

MOBILINK MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		June 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	Note	-----Rupees-----	
ASSETS			
Cash and balances with SBP and NBP	7	2,161,919,502	2,187,973,424
Balances with other Banks/NBFIs/MFBs	8	4,923,141,590	10,830,601,597
Investments	9	10,922,560,128	5,252,109,674
Advances – net of provisions	10	17,633,152,565	15,072,876,354
Operating fixed assets	11	1,421,461,854	1,560,757,340
Other assets	12	5,091,502,596	3,129,116,474
Deferred tax asset	13	149,757,829	141,647,212
Total Assets		42,303,496,064	38,175,082,075
LIABILITIES			
Deposits and other accounts	14	32,770,118,269	29,224,876,433
Other liabilities	15	4,684,908,431	4,090,960,329
Total Liabilities		37,455,026,700	33,315,836,762
Net assets		4,848,469,364	4,859,245,313
REPRESENTED BY:			
Share Capital	16	2,713,596,830	2,713,596,830
Statutory reserve		516,340,244	516,340,244
Depositors' Protection Fund		156,716,004	147,614,175
Unappropriated Profit		1,459,312,968	1,480,440,643
		4,845,966,046	4,857,991,892
Surplus on revaluation of assets		2,503,318	1,253,421
		4,848,469,364	4,859,245,313
MEMORANDUM / OFF-BALANCE SHEET ITEMS	17		

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

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PRESIDENT/ CEO

DIRECTOR

MOBILINK MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Half year ended June 30	
		2020	2019
-----Rupees-----			
Markup/return/interest earned	18	3,077,827,369	2,478,473,827
Markup/return/interest expensed	19	(847,099,635)	(387,607,632)
Net markup/interest income		2,230,727,734	2,090,866,195
Provision against non-performing loans and advances	10.3	(494,058,310)	(159,875,764)
Net markup/interest income after provisions		1,736,669,424	1,930,990,431
NON MARK-UP/ NON INTEREST INCOME			
Fee, commission and brokerage income - net	20	(46,805,785)	130,741,124
Dividend income		6,770,285	49,749,481
Other income		5,499,120	-
Total non-markup/ non interest income		(34,536,380)	180,490,605
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses		(1,683,580,332)	(1,284,774,486)
Other charges		(12,665,517)	(6,903,694)
Total non-markup/ non interest expenses		(1,696,245,849)	(1,291,678,180)
Extra ordinary/ unusual items		-	-
PROFIT BEFORE TAXATION		5,887,195	819,802,856
TAXATION			
Current		(35,636,010)	(260,278,050)
Prior year		-	-
Deferred		8,621,140	49,887,428
		(27,014,870)	(210,390,622)
(LOSS)/ PROFIT AFTER TAXATION		(21,127,675)	609,412,234
Unappropriated profit brought forward		1,480,440,643	789,816,115
Profit available for appropriations		1,459,312,968	1,399,228,349
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		-	(121,882,447)
Contribution to depositors protection fund		-	(30,470,612)
		-	(152,353,059)
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,459,312,968	1,246,875,290
(Loss)/ earning per share (Rupee)		(0.08)	2.25

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

PRESIDENT/ CEO

DIRECTOR

MOBILINK MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Half year ended June 30	
	2020	2019
	-----Rupees-----	
(Loss)/ profit after taxation	(21,127,675)	609,412,234
Other comprehensive loss	-	(13,789,047)
Comprehensive (loss)/ income transferred to equity	(21,127,675)	595,623,187
Components of comprehensive income not reflected in equity		
Surplus/ (deficit) on revaluation of investments	3,525,800	(4,731,615)
Deferred tax liability on surplus on revaluation of investments - available-for-sale (AFS)	(1,022,482)	-
	2,503,318	(4,731,615)
Transfer to profit and loss on disposal of AFS investments:		
Revaluation surplus	(1,765,381)	-
Deferred tax liability on revaluation surplus	511,960	-
	(1,253,421)	-
Total comprehensive (loss)/ income for the period	(19,877,778)	590,891,572

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.



PRESIDENT/ CEO

DIRECTOR

MOBILINK MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Capital Reserves			Revenue Reserves	Total
	Share Capital	Statutory Reserve	Depositors Protection Fund	Unappropriated Profit	
----- Rupees -----					
Balance at January 01, 2019	2,713,596,830	332,173,703	86,860,323	789,816,115	3,922,446,971
Profit for the period	-	-	-	609,412,234	609,412,234
Other comprehensive loss	-	-	-	(13,789,047)	(13,789,047)
Total comprehensive income for the period	-	-	-	595,623,187	595,623,187
Transfers to Statutory reserves	-	121,882,447	-	(121,882,447)	-
Transfer to Depositors protection fund					
- 5% of the profit after tax for the period	-	-	30,470,612	(30,470,612)	-
- return on investments - net of tax	-	-	5,376,623	(5,376,623)	-
	-	-	35,847,235	(35,847,235)	-
Balance at June 30, 2019	2,713,596,830	454,056,150	122,707,558	1,227,709,620	4,518,070,158
Profit for the period	-	-	-	311,420,470	311,420,470
Other comprehensive income	-	-	-	13,789,047	13,789,047
Total comprehensive income for the period	-	-	-	325,209,517	325,209,517
Transfers to Statutory reserves	-	62,284,094	-	(62,284,094)	-
Transfer to Depositors protection fund					
- 5% of the profit after tax for the period	-	-	15,571,023	(15,571,023)	-
- return on investments - net of tax	-	-	9,335,594	5,376,623	14,712,217
	-	-	24,906,617	(10,194,400)	14,712,217
Balance at January 01, 2020	2,713,596,830	516,340,244	147,614,175	1,480,440,643	4,857,991,892
Profit for the period	-	-	-	(21,127,675)	(21,127,675)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(21,127,675)	(21,127,675)
Transfers to Statutory reserves	-	-	-	-	-
Transfer to Depositors protection fund					
- 5% of the profit after tax for the period	-	-	-	-	-
- return on investments - net of tax	-	-	9,101,829	-	9,101,829
	-	-	9,101,829	-	9,101,829
Balance at June 30, 2020	2,713,596,830	516,340,244	156,716,004	1,459,312,968	4,845,966,046

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

PRESIDENT/ CEO

DIRECTOR

MOBILINK MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

Half year ended June 30

2020 **2019**

-----Rupees-----

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	5,887,195	819,802,856
Less: Dividend income	(6,770,285)	(49,749,481)
	(883,090)	770,053,375

Adjustment for non cash items:

Depreciation of property and equipment	86,013,854	80,931,515
Depreciation right of use assets	51,783,495	48,846,396
Amortization of intangible assets	42,946,164	53,602,997
Provision against non performing loans and advances	494,058,310	159,875,764
(Gain)/ loss on disposal of operating fixed assets	(31,247)	55,996
Finance charges on lease liability	26,104,300	21,563,625
	700,874,876	364,876,293
	699,991,786	1,134,929,668

(Increase)/ decrease in operating assets:

Advances	(3,054,334,521)	(1,827,143,580)
Other assets (excluding advance taxation)	(1,712,003,556)	(716,470,159)
	(4,766,338,077)	(2,543,613,739)

Increase/ (decrease) in operating liabilities:

Bills payable	(12,721,170)	(47,235,421)
Deposits and other accounts	3,545,241,836	(647,004,444)
Other liabilities (excluding current taxation)	632,267,158	1,541,209,896
	4,164,787,824	846,970,032
	98,441,533	(561,714,039)

Cash inflow/ (outflow) from operations

Income tax paid	(286,018,575)	(239,062,880)
Net cash outflow from operating activities	(187,577,042)	(800,776,919)

CASH FLOWS FROM INVESTING ACTIVITIES

Net investment in available for sale securities	(5,659,588,206)	892,739,791
Dividend income	6,770,285	49,749,481
Investment in operating fixed assets	(31,112,810)	(79,629,269)
Sale proceeds of property and equipment disposed off	31,247	-
Net cash (outflow)/ inflow from investing activities	(5,683,899,484)	862,860,003

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of lease liability	(62,037,403)	(56,456,308)
Net cash outflow from financing activities	(62,037,403)	(56,456,308)

Net (decrease)/ increase in cash and cash equivalents

Cash and cash equivalents at beginning of the period	13,018,575,021	7,297,297,540
	7,085,061,092	7,302,924,316

Cash and cash equivalents comprise of the following:

Cash and balances with SBP and NBP	2,161,919,502	1,615,088,462
Balances with other banks/NBFIs/MFBs	4,923,141,590	5,687,835,854
	7,085,061,092	7,302,924,316

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements.

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PRESIDENT/ CEO

DIRECTOR

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

Mobilink Microfinance Bank Limited (the Bank) was incorporated in Pakistan on November 29, 2010 as a public limited company under the then applicable Companies Ordinance, 1984 (Repealed by the Companies Act, 2017). The Bank obtained license for Microfinance operations from the State Bank of Pakistan (SBP) on September 12, 2011 to operate on a nationwide basis and received the certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on February 13, 2012 whereas certificate of commencement of business from SBP was received on April 20, 2012. The Bank also operates in the territory of Azad Jammu Kashmir (AJK) and has one branch in Muzaffarabad AJK.

The Bank has 74 business locations/ touch points comprising of 74 branches (including 1 in Muzaffarabad AJK) and no booth/ service centre (2019: 74 business locations/ touch points comprising of 74 branches (including 1 in Muzaffarabad AJK) and no booth/ service centre) in operation. The Bank's registered and principal office is situated at Plot No. 3-A/2, F-8 Markaz, Islamabad, Pakistan. The Bank is a subsidiary of Veon Microfinance Holdings B.V (VMH) (the Holding Company), with effect from March 27, 2020 upon transfer of 99.99% shareholding in the Bank, from Global Telecom Holdings (GTH), being a transfer of control between entities held under common control. The transfer has been registered with SBP whereas the registration with SECP is still under process. The Ultimate Parent is Veon Limited.

The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society under the Microfinance Institution Ordinance, 2001. The Bank is also offering Branchless Banking Services through agency agreement with Pakistan Mobile Communications Limited (PMCL), a related party, under the Branchless Banking license from the SBP.

2 STATEMENT OF COMPLIANCE

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

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

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

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. The SBP, vide its circular BPRD Circular No. 04 of 2019 dated October 23, 2019 has deferred the requirements of IFRS 9; the effective date for implementation of IFRS 9 for Microfinance Institution is January 1, 2021. Accordingly, the requirements of IFRS 9 have not been considered in preparation of these condensed interim financial statements.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" till further instructions. Further, SECP vide its S.R.O. 411(I)/2008 dated April 28, 2008 has deferred the applicability of IFRS 7 – 'Financial instruments – disclosures'. Accordingly, the requirements of the these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the Prudential Regulations (the Regulations) of the SBP and presented in accordance with the requirements of SBP BSD Circular No. 11 dated December 30, 2003.

2.2 These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at December 31, 2019, which have been prepared in accordance with approved accounting standards as applicable in Pakistan, which comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, or the requirements of the said directives prevail.



MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

3 BASIS OF MEASUREMENT

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

- Investments classified as held-for-trading and available-for-sale are measured at fair value.
- Right of use asset and lease liability initially measured at their present values.

3.2 These condensed interim financial statements have been presented in Pakistani Rupees, which is the functional and presentation currency of the Bank. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2019.

5 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation on the financial statements of the Bank for the year ended December 31, 2019.

6 EFFECTS OF COVID-19 ON FINANCIAL STATEMENTS (FINANCIAL RISK MANAGEMENT)

The COVID-19 Pandemic has affected people and organizations across the globe in terms of the economic activities & earning capabilities. This has resulted in severe negative financial positions of the businesses, Corporates/Commercial entities and individuals alike. Banks being the supplier of capital to businesses have also been impacted due to decline in business activities.

To manage the economic situations, MMBL under the guidelines of SBP have provided relief & alternative mechanisms/measures via alternatives including online banking facilities, loans rescheduling/restructuring, complaints handling, cash withdrawal, funds transfer etc. MMBL is also conducting reviews of portfolios for the emerging risks during COVID-19.

Government & SBP have taken the pertinent measures to support the banks as well as the borrowers in this crucial time. These relief measures include reduction in interest rates, availability of liquidity to the market, loans rescheduling/restructuring, elimination of fees on funds transfers etc.

Specific impacts related to risk categories are briefed as following:

6.1 Credit Risk and Asset Quality

The credit risk has increased due to the COVID-19 as the economic activities have declined across the country leading to decline in cash-flows & repayment capacity of the borrowers. As the global studies suggest, MMBL expects the negative economic impacts of the pandemic to continue even after COVID-19 ends as it will take time for businesses to resume to new normal.

MMBL has strengthened its Credit Administration function, loan portfolio procedures & reviews, portfolio analysis and MIS for Management. Besides the control measures, MMBL leveraged on digital lending platform that is in operation since early 2019 to continue to serve its customers in an efficient & controlled manner.

The measures by SBP for restructuring and rescheduling of loans have provided relief to the borrowers as well as to banks to manage the cash-flows, loan portfolio quality, loan losses & income. Potential impact of the COVID-19 on Credit Risk is difficult to quantify with exactness at this point in time due to uncertain economic environment, however, MMBL Management is confident that the Bank's existing general provision (refer to note 10.2), is sufficient to cater for the credit risk emanating from this pandemic. MMBL has been maintaining specific provision as per SBP Prudential Regulations & General Provisions well above the required regulatory limit.

6.2 Liquidity Risk

The liquidity exposure of MMBL has been impacted mainly due to deferment of the loans and decline in loan recoveries. The maturity profile of MMBL assets have resultantly increased. MMBL ALCO monitors the liquidity situation on continuous basis with sufficient MIS and portfolio reviews. The digital alternatives offered by MMBL for banking have been pivotal in terms of managing the liquidity exposure. Digital payments via MMBL Internet Banking, Branchless Banking and ATMs have led to reduced cash withdrawal needs by customers and increase in digital transactions. MMBL has & is servicing its customers via these alternative service delivery channels with minimal impact on its liquidity.

Besides the above, MMBL is maintaining its funds in high quality & liquid assets. Statutory ratios of CRR & SLR are maintained optimally. ALCO monitors the liquidity position on ongoing basis along with evaluating various scenario analysis for liquidity exposures. Accordingly, MMBL Management is confident that the liquidity situation maintained by Bank is sufficient to cater any adverse movement in MMBL's liquidity.



MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

6.3 Equity Risk

The Bank does not have any investment in equity shares & accordingly is not exposed to equity risk.

6.4 Operational Risk

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of the Bank's staff and uninterrupted service to customers. Business Continuity Plans (BCP) for respective areas are in place with thorough testing. BCP has been activated at few locations after COVID and customers have been serviced as per the implemented plan.

MMBL has significantly enhanced its Information Security posture & monitoring of cyber security exposures since COVID impact. Remote work capabilities were enabled with for major part of the staff and only necessary staff was required to come to Bank. Branch Staff was also kept at minimum level to service customers with Government implemented SoPs and health facilities. Control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. Cyber traffic of the bank has been actively monitored & managed to assess trends/behaviors besides implementing various tools & measures to manage the information security exposures.

Customer awareness was enhanced via various mediums with communicating with customers on how they can connect with the Bank through its full suite of channels including digital and online channels. MMBL has been taking measures in creating awareness in this critical time for smooth banking experience while also updating customers of the fraud risks, scams and how to prevent them. MMBL has taken appropriate measures to ensure that service levels are available & maintained, customer complaints are resolved, turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

6.5 Capital & Capital Adequacy Ratio (CAR)

MMBL is sufficiently capitalized and is maintaining its Capital & CAR well above the regulatory requirements.

6.6 Advances Rescheduling/Restructuring

Below is the detail of Loans Rescheduled till June 30, 2020, which include due loans of 2nd and 3rd quarter 2020.

	<u>No. of Loans</u>	<u>Amount in Rs.</u>
2nd quarter	56,331	4,476,044,547
3rd quarter	31,334	2,966,277,434
	<u>87,665</u>	<u>7,442,321,981</u>

The detail of markup not suspended is as follows:

March, 2020	33,643,221
April, 2020	108,965,515
May, 2020	96,135,385
June, 2020	9,827,396
	<u>248,571,517</u>

Reversal of specific provision charge of March 2020 in April 2020 as per SBP relief measures:

April, 2020	<u>19,241,313</u>
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Voluntary repayment by restructured/rescheduled borrowers are as follows:

	<u>Principal</u>	<u>Mark-up</u>
	----- Rupees -----	
Full	463,773,529	97,572,615
Partial	164,512,458	152,752,683
	<u>628,285,987</u>	<u>250,325,298</u>

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
7 CASH AND BALANCES WITH SBP AND NBP	Note	----- Rupees -----	
Cash in hand - Local currency		663,074,095	646,081,183
Balance with State Bank of Pakistan (SBP)	7.1	1,462,630,001	1,530,331,292
Balance with National Bank of Pakistan (NBP)			
- Current accounts		36,215,406	11,560,949
		<u>2,161,919,502</u>	<u>2,187,973,424</u>
7.1	This includes balance held with SBP in a current account to comply with the requirement of maintaining minimum balance equivalent to 5% (December 31, 2019: 5%) of the Bank's demand deposits and time deposits with tenor of less than one year.		
		(Un-audited) June 30, 2020	(Audited) December 31, 2019
8 BALANCES WITH OTHER BANKS/NBFIs/MFBs	Note	----- Rupees -----	
In Pakistan			
- on current accounts - Local currency		6,465,697	6,465,697
- on saving accounts - Local currency	8.1	4,916,675,893	3,324,135,900
- on term deposits accounts - Local currency	8.2	-	7,500,000,000
		<u>4,923,141,590</u>	<u>10,830,601,597</u>
- on current accounts - Foreign currency	8.3	-	-
		<u>4,923,141,590</u>	<u>10,830,601,597</u>
8.1	These carry markup ranging from 6.50% to 9.00% (December 31, 2019: 11.25% to 13.80%) per annum.		
8.2	These carried markup ranging from 13.50% to 14.08% per annum, and matured latest by January 30, 2020.		
8.3	This account is being maintained with United Bank Limited for the purpose of Home Remittance under Pakistan remittance initiative as approved by the SBP.		
		(Un-audited) June 30, 2020	(Audited) December 31, 2019
9 INVESTMENTS	Note	----- Rupees -----	
Available for sale			
Federal Government Securities			
Market Treasury Bills	9.1	10,919,034,328	5,250,344,293
Surplus on revaluation of available for sale investments	9.2	3,525,800	1,765,381
		<u>10,922,560,128</u>	<u>5,252,109,674</u>
9.1	These represent securities with original maturity period of upto three months and carry markup at the rates ranging between 8.02% to 8.35% (December 31, 2019: 13.05% to 13.69%) per annum. These also include securities with original maturity period of upto three months and carry markup at the rate of held for the purposes of Depositors' Protection Fund with a cumulative face value of amount of Rs. 170 million (December 31, 2019: Rs. 150 million) and carry markup at the rates of 8.02% (December 31, 2019: 13.05%) per annum.		
		(Un-audited) June 30, 2020	(Audited) December 31, 2019
9.2	Particulars of surplus / (deficit) on revaluation of available-for-sale investments:		
Balance at the beginning		1,765,381	55,156,190
Transferred to/ (from) revaluation of assets		1,760,419	(53,390,809)
Balance at the end		<u>3,525,800</u>	<u>1,765,381</u>

MOBILINK MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

10	ADVANCES - NET OF PROVISIONS	Note	June 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
			Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
			Number	Rupees	Number	Rupees
	-Secured against gold		33,553	4,226,544,267	26,407	2,954,576,765
	-Unsecured		443,201	13,842,868,481	293,038	12,583,204,513
			476,754	18,069,412,748	319,445	15,537,781,278
	Less:					
	Specific provision	10.1	10,558	162,652,049	7,020	217,592,687
	General provision	10.2	394,332	273,608,134	291,965	247,312,237
			404,890	436,260,183	298,985	464,904,924
	Advances - net of provisions			17,633,152,565		15,072,876,354

10.1	Particulars of non-performing advances	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
		Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	Category of classification						
		----- Rupees -----					
	OAEM	-	-	-	152,357,855	-	-
	Substandard	16,780,184	4,195,046	4,195,046	131,105,790	32,776,447	32,776,447
	Doubtful	58,636,888	29,318,444	29,318,444	232,930,071	116,465,035	116,465,035
	Loss	129,138,559	129,138,559	129,138,559	68,351,205	68,351,205	68,351,205
		204,555,631	162,652,049	162,652,049	584,744,921	217,592,687	217,592,687

10.2 This represents general provision maintained against unsecured microcredit advances net of specific provision at the rate of 2% (December 31, 2019: 2%) against the requirement of 1% specified under the Prudential Regulations issued by the State Bank of Pakistan.

MOBILINK MICROFINANCE BANK LIMITED
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10.3 Particulars of provision against non-performing advances

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
Opening balance	217,592,687	247,312,237	464,904,924	64,079,380	221,348,395	285,427,775
Charge for the period/ year	467,762,413	26,295,897	494,058,310	434,512,133	25,963,842	460,475,975
Amounts written-off	(522,703,051)	-	(522,703,051)	(280,998,826)	-	(280,998,826)
	(54,940,638)	26,295,897	(28,644,741)	153,513,307	25,963,842	179,477,149
Closing balance	162,652,049	273,608,134	436,260,183	217,592,687	247,312,237	464,904,924

10.4 Particulars of write offs

	(Un-audited) June 30, 2019	Audited December 31, 2019
	----- Rupees -----	
Against provisions	522,703,051	280,998,826

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		(Un-audited) June 30, 2019	Audited December 31, 2019
	Note	----- Rupees -----	
11 OPERATING FIXED ASSETS			
Capital work in progress		328,436,120	458,701,557
Property and equipment excluding right of use assets		428,610,215	413,120,850
Intangible assets		244,162,535	227,233,671
	11.1	<u>1,001,208,870</u>	<u>1,099,056,078</u>
Right of use assets	11.2	420,252,984	461,701,262
		<u>1,421,461,854</u>	<u>1,560,757,340</u>
11.1 Movement of operating fixed assets excluding right of use assets:			
Carrying value at the beginning of the period/ year		1,099,056,078	729,541,801
Add: Additions during the period/ year	11.1.1	31,112,810	627,232,730
Less: Disposals/ deletion during the period/ year at carrying value		-	(2,954,724)
		<u>1,130,168,888</u>	<u>1,353,819,807</u>
Less: Depreciation and amortization for the period/ year		(128,960,018)	(254,763,729)
Carrying value at the end of the period/ year		<u>1,001,208,870</u>	<u>1,099,056,078</u>
11.1.1 Additions during the period/ year			
Additions:			
Electrical, office and computer equipment		75,127,360	90,115,436
Furniture and fixture		4,923,235	27,527,803
Vehicles		13,444,444	27,087,552
Leasehold improvements		8,008,183	58,974,233
Intangible assets		59,875,029	137,331,929
		<u>161,378,251</u>	<u>341,036,953</u>
(Net transfers)/ additions of Capital work-in-progress		(130,265,441)	286,195,777
		<u>31,112,810</u>	<u>627,232,730</u>
11.2 Right of Use Assets			
Cost			
Balance as at January 01, / Initial recognition under IFRS-16		552,478,146	382,093,047
Additions during the period/ year		10,335,217	176,056,647
Disposals/ write-offs during the period/ year		-	(5,671,548)
Balance as at end		<u>562,813,363</u>	<u>552,478,146</u>
Depreciation			
Balance as at January 01,		(90,776,884)	-
Depreciation charged during the period / year		(51,783,495)	(96,448,432)
Disposals/ write-offs during the period/ year		-	5,671,548
Balance as at end		<u>(142,560,379)</u>	<u>(90,776,884)</u>
Net book value at the end		<u>420,252,984</u>	<u>461,701,262</u>
12 OTHER ASSETS			
Income/ Markup accrued		3,113,027,167	2,395,761,571
Advances, deposits and prepayments		173,148,994	166,032,475
Advance taxation - net		253,499,360	3,116,794
Receivable from related parties	12.1	785,040,106	71,380,556
Inventory/ printed stationary		13,261,763	10,715,459
Crop and livestock insurance claims	12.2	291,074,949	265,708,860
Balance of cash in transit to branches		202,436,297	-
Others		260,013,960	216,400,759
		<u>5,091,502,596</u>	<u>3,129,116,474</u>

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	(Un-audited) June 30, 2019	Audited December 31, 2019
12.1 Receivable from related parties	----- Rupees -----	
Pakistan Mobile Communications Limited (PMCL)	784,830,236	71,170,686
Business Communication System (Private) Limited	209,870	209,870
	785,040,106	71,380,556

12.2 This represents claims for the amount of insurance premiums lodged with SBP under crop loan insurance scheme and livestock insurance scheme for borrowers of the Bank.

	(Un-audited) June 30, 2019	Audited December 31, 2019
13 DEFERRED TAX ASSET	----- Rupees -----	
Arising in respect of following deductible temporary differences		
Provision against non-performing advances	126,532,853	134,822,428
Provision for gratuity	760,818	760,818
Operating fixed asset	6,485,649	-
Lease liability net of right of use assets	17,000,991	9,470,252
	150,780,311	145,053,498
Arising in respect of following taxable temporary differences		
Operating fixed asset	-	(2,894,325)
Surplus on revaluation of available for sale investments	(1,022,482)	(511,961)
	(1,022,482)	(3,406,286)
	149,757,829	141,647,212

14 DEPOSITS AND OTHER ACCOUNTS	Note	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
		Number	---- Rupees ----	Number	---- Rupees ----
Time liabilities					
Fixed Deposits		2,049	6,275,831,106	1,087	6,706,676,219
Demand Liabilities					
Saving Deposits		41,444	4,724,013,900	40,597	3,876,553,959
Current Deposits		375,574	1,199,345,098	316,511	1,420,782,576
Branchless deposits					
Saving		85,941	1,776,795,733	58,622	1,302,279,213
Current		20,781,507	18,794,132,432	19,204,218	15,918,584,466
		21,284,466	26,494,287,163	19,619,948	22,518,200,214
	14.1	21,286,515	32,770,118,269	19,621,035	29,224,876,433

14.1 Particulars of deposits by ownership

Individual depositors	21,194,326	21,359,691,353	19,532,570	19,594,801,205
Institutional depositors:				
Corporations/ firms	383	5,199,488,836	454	7,255,696,559
Banks and financial institutions	12	3,930,695,026	12	1,872,694,596
Retailers	91,115	2,091,231,165	87,335	347,140,269
Franchisees	658	151,823,792	639	148,561,066
Customer care centers	21	37,188,097	25	5,982,738
	21,286,515	32,770,118,269	19,621,035	29,224,876,433

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	(Un-audited) June 30, 2020	Audited December 31, 2019
15 OTHER LIABILITIES	----- Rupees -----	
Mark-up/ return/ interest payable on deposits	361,263,146	217,261,138
Bills payable	141,021,580	153,742,750
Accrued expenses	198,534,757	232,389,573
Payable to related parties	2,482,123	204,246,532
Provision for gratuity	2,623,509	2,623,509
Taxes and levies withheld	257,129,509	215,363,180
Payable to suppliers	719,170,648	156,963,719
Bills collected for settlement through NADRA	597,821,104	672,172,970
Uncollected remittances	959,489,194	937,931,841
Lease liability on right of use assets	406,139,068	431,736,954
Remittances received through Western Union	450,272,142	574,372,704
Others	588,961,651	292,155,459
	<u>4,684,908,431</u>	<u>4,090,960,329</u>

16 SHARE CAPITAL

Authorized Capital

2020 Numbers	2019 Numbers		(Un-audited) June 30, 2020	(Audited) December 31, 2019
<u>300,000,000</u>	300,000,000	Ordinary shares of Rs. 10 each.	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued, subscribed and paid-up capital				
		Ordinary shares		
<u>271,359,683</u>	2,713,596,830	Fully paid in cash of Rs. 10 each.	<u>2,713,596,830</u>	<u>2,713,596,830</u>

16.1 Veon Microfinance Holdings B.V (VMH) is the holding company controlling 271,359,678 i.e. 99.99% shares (December 31, 2019: 99.99% shares held by Global Telecom Holdings (GTH)) of the Bank (refer to note 1 for details).

17 MEMORANDUM / OFF BALANCE SHEET ITEMS

17.1 Contingencies

There are no known material changes in contingencies as at June 30, 2020 (December 31, 2019: Nil).

	(Un-audited) June 30, 2020	(Audited) December 31, 2018
17.2 Commitments	----- Rupees -----	
Operating fixed assets	222,889,207	39,640,000
Bank Guarantee	100,000,000	100,000,000
Standby Letter of Guarantee	16,700,000	15,484,760
	<u>339,589,207</u>	<u>155,124,760</u>

17.3 This represents Bank guarantees issued by the Bank to Pakistan Railway against the online payment processing services.

17.4 This represents letter of guarantee issued by the Bank to Visa International Service Association for interbank settlement.

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	Note	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
----- Rupees -----			
18 MARKUP/RETURN/INTEREST EARNED			
Mark-up on advances		2,209,137,729	1,915,479,728
Income on investment in Government Securities		533,726,349	192,897,155
Mark-up on deposit accounts with treasury and other banks		334,963,291	370,096,944
		<u>3,077,827,369</u>	<u>2,478,473,827</u>
19 MARK-UP/RETURN/INTEREST EXPENSED			
Interest on deposits		847,099,635	387,607,632
20 FEE, COMMISSION AND BROKERAGE INCOME - NET			
(Loss)/ income from branchless banking	20.1	(227,389,699)	(23,189,924)
Loan processing fee		171,691,222	150,737,409
Others		8,892,692	3,193,639
		<u>(46,805,785)</u>	<u>130,741,124</u>
20.1 (Loss) / income from branchless			
Branchless banking income	20.2	2,352,270,518	2,998,962,947
Commission to retailer / franchisee		(2,135,959,414)	(2,188,276,039)
Commission to related party		(327,122,678)	(737,525,192)
NADRA charges related to branchless banking		(116,578,125)	(96,351,640)
		<u>(227,389,699)</u>	<u>(23,189,924)</u>

20.2 This represents the income from branchless banking operations (Jazz cash formerly Mobicash) carried out by the Bank together with PMCL through agency agreement under SBP Branchless Banking Regulations. As per the agreement, Income from Jazz cash (Net of Agents commission) is shared between the Bank and PMCL in the ratio of 30:70 respectively.

21 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Bank's Ultimate Parent is Veon Limited (VL). Therefore, all subsidiaries and associated undertakings of VL are related parties of the Bank. Other related parties include directors, key management personnel (KMP) which include CEO and Head of Departments (HOD's), entities under common directorship. All transactions involving related parties are subject to the approval of the Board of Directors. During the period, no transactions were entered into with the Holding Company and VL by the Bank. Significant transactions with the related parties other than those referred to in the foregoing entered into during the year are as follows:

	Relationship with related party	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
----- Rupees -----			
Transactions during the period:			
Pakistan Mobile Communications Limited (PMCL)			
	Associated Company		
Payments made for expenses incurred on behalf of PMCL by the Bank		619,199,625	382,624,211
Payments made for expenses incurred on behalf of the Bank by PMCL		589,795	1,025,547
Payments made against defined contribution plan being employee and employer contributions		61,343,804	36,630,790
Deposits made during the year		10,538,428,097	9,989,199,970
Withdrawals during the year		10,423,647,765	10,429,607,984
Mark-up/ return/ interest expensed to PMCL		33,608,044	3,671,980
Deposit Mobilization Commission Paid		479,912,298	308,255,822
Branchless commission (Net of agents commission)		(152,789,620)	429,269,370
Employees' Provident Fund Trust			
Bank's contribution paid to the fund		40,572,554	25,607,807
Key Management Personnel			
Remuneration of key management personnel (KMP)	Key Management Personnel	62,234,118	44,383,272

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		(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- Rupees -----	
Balances outstanding:	Relationship with related party		
Payable to Global Telecom Holdings (GTH)	Associated Company (Formerly Parent Company)*	2,482,123	2,482,123
Receivable from/ (payable to) PMCL	Associated Company	784,830,236	(130,593,723)
Receivable from Business Communication System (Private) Limited	Associated Company	209,870	209,870
Deposits accounts contain amounts relating to following related parties:			
Pakistan Mobile Communications Limited (PMCL)	Associated Company	763,152,955	614,764,579
Key Management Personnel	Key Management Personnel	22,702,328	31,188,608

*Refer to note 1

22 GENERAL


22.1 Figures have been rounded to the nearest Rupee, unless otherwise stated.

22.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purpose of comparison. The significant reclassification is as follows:

From	To	June 30, 2019 (Unaudited) ---- Rupees ----
Administrative expenses / NADRA verification charges	Fee, commission and brokerage income - net / NADRA charges related to branchless banking	<u>96,351,640</u>

22.3 Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated 30 December 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these condensed interim financial statements.

23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on _____ 2020. 

PRESIDENT/ CEO

DIRECTOR