transfer to							-
Statutory reserve	-	-	-	181,231,991	-	(181,231,991)	-
Depositors' Protection Fund	-	-	-	-	45,307,998	(45,307,998)	-
Transactions with owners, recorded directly in equity							
Contributions and distributions							
Interim cash dividend Rs. 0.32 paise per share	-	-	-	-	-	(100,000,000)	(100,000,000)
Issue of ordinary shares	800,000,000	-	-	-	-	-	800,000,000
Conversion of subordinated debt as advance against issue of preference shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Balance at 31 December 2020	3,085,714,290	1,000,000,000	(25,714,290)	410,876,256	102,719,064	1,099,564,241	5,673,159,561
Profit for the year	-	-	-	-	-	1,111,036,967	1,111,036,967
Other comprehensive income	-	-	-	-	-	(6,527,564)	(6,527,564)
Total comprehensive income	-	-	-	-	-	1,104,509,403	1,104,509,403
Transfer to							
Statutory reserve	-	-	-	222,207,393	-	(222,207,393)	-
Depositors' Protection Fund	-	-	-	-	55,551,848	(55,551,848)	-
Transactions with owners, recorded directly in equity							
Contributions							
Issue of preference shares	1,000,000,000	(1,000,000,000)	-	-	-	-	-
Conversion of subordinated debt as advance against issue of ordinary shares	-	1,000,000,000	-	-	-	-	1,000,000,000
Balance at 31 December 2021	4,085,714,290	1,000,000,000	(25,714,290)	633,083,649	158,270,912	1,926,314,403	7,777,668,964

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

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U MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,329,034,952	1,179,991,244
Less: Dividend income		-	-
		<u>1,329,034,952</u>	<u>1,179,991,244</u>
Adjustments for non-cash charges			
Depreciation of property and equipment	10.2	404,964,461	359,818,212
Amortization of intangible assets	10.3	50,374,157	35,647,218
Depreciation of right of use asset	10.4	280,923,394	264,975,496
Provisions against non-performing advances	9.4	1,512,900,464	1,579,866,079
Advances written off against provision	9.4	(790,348,087)	(775,030,493)
Provision for gratuity	25	40,983,207	35,436,791
Loss / (gain) on sale of operating fixed assets - net	10.2.2 & 10.4.1	6,518,036	(127,686)
Finance charges on leased assets	25	156,172,345	178,910,741
		<u>1,662,487,977</u>	<u>1,679,496,358</u>
		<u>2,991,522,929</u>	<u>2,859,487,602</u>
Increase in operating assets			
Advances		(5,091,982,796)	(9,437,055,220)
Other assets (excluding advance taxation)		(2,253,335,802)	(3,987,752,946)
Increase / (decrease) in operating liabilities			
Bills payables		60,275,863	5,137,705
Deposits and other accounts		8,895,648,842	22,814,381,382
Other liabilities (excluding current tax, bills payable finance lease and provision for gratuity)		436,078,404	80,586,470
		<u>2,046,684,511</u>	<u>9,475,297,391</u>
Net cash generated from operations		<u>5,038,207,440</u>	<u>12,334,784,993</u>
Payments against provisions held against off-balance sheet obligations			
Contributions to gratuity fund	16.3.10	(38,923,143)	(34,158,605)
Income taxes paid		(373,206,856)	(89,281,448)
Net cash generated from operating activities		<u>4,626,077,441</u>	<u>12,211,344,940</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities - Government securities		(21,149,279,543)	(10,964,485,954)
Net investments in term deposits receipts		(1,630,000,000)	(6,120,000,000)
Lending to financial institution		450,000,000	(450,000,000)
Investments in operating fixed assets		(599,137,836)	(433,854,252)
Sale proceeds of operating fixed assets		6,637,695	10,524,928
Net cash used in investing activities		<u>(22,921,779,684)</u>	<u>(17,957,815,278)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated loan		(240,000)	(240,000)
Borrowings obtained during the year		424,056,216,609	136,987,490,862
Borrowings repaid during the year		(400,449,721,087)	(130,446,631,553)
Payments of lease obligations		(355,044,596)	(362,854,268)
Dividend paid		-	(100,000,000)
Net cash generated from financing activities		<u>23,251,210,926</u>	<u>6,077,765,041</u>
Net increase in cash and cash equivalents		<u>4,955,508,683</u>	<u>331,294,703</u>
Cash and cash equivalents at beginning of the year		<u>5,068,326,579</u>	<u>4,737,031,876</u>
Cash and cash equivalents at end of the year	28	<u><u>10,023,835,262</u></u>	<u><u>5,068,326,579</u></u>

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

PRESIDENT / CHIEF EXECUTIVE

CHAIRMAN

DIRECTOR

DIRECTOR

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

1 STATUS AND NATURE OF BUSINESS

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

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

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

The credit rating company JCR-VIS assigned the long-term entity rating of the Bank at "A+" and short term rating at "A-1" on 29 April 2021.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

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

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

State Bank of Pakistan (SBP) through its BPRD circular No. 4 of 2019 dated 23 October 2019 had decided that the effective date of IFRS 9 implementation was 01 January 2021 for banks/DFIs/MFBs. However, given the prevalent COVID-19 (Corona Virus Disease 2019) pandemic situation, SBP through its BPRD circular No. 15 of 2020 dated 26 March 2020 had decided to extend the timeline of the tasks related to IFRS 9 implementation till periods beginning on or after 01 July 2020. Further in view of COVID-19 impact and banking industry representations, SBP vide its BPRD circular letter no. 24 of 2021 dated 05 July 2021 has decided to implement IFRS 9 from 01 January 2022. Accordingly, the requirements of this standard have not been considered in the preparation of these financial statements.

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

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, right of use asset and lease liability which are initially measured at their present values and employee's gratuity which is measured based on actuarial valuation.

4.2 Functional and presentation currency

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

4.3 Use of judgments and estimates

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

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

Information about assumptions and estimation uncertainties or where judgment was exercised in application of accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2021 is included in the following notes:

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

Note 5.7.2 and 27 – recognition of deferred tax assets,

Notes 5.14 and 20 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

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

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

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

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

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

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

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

The following International Financial Reporting Standard (IFRS Standard) 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 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Annual Improvements to IFRS standards 2018-2020:

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

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

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

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

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

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

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023 and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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- As per State Bank of Pakistan (SBP)' BPRD circular letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective 1 January 2022. The aforementioned circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, further clarifications required in certain areas etc.

Due to the fact that final instructions have not yet been issued and the large number of reservations over the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as required under IAS 8.

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Sale and repurchase agreements

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

5.3 Investments

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

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

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

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Held for trading

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

Held to maturity

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

Available for sale

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

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

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

5.4 Advances

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

Other assets especially mentioned

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

Substandard

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

Doubtful

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

Loss

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

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

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

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

Accordingly, the Bank has reclassified the outstanding DRP loans against the above categories, leading to benefit for the Bank amounting to Rs. 106.32 million.

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% (2020: 1%) of the net outstanding balance (advance net of specific provisions) in accordance with the requirement of the Regulations. The Bank also recognises general provisions in addition to the above general provision when the circumstances indicate delinquency in the portfolio.

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

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

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

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5.5 Operating fixed assets

5.5.1 Property and equipment

Owned

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

Right of use assets

The Bank recognizes right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. Right of use asset is calculated as the initial amount of the lease liability in terms of rentals for business locations at the lease contract commencement date.

The right to use assets is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of lease term or the cost of the right of use asset reflect that the Bank will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

The right of use asset is subsequently depreciated using the straight line method for a period of lesser of ten years or actual lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.5.2 Capital work-in-progress

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

5.5.3 Intangible assets

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

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5.6 Lease liability

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

Short-term leases

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

5.7 Taxation

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

5.7.1 Current tax

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

5.7.2 Deferred tax

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

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

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

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

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5.7.3 Group taxation

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

5.8 Impairment

5.8.1 Non-derivative financial assets

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

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

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

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

5.8.2 Non-financial asset

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

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

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

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

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5.9 Financial instruments

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

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

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

Financial Assets

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

Financial Liabilities

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

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

Derivative financial instruments

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

5.10 Deposits

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

5.11 Subordinated debt

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

5.12 Employee benefits

5.12.1 Short-term employee benefits

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

5.12.2 Defined contribution plan – provident fund

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

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5.12.3 Staff retirement benefit - gratuity

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

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

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

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

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

5.13 Reserves

5.13.1 Statutory reserve

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

5.13.2 Depositors' protection fund

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

5.13.3 Cash reserve

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

5.13.4 Statutory liquidity requirement

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

5.14 Provisions

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

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5.15 Revenue recognition

5.15.1 Revenue from contracts with customers

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

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

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

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

Mark-up / income on advances

Mark-up / income / return / service charge on advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the respective loan products. Mark-up/ income on advances is collected with loan instalments. Due but unpaid service charges/ income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and recognition of unpaid service charges / income ceases. Further accrued mark-up on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations. Application processing fee is recognized as income when service is performed. Also refer 5.4.

Income from investment

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

Fee, commission and brokerage income

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

Income on inter bank deposits

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

5.16 Mark-up bearing borrowings

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

5.17 Borrowing costs

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

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5.18 Off-setting

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

5.19 Foreign currency transactions and translation

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

5.20 Earnings per share

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

5.21 Share capital and dividend

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

5.22 Fair value measurement

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

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

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

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

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

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

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		2021 Rupees	2020 Rupees
6 CASH AND BALANCES WITH SBP AND NBP	Note		
Cash in hand - Local currency		808,663,563	920,790,506
<i>Local currency current accounts</i>			
Balances with State Bank of Pakistan (SBP)	6.1	2,990,491,101	2,238,550,139
Balances with National Bank of Pakistan (NBP)		776,186	776,186
		<u>3,799,930,850</u>	<u>3,160,116,831</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% (2020: 5%) of the Bank's time and demand deposits liabilities with tenure of less than one year. This also includes Rs. 158,299,594 (2020: Rs. 102,719,064) maintained with SBP under Depositors' Protection Fund

		2021 Rupees	2020 Rupees
7 BALANCES WITH OTHER BANKS/ NBFIs/ MFBs	Note		
In Pakistan - Local currency			
Current accounts	7.1	12,385,714	11,702,453
Deposit accounts	7.2	6,211,518,698	1,896,507,295
		<u>6,223,904,412</u>	<u>1,908,209,748</u>

7.1 This includes Rs. 10,600,000 (2020: Rs. 10,200,000) held as deposit under lien in respect of standby letter of guarantee issued to China Union Pay International.

7.2 Deposit accounts carried interest at rates ranging from 5.50% to 11.5% (2020: 5.50% to 14.5%) per annum.

		2021 Rupees	2020 Rupees
8 INVESTMENTS - NET OF PROVISIONS	Note		
Federal Government Securities			
<i>Available for sale</i>			
Market Treasury Bills (T-Bills)	8.1	21,005,065,107	10,352,699,370
Pakistan Investment Bonds (PIBs)	8.2	6,066,754,960	7,601,060,234
Unrealised loss on revaluation of investments	8.5	(339,506,279)	739,734
		26,732,313,788	17,954,499,338
<i>Held for trading</i>			
Mutual Funds	8.3	12,082,205,991	-
<i>Held to maturity</i>			
Term deposit receipts	8.4	7,750,000,000	6,120,000,000
		46,564,519,779	24,074,499,338
Less: Provision for diminution in value of investments		-	-
		<u>46,564,519,779</u>	<u>24,074,499,338</u>

8.1 This represents market treasury bills with maturities ranging from 13 to 181 days (2020: 42 to 84 days) carrying interest at the rate ranging from 7.40% to 11.45% (2020: 7.10% to 7.14%) per annum.

8.2 This represents Pakistan Investment Bonds carrying interest at the rate ranging from 9.00% to 9.5% (2020: 8.12% to 9.06%) per annum payable on semi annually basis maturing within 09 months to 33 months.

8.3 This represents investments in open ended mutual funds and are measured at fair value through profit or loss. Fair value of these investments is determined using quoted repurchase price. Units held in funds are tabulated below:

	2021	
	No. of units	Rupees
ABL Cash Fund	681,214,232	7,043,167,898
Faysal Income and Growth Fund	36,078,290	4,037,160,639
Pak Oman Government Securities Fund	88,979,054	1,001,877,454
	<u>806,271,576</u>	<u>12,082,205,991</u>

8.4 Term Deposit Receipts (TDR) carries markup at rate ranging between 10.5% to 13.00% (2020: 8.50% to 12%) per annum with maturities upto 6 months to 1 year.

	2021 Rupees	2020 Rupees
8.5 Revaluation of available for sale securities - net of deferred tax		
Market Treasury Bills (T-Bills)	(26,979,500)	648,500
Pakistan Investment Bonds (PIBs)	(312,526,779)	91,234
	(339,506,279)	739,734
Related deferred tax effect	50,875,951	(110,960)
	<u>(288,630,328)</u>	<u>628,774</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	2021		2020	
		Number	Rupees	Number	Rupees
Micro credit					
Secured		103,952	18,810,906,403	86,949	14,648,994,902
Unsecured		242,438	17,600,438,168	259,309	16,670,366,873
		346,390	36,411,344,571	346,258	31,319,361,775
Less: Provision held					
Specific	9.1	15,813	(529,681,308)	516	(7,247,107)
General	9.2		(1,505,933,945)		(1,305,815,769)
	9.4		(2,035,615,253)		(1,313,062,876)
Advances - net of provisions			34,375,729,318		30,006,298,899

9.1 Specific provision for the year has been arrived at after considering the relaxation granted by SBP to financial sector as referred to in note 5.4 to the financial statements. Specific provision is maintained net of risk coverage by SBP under credit guarantee for small and marginalized farmers (CGSMF) amounting Rs. 600 million (2020: Rs. 520 million), in accordance with the Regulations.

9.2 General provision is maintained at the rate of 1% (2020: 1%) of unsecured micro credit balance net of specific provision amounting to Rs. 529.68 million (2020: Rs. 7.25 million).

In view of the COVID 19, management expect that certain degree of customers would be impacted, however, it is difficult to estimate potential effect on advances portfolio with any degree of certainty. Accordingly, an additional general provision of Rs. 1,312 million (2020: Rs. 1,144 million) is recognized in the financial statements based on management's assessment of asset quality and credit risk.

9.3 Particulars of non-performing advances

Advances include Rs. 1,023 million (2020: Rs. 35.87 million) as detailed below, which have been placed under non-performing status. Non-performing advances include Rs. 149.88 million (2020: Rs. 6.16 million) of secured loans on which there is no provision as per regulation. Out of these non-performing advances, Rs. 603.68 million relate to the restructured / deferred portfolio.

Category of classification	Provision rate	2021			2020		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
		Rupees					
Other Assets Especially Mentioned (OAEM)	-	194,815,142	-	-	15,371,672	-	-
Sub-standard	25%	70,559,898	13,632,230	13,632,230	9,018,144	2,022,961	2,022,961
Doubtful	50%	340,663,300	119,217,348	119,217,348	8,464,804	3,174,302	3,174,302
Loss	100%	417,448,102	396,831,730	396,831,730	3,016,744	2,049,844	2,049,844
Total		1,023,486,442	529,681,308	529,681,308	35,871,364	7,247,107	7,247,107

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9.4 Particulars of provisions against non-performing advances

		2021			2020				
	Specific	General		Total	Specific	General		Total	
		Mandatory	Additional			Mandatory	Additional		
Note		Rupees				Rupees			
Opening balance		7,247,107	161,815,769	1,144,000,000	1,313,062,876	353,264,391	154,962,899	-	508,227,290
Charge for the year	9.4.1	1,312,782,288	32,118,176	168,000,000	1,512,900,464	429,013,209	6,852,870	1,144,000,000	1,579,866,079
Advances written off	9.5	(790,348,087)	-	-	(790,348,087)	(775,030,493)	-	-	(775,030,493)
Reversals		-	-	-	-	-	-	-	-
Closing balance		529,681,308	193,933,945	1,312,000,000	2,035,615,253	7,247,107	161,815,769	1,144,000,000	1,313,062,876

9.4.1 This includes Rs. 18.15 million (2020: Rs. 1.84 million) directly charged to profit and loss account

9.5 Particulars of advances written off

	2021 Rupees	2020 Rupees
Against provision	(772,192,304)	(773,188,812)
Directly charged to profit and loss account	(18,155,783)	(1,841,681)
	<u>(790,348,087)</u>	<u>(775,030,493)</u>

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

In continuation to the aforementioned letter, the SBP vide its letter AC&MFD Circular Letter No. 4 of 2020 dated 07 July 2020 further extended the date of submission of rescheduling request to 30 September 2020, provided, borrower continues to service the mark-up amount as per agreed terms and conditions. In order to enable MFBs in extending further relief measures to the affected borrowers, on 10 August 2020, SBP issued AC&MFD Circular Letter No. 7 of 2020, wherein the treatment prescribed vide aforesaid circular letters was now available for loans which were regular on 31 December 2019 (previously this was 15 February 2020). Total 131,212 (2020: 142,181) number of loans are outstanding under SBP relief restructured / deferred portfolio amounting to Rs. 8,233 million (2020: Rs. 8,499 million).

10	OPERATING FIXED ASSETS	Note	2021 Rupees	2020 Rupees
	Capital work-in-progress	10.1	171,418,550	75,560,939
	Property and equipment	10.2	1,286,159,012	1,435,956,474
	Intangible assets	10.3	270,259,396	201,790,196
	Right of use asset (ROU)	10.4	1,158,333,270	1,204,105,972
			<u>2,886,170,228</u>	<u>2,917,413,581</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	28,308,159	27,926,998
	Office improvements		143,110,391	47,633,941
			<u>171,418,550</u>	<u>75,560,939</u>
10.1.1	This represents advance given for software and property and equipment.			

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10.2 Property and equipment

Property and equipment	2021									Book value at 31 December 2021	Rates of depreciation % (per annum)
	Cost				Depreciation						
	At 01 January 2021	Additions	Disposals / writeoff	Transfers	At 31 December 2021	At 01 January 2021	Charge for the year	Disposals / writcoff	At 31 December 2021		
	Rupees										
<i>Owned</i>											
Furniture and fixture	205,768,045	22,212,056	(5,593,148)	-	222,386,953	62,626,997	22,397,323	(1,924,862)	83,099,458	1,19,287,495	10.00%
Computer equipments	383,778,928	98,656,024	(3,918,576)	-	478,516,376	214,761,095	163,856,834	(3,903,812)	374,714,117	103,802,259	33.33%
Electrical equipment	1,194,316,122	76,407,893	(5,726,724)	-	1,264,997,291	423,636,719	167,053,302	(5,369,102)	585,320,919	679,676,372	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	26,030,433	3,098,924	-	29,129,357	2,468,383	20.00%
Office improvement	488,235,042	66,242,830	(11,786,747)	-	542,691,125	140,684,159	48,558,078	(7,475,615)	181,766,622	360,924,503	10.00%
	2,303,695,877	263,518,803	(27,025,195)	-	2,540,189,485	867,739,403	404,964,461	(18,673,391)	1,254,030,473	1,286,159,012	
	2020										
	Cost				At 31 December 2020	Depreciation				Book value at 31 December 2020	Rates of depreciation % (per annum)
	At 01 January 2020	Additions	Disposals / writeoff	Transfers		At 01 January 2020	Charge for the year	Disposals / writeoff	At 31 December 2020		
	Rupees										
<i>Owned</i>											
Furniture and fixture	188,359,184	17,413,324	(4,463)	-	205,768,045	41,799,387	20,830,176	(2,566)	62,626,997	143,141,048	10.00%
Computer equipments	200,257,510	104,982,182	(387,456)	78,926,692	383,778,928	139,307,999	75,840,552	(387,456)	214,761,095	169,017,833	33.33%
Electrical equipment	1,105,358,505	202,536,886	-	(113,579,269)	1,194,316,122	209,931,259	213,705,460	-	423,636,719	770,679,403	20.00%
Vehicles	31,597,740	-	-	-	31,597,740	21,525,721	4,504,712	-	26,030,433	5,567,307	20.00%
Office improvement	454,119,198	34,560,614	(444,770)	-	488,235,042	95,932,168	44,937,312	(185,321)	140,684,159	347,550,883	10.00%
	1,979,692,137	359,493,006	(836,689)	(34,652,577)	2,303,695,877	508,496,534	359,818,212	(575,343)	867,739,403	1,435,956,474	

10.2.1 Cost of fully depreciated property and equipment that are still in use is Rs. 285,965,459 (2020: Rs. 224,808,337).

10.2.2 Detail of disposals of operating fixed assets

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

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	Rupees						
Sign Board	891,276	185,682	705,594	32,000	(673,594)	Auction	Wali Enterprises
Civil Works	381,940	92,302	289,638	-	(289,638)	Writeoff	-
Civil Works	1,231,025	964,303	266,722	-	(266,722)	Writeoff	-
Civil Works	1,552,655	1,060,981	491,674	-	(491,674)	Writeoff	-
Civil Works	526,152	245,538	280,614	16,100	(264,514)	Auction	M Abdullah
Civil Works	1,742,718	1,205,380	537,338	-	(537,338)	Writeoff	-
Civil Works	604,445	337,482	266,963	-	(266,963)	Writeoff	-
Civil Works	1,299,764	758,196	541,568	-	(541,568)	Writeoff	-
Civil Works	1,804,911	1,248,397	556,514	595,000	38,486	Insurance	Insurance claim (EFU)
Other assets (Note 10.2.2.1)	16,990,309	12,575,130	4,415,179	1,082,322	(3,332,857)	Tender / Auction	Various buyers
	<u>27,025,195</u>	<u>18,673,391</u>	<u>8,351,804</u>	<u>1,725,422</u>	<u>(6,626,382)</u>		

10.2.2.1 Other assets includes those assets whose individual cost and book value does not exceed Rs. 1 million and Rs. 250,000, respectively.

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10.3 Intangible assets

	2021								Book value at 31 December 2021	Rates of amortization % (per annum)
	Cost				Amortization					
	At 01 January 2021	Additions	Transfers	At 31 December 2021	At 01 January 2021	Charge for the year	Transfers	At 31 December 2021		
	Rupees									
Computer softwares	318,183,374	118,843,357	-	437,026,731	116,393,178	50,374,157	-	166,767,335	270,259,396	10.00%
Licenses	12,394,739	-	-	12,394,739	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>330,656,491</u>	<u>118,843,357</u>	<u>-</u>	<u>449,499,848</u>	<u>128,866,295</u>	<u>50,374,157</u>	<u>-</u>	<u>179,240,452</u>	<u>270,259,396</u>	
	2020									
	Cost				Amortization				Book value at 31 December 2020	Rates of amortization % (per annum)
	At 01 January 2020	Additions	Transfers	At 31 December 2020	At 01 January 2020	Charge for the year	Transfers	At 31 December 2020		
	Rupees									
Computer softwares	217,484,528	66,046,269	34,652,577	318,183,374	80,745,960	35,647,218	-	116,393,178	201,790,196	10.00%
Licenses	12,394,739	-	-	12,394,739	12,394,739	-	-	12,394,739	-	20.00%
Mail server	78,378	-	-	78,378	78,378	-	-	78,378	-	33.33%
	<u>229,957,645</u>	<u>66,046,269</u>	<u>34,652,577</u>	<u>330,656,491</u>	<u>93,219,077</u>	<u>35,647,218</u>	<u>-</u>	<u>128,866,295</u>	<u>201,790,196</u>	

10.3.1 This includes operating system and microsoft office licenses. The average remaining life of the computer softwares is 03 years (2020: 04 years).

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			2021 Rupees	2020 Rupees
10.4	Right of use asset	Note		
	Balance at start of the year		1,204,105,972	1,429,341,831
	Additions		194,002,253	50,023,228
	Disposals	10.4.1	(4,803,926)	(10,283,591)
	Termination of lease		(33,271,735)	-
	Modification of lease		79,224,100	-
	Depreciation	25	(280,923,394)	(264,975,496)
	Balance at end of the year		<u>1,158,333,270</u>	<u>1,204,105,972</u>

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

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
			Rupees				
Corolla Altis 1.6	2,499,766	1,333,209	1,166,557	1,166,557	-	Buy back	Sharmeen Niaz
Corolla Gli 1.3	2,462,156	943,826	1,518,330	1,571,986	53,656	Buy back	Palwasha Qazi
Corolla Altis 1.6	3,260,060	1,141,021	2,119,039	2,173,730	54,691	Buy back	Obaid Riaz
	<u>8,221,982</u>	<u>3,418,056</u>	<u>4,803,926</u>	<u>4,912,273</u>	<u>108,347</u>		

			2021 Rupees	2020 Rupees
11	OTHER ASSETS	Note		
	Income / mark-up accrued	11.1	8,837,417,346	6,724,115,659
	Advances, deposits and other prepayments		376,198,998	208,483,161
	Advance tax - net		-	-
	Receivable from I-Link		100,536,490	181,726,809
	Inventory of ATM cards and stationery		29,192,613	18,285,049
	Advance to employees	11.2	125,840,940	92,403,524
	Receivable from SBP against crop and livestock insurance	11.3	456,749,452	476,990,966
	Insurance claims receivable		93,071,656	75,370,102
	Receivable from staff retirement benefit - gratuity	16.3	-	7,849,721
	Receivable from defined contribution plan - provident fund		-	1,391,950
	Others		31,575,657	10,630,409
			<u>10,050,583,152</u>	<u>7,797,247,350</u>

11.1 This is net of markup suspended amounting to Rs. 1,793 million (2020: Rs. 769 million) on non-performing loans of the Bank.

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

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

			2021 Rupees	2020 Rupees
12	DEFERRED TAX ASSET			
	Deductable temporary differences arising in respect of			
	Provision against advances		590,328,423	380,788,234
	Deficit on revaluation of available for sale securities		50,875,951	-
	Remeasurement of employees' retirement benefits		2,919,774	253,586
	Lease finance facilities		60,926,189	50,994,492
	Accelerated tax depreciation / amortization allowance		41,408,196	-
			<u>746,458,533</u>	<u>432,036,312</u>
	Taxable temporary differences arising in respect of			
	Accelerated tax depreciation / amortization allowance		-	(24,254,668)
	Gain on revaluation of available for sale securities		-	(110,960)
	Treasury bills		(25,073,192)	(8,054,086)
	Pakistan Investment Bonds (PIBs)		(24,439,803)	-
	Mutual funds		(19,497,919)	-
			<u>677,447,619</u>	<u>399,616,598</u>

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	Net balance at 01 January 2021	Recognised in		Net balance at 31 December 2021
		Profit and loss account	Other comprehensive income	
		Rupees		
2021				
Taxable temporary differences				
Treasury Bills	(8,054,086)	(17,019,106)	-	(25,073,192)
Pakistan Investment Bonds (PIBs)	-	(24,439,803)	-	(24,439,803)
Mutual funds	-	(19,497,919)	-	(19,497,919)
Deductible temporary differences				
Operating fixed assets	(24,254,668)	65,662,864	-	41,408,196
Provision for advances	380,788,234	209,540,189	-	590,328,423
Employee retirement benefit - gratuity	253,586	-	2,666,188	2,919,774
Surplus / (deficit) on revaluation of assets	(110,960)	-	50,986,911	50,875,951
Leases	50,994,492	9,931,697	-	60,926,189
	407,670,684	285,134,750	53,653,099	746,458,533
	399,616,598	224,177,922	53,653,099	677,447,619
2020				
Taxable temporary differences				
Operating fixed assets	(97,299,842)	73,045,174	-	(24,254,668)
Treasury Bills	(12,740,588)	4,686,502	-	(8,054,086)
Deductible temporary differences				
Provision for advances	147,385,914	233,402,320	-	380,788,234
Employee retirement benefit - gratuity	3,259,061	-	(3,005,475)	253,586
Surplus / (deficit) on revaluation of assets	1,549,152	-	(1,660,112)	(110,960)
Leases	34,200,832	16,793,660	-	50,994,492
	186,394,959	250,195,980	(4,665,587)	431,925,352
	76,354,529	327,927,656	(4,665,587)	399,616,598

	2021		2020	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
13 DEPOSITS AND OTHER ACCOUNTS				
Fixed deposits	1,556	20,280,326,633	2,282	26,357,673,331
Saving deposits	15,846	30,892,674,901	14,785	16,802,040,082
Current deposits	2,722,176	3,827,288,161	1,461,867	2,944,927,440
	2,739,578	55,000,289,695	1,478,934	46,104,640,853
13.1 Particulars of deposits by ownership				
Individual depositors	2,739,404	29,468,403,092	1,478,758	19,448,644,288
Institutional depositors				
Corporation/ firms etc.	140	17,428,759,047	105	11,988,551,046
Banks / financial institutions	34	8,103,127,556	71	14,667,445,519
Total	2,739,578	55,000,289,695	1,478,934	46,104,640,853

13.2 This includes deposits amounting to Rs. 5,769 million (2020: Rs. 5,573 million) from related parties. Also refer note 37.

LENGTH

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14	BORROWINGS	Note	2021 Rupees	2020 Rupees
	Borrowings from Banks / Financial Institutions in Pakistan:			
	<i>Secured</i>			
	Allied Bank Limited - I		-	249,999,998
	Faysal Bank Limited - I	14.1	166,666,667	500,000,000
	Allied Bank Limited - II	14.2	1,333,333,330	2,666,666,667
	National bank of Pakistan - Running finance	14.3	1,000,000,000	500,000,000
	Faysal Bank Limited - II	14.4	333,332,667	666,665,334
	Bank of Punjab		-	50,000,000
	State Bank of Pakistan	14.5	1,500,000,000	1,500,000,000
	Repo Borrowing	14.6	15,555,721,500	6,154,540,000
	Allied Bank Limited - Running finance - I	14.7	500,000,000	500,000,000
	Bank Al Falah (Cash Management)		-	486,318,643
	Repo Borrowing - PIB	14.8	1,916,632,000	-
	Bank Alfalah - PPTFC	14.9	3,500,000,000	-
	Bank of Punjab	14.10	600,000,000	-
	Allied Bank Limited - III	14.11	2,250,000,000	-
	Pakistan Mortgage Refinance Company	14.12	500,000,000	-
	Pakistan Kuwait Investment Company (Private) Limited	14.13	750,000,000	-
	Allied Bank Limited - Running finance - II	14.14	5,000,000,000	-
	Allied Bank Limited - IV	14.15	500,000,000	-
	Pakistan Mortgage Refinance Company - II	14.16	500,000,000	-
	United Bank Limited	14.17	475,000,000	-
	MCB Bank Limited	14.18	500,000,000	-
			<u>36,880,686,164</u>	<u>13,274,190,642</u>

14.1 This represents term finance loan of Rs. 1 billion carrying markup of 6-months KIBOR plus 1% (2020: 6-Months KIBOR plus 1%) per annum payable semi-annually. The loan is secured against first pari passu charge on book debts, advances and receivable of the Bank with 25% margin and Microfinance Credit Guarantee Facility from State Bank of Pakistan at 25%. This loan is repayable in 6 equal semi-annual instalments of Rs. 166.67 million each. Repayments have started from August 2019.

14.2 This represents term finance facility under syndicate financing through Allied Bank Limited of Rs. 4 billion carrying markup of 6-months KIBOR plus 0.95% (2020: 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.

14.3 This represents utilized amount of running finance facility through National Bank of Pakistan Limited of Rs. 1,000 million (2020: 500 million) carrying markup of 3-months KIBOR plus 0.75% per annum. During the year Rs. 500 million was further drawn on 31 December 2021 carrying markup of KIBOR+1.25% (2020: 3-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on all current and future book debts, advances and receivable of the Bank. The initial disbursement was made against ranking charge which was upgraded to first pari passu charge within 120 days from date of disbursement. Markup is repayable on quarterly basis.

14.4 This represents term finance loan of Rs. 1 Billion carrying markup of 6-months KIBOR plus 0.75% per annum (2020: 6-Months KIBOR plus 0.75% per annum). This is secured against first pari passu charge on book debts, advances and receivables of the Bank for Rs. 1,333 million (25% margin). Initial disbursement on ranking charge was upgraded to first pari passu from 21 December 2018. This loan is repayable in 6 semi-annual instalments of Rs. 166.66 million each after grace period of 01 year with the notional principle of Rs. 1,000 within first two semi-annual mark-up payments.

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- 14.5 This represents term finance loan of Rs. 1,500 million carrying markup of 6-months KIBOR minus 100 bps (2020: 6 Months KIBOR minus 100 bps) for the tenor of five years. Markup amount is payable on every half year end i.e 30 June and 31 December, while payment of principle will be made in the last four quarters of the loan period or in bullet form. The loan is provided against the following target set by the SBP:
- the loan should be disbursed to 60% female borrowers
 - the Bank should disburse 25,000 loans; and
 - all loans disbursed should meet the E&S guideline issued by SBP.
- The Bank disbursed 30,714 loans (2020: 28,983 loans) amounting to Rs. 4.09 billion (2020: Rs. 2.77 billion) out of which 21,248 loans (2020: 20,123 loans) amounting to Rs. 2.39 billion (2020: Rs. 1.64 billion) were disbursed to female borrower as per the E&S guideline issued by SBP.
- 14.6 This represents Repo Borrowing from:
- SAMBA Bank Limited at the rate of 10.7% amounting to Rs. 1.48 billion with maturity date of 07 January 2022.
 - Allied Bank Limited at the rate of 10.75% amounting to Rs. 950.6 million with maturity date of 07 January 2022.
 - Allied Bank Limited at the rate of 10.75% amounting to Rs. 1.903 billion with maturity date of 06 January 2022.
 - Pak Oman Investment Bank Limited at the rate of 10.7% amounting to Rs. 1.953 billion with maturity date of 31 January 2022.
 - National Bank of Pakistan at the rate of 10% amounting to Rs. 492.365 million with maturity date of 07 January 2022.
 - Bank of Punjab at the rate of 10.75% amounting to Rs. 1.420 billion with maturity date of 07 January 2022.
 - Bank of Punjab at the rate of 10.75% amounting to Rs. 1.420 billion with maturity date of 07 January 2022.
 - Bank Alfalah Limited at the rate of 10.75% amounting to Rs. 1.961 billion with maturity date of 04 January 2022.
 - Muslim Commercial Bank at the rate of 10.5% amounting to Rs. 1.992 billion with maturity date of 04 January 2022.
 - Zarai Taraqiati Bank Limited at the rate of 10.7% amounting to Rs. 1.981 billion with maturity date of 07 January 2022.
- 14.7 This represents running finance of Rs. 500 million at the rate of 3 months KIBOR + 0.85% per annum to be paid on quarterly basis with the tenor of 12 months. This running finance facility is secured against all present and future assets of Bank excluding land and building with 25 % margin and is obtained to meet the short term funding requirement and to finance growth in advances.
- 14.8 This represents Repo Borrowing from Zarai Taraqiati Bank Limited at the rate of 10.7% amounting to Rs. 1.916 billion with maturity date of 07 January 2022.
- 14.9 This represents privately placed term finance certificates (TFCs) of Rs. 3.5 Billion distributed in 35,000 TFCs of Rs. 100,000 each. The Issue amount will be utilized to enhance the advances portfolio of the Bank. The facility tenure is 04 years (inclusive of 01 year grace) and is priced at 6 Month KIBOR + 1.35%. Half of the issue amount is secured against 1st pari passu charge on the book debts, advances and receivables with 25% margin remaining half is secured against charge/lien on government securities. Semi - annual principal redemption shall commence from 2nd year from issue date in 06 equal principal installments and shall continue till the maturity of the instrument. The rating of these certificates issued by PACRA is AA- with stable outlook. These TFCs shall be inducted in CDS and the laws and regulation relating to the CDS with respect to the term finance certificates will be applicable to the TFCs.
- 14.10 This represents term finance facility through The Bank of Punjab of Rs. 600 Million carrying markup of 6-months KIBOR plus 0.95% per annum payable semi-annually in arrears. This is secured against first pari passu charge over all present and future assets (excluding land and building), book debts, advances microcredit receivables and investments of the bank with 25% margin. This loan is repayable in 07 equal semi-annual instalments with the first principal repayment falling due on twelfth (12th) month from the first disbursement date. The loan was drawn on 30 June 2021.
- 14.11 This represents syndicated term finance facility with Allied Bank Limited of Rs. 2,250 million carrying markup at the rate of 6-month KIBOR plus 1.25% per annum. Mark up is paid semi annually in arrears. The first payment shall be due and payable at the end of eighteen months from disbursement date and subsequently every six months thereafter. This is secured against first pari-passu charge on all present and future assets of the borrower with the margin of 25%. The loan was drawn on 26 November 2021.
- 14.12 This represents housing loan from Pakistan Mortgage Refinance Company Limited of Rs. 500 million carrying markup at the rate of 1 year Kibor with negative spread of 1% depending upon the utilization. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This is secured against first pari-passu charge on all present and future current assets of the borrower with the margin of 25%. Loan amounting to Rs. 300 million was drawn on 27 August 2021 and Rs. 200 million on 30 Sep 2021.
- 14.13 This represents utilised amount of term finance facility of Rs. 750 million from Pakistan Kuwait Investment Company (Private) Limited (PKIC or lender) carrying markup at the rate of 6-months KIBOR plus 1.10% per annum (2020: Nil). This is secured against first pari-passu charge on all present and future assets (excluding land and building) including but not limited to book debts, advances, microcredits, bills, cash and bank balances, investments etc with 25% margin. This loan is repayable in 4 semi-annual instalments of Rs. 187.5 million each with no grace period. The loan was drawn on 2 December 2021.

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- 14.14 This represents utilised amount of running finance facility of Rs. 5,000 million carrying markup at the rate of 3 months KIBOR + 0.10% per annum to be paid on quarterly basis in arrears with the tenor of 12 months. This is secured against ABL asset management units with 10% margin. This running finance facility is obtained to meet the short term funding requirement and to finance growth in advances/agri portfolio including but not limited to lending in KPK/Balochistan. The loan was drawn on 20 December 2021.
- 14.15 This represents housing loan of Rs. 500 million from Allied Bank Limited carrying markup at the rate of 6-months KIBOR plus 0.95% per annum (2020: Nil). This is secured against first pari-passu hypothecated charge on all present and future assets (excluding land and building) of the Bank inclusive of 25% margin. This loan is repayable in 9 equal semi-annual instalments of Rs. 55.55 million each inclusive of 6 months grace period. The loan was drawn on 17 December 2021.
- 14.16 This represents housing loan of Rs. 500 million from Pakistan Mortgage Refinance Company Limited carrying markup at the rate of 1 year Kibor with negative spread of 1% depending upon the utilization. First payment shall fall due at the end of 3rd month from disbursement and subsequently every quarter thereafter. This is secured against first pari-passu charge on all present and future assets of the Bank. The loan was drawn on 30 December 2021
- 14.17 This represents housing loan of Rs. 475 million from United Bank Limited carrying markup at the rate of 1-month KIBOR plus 0.85% per annum (2020: Nil). This is secured against first pari-passu hypothecated charge on all present and future assets inclusive of 25% margin. This loan is repayable in 6 equal semi-annual instalments of Rs. 79.17 million starting from June 2022. The loan was drawn on 29 December 2021.
- 14.18 This represents housing loan of Rs. 500 million from MCB Bank Limited carrying markup at the rate of 3-months KIBOR plus 0.75% per annum (2020: Nil). This is secured against first pari-passu amounting to Rs. 667 million charge on all present and future assets (excluding land and building) but not limited to advances/microcredit receivables and investments (excluding CRR and SLR requirements, any lien over cash/TDR). This loan is repayable in 12 quarterly instalments of Rs. 41.67 million starting from fifteenth month each inclusive of 1 year grace period. The loan was drawn on 31 December 2021.

15	SUBORDINATED DEBT	Note	2021 Rupees	2020 Rupees
	Term Finance Certificates	15.1	598,920,000	599,160,000
	Subordinated loan from PTCL	15.2	1,200,000,000	2,200,000,000
			<u>1,798,920,000</u>	<u>2,799,160,000</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% (2020: 6 Month KIBOR + 3.50%). The instrument is structured to redeem 0.02% of principal, semi-annually, over the first 60 months and remaining principal of 24.95% each of the issue amount respectively, in four equal instalments starting from 66th month. The TFCs are subordinated as to the payment of principal and profit to all other indebtedness of the Bank. The rating of these certificates issued by JCR-VIS is A- with an stable outlook.
- 15.2 This represents unsecured, subordinated debt from PTCL, the Parent Company. The facility tenure is 7 years with grace period of 5 years and is priced at 3 Month KIBOR + 2% (2020: 3 Month KIBOR + 2%) per annum. The loan is availed as TIER-II subordinated debt for inclusion in the Bank's Supplementary Capital. Loan is structured to redeem in four equal semi-annual instalments starting from June 2024. The debt is unsecured, subordinated as to the payment of principle and profit to all other indebtedness of the Bank, including deposit and it is not redeemable before maturity without prior approval of the SBP. During the year, the Bank and Parent Company PTCL entered into an agreement for the conversion of its Tier II subordinated debt amounting to Rs. 1 billion into ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/671/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions, effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard. Also refer note 18.

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16	OTHER LIABILITIES	Note	2021 Rupees	2020 Rupees
	Mark-up / return / interest payable	16.1	612,294,341	604,640,989
	Accrued expenses		525,121,278	292,234,939
	Payable to utility companies for utility bills collection		18,382,235	-
	Taxes payable		48,506,485	461,547,577
	Payable to Pakistan Telecommunication Company Limited, the Parent Company		513,757,012	31,746,869
	Payable to Pak Telecom Mobile Limited (PTML), an associated company		66,190,908	47,034,661
	Uncollected remittances		121,780,510	58,794,815
	Lease liability	16.2	1,194,661,938	1,212,010,930
	Payable to staff retirement benefit - gratuity	16.3	3,404,095	-
	Payable to defined contribution plan - provident fund	16.4	154,137	-
	Bills payable		136,247,772	75,971,909
	Others		84,304,213	19,698,438
	Workers' Welfare Fund		82,491,823	56,531,500
			<u>3,407,296,747</u>	<u>2,860,212,627</u>

16.1 This includes amount of Rs. 16.39 million (2020: Rs. 224.83 million) payable to related parties on account of markup for the month of December 2021. For details of balances please refer to note 37 to these financial statements.

16.2	Lease liability	Note	2021 Rupees	2020 Rupees
	Lease liability - right of use assets	16.2.1	1,127,350,510	1,155,434,087
	Lease liabilities - right of use assets - vehicles	16.2.2	67,311,428	56,576,843
			<u>1,194,661,938</u>	<u>1,212,010,930</u>

16.2.1 Lease liability - right of use assets

Contractual maturity of remaining lease commitments

Within one year	304,942,788	325,095,559
Between 2 and 5 years	1,193,007,899	1,465,495,481
After 5 years	496,665,163	496,665,163
Total un-discounted lease commitments	<u>1,994,615,850</u>	<u>2,287,256,203</u>

Discounted lease liability using the

incremental borrowing rate as at 31 December 2021

1,127,350,510	1,155,434,087
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16.2.2	Lease liabilities - right of use assets - vehicles	Present value of minimum lease payments	Interest cost for future periods	Future minimum lease payments
2021				
	Not later than one year	18,663,811	4,929,341	23,593,152
	Later than one year and not later than five years	48,647,617	5,756,042	54,403,659
		<u>67,311,428</u>	<u>10,685,383</u>	<u>77,996,811</u>
2020				
	Not later than one year	13,136,100	4,489,140	17,625,240
	Later than one year and not later than five years	43,440,743	12,854,567	56,295,310
		<u>56,576,843</u>	<u>17,343,707</u>	<u>73,920,550</u>

16.2.2.1 The Bank has leased vehicles from commercial banks with lease term of five years. These carry finance charge at six month KIBOR plus 1% (2020: six month KIBOR plus 1%) per annum. The rentals are payable in equal monthly instalments in advance upto December 2026. At the end of the lease term, the Bank has the option to acquire the assets on payment of all instalments. The facility is secured by way of ownership of leased assets.

16.3	Movement in the liability recognised in the balance sheet	2021 Rupees	2020 Rupees
	Present value of defined benefit obligation	156,936,452	107,091,392
	Fair value of plan assets	(153,532,357)	(114,941,113)
	Net defined benefit (asset) / liability	<u>3,404,095</u>	<u>(7,849,721)</u>

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	2021 Rupees	2020 Rupees
16.3.1 Net defined benefit liability - gratuity		
The Bank operates an unfunded gratuity scheme for its eligible employees.		
<i>Movement in net defined benefit liability - gratuity</i>		
Balance at 01 January	107,091,392	81,787,046
Charge for the year	53,964,771	47,012,418
Experience adjustments on defined benefit liability	6,649,031	(11,657,016)
Benefits paid	(10,768,742)	(10,051,056)
Balance at 31 December	<u>156,936,452</u>	<u>107,091,392</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)
2021			
Balance at 01 January	107,091,392	(114,941,113)	(7,849,721)
Charge for the year	53,964,771	-	53,964,771
Experience adjustments on defined benefit liability	6,649,031	2,544,721	9,193,752
Benefits paid on behalf of the fund	(10,768,742)	10,768,742	-
Expected return on plan assets	-	(12,981,564)	(12,981,564)
Contributions to gratuity fund	-	(38,923,143)	(38,923,143)
Balance at 31 December	<u>156,936,452</u>	<u>(153,532,357)</u>	<u>3,404,095</u>

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

	2021 Rupees	2020 Rupees
16.3.2 Charge to profit and loss account net of return on plan assets		
Charge for the year	53,964,771	47,012,418
Expected return on assets	(12,981,564)	(11,575,627)
Cost for the year	<u>40,983,207</u>	<u>35,436,791</u>

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

Administrative expenses	<u>40,983,207</u>	<u>35,436,791</u>
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16.3.3 Charge / (credit) to other comprehensive income

Actuarial loss / (gain) on obligations	6,649,031	(11,657,016)
Actuarial loss on assets	2,544,721	1,293,307
	<u>9,193,752</u>	<u>(10,363,709)</u>

16.3.4 Key actuarial assumptions

The latest actuarial valuation was carried out on 31 December 2021 using projected unit credit method with the following assumptions:

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	2021	2020
Valuation discount rate	12.25%	10.50%
Discount rate used for interest cost in profit and loss account	10.50%	12.50%
Salary growth rate	11.25%	9.50%
Date of next expected salary increase	01 January 2022	01 January 2021
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Expected return on plan assets	12.25%	10.50%
Duration (years)	11.89	17.18
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:

	2021 Increase Rupees	2021 Decrease Rupees	2020 Increase Rupees	2020 Decrease Rupees
Discount rate	131,778,925	166,945,805	88,792,140	124,861,283
Salary increase rate	167,694,445	130,919,851	125,430,130	88,118,230

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

16.3.6 The Bank's expected charge for defined benefit liability - gratuity for the next year is Rs. 51.801 million.

16.3.7 Risks associated with defined benefit liability - gratuity

Final Salary Risk (linked to inflation risk)

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

Salary Increase Risk

- Mortality risk

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

- 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.

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16.3.8 Expected maturity profile

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

	2021 Rupees	2020 Rupees
Year 1	19,446,694	1,936,608
Year 2	10,345,290	2,017,575
Year 3	9,576,534	2,002,151
Year 4	9,301,074	2,001,119
Year 5	8,673,584	2,295,101
Year 6 to Year 10	45,462,554	12,693,090
Year 11 and beyond	953,975,297	837,270,203

16.3.9 Historical information

	Present value of defined benefit liability Rupees	Net (asset) / liability at the reporting date Rupees
2021	156,936,452	3,404,095
2020	107,091,392	(7,849,721)
2019	81,787,046	1,235,802
2018	47,612,926	9,037,006
2017	29,488,343	3,464,570

16.3.10 Fair value of plan assets

Total assets of fund - opening	114,941,113	80,551,244
Expected return on plan assets	12,981,564	11,575,627
Contributions to gratuity fund	38,923,143	34,158,605
Benefits paid	(10,768,742)	(10,051,056)
Actuarial loss on plan assets	(2,544,721)	(1,293,307)
Total assets of fund - closing	<u>153,532,357</u>	<u>114,941,113</u>

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	2021 Rupees	2020 Rupees
16.4 Employees provident fund		
Size of the fund	221,405,264	172,049,535
Cost of investments held	221,405,264	172,049,535
Percentage of investments held	100%	100%
Fair value of investments	221,405,264	172,049,535

Investments represent balances held with bank carrying interest at rate of 12% (2020: 4.5% to 12%) per annum.

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

17 SHARE CAPITAL

17.1 Authorized capital

2021 Number	2020 Number		2021 Rupees	2020 Rupees
800,000,000	800,000,000	Ordinary shares of Rs. 10 each	8,000,000,000	8,000,000,000

17.2 Issued, subscribed and paid-up capital

2021 Number	2020 Number			
20,000,000	20,000,000	Ordinary shares of Rs. 10 each fully paid in cash	200,000,000	200,000,000
8,571,429	8,571,429	Fully paid shares of Rs. 10 each issued as right shares at discounted rate of Rs. 7 each	85,714,290	85,714,290
200,000,000	200,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as right shares at par	2,000,000,000	2,000,000,000
80,000,000	80,000,000	Fully paid ordinary shares of Rs. 10 each in cash issued as other than right shares at par	800,000,000	800,000,000
100,000,000	-	Fully paid preference shares of Rs. 10 each in cash issued as other than right shares at par	1,000,000,000	-
408,571,429	308,571,429		4,085,714,290	3,085,714,290

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 issued 100,000,000 voting, non-cumulative, non-participatory, convertible and redeemable preference shares of Rs. 10 per share at par value having such rights, benefits, privileges and conditions as provided under Article 6 of the Bank's Articles of Association by way of other than right to Pakistan Telecommunication Company Limited (PTCL) by conversion of Tier-II Unsecured & subordinated debt into preference shares amounting to Rs. 1 billion. These preference shares are convertible into fixed number of ordinary shares of the Bank after five years from issuance date at discretion of the Bank subject to the prior approval of SBP. The preference shares are superior to the claims of ordinary shareholders and junior to all other claims (including depositors, general creditors and other borrowings including all Tier II instruments). These preference shares are entitled to dividend as per discretion of the Bank.

18 ADVANCE AGAINST ISSUE OF SHARES

18.1 This represents conversion of Tier II subordinated debt amounting to Rs. 1 billion into ordinary shares subject to regulatory approvals. State Bank of Pakistan via letter no. BPRD/BA&CP/671/174072/2022 dated 12 January 2022 granted approval for the said conversion subject to certain conditions effective as of 31 December 2021. Approval of Securities and Exchange Commission of Pakistan (SECP) is pending in this regard.

18.2 During the year, the Bank issued 100,000,000 voting, non-cumulative, non-participatory, convertible and redeemable preference shares of Rs. 10 per share at par value from advance against issue of shares. Also refer note 17.5.

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

		2021 Rupees	2020 Rupees
19 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS	Note		
Surplus on revaluation of fixed assets		-	-
<u>Surplus / (deficit) on revaluation of securities</u>			
<i>Federal and Provincial Government securities</i>			
Market Treasury Bills (T-Bills)		(26,979,500)	648,500
Pakistan Investment Bonds (PIBs)		(312,526,779)	91,234
		(339,506,279)	739,734
Related deferred tax effect		50,875,951	(110,960)
		<u>(288,630,328)</u>	<u>628,774</u>
20 MEMORANDUM / OFF BALANCE SHEET ITEMS			
20.1 Contingencies			
There are no material contingencies as at 31 December 2021 (2020: Nil).			
20.2 Commitments			
Standby letter of guarantee	20.3	10,600,000	10,200,000
Property and equipment		4,896,005	13,851,935
Intangible assets		-	1,495,500
		<u>15,496,005</u>	<u>25,547,435</u>
20.3 This represents letter of guarantee issued on behalf of the Bank to China Union Pay International Company Limited for interbank settlements.			
21 MARK-UP / RETURN / INTEREST EARNED		2021 Rupees	2020 Rupees
Mark-up / return / interest on advances		10,032,070,107	9,066,483,022
Interest on investments in government securities		1,147,398,214	489,692,250
Interest on deposit accounts / TDRs with other banks / financial institutions		1,036,525,512	577,704,233
		<u>12,215,993,833</u>	<u>10,133,879,505</u>
22 MARK-UP / RETURN / INTEREST EXPENSED			
Mark-up / return / interest expense on deposits		4,212,660,763	2,996,767,901
Mark-up expense on borrowings from banks / financial institutions		1,376,834,624	1,345,120,210
		<u>5,589,495,387</u>	<u>4,341,888,111</u>
23 FEE, COMMISSION AND BROKERAGE INCOME			
Loan processing fee		893,026,763	987,791,601
Branchless banking		78,874,418	74,723,644
Other fee income collected from customers		46,461,694	62,134,805
		<u>1,018,362,875</u>	<u>1,124,650,050</u>

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

		2021 Rupees	2020 Rupees
24 OTHER INCOME	Note		
Recovery against advances written off		103,743,626	69,499,700
Gain on sale of investments		140,523,053	66,395,282
Other		15,141,798	2,475,111
		<u>259,408,477</u>	<u>138,370,093</u>
25 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		2,337,679,514	1,983,142,486
Charge for defined benefit plan - gratuity		40,983,207	35,436,791
Contribution to defined contribution plan - provident fund		42,448,396	37,990,158
Non-Executive directors' fee		3,750,000	1,163,406
Financial charges on leased assets		156,172,345	178,910,741
Trainings		9,640,904	1,472,778
Insurance		182,688,122	144,975,545
Rent, rate and taxes		68,882,955	64,789,376
Travelling and conveyance		79,465,498	38,829,601
Postage and courier		14,246,356	16,583,160
Utilities		169,619,092	130,593,609
Repair and maintenance		232,432,768	208,733,474
Depreciation on property and equipment	10.2	404,964,461	359,818,212
Amortization of intangible assets	10.3	50,374,157	35,647,218
Depreciation on right of use assets	10.4	280,923,394	264,975,496
Software support and maintenance fee		224,133,064	147,657,297
Stationery and printing		105,776,284	98,092,450
Auditors' remuneration	25.1	4,640,761	4,319,899
Legal and professional fee		30,475,850	36,516,066
Security services		188,015,793	209,561,424
Office supplies		33,299,219	24,141,922
Internet and connectivity charges		96,648,693	116,343,293
NADRA verification charges		64,160,761	34,688,846
Bank charges		61,214,911	26,190,508
Marketing expenses		130,713,798	59,147,972
Other		21,854,860	5,874,032
		<u>5,035,205,163</u>	<u>4,265,595,760</u>
25.1 Auditors' remuneration			
Half year review		350,000	350,000
Annual audit		1,350,000	1,150,000
Fee for certifications		1,700,000	600,000
Taxation services		190,142	319,899
Advisory services		1,050,619	1,900,000
		<u>4,640,761</u>	<u>4,319,899</u>
26 OTHER CHARGES			
SBP penalty	26.1	19,000	5,477,000
Loss on sale of investments		-	-
		<u>19,000</u>	<u>5,477,000</u>

26.1 This represents penalty paid during the year related to various non-compliances identified by the State Bank of Pakistan during its inspection of the Bank.

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

27 TAXATION	Note	2021 Rupees	2020 Rupees
Current			
- for the year		(429,474,114)	(549,448,880)
- for prior years		(12,701,793)	(52,310,066)
		(442,175,907)	(601,758,946)
Deferred	12	224,177,922	327,927,656
		(217,997,985)	(273,831,290)
Effective tax rate		16.40%	23.21%

27.1 Tax rate reconciliation		2021 Rupees	2020 Rupees
Profit before tax and after WWF (Rupees)		1,329,034,952	1,179,991,244
		2021	2020
Tax rate		29%	29%
Tax on accounting profit		29.00%	29.00%
Tax effect of income taxable at lower rates		(14.15%)	(8.27%)
Prior year charge		0.96%	4.43%
Permanent difference		0.59%	(1.96%)
Tax expense for the year		16.40%	23.21%

28 CASH AND CASH EQUIVALENTS	Note	2021 Rupees	2020 Rupees
Cash and balances with SBP and NBP	6	3,799,930,850	3,160,116,831
Balances with other banks / NBFIs / MFBs	7	6,223,904,412	1,908,209,748
		10,023,835,262	5,068,326,579

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

	Subordinated loan	Borrowings	Lease liability	Share capital	Advance against issue of shares	Unappropriated profit
	(Rupees)					
Balance at 01 January 2021	2,799,160,000	13,274,190,642	1,212,010,930	3,085,714,290	1,000,000,000	1,099,564,241
Change from financing activities						
Receipts	-	424,056,216,609	-	-	-	-
Payments	(240,000)	(400,449,721,087)	(355,044,596)	-	-	-
	(240,000)	23,606,495,522	(355,044,596)	-	-	-
Other changes						
Additions / modifications	-	-	221,522,446	-	-	-
Disposals	-	-	(39,999,187)	-	-	-
Interest cost on lease facilities	-	-	156,172,345	-	-	-
Transfer to share capital	-	-	-	1,000,000,000	(1,000,000,000)	-
Transfer to advance for issuance of shares	(1,000,000,000)	-	-	-	1,000,000,000	-
Total comprehensive income	-	-	-	-	-	1,104,509,403
Transfers to	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	(222,207,393)
Depositors' protection fund	-	-	-	-	-	(55,551,848)
Lease facility availed	-	-	-	-	-	-
	(1,000,000,000)	-	337,695,604	1,000,000,000	-	826,750,162
Balance at 31 December 2021	1,798,920,000	36,880,686,164	1,194,661,938	4,085,714,290	1,000,000,000	1,926,314,403

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Subordinated loan	Borrowings	Lease liability	Share capital	Advance against issue of shares	Unappropriated profit
	(Rupees)					
Balance at 01 January 2020	4,599,400,000	6,733,331,333	1,350,956,711	2,285,714,290	-	512,586,043
Change from financing activities						
Receipts	-	7,807,525,310	-	-	-	-
Payments	(240,000)	(1,266,666,001)	(362,854,268)	-	-	-
Dividend payment Rs 0.32 per share	-	-	-	-	-	(100,000,000)
	(240,000)	6,540,859,309	(362,854,268)	-	-	(100,000,000)
Other changes						
Lease liability on right of use assets	-	-	44,997,746	-	-	-
Modification of lease	-	-	-	-	-	-
Interest cost on lease facilities	-	-	178,910,741	-	-	-
Transfer to share capital	(800,000,000)	-	-	800,000,000	-	-
Transfer to advance for issuance of shares	(1,000,000,000)	-	-	-	1,000,000,000	-
Total comprehensive income	-	-	-	-	-	913,518,187
Transfers to	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	(181,231,991)
Depositors' protection fund	-	-	-	-	-	(45,307,998)
	(1,800,000,000)	-	223,908,487	800,000,000	1,000,000,000	686,978,198
Balance at 31 December 2020	2,799,160,000	13,274,190,642	1,212,010,930	3,085,714,290	1,000,000,000	1,099,564,241

29 NUMBER OF EMPLOYEES

	2021 Numbers	2020 Numbers
Credit / sales staff		
Permanent	240	113
Contractual	1,062	961
	1,302	1,074
Banking / support staff		
Permanent	812	695
Contractual	893	926
	1,705	1,621
Total number of employees at 31 December	3,007	2,695
Average number of employees during the year	3,000	2,607

30 NUMBER OF BRANCHES

Branches / service centres at beginning of the year	212	212
Closed during the year		
- Branches/Booth	(5)	-
Branches / service centres at end of the year	207	212

31 EARNINGS PER SHARE

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

	2021	2020
Profit attributable to equity holders (Rupees)	1,111,036,967	906,159,954
Weighted average number of shares (numbers)	308,571,429	284,309,134
Earnings per share - basic (Rupees)	3.60	3.19

Diluted - Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year after adjustment of all dilutive potential ordinary shares

	2021	2020
Profit attributable to equity holders (Rupees)	1,111,036,967	906,159,954
Weighted average number of shares (numbers)	341,413,186	284,309,134
Earnings per share - diluted (Rupees)	3.25	3.19

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32 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 I, Al-ghafoor , eden groud floor, karachi.
Rawalpindi	PTCL Exchange, OSS Hall, Kashmir Road, Saddar, Rawalpindi
Bhakkar	Plot# 156A2 Club Road Mandi town Bhakkar
Lodhran	Khata no.291, ward no. 26, Near Jalalpur Mor, Opposite Ahl-e-Hadis Masjid, Multan Bahawalpur Road Lodhran
Layyah	Khasra # 371, Near Paracha Petrol Pump Chobara Road, Near TDA Chowk Layyah
Lahore	117 -A, Chowk yateem Khana, Multan Road, Lahore
Rahim Yar Khan	House # 20A, Al-Hamra House, Modal Town, Rahim Yar Khan
Sahiwal	Plot # 183/c, Block # B-vii, Kachehri Road Sahiwal
Bahawalpur	House # 17, Texation # B-III, 2784/2, Ihata Sinda Ram, Stadium Road Farid gate Bahawalpur
Ahmedpur East	Khata # 136/134, Khatooni # 193, Near Rohi Autos, Kachahry Road, Ahmedpur East, District Bahawalpur
Dunya Pur	Khewat No. 233, Near Khawaja Asim & Qasim Company, Railway Road Dunyapur, District Lodhran
Karachi Gulshan	F-13/11, Block - 5, Gulshan-e-Iqbal, Karachi
Abbottabad	Shop # 1, to 3, first floor, Yousaf Plaza, Mansehra Road, Abbottabad
Mirpurkhas	PTCL Exchange Office near Main GPO chowk Mirpurkhas
Multan	Khewat No. 431, Khatooni # 786, Moza Neel Kot Chungi No 6, Bosan Road Punjab Nursery Gulgasht Colony, Multan.
Chistian	Khatooni no.397, Tal plaza near melaad chowk, college road, chistian dsitric, bahawalnagar.
Pakpattan	Plot No. B-1/92/A-II Khasra No. 208/14, Khewat No.2603, Khatoni No. 2928, College road Pakpattan
Faisalabad	Plot # 343-B, London Plaza, Ground Floor, Adjacent Ideal Bakers, Satiyana Road, Faisalabad
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.

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<i>Branch Name</i>	<i>Address</i>
Ghulam Muhammad Abad	House no 1451B(4M 119SF) Main GMA Road sabri chowk, 70fit bazar,civil quarters Ghulam Muhammad Abad Faisalabad.
Qila Dildar Singh	Khasra no 4203/150 , Near Jamiyah Muhammadia, Hafizabad road
Ali Pur Chatta	Khewat no.424.khatooni no 110 Gujranwala Road, Alipur Chatta
Uch Sharif	13/13 , Khatooni No. 20 Sohail Trade centre, Near ZTBL, Ahmedpur East road, Uch sharif Tehsil APE, district Bahawalpur
Khanewal	Near Purana karkhana nad union council no 1 khasra no 205/29 Khewat no. 28/27, zafar ullah raod Khanewal
Basirpur	Khewat # 272/266, Khatooni # 673, Khasra # 169, Mauza Baseerpur, Tehsil Depalpur District Okara
Depalpur	Khewat # 1916, Khatooni # 3060, Khasra # 45/1449, Hujra road. Deepalpur Opposite 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
Pano Aqil	Survey # 436, Baiji Road Tehsil Panuu Aqil Disrict Sukkur
Shahdra	Khewat no 82 khatooni no 118 khasra no 163/143, gt road, saeed park.had bast moza fateh puri, tehsil lahore
Hasilpur	Khewat & Khatooni # 103, Altaj Plaza, railway road, Hasilpur, District Bahawalpur
Chowk Azam	Khewat # 19, China plaza, Near Khushhali Bank Ltd, Fatehpur road, Chowk Azam District Layyah.
Karor Lal Essan	Khata # 74, Khatoni # 264, Near PTCL exchange fateh pur road. Tehsil KarorLal Essan District Layyah.
Kahrer Pacca	Khewat # 92, 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

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<i>Branch Name</i>	<i>Address</i>
Jalalpur Jattan	Khewat no. 2000, Khatooni no: 2599. Marba no. 37 Qila no.26, Shahbaz pur Road, Near Patianwala Chowk Jalalpur Jattan District Gujrat.
Tando Muhammad Khan	Plot/city survey no.1940/1, ward-B, phuleli Road, Tando Muhammad Khan.
Phalia	Khatooni no.80, Khasra no.364, Heelan Road Near Heelan Choungi opposite gourmet baker, Phalia.
Shujaabad	Khewat # 92, Chungi # 10, Near ZTBL, Jalalpur road. Shujabad, District Multan
Ranipur	Plot no.659 National Highways, Ward no.04, Town Ranipur.
Islamabad	Shop no.7 & 8, Plot no.64W, Masco Plaza, Ground Floor, Jinnah Avenue, Blue Area, Islamabad.
Jaranwala	P-1480, Faisalabad Road, Near NADRA office, Jaranwala, Tehsil & District Faisalabad.
Korangi	Plot No. N – 23. Ground Floor, Area – N Korangi No. 3 ½, Karachi.
Rajanpur	Khata no. 644, Intaqal no. 12720, Moza Rajanpur I, Kamran Market Indus Highway, Near Khushhali Bank, Rajanpur
Tando Allahyar	Plot no.7, Near Grid Station Mohalla Main Hyderabad Road Tando Allahyar Tehsil & District Tando Allahyar
North Karachi	Plot no R-12, sector no 5 c/4 North karachi township Karachi
Shahra E Faisal	Showroom NO.11 & 13 Ground floor Pak Avenue, Plot No 24/A survey Sheet No.35-P/1, Block No.6, PECHS, Shahra-e-Faisal Karachi
Jhang	Khata no. 55, Moaza Civil Station, Katchery Road, Library Chowk, Jhang.
Moro	Ward# 13 Main Road, Moro, District Naushahro feroze.
Tando Adam	Ward# A House# 516 Near Indus Hotel, Hyderabad Road Tando Adam District Sanghar.
Umar Kot	Plot # 19, 20, 40 & 41 Mirpurkhas, Road Umar Kot District Umar Kot.
Bahawalnagar	Khewat # 2222, Khatooni 2321, Minchen Abad Road, Near Askari Bank, Tehsil & District Bahawalnagar.
Kandhkot	Registration No# 464, Entry No# 1000, Juman Shah Mohalla Kandhkot District Kashmore.
Mehar	Ward# A City Survey # 752, 1041 & 1042 School Road Mehar District Dadu.
Mehrabpur	Plot No# III A-13 A Thari Mirwah Road ,Mehrabpur District Naushahro feroze.
Naseerabad	House No.# 2334 Ward-B Madina Shopping Centre, Mohallah Kathia Bazar, Badah Road, Nasirabad, District Qambar, 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 Muzafargarh.
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 , oppositoe shell petrol pump district kashmore
Ratadero	City survey no 794/34, 794/35 & 794/36 shikarpur road ratodero

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<i>Branch Name</i>	<i>Address</i>
Nowshera	Plot, No. 2-A, Cantonment Board, Al-Jameel City, GT Road, Near PSO Filling Station, Nowshera.
Daherki	Survey No. 446, GT Road, Daharki, District Ghotki.
Qazi Ahmed	Ward No. 2 Sardar Colony, Near Police Station National High Way Road Qazi Ahmed, District Nawabshah.
Sanghar	Plot No. A - 8, City Survey no. 124, Ward A, Housing Society Main Nawabshah Road, Taluka & District Sanghar.
Mithi	Plot No. 10 and 11, Near Press Club Mithi District Tharparkar
Golarchi	Plot No. A-1, Main Karachi Road, Golarchi, District Badin
Mirpur Sakro	Plot No. 285, Main Gharo Road Mirpur Sakro District Thatta
Vehari	Khewat # 48, Khattoni # 48 49-A, Block Karkhana Bazar Vehari, District Vehari
Ali Pur	Khata no. 209, Rayan Plaza Near College Chowk, Multan Road, Alipur, District Muzaffargarh.
Fazilpur	Khata Number 437 Ward # 09 Main Indus Highway Fazilpur Tehsil and Distt Rajanpur
Liaqat Pur	Plot no.133 City Center Rest House Road Tehsil Liaqat Pur, District Rahim Yar Khan.
Mian Channu	Khawat no.635, khattoni no.647, khasra no.1672, Din Plaza 1672 Bodla Road, Mian Channu District Khanewal.
Tibba Sultan Pur	Khewat no.126, khattoni no.326, khasra no. 104/121, plot no.133, ward no.4, Qutab Pur Road Tibba Sultan pur tehsil Mailsi district vehari
Qasba Gujrat	Khata no. 118, Khattoni No. 326, Mansa Raam Khas, Civil Hospital chowk. GT Road Qasba Gujrat tehsil kot addu District Muzaffargarh
Fort Abbas	Khewat no. 267, Khasra no. 126/B, Moulana Hafecz 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, Khattoni # 685, Shop # 195/C Block C, Bangla Road, Near Grain Market, Haroonabad, Distt. Bahawalnagar.
Burewala	Khewat # 286/292, Khattoni # 532, 124-P, Lahore Road, Burewala, Distt. Vehari.
Minchen Abad	Khewat # 471, Khattoni # 472, Circular Road, Minchen Abad, Distt. Bahawalnagar,
Kot Mithan	Khewat no.1357, Khata no.17/486, Khawaja Ayaz Tower Baldia Chowk Kot Mithan Tehsil and District Rajanpur
Islamabad F-7 Markaz	Plot # 13-H, Jinnah Super, F-7 Markaz, Islamabad.
Bhiriya Road	Shop No. IIC-14/M, Station Road, Deh Chaheen Manno Mal, Bhiriya Road, Taluka Bhiriya City, District Noshero Feroze.
Super Highway, Karachi	Rahim view Shop no. 13, 14, 15 & 16, Flat No. 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, khattoni 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, Khattoni 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, Khattoni No. 2486, Dhoke Momen, Pindi Road, Chakwal, District, Chakwal.

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

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

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33 FINANCIAL INSTRUMENTS

A FAIR VALUES

33.1 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		Note	Carrying amount				Fair value					
			Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2021			Rupees				Rupees					
Financial assets measured at fair value												
Investments - net of provisions	8		12,082,205,991	-	-	26,732,313,788	-	38,814,519,779	38,814,519,779	-	-	38,814,519,779
Financial assets not measured at fair value												
Cash and cash equivalents	28		-	-	10,023,835,262	-	-	10,023,835,262	-	-	-	-
Investments - net of provisions	8		-	7,750,000,000	-	-	-	7,750,000,000	-	-	-	-
Advances - net of provisions	9		-	-	34,375,729,318	-	-	34,375,729,318	-	-	-	-
Other assets	11 & 33.2		-	-	10,021,390,539	-	-	10,021,390,539	-	-	-	-
			-	7,750,000,000	54,420,955,119	-	-	62,170,955,119	-	-	-	-
Financial liabilities not measured at fair value												
Deposits and other accounts	13		-	-	-	-	55,000,289,695	55,000,289,695	-	-	-	-
Borrowings	14		-	-	-	-	36,880,686,164	36,880,686,164	-	-	-	-
Subordinated debt	15		-	-	-	-	1,798,920,000	1,798,920,000	-	-	-	-
Other liabilities	16 & 33.3		-	-	-	-	2,797,871,256	2,797,871,256	-	-	-	-
			-	-	-	-	96,477,767,115	96,477,767,115	-	-	-	-

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On-balance sheet financial instruments		Carrying amount					Fair value				
		Fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020	Note	Rupees					Rupees				
Financial assets measured at fair value											
Investments - net of provisions	8	-	-	-	17,954,499,338	-	17,954,499,338	17,954,499,338	-	-	17,954,499,338
Financial assets not measured at fair value											
Cash and cash equivalents	28	-	-	5,068,326,579	-	-	5,068,326,579	-	-	-	-
Lending to financial institution		-	-	-	-	-	-	-	-	-	-
Investments - net of provisions	8	-	6,120,000,000	-	-	-	6,120,000,000	-	-	-	-
Advances - net of provisions	9	-	-	30,006,298,899	-	-	30,006,298,899	-	-	-	-
Other assets	11 & 33.2	-	-	7,778,962,301	-	-	7,778,962,301	-	-	-	-
		-	6,120,000,000	42,853,587,779	-	-	48,973,587,779	-	-	-	-
Financial liabilities not measured at fair value											
Deposits and other accounts	13	-	-	-	-	46,104,640,853	46,104,640,853	-	-	-	-
Borrowings	14	-	-	-	-	13,274,190,642	13,274,190,642	-	-	-	-
Subordinated debt	15	-	-	-	-	2,799,160,000	2,799,160,000	-	-	-	-
Other liabilities	16 & 33.3	-	-	-	-	2,548,385,962	2,548,385,962	-	-	-	-
		-	-	-	-	64,726,377,457	64,726,377,457	-	-	-	-

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

33.3 It excludes accrued expenses and others.

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

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B FINANCIAL RISK MANAGEMENT

33.5 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).

33.6 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. 100,177 million (2020: Rs. 66,457 million).

33.7 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.

34 CAPITAL RISK MANAGEMENT

34.1 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.

34.2 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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34.3 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 2021. As of 31 December 2021, the net equity of the Bank stood at Rs. 7.491 million (2020: Rs. 5,676 million).

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

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

As at 31 December 2021, the Bank's Capital adequacy ratio (CAR) was appropriately 18.50% (2020: 21.69%) of its weighted exposure, as against the minimum requirement of 15% prescribed by SBP.

35 REMUNERATION OF PRESIDENT/CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	31 December 2021			31 December 2020		
	President / Chief Executive	Directors	Executives	President / Chief Executive	Directors	Executives
	Rupees			Rupees		
Fee	-	3,750,000	-	-	1,100,000	-
Managerial remuneration	17,186,341	-	177,928,092	15,525,147	-	121,536,386
Bonus	17,250,166	-	44,196,912	20,150,159	-	21,966,401
Gratuity fund	1,432,195	-	14,905,624	1,293,763	-	10,129,198
Provident fund	1,374,907	-	11,758,903	1,242,014	-	9,514,662
Rent and house maintenance	10,025,365	-	103,298,065	9,056,338	-	70,896,224
Utilities	1,432,199	-	14,756,867	1,293,763	-	10,128,032
Medical	48,674	-	9,558,974	9,000	-	5,729,168
Conveyance	1,200,000	-	28,467,458	1,200,000	63,406	25,613,248
Others	3,983,067	-	15,719,499	3,726,260	-	10,685,573
Total	53,932,914	3,750,000	420,590,394	53,496,444	1,163,406	286,198,892
Number of person(s)	1	8	82	1	9	51

35.1 Executive means an employee whose annual basic salary exceeds Rs. 1.20 million (2020: Rs. 1.20 million) during the year.

35.2 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. 73.505 million (2020: Rs. 66.385 million).

35.3 No remuneration and other benefits were paid to directors of the Bank. An amount of Rs. 3,750,000 (2020: Rs. 1,163,406) was paid to the independent directors for attending the Board / sub-committee meetings.

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

	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	34,375,729,318	530,360,966	9,518,285,480	16,114,830,014	8,212,252,858
Investments	46,564,519,779	12,969,716,203	27,838,117,331	491,985,000	5,264,701,245
Other earning assets					
Balances with other banks - deposit accounts	6,211,518,698	6,211,518,698	-	-	-
Total market rate assets	87,151,767,795	19,711,595,867	37,356,402,811	16,606,815,014	13,476,954,103
Other non-earning assets					
Cash in hand	808,663,563.0	808,663,563	-	-	-
Balances with SBP and NBP - current accounts	2,991,267,287.0	2,991,267,287	-	-	-
Balances with other banks - current accounts	12,385,714.0	12,385,714	-	-	-
Operating fixed assets	2,886,170,227.9	15,988,000	77,790,000	118,802,000	2,673,590,228
Other assets	10,050,583,152.0	564,059,593	3,099,303,837	3,113,660,551	3,273,559,171
Deferred tax asset	677,447,619.0	-	-	-	677,447,619
Total non-earning assets	17,426,517,563	4,392,364,157	3,177,093,837	3,232,462,551	6,624,597,018
Total assets	104,578,285,358	24,103,960,024	40,533,496,648	19,839,277,565	20,101,551,121
Market rate liabilities					
Large time deposits above Rs. 100,000	20,134,642,321	3,927,985,466	11,416,643,090	3,526,887,066	1,263,126,699
All other time deposits (including fixed rate deposits)	145,684,312	6,485,000	36,743,000	41,874,500	60,581,812
Other cost bearing deposits	30,892,674,901	30,892,674,901	-	-	-
Borrowings	38,679,606,164	17,472,353,500	1,685,833,965	8,995,136,173	10,526,282,526
Total market rate liabilities	89,852,607,698	52,299,498,867	13,139,220,055	12,563,897,739	11,849,991,037
Other non-cost bearing liabilities					
Deposits	3,827,288,161	3,827,288,161	-	-	-
Other liabilities	3,407,296,747	3,324,804,924	82,491,823	-	-
Total non-cost bearing liabilities	7,234,584,908	7,152,093,085	82,491,823	-	-
Total liabilities	97,087,192,606	59,451,591,952	13,221,711,878	12,563,897,739	11,849,991,037
Net assets	7,491,092,752	(35,347,631,928)	27,311,784,770	7,275,379,826	8,251,560,084

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

SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES AT 31 DECEMBER 2020

	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees				
Market rate assets					
Advances	30,006,298,899	1,249,286,833	11,399,127,605	13,118,217,206	4,239,667,255
Investments	24,074,499,338	120,000,000	15,353,439,449	1,000,000,000	7,601,059,889
Other earning assets					
Balances with other banks - deposit accounts	2,346,507,295	2,346,507,295	-	-	-
Total market rate assets	56,427,305,532	3,715,794,128	26,752,567,054	14,118,217,206	11,840,727,144
Other non-earning assets					
Cash in hand	920,790,506	920,790,506	-	-	-
Balances with SBP and NBP - current accounts	2,239,326,325	2,239,326,325	-	-	-
Balances with other banks - current accounts	11,702,453	11,702,453	-	-	-
Operating fixed assets	2,917,413,581	55,036,744	275,183,719	330,220,463	2,256,972,655
Other assets	7,797,247,350	1,002,184,804	3,677,250,982	2,217,391,528	900,420,036
Deferred tax asset	399,616,598	-	-	-	399,616,598
Total non-earning assets	14,286,096,813	4,229,040,832	3,952,434,701	2,547,611,991	3,557,009,289
Total assets	70,713,402,345	7,944,834,960	30,705,001,755	16,665,829,197	15,397,736,433
Market rate liabilities					
Large time deposits above Rs. 100,000	26,082,756,214	1,606,171,000	16,395,396,224	4,864,085,706	3,217,103,284
All other time deposits (including fixed rate deposits)	274,917,117	5,468,000	42,099,174	86,442,500	140,907,443
Other cost bearing deposits	16,802,040,082	16,802,040,082	-	-	-
Borrowings	16,073,350,642	6,654,540,000	1,793,278,987	1,493,278,989	6,132,252,666
Total market rate liabilities	59,233,064,055	25,068,219,082	18,230,774,385	6,443,807,195	9,490,263,393
Other non-cost bearing liabilities					
Deposits	2,944,927,440	2,944,927,440	-	-	-
Other liabilities	2,860,212,627	2,803,681,127	-	56,531,500	-
Total non-cost bearing liabilities	5,805,140,067	5,748,608,567	-	56,531,500	-
Total liabilities	65,038,204,122	30,816,827,649	18,230,774,385	6,500,338,695	9,490,263,393
Net assets	5,675,198,223	(22,871,992,689)	12,474,227,370	10,165,490,502	5,907,473,040

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U MICROFINANCE BANK LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2021

37 RELATED PARTIES TRANSACTIONS

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

Transactions	Note	2021 Rupees	2020 Rupees
Pakistan Telecommunication Company Limited (Parent Company)			
Internet and connectivity charges expense		48,468,957	81,321,425
Utilities expense		590,361	692,905
Utility Bill collected on behalf of the Parent Company		107,767,021	77,564,465
Payment in regards to utility bills collected on behalf of the Parent Company		107,767,021	77,564,465
Utility Bill collection charges		348,552	680,581
Payment for administrative costs and fixed assets		136,068,898	162,597,425
Interest expense on TIER-II subordinated debt		209,377,129	413,344,914
Payment of interest expense on TIER-II subordinated debt		209,377,129	413,344,914
Interest expense on deposits		-	-
Associated Company - Pakistan Telecommunication Company Limited GP Fund			
Interest expense on PTCL employee GP fund		204,103,259	198,384,839
Associated Company - Pak Telecom Mobile Limited (PTML)			
Internet and connectivity charges expense		3,267,378	1,758,456
Utilities expense		20,206,393	21,931,083
Payment for administrative costs and fixed assets		65,439,874	57,777,575
Payment against branchless banking and bills collected		-	234,305,055
Amount received against reimbursement of agent's commission		231,558,453	220,636,867
Associated Company - Pakistan Telecommunication Employees Trust (PTET)			
Interest expense on deposits		119,493,199	200,019,672
U Microfinance Bank Limited Employees' provident fund			
Contribution to provident fund	25	42,448,396	37,990,158
U Microfinance Bank Limited Employees' gratuity fund			
Payment to gratuity fund	16.3.10	38,923,143	35,436,791
Balances			
Pakistan Telecommunication Company Limited (Parent Company)			
Deposits	13.2	210,119,988	384,478,758
Interest payable on deposits	16.1	-	-
Payable against utility bills collected	16	1,157,052	122,902
Utility bills collection charges receivable	11	643,315	1,792,839
Pakistan Telecommunication Company Limited Gratuity fund			
Deposits	13.3	1,402,181,868	1,163,546,937
Pakistan Telecommunication Company Limited GP Fund			
Deposits	13.2	1,120,339,594	1,008,370,997

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

Balances	Note	2021 Rupees	2020 Rupees
Interest payable on deposits - PTCL Employees' GP Fund	16.1	3,021,588	198,384,839
Associated Company - Pakistan Telecommunication Employees Trust			
Deposits	13.2	1,929,187,801	1,916,265,365
Interest payable on deposits	16.1	9,250,788	25,232,911
Associated Company - Pak Telecom Mobile Limited (PTML)			
Deposits	13.2	23,014,161	93,179,809
Payable against branchless banking and bills collected	16	66,190,908	61,034,661
Interest payable on deposits	16.1	324,723	177,534
Associated Company - Pak Telecom Mobile Limited (PTML) gratuity fund			
Deposits	13.2	500,002,795	720,259,489
U Microfinance Bank Limited Employees' provident fund			
Deposits	13.2	221,405,264	172,049,535
Interest payable on deposits	16.1	2,240,201	262,465
Receivable from provident fund	16	-	1,391,950
U Microfinance Bank Limited Employees' gratuity fund			
Deposits	13.2	153,532,357	114,941,113
Interest payable on deposits	16.1	1,555,398	772,263
Receivable from gratuity fund	16.3	-	7,849,721

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

Name	Basis of relationship	Share-	Percentage of shareholding
1) Mr. Burak Sevilengul	Director/Chairman	01	0.00%
2) Mr. Nadeem Khan	Director	01	0.00%
3) Mr. Mohamed Essa Al Taheri	Director	01	0.00%
4) Mr. Muhammad Aqueel Abbas Malik	Director	01	0.00%
5) Mr. Tariq Mohar	Director	02	0.00%
6) Mr. Muhammad Jahanzeb Rahim	Director	01	0.00%
7) Ms. Misbah Naqvi	Director	01	0.00%
8) Mr. Kabeer Naqvi	Director/CEO	-	0.00%
9) PTCL	Parent Company	408,571,421	99.99%

38 COMPLAINTS MANAGEMENT MECHANISM

The Bank is a customer oriented organization and gives due consideration to the valuable feedback of its customers. Complaints are treated as opportunity to align our products/services and processes to serve the customers in a best possible way. A Complaints Resolution Unit (CRU) has been established in the Bank in line with applicable regulatory requirement and Bank's own policy drive. The Unit is equipped with Complaints Management System (CMS) to record, escalate and resolve complaints received through available channels. All calls/complaints are recorded in Complaints Management System against a unique ticket number and acknowledged to the customer for tracking its resolution. Scenario based work codes are embedded in the system with the escalation matrix. Periodic reviews are also conducted and results are shared with the management for their information. Duly approved Complaints Resolution and Financial Consumer Protection Policies are in place to protect the rights and interests of the customers. During the year 37,455 (2020: 29,419) complaints were received by the Bank and were resolved with average resolution time of 107.88 hours (2020: 33.37 hours).

WORTH

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

39 GENERAL

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

40 DATE OF APPROVAL

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

08 FEB 2022

UPM/GH



PRESIDENT / CHIEF EXECUTIVE



CHAIRMAN



DIRECTOR



DIRECTOR