

**LOLC MICROFINANCE BANK LIMITED**  
**STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT MARCH 31, 2023**

		Unaudited March 31, 2023	Audited December 31, 2022
	Note	------(Rupees)-----	
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	159,886,829	96,335,117
Balances with other banks / NBFIs / MFBs	7	85,928,370	1,119,240,396
Investments - net of provision	8	309,743,572	312,032,150
Advances - net of provisions	9	5,166,931,518	5,286,759,877
Operating fixed assets	10	328,293,315	339,423,768
Other assets	11	785,877,300	425,906,757
Deferred tax asset - net		100,626,934	100,626,934
<b>Total assets</b>		<b>6,937,287,838</b>	<b>7,680,324,999</b>
<b>LIABILITIES</b>			
Deposits and other accounts	12	1,600,537,008	2,413,803,587
Borrowings	13	1,982,284,483	1,982,284,483
Other liabilities	14	822,140,499	759,027,589
Deferred tax liabilities - net		-	-
<b>Total liabilities</b>		<b>4,404,961,990</b>	<b>5,155,115,659</b>
<b>NET ASSETS</b>		<b>2,532,325,848</b>	<b>2,525,209,340</b>
<b>REPRESENTED BY:</b>			
Share capital	15.2	2,308,300,000	2,308,300,000
Statutory & General Reserves		183,005,841	180,570,971
Reserve Fair value		-	-
Accumulated profit / (losses)		41,020,007	36,248,928
		<b>2,532,325,848</b>	<b>2,525,119,899</b>
Surplus on revaluation of assets - net of deferred	16	-	89,441
		<b>2,532,325,848</b>	<b>2,525,209,340</b>
<b>MEMORANDUM / OFF BALANCE SHEET ITEMS</b>	17	-	-

The annexed notes from 1 to 33 form an integral part of these financial statements.

\_\_\_\_\_  
**President / Chief Executive**

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**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

**LOLC MICROFINANCE BANK LIMITED**  
**STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023**

		Unaudited March 31, 2023	Audited March 31, 2022
	Note	------(Rupees)-----	
Mark-up / return / interest earned	18	<b>617,312,180</b>	543,060,580
Mark-up / return / interest expensed	19	<b>(180,774,167)</b>	(127,543,305)
<b>Net mark-up / return / interest income</b>		<b>436,538,013</b>	415,517,275
Provision against non-performing loans and advances	9.3	<b>146,785,338</b>	174,548,377
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
<b>Net mark-up / return / interest income after provisions</b>		<b>289,752,675</b>	240,968,898
<b>NON MARK-UP / NON INTEREST INCOME</b>			
Fee, commission and brokerage income		<b>59,943,133</b>	47,181,899
Dividend income		-	-
Other income	20	<b>30,907,713</b>	19,327,184
<b>Total non-mark-up / non-interest income</b>		<b>90,850,846</b>	66,509,083
<b>NON MARK-UP / NON INTEREST EXPENSES</b>		<b>380,603,521</b>	307,477,981
Administrative expenses	21	<b>371,643,748</b>	267,056,265
Penalties		-	-
Other charges		-	-
<b>Total non mark-up / non interest expenses</b>		<b>371,643,748</b>	267,056,265
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<b>8,959,773</b>	40,421,716
Taxation - current		<b>2,598,334</b>	11,722,298
Taxation - prior		-	-
Taxation - deffered		-	-
<b>PROFIT AFTER TAXATION</b>		<b>6,361,439</b>	28,699,418

The annexed notes from 1 to 33 form an integral part of these financial statements.

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**President / Chief Executive**

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

**LOLC MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHESIVE INCOME (UN-AUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023**

	<b>Unaudited</b> <b>March 31, 2023</b>	<b>Audited</b> <b>March 31, 2022</b>
<b>Note</b>	<b>------(Rupees)-----</b>	
Profit after taxation	6,361,439	114,658,088
Other comprehensive income		
<b>Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax</b>		
Remeasurement of defined benefit obligation	-	2,768,081
Related tax impact	-	(802,743)
	-	1,965,338
Comprehensive income for the period transferred to equity	6,361,439	116,623,426
<b>Item to be reclassified to statement of profit and loss subsequently on sale - net of tax</b>		
Surplus on revaluation of 'available for sale' investments	-	125,973
Related tax impact	-	(36,532)
<b>Comprehensive income for the period not transferred to equity</b>	-	89,441

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\_\_\_\_\_  
**President / Chief Executive**

\_\_\_\_\_  
**Chairman**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

**LOLC MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023**

	<u>Capital reserves</u>				<u>Revenue reserves</u>		<u>Total</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Depositors' Protection Fund (Rupees)</u>	<u>Total Capital Reserve</u>	<u>Accumulated losses</u>	
Balance as at January 31, 2022	2,308,300,000	52,041,600	98,175,982	30,353,389	2,488,870,971	36,248,928	2,525,119,899
Total comprehensive income:							
Profit after tax for the quarter March 31,2022						6,361,439	6,361,439
Other comprehensive income - net of tax						-	-
Total comprehensive income	-	-	-	-		6,361,439	6,361,439
Transfer to statutory reserve	-	-	1,272,288	-	1,272,288	(1,272,288)	-
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	318,072	318,072	(318,072)	-
- return on investment - net of tax	-	-	-	844,510	844,510	-	844,510
			-	1,162,582	1,162,582	(318,072)	844,510
<b>Balance as at March 31, 2023</b>	<b><u>2,308,300,000</u></b>	<b><u>52,041,600</u></b>	<b><u>99,448,270</u></b>	<b><u>31,515,971</u></b>	<b><u>2,491,305,841</u></b>	<b><u>41,020,007</u></b>	<b><u>2,532,325,848</u></b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

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**President / Chief Executive**

\_\_\_\_\_  
**Chairman**

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**Director**

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**Director**

**LOLC MICROFINANCE BANK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023**

**1 STATUS AND NATURE OF BUSINESS**

- 1.1** Pak Oman Microfinance Bank Limited (the Bank) was incorporated on March 9, 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and was granted license by the State Bank of Pakistan (SBP) on April 12, 2006. The Bank received certificate of commencement of business on May 6, 2006, effective from May 8, 2006. The Bank's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at D-7 Parveen Building Shaheed-e-Millat Road, Bangalore Town, Karachi, Pakistan. As at December 31, 2022, the Bank has 61 branches (2021: 43) and 22 service centers (2021: 33) in operation in all provinces of Pakistan, and Azad Jammu & Kashmir other than Gilgit Baltistan, including the Federal Capital Islamabad and is licensed to operate

In the year 2016, the Board of Directors of the Bank entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the majority of the stake (50.1%) in the Bank. As per the signed agreement dated February 3, 2017, the existing shareholders retained their shareholdings while new 115,648,000 shares were issued (equal to the existing issued and paid up capital) at an offer price of Rs.10.5 each (face value of Rs.10 each).

In the year 2021, the Board of Directors of the Bank again entered into an agreement with LOLC PLC, the Parent Company, who in lieu of the agreement acquired the remaining of the stake (49.9%) in the Bank. As per the signed agreement dated October 26, 2021, LOLC Asia Private Limited has acquired 33% shareholding from Ministry of Finance Sultanate of Oman and 17% from Pak Oman investment Company Limited at an agreed price of PKR 10.5 per share. The shares has been transfered on the name of the LOLC Asia Private Limited, the Parent Company on February 24, 2022.

- 1.2** JCR-VIS has determined the Bank's medium to long-term rating as 'A-' and the short-term rating as 'A-2'.

**2 BASIS OF PRESENTATION**

These financial statements have been presented in accordance with the requirements of Banking Surveillance Department Circular No. 11 dated December 30, 2003 issued by SBP.

The Bank believes that there is no significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### **3 STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- The Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP.

Where provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks and directives issued by the Securities and Exchange Commission of Pakistan and the SBP have been followed.

**3.2** The SBP, through its BSD Circular No. 10 dated August 26, 2002, has deferred the implementation of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement" and IAS 40 - "Investment Property" for Banking Companies in Pakistan, till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" through its S.R.O. 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, investments and non-banking assets have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

Moreover, recently SBP through its BPRD Circular letter No. 03 of 2022, dated July 05, 2022, extend the date of implementation of IFRS-9 till January 01, 2024. Accordingly, the requirements of this standard have also not been considered in the preparation of these financial statements. However, during the transition period, the Bank is required to carry out the parallel run reporting for submission of IFRS-9 pro-forma on quarterly, half yearly and annual financial statements for the current reporting period.

### 3.3 New accounting standards, amendments and IFRS interpretations that are effective for the period ended March 31, 2023

The following standards, amendments and interpretations are effective for the period ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

### 3.4 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IFRS 16 'Leases' - Lease liability in a sale and	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards;  
IFRS 17 Insurance Contracts.

### **3.5 Early adoption of standards**

The Bank has not early adopted any new or amended standard in 2022.

## **4 BASIS OF MEASUREMENT**

### **4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except for certain investments that have been marked to market and are carried at fair value and staff retirement benefits which are measured at present value.

### **4.2 Functional and presentation currency**

These financial statements are presented in Pakistani rupees ( 'Rupees' or 'Rs.' ), which is also the functional currency of the Bank, and have been rounded off to the nearest rupee.



## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **5.1 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and balances held with State Bank of Pakistan, balances with other banks in current and deposit accounts and TDRs having a maturity upto 3 months. Cash and cash equivalents are carried at cost in the statement of financial position.

### **5.2 Lendings to financial institutions**

Lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision, if any. Mark-up on such lendings is charged to profit or loss account on a time proportionate basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognized on receipt basis.

### **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 or loss account.

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

#### **5.3.1 Held-for-trading**

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to profit or loss account.

#### **5.3.2 Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity. After initial measurement, such investments are carried at amortized cost.

#### **5.3.3 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 statement of financial position below equity which is taken to the profit or loss account when actually realized upon disposal.

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

#### **5.3.4 Impairment**

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 statement of financial position below equity is thereof removed and recognized in the profit and loss account.

## 5.4 Advances

These are stated at cost net of specific and general provisions which are determined on the basis of the Prudential Regulations (the Regulations) for Microfinance Banks issued by SBP and charged to profit or loss account. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery. These regulations prescribe a time based criteria for classification of non-performing advances in to following categories:

### 5.4.1 General loans

#### a) Other Assets Especially Mentioned (OAEM)

These are advances in arrears (payment / instalments overdue) of 30 days or more but less than 60 days.

#### b) Substandard

These are advances in arrears (payment / instalments overdue) for 60 days or more but less than 90 days.

#### c) Doubtful

These are advances in arrears (payment / instalments overdue) for 90 days or more but less than 180 days.

#### d) Loss

These are advances in arrears (payment / instalments overdue) for 180 days or more.

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

In accordance with the Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

OAEM	10% of outstanding principal of only Micro Enterprise loans net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Substandard	25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Doubtful	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Loss	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

### 5.4.2 Housing loan

#### a) Other Assets Especially Mentioned (OAEM)

These are advances in arrears (payment / instalments overdue) of 90 days or more but less than 180 days.

#### b) Substandard

These are advances in arrears (payment / instalments overdue) for 180 days or more but less than One year.

#### c) Doubtful

These are advances in arrears (payment / instalments overdue) for One year or more but less than two years.

**d) Loss**

These are advances in arrears (payment / instalments overdue) for two years or more.

Non-performing advances in respect of Housing loans are written off one month after 5 years from the date of classification of financing. However, the Bank continues its efforts for recovery of the written off balances.

In addition the Bank maintains a watch list of accounts delinquent for Housing loans by 5 - 90 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.

In accordance with the Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

OAEM	10% of outstanding principal of only Micro Enterprise loans net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Substandard	25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Doubtful	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Loss	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

**5.4.3 Microenterprise loans**

**a) Other Assets Especially Mentioned (OAEM)**

These are advances in arrears (payment / instalments overdue) of 90 days or more but less than 180 days.

**b) Substandard**

These are advances in arrears (payment / instalments overdue) for 180 days or more but less than One year.

**c) Doubtful**

These are advances in arrears (payment / instalments overdue) for One year or more but less 18 months from the due date.

**d) Loss**

These are advances in arrears (payment / instalments overdue) for 18 months or more from the due date.

Non-performing advances in respect of Microenterprise loans are written off one month after 5years from the date of classification if the NPL's are secured against mortgaged residential, commervial industrial properties (Land and Building only) and for all other one month after 3 years from the date of classification. However, the Bank continues its efforts for recovery of the written off balances.

In addition the Bank maintains a watch list of accounts delinquent for Microenterprise loans by 5 - 90 days. However, such accounts are not treated as non-performing for the purpose of classification / provisioning.

In accordance with the Regulations, the Bank maintains specific provision for potential loan losses for all non-performing advances as follows:

OAEM	10% of outstanding principal of only Micro Enterprise loans net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.
Substandard	25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

Doubtful 50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

Loss 100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realizable without recourse to a Court of Law.

In addition, a general provision is made in accordance with the requirements of the Prudential Regulations for Microfinance Banks issued by SBP equivalent to 1% of the net outstanding balance (advances net of specific provisions) for potential loan losses.

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

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

## **5.5 Operating fixed assets and intangibles**

### **5.5.1 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of items.

Depreciation is charged to profit or loss account at the rates mentioned in note 10.1 applying the straight line method over estimated useful life of assets. The asset's residual values and useful lives are reviewed annually, and adjusted if required.

Full depreciation is charged on additions in the month of purchase and no depreciation is charged on disposals in the month of disposal.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. The carrying amount of the replaced asset is derecognized. All other repairs and maintenance are charged to the profit or loss account as and when incurred.

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.

Gains / losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are recognized in the profit or loss account.

### **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 lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method at the rates mentioned in note 10.2 over their estimated useful life.

Amortization is charged on additions from the date the asset available for use and on disposals up to the date of disposal.

The asset's residual values and useful lives are reviewed annually, and adjusted if required, at each reporting date.

#### **5.5.4 Impairment**

#### **5.6 Non-Financial Assets (except for deferred tax assets)**

The Bank assesses at the end of each reporting period whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

##### **5.6.1 Financial Assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost reversal is recognized in profit or loss.

##### **5.6.2 Grants**

Grants are initially recognized at fair value in the statement of financial position when there is a reasonable assurance that the grant will be received and that the Bank will comply with all the attached conditions.

Grants relating to operating fixed assets are recorded as deferred revenue in the statement of financial position and recognized as income on a systematic basis over the useful lives of the assets acquired from grant proceeds.

#### **5.7 Staff retirement benefits**

##### **5.7.1 Defined contribution plan**

The Bank also operates a recognized provident fund for its eligible employees. Equal monthly contributions are made by the Bank and its employees to the fund at the rate of 8.33% of basic salary per month.

##### **5.7.2 Defined benefit plan**

The Bank operates a funded-gratuity scheme for all of its permanent employees. The scheme was approved on 16 September 2014. Contributions to the fund are made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit or loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur.

##### **5.7.3 Compensated absences**

Compensated absences (leaves) of employees are accounted for in the period in which these absences are earned. Provisions to cover the obligations are made using the current salary level of employees.

#### **5.8 Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognized in the profit or loss account, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### **5.8.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum tax applicable in accordance with the Income Tax Ordinance, 2001. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalized during the year.

### **5.8.2 Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising at the date of reporting between the amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized on all deductible temporary differences and carry forward of unused tax losses, minimum tax and alternate corporate tax (ACT), if any, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / (loss) recognized in surplus / (deficit) on revaluation of assets is charged / credited to such account.

### **5.9 Deposits**

Deposits are recorded at the proceeds received. Deposit costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method.

### **5.10 Statutory reserve**

The Bank is required under the Microfinance Institutions Ordinance, 2001 to maintain a statutory reserve to which an appropriation equivalent to 20% of the annual after tax profit is made till such time the reserves are equal to paid-up capital and thereafter 5% of profit after taxes.

### **5.11 Provisions**

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

### **5.12 Depositors' protection fund**

The Bank is required under the Microfinance Institutions Ordinance, 2001 to contribute 5% of its annual after tax profit to the Depositors' protection fund for the purpose of providing security or guarantee to persons depositing money in the Bank and profits earned on the investments of the fund shall be credited to the depositors' protection fund and such fund shall either be invested in Government securities or deposited with State Bank in a remunerative account.

### **5.13 Revenue recognition**

- Return on investment / lending to financial institutions is recognized using effective interest rate method.
- Mark-up / interest / return on performing advances is recognized using effective interest rate method except that income suspended in accordance with the requirements of the Prudential Regulations for Microfinance Banks, is taken to income when actually received.
- Interest or mark-up recoverable on non-performing advances and classified investments is recognized on a receipt basis.

- Dividend income is recognized when the right to receive dividend is established.
- Processing fees is recognized when services are performed.
- Capital gains / (losses) on sale of investments are recognized in the profit or loss account at the time of sale.
  
- Moratorium income is a fee charged to a borrower for provision of loan relaxation. It is accrued on the basis of expectation of recoverability of the income.
- Other income are recognized on accrual basis.

## **5.14 Financial instruments**

### **5.14.1 Financial assets and financial liabilities**

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. At the time of initial recognition, all the financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Subsequently, these are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts, if any. All the financial assets are derecognized at the time when the Bank loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of financial assets and financial liabilities is taken to profit or loss account.

### **5.14.2 Off setting**

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to off-set the recognized amounts and the Bank intends to settle either on a net basis, or to realize the assets and to settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

## **5.15 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pak Rupee, which is the Bank's functional and presentation currency.

## **5.16 Foreign currency translations**

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in profit or loss account.

## **5.17 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. 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, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## **5.18 Dividend and other appropriations**

Dividend and appropriation to reserves, except appropriations which are required by the law, are recognized as liability in the Banks' financial statements in the year in which these are approved by the appropriate authorities.

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank.

		Un-audited March 31, 2023	Audited December 31, 2022
	Note	------(Rupees)-----	
<b>6 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN (NBP)</b>			
Cash in hand			
- local currency		2,723,194	2,618,194
Balance with State Bank of Pakistan (SBP)	6.1	<u>157,163,635</u>	<u>93,716,923</u>
		<u><b>159,886,829</b></u>	<u><b>96,335,117</b></u>

**6.1** This represents current accounts maintained with SBP to meet the minimum balance requirement equivalent to 5% as cash reserve of Bank's demand and term deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

		Un-audited March 31, 2023	Audited December 31, 2022
		------(Rupees)-----	
<b>7 BALANCES WITH OTHER BANKS / NBFIS / MFBS</b>			
In Pakistan			
- on local currency current accounts		-	57,839,401
- on local currency deposit accounts	7.1	<u>85,928,370</u>	<u>1,061,400,995</u>
		<u><b>85,928,370</b></u>	<u><b>1,119,240,396</b></u>

**7.1** These represents deposits with commercial banks carrying mark-up at rates ranging from 17% to 19.00% per annum (2022: 14.00% to 17.25% per annum).

		Un-audited March 31, 2023	Audited December 31, 2022
		------(Rupees)-----	
<b>8 INVESTMENTS</b>			
Federal Govt. Securities			
- Pakistan Investment Bonds	8.2	11,951,159	11,919,210
- Market Treasury Bills	8.3	264,264,636	263,807,384
Bonds, Participation Term Certificates & Term Finance Certificates	8.4	5,882,055	5,882,055
Sukuks	8.4	43,527,777	46,305,556
Less: Provision for diminution in value of investments	8.5	<u>15,882,055</u>	<u>15,882,055</u>
Investments - net of provision		<u><b>309,743,572</b></u>	<u><b>312,032,150</b></u>



**Un-audited**                      **Audited**  
**March 31, 2023**              **December 31, 2022**  
 -----(Rupees)-----

**8.1 Investments Classification**

Available for sale

Term Finance Certificates	8.4	5,882,055	5,882,055
Sukuks	8.4	43,527,777	46,305,556
		49,409,832	52,187,611
Less: Provision for diminution in value of investment		15,882,055	15,882,055
		33,527,777	36,305,556
Held to maturity			
Federal Government Securities - Pakistan Investment	8.2	11,951,159	11,919,210
Term Deposit Receipts (TDRs)		-	-
Federal Government Securities - Treasury Bills	8.3	264,264,636	263,807,384
		276,215,795	275,726,594
Investments - net of provision		309,743,572	312,032,150

**8.2 Federal Government Securities - Pakistan Investment Bonds**

Significant terms and conditions of Pakistan Investment bonds outstanding at the period end are as follows:

Fixed rate instrument	Number of bonds	Face value (Par value Rs. 100)	Carrying amount	Interest rate (Per annum)	Maturity
<b>Pakistan investment bond (PIB)</b>					
- 5 years	50,000	5,000,000	4,992,809	8.00%	12-Jul-23
- 3 years	70,000	7,000,000	6,958,350	7.00%	20-Aug-23
	120,000	12,000,000	11,951,159		

**Un-audited**                      **Audited**  
**March 31, 2023**              **December 31, 2022**  
 -----(Rupees)-----

**8.3 Federal Government Securities - Treasury Bills**

Purchase price	258,807,030	260,079,160
Amortized during the period	5,457,606	3,728,224
Value as at 31 December	264,264,636	263,807,384

8.4 Investments in Term Finance Certificates / Sukuk

Name of the investee company	Profit / mark-up rate (per annum)	Maturity date	Note	As at March 31, 2023 (Un-audited)						As at December 31, 2022 (Audited)					
				Number of certificates	Redeemed value	Provision held	Value of investment after provision	Market value	Deficit on revaluation	Number of certificates	Redeemed value	Provision held	Value of investment after provision	Market value	Deficit on revaluation
				----- (Rupees) -----						----- (Rupees) -----					
<b>Term Finance Certificate</b>															
WorldCall Telecom Limited	6 month KIBOR + 1.6%	7-Oct-21	8.3.1	3,000	4,473,674	4,473,674	-	-	-	3,000	4,473,674	4,473,674	-	-	-
Agritech Limited	Zero rated	1-Jan-15	8.3.1	290	1,408,381	1,408,381	-	Non Traded	-	290	1,408,381	1,408,381	-	Non Traded	-
				<b>3,290</b>	<b>5,882,055</b>	<b>5,882,055</b>	-	-	-	<b>3,290</b>	<b>5,882,055</b>	<b>5,882,055</b>	-	-	-
<b>Sukuk</b>															
TPL Trakker Limited Sukuk	3 month KIBOR + 3%	30-Mar-26		50	33,527,777	-	-	33,527,777	-	50	36,305,556	-	-	36,305,556	-
Agritech Limited	6 month KIBOR + 2%	15-Aug-15		2,000	10,000,000	10,000,000	-	Non Traded	-	2,000	10,000,000	10,000,000	-	Non Traded	-
				<b>2,050</b>	<b>43,527,777</b>	<b>10,000,000</b>	-	<b>33,527,777</b>	-	<b>2,050</b>	<b>46,305,556</b>	<b>10,000,000</b>	-	<b>36,305,556</b>	-

8.4.1 Investments in WorldCall Telecom and Agritech Limited amounting to Rs. 4,473,674 and Rs. 1,408,381 respectively are fully provided.

**Un-audited**                      **Audited**  
**March 31, 2023**              **December 31, 2022**  
-----**(Rupees)**-----

### 8.5 Particulars of Provision for Diminution in value of investments

Opening balance	15,882,055	16,202,375
Charge for the period	-	-
Reversals	-	(320,320)
Closing balance	15,882,055	15,882,055

### 9 ADVANCES - NET OF PROVISIONS

	Note	March 31, 2022 (Un-audited)		December 31, 2022 (Audited)	
		Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
<b>Loan type</b>					
<b>Micro credit advances</b>					
- Considered good		50,839	4,484,881,116	51,886	4,704,928,371
- Considered doubtful	9.2	12,954	1,029,821,897	9,544	788,972,796
			5,514,703,013		5,493,901,167
Less: Provision held					
- Specific provision	9.2	12,954	275,312,363	9,544	130,109,712
- General provision	9.3		102,393,907		103,592,396
			377,706,270		233,702,108
			5,136,996,743		5,260,199,059
Staff loan	9.6		29,934,775		26,560,818
Advances - net of provisions			5,166,931,518		5,286,759,877

**9.1** All advances are secured by personal guarantees. Further, a mandatory deposit account equivalent to 10% of amount of advances was required to be kept with the Bank until September 30, 2014. The details of such deposits held with the Bank are disclosed in note 13. The interest rates on the advances is 48.52% per annum (2022: 47.85% per annum).

### 9.2 Particulars of non-performing advances

Advances includes Rs. 1,029,821,897 (2022: Rs. 788,972,796) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- <b>(Rupees)</b> -----					
Other assets especially mentioned	333,033,827	5,809,270	5,809,270	262,344,394	4,953,208	4,953,208
Sub-standard	195,674,087	29,836,766	29,836,766	194,706,615	29,636,136	29,636,136
Doubtful	431,030,417	147,502,397	147,502,397	328,719,805	92,933,647	92,933,647
Loss	70,083,566	69,499,332	69,499,332	3,201,982	2,586,721	2,586,721
Total	1,029,821,897	252,647,765	252,647,765	788,972,796	130,109,712	130,109,712

### 9.3 Particulars of provision against non-performing loans and advances

The movement of provision against non-performing advances is as follows:

	March 31, 2023 (Un-audited)			December 31, 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
Note	----- (Rupees) -----					
Opening balance	130,109,712	103,365,751	233,475,463	123,386,018	104,601,331	227,987,349
Charge / (reversal) for the year	304,096,163	(971,844)	303,124,319	737,640,533	(1,008,935)	736,631,598
Amounts written off	9.3.1 (156,338,981)	-	(156,338,981)	(730,916,839)	-	(730,916,839)
	145,202,651	(971,844)	146,785,338	6,723,694	(1,008,935)	5,714,759
Closing balance	275,312,363	102,393,907	380,260,801	130,109,712	103,592,396	233,702,108

**Un-audited**                      **Audited**  
**March 31, 2023**              **December 31, 2022**  
 ----- (Rupees) -----

#### 9.3.1 Particulars of write offs

Against provision	156,338,981	730,916,839
Directly charged to profit or loss account	-	-
	<u>156,338,981</u>	<u>730,916,839</u>

9.4 General provision equivalent to 1% (2022: 1%) of the net outstanding advances held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

**Un-audited**                      **Audited**  
**March 31, 2023**              **December 31, 2022**  
 ----- (Rupees) -----

#### 9.5 Portfolio by type

Micro Business loan	-	-
Micro Agri loan	497,073,086	508,307,670
Micro Assets loan	69,584	35,012
Livestock loan	-	-
Micro Enterprise loan	3,557,848,291	3,627,395,673
Micro enterprise loan-LSL	-	-
Salary loan	181,785,141	205,834,280
Bara Karobar loan	818,737,320	797,544,623
Fori Qarza	224,996	232,915
Bullet Zarai Karza	3,288,474	3,869,083
Lease	-	46,858
Gold Loan	-	4,551,860
Hunermamand Khatoon Qarza	372,770,479	292,991,652
House loan	82,905,642	53,091,541
	<u>5,514,703,013</u>	<u>5,493,901,167</u>

9.6 This represents personal loans and house loans provided to employees as per the Bank's policy. The title documents of houses for house loans are held by the Bank as collateral and interest at 6 months KIBOR (2022: 6 months KIBOR) is charged.

10	OPERATING FIXED ASSETS	Notes	Un-audited	Audited
			March 31, 2023	December 31, 2022
			------(Rupees)-----	
	Property and equipment	10.1	<b>163,053,989</b>	162,272,189
	Intangible assets	10.2	<b>11,984,986</b>	10,499,503
	Right of use asset	10.3	<b>153,254,340</b>	166,652,076
			<b><u>328,293,315</u></b>	<u>339,423,768</u>

## 10.1 PROPERTY AND EQUIPMENT

March 31, 2023 (Un-audited)								
COST			DEPRECIATION					
As at January 01, 2023	Additions / (Disposals)	As at March 31, 2023	As at January 01, 2023	Charge for the period / (disposals)	As at March 31, 2023	Book value as at March 31, 2023	Rate of dep %	
----- (Rupees) -----								
<b>Owned</b>								
Leasehold improvements (Building's fixtures)	113,951,908	51,541,612	116,054,628	41,816,115	24,786,870	47,399,301	68,655,327	20%
Office equipment	40,228,801	7,379,660	40,446,079	21,473,126	10,292,920	22,690,343	17,755,736	20%
Furniture and fixture	34,932,729	3,964,284	35,057,729	21,244,021	7,208,793	22,723,361	12,334,368	20%
Computers	76,902,599	15,514,415	77,083,209	53,846,456	19,141,115	57,473,892	19,609,317	33%
Vehicles	58,732,984	6,005,847	58,739,524	24,097,114	5,415,328	25,917,788	32,821,736	20%
Fixed asset clearing	-	-	11,877,505	-	-	-	11,877,505	
<b>324,749,021</b>	<b>84,405,818</b>	<b>339,258,674</b>	<b>162,476,832</b>	<b>66,845,026</b>	<b>176,204,685</b>	<b>163,053,989</b>		
December 31, 2022 (Audited)								
COST			DEPRECIATION					
As at January 01, 2022	Additions / (Disposals)	As at December 31, 2022	As at January 01, 2022	Charge for the year / (disposals)	As at December 31, 2022	Book value as at December 31, 2022	Rate of dep %	
----- (Rupees) -----								
<b>Owned</b>								
Leasehold improvements (Building's fixtures)	64,513,016	49,438,892	113,951,908	22,539,331	19,276,784	41,816,115	72,135,793	20%
Office equipment	33,066,419	7,162,382	40,228,801	14,797,157	6,675,969	21,473,126	18,755,675	20%
Furniture and fixture	31,093,445	3,839,284	34,932,729	15,514,567	5,729,454	21,244,021	13,688,708	20%
Computers	61,568,794	15,707,455	76,902,599	39,349,560	14,584,104	53,846,456	23,056,143	33%
Vehicles	52,733,677	9,902,822	58,732,984	19,401,259	7,380,425	24,097,114	34,635,870	20%
Fixed asset clearing	11,191,555	-	-	-	-	-	-	
		(11,191,555)						
<b>254,166,906</b>	<b>86,050,835</b>	<b>324,749,021</b>	<b>111,601,874</b>	<b>53,646,736</b>	<b>162,476,832</b>	<b>162,272,189</b>		
	<b>(15,468,720)</b>			<b>(2,771,778)</b>				

## 10.2 Intangible assets

	COST			AMORTISATION			Rate of amortization	
	As at January 01, 2023	Additions / Transfers	As at March 31, 2023	As at January 01, 2023	Charge for the period	As at March 31, 2023		Book value as at March 31, 2023
----- (Rupees) -----								
<b>Computer software</b>								
March 2023 (Un-audited)	32,133,353	17,421,444	49,554,797	24,951,163	12,618,648	37,569,811	11,984,986	33%
	As at January 01, 2022	Additions / Transfers	As at December 31, 2022	As at January 01, 2022	Charge for the year	As at December 31, 2022	Book value as at December 31, 2022	
December 2022 (Audited)	32,133,353	13,822,394	45,955,747	24,951,163	10,505,082	35,456,245	10,499,502	33%

**10.2.1** This includes intangible assets costing Rs. 59,778,141 (2022: Rs. 45,955,747) that have been fully amortized as at March 31, 2022 but are still in use.

### 10.3 Right of use of asset

	As at March 31,2023 (Un-Audited)		
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
Opening balance	222,728,454	(56,076,378)	166,652,076
Additions during the period	-	-	-
Reassessment during the period	-	-	-
Depreciation charge for the period	-	(13,397,736)	(13,397,736)
Derecognized during the period	-	-	-
Closing balance	<u>222,728,454</u>	<u>(69,474,114)</u>	<u>153,254,340</u>
Useful life	3 - 10 years		

	As at December 31, 2022 (Audited)		
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
Opening balance	140,957,426	(6,122,216)	134,835,210
Additions during the year	34,053,769	-	34,053,769
Reassessment during the year	47,717,259	-	47,717,259
Depreciation charge for the year	-	(49,954,162)	(49,954,162)
Derecognized during the period	-	-	-
Closing balance	<u>222,728,454</u>	<u>(56,076,378)</u>	<u>166,652,076</u>
Useful life	3 - 10 years		

Note	Un-audited	Audited
	March 31, 2023	December 31, 2022
	----- (Rupees) -----	

### 11 OTHER ASSETS

Income / mark-up accrued on Advances and Investments		<b>642,871,560</b>	317,369,033
Advances, deposits, advance rent and other prepayments		<b>82,840,460</b>	57,375,695
Refundable / advance taxation (payments less provision)	11.1	<b>41,054,115</b>	27,476,802
Others		<b>19,111,165</b>	23,685,227
		<u><b>785,877,300</b></u>	<u>425,906,757</u>



	Note	Un-audited	Audited
		March 31, 2023	December 31, 2022
		------(Rupees)-----	
<b>11.1 Movement in advance tax - net</b>			
Opening Balance		27,476,802	14,627,834
Addition		16,175,647	64,175,050
Provision for taxation		(2,598,334)	(51,326,082)
Closing Balance		<u>41,054,115</u>	<u>27,476,802</u>

## 12 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2023 (Un-audited)		December 31, 2022 (Audited)	
	Number of Accounts	Amount (Rupees)	Number of Accounts	Amount (Rupees)
Saving deposits	138	72,166	129	63,539
Fixed deposits	223	1,593,940,829	133	2,407,222,296
Current deposits - mandatory	16,373	6,524,013	14,509	6,517,752
	<u>16,734</u>	<u>1,600,537,008</u>	<u>14,771</u>	<u>2,413,803,587</u>
<b>12.1 Particulars of deposits by ownership</b>				
Individual depositors	16,706	167,779,474	14,690	981,046,053
Institutional depositors - Corporation	28	1,432,757,534	13	1,432,757,534
	<u>16,734</u>	<u>1,600,537,008</u>	<u>14,703</u>	<u>2,413,803,587</u>

**12.2** These carry interest rate of 12.79% to 14.75% (2022: 3.50% to 10%) per annum on saving deposits and 15.00% - 23.00% (2022: 12.13% to 19.56%) per annum for fixed deposits.

## 13 BORROWINGS

Borrowing from State Bank of Pakistan	13.1.1	<u>1,982,284,483</u>	1,982,284,483
		<u>1,982,284,483</u>	<u>1,982,284,483</u>

### 13.1 Details of borrowings from financial institutions

#### Secured

Borrowings from State Bank of Pakistan	13.1.1	<u>1,982,284,483</u>	1,982,284,483
		<u>1,982,284,483</u>	<u>1,982,284,483</u>

**13.1.1** This represents Line of Credit facility carrying interest at 6 month KIBOR minus 100 bps and is repayable in June 2024

		Un-audited March 31, 2023	Audited December 31, 2022
	Note	------(Rupees)-----	
<b>14 OTHER LIABILITIES</b>			
Mark-up / interest / return payable		<b>114,826,960</b>	172,239,648
Bank overdraft		<b>76,435,063</b>	19,685,225
Accrued expenses		<b>188,532,229</b>	150,179,066
Payable to LOLC Technology Services Limited		<b>203,433,975</b>	183,012,175
Payable to defined benefit obligation		<b>17,242,228</b>	12,242,228
Provision for compensated absences		<b>12,781,767</b>	16,281,767
Provision for leave fare assistance		<b>625,835</b>	708,181
Withholding taxes payable		<b>3,958,050</b>	4,792,517
Sales taxes		<b>3,514,973</b>	597,302
Advance from customer		<b>9,681,761</b>	9,618,067
Security deposit		-	54,470
Lease obligation	14.1	<b>191,107,658</b>	189,616,943
		<b>822,140,499</b>	759,027,589

#### 14.1 Lease liability against right-of-use assets

Opening		<b>189,616,943</b>	139,701,223
Effect of initial recognition		-	-
Additions during the year		<b>1,490,715</b>	34,053,769
Deletions during the year		-	-
Impact of reassessment during the year		-	47,717,259
Finance cost		-	21,011,047
Payment of lease liability		-	(52,866,355)
Closing		<b>191,107,658</b>	189,616,943

## 15 SHARE CAPITAL

### 15.1 Authorized capital

Un-audited March 31, 2023 (Number of shares)	Audited December 31, 2022 (Number of shares)		Note	Un-audited March 31, 2023 ------(Rupees)-----	Audited December 31, 2022 ------(Rupees)-----
<u>250,000,000</u>	<u>250,000,000</u>	Ordinary shares of Rs. 10 each		<u>2,500,000,000</u>	<u>2,500,000,000</u>

### 15.2 Issued, subscribed and paid-up share capital

<u>230,830,000</u>	<u>230,830,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	15.3	<u>2,308,300,000</u>	<u>2,308,300,000</u>
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### 15.3 Share capital has been subscribed by the following:

Ministry of Finance - Sultanate of Oman	-	-
Ministry of Commerce - Sultanate of Oman	-	-
Pak Oman Investment Company Limited	-	-
LOLC Asia (Private) Limited - Parent Company	<u>2,308,300,000</u>	<u>2,308,300,000</u>
	<u>2,308,300,000</u>	<u>2,308,300,000</u>

15.4 The Board of Directors of the Bank entered into an agreement with LOLC Asia (Private) Limited, the Parent Company, who in lieu of the agreement acquired 100% of the stake in the Bank. As per the signed agreement dated October 26, 2021, LOLC Asia (Private) Limited has acquired 33% shareholding from Ministry of Finance Sultanate of Oman and 17% from Pak Oman Investment Company Limited at an agreed price of PKR 10.5 per share. The shares has been transfered on the name of the LOLC Asia (Private) Limited, the Parent Company on Feberuary 24, 2022. Further to comply with the requirements of minimum three members incase of Public Company as per Companies Act, 2017, the Bank requested SBP and seeking approval for transfer to two shares owned by LOLC Asia (Private) Limited in favor of LOLC Asia Holdings (Private) Limited and LOLC Financial Sector Holdings (Private) Limited, which has been granted on January 19, 2023.

## 16 Surplus on revaluation of assets - net of deffered tax

Sukuks	-	125,973
Related tax effect	-	(36,532)
	<u>-</u>	<u>89,441</u>

**Un-audited**                      **Audited**  
**March 31, 2023**            **December 31, 2022**  
-----**(Rupees)**-----

**17 MEMORANDUM / OFF BALANCE SHEET ITEMS**

Bills for collection	-	-
Acceptances, endorsements and other	-	-
Obligations contingent liabilities		
Contingencies and Commitments		
for fixed capital expenditure	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**Un-audited**                      **Un-audited**  
**March 31, 2023**            **March 31, 2022**  
-----**(Rupees)**-----

**18 MARK-UP / RETURN / INTEREST EARNED**

Interest / mark-up on:		
- Advances	<b>576,590,378</b>	511,334,195
- Investment in Government Securities	<b>11,221,288</b>	5,836,792
- Deposit accounts	<b>26,183,444</b>	24,231,301
- Sukuk	<b>1,746,472</b>	1,564,359
- Income from Early Settlement	<b>1,315,028</b>	-
- Staff loan	<b>255,570</b>	93,933
	<u><b>617,312,180</b></u>	<u>543,060,580</u>

**19 MARK-UP / RETURN / INTEREST EXPENSED**

- on deposits	<b>91,179,166</b>	60,323,070
- on borrowings	<b>88,104,286</b>	65,729,520
- on lease obligations	<b>1,490,715</b>	1,490,715
	<u><b>180,774,167</b></u>	<u>127,543,305</u>

**20 OTHER INCOME**

Gain on disposal of fixed assets	-	1,714,469
Recoveries against written off advances	<b>22,911,309</b>	12,708,736
Moratorium income	<b>5,048,265</b>	760,652
Miscellaneous Income	<b>2,948,139</b>	4,143,327
	<u><b>30,907,713</b></u>	<u>19,327,184</u>

21 ADMINISTRATIVE EXPENSES	Note	Un-audited	Un-audited
		March 31, 2023	March 31, 2022
		------(Rupees)-----	
Salaries, allowances etc.		196,397,524	150,143,730
Bonus to employees		4,000,000	2,000,000
Contribution to defined contribution plan		3,278,283	3,239,194
Charge for defined benefit obligation		4,500,000	3,600,000
Charge for leave fare assistance		-	1,213,104
Non-executive directors' allowances and other expenses		350,000	400,000
Training		674,440	1,148,629
Rent, rates and taxes		13,891,699	14,755,630
Legal and professional charges		4,199,217	1,725,041
Utilities		4,415,100	3,121,663
Communications		11,933,639	6,395,293
System Maintenance (Fusion charges)		23,681,545	11,803,146
Repairs and maintenance		5,342,426	1,751,709
Vehicle running		2,911,865	378,643
Insurance		12,367,052	5,035,336
Travel and transportation		6,272,586	8,648,786
Stationery and printing		16,333,475	12,041,881
Fees and subscription		5,525,490	1,210,418
Advertisement and business promotions		6,821,737	4,004,326
Auditors' remuneration	21.1	50,988	-
Depreciation	10.1	13,727,853	11,018,412
Depreciation on right-of-use assets		13,397,736	10,586,337
Amortization of intangible assets	10.2	2,113,565	2,378,776
Bank charges		188,893	444,583
Security expense		4,866,993	4,891,151
Kitchen expenses		2,233,605	2,131,972
Entertainment expenses		1,097,860	771,760
Medical staff		24,388	62,970
Archiving		1,084,821	297,863
Other expenses		9,960,968	1,855,912
		<b>371,643,748</b>	<b>267,056,265</b>

21.1 Auditors' remuneration	Note	Un-audited	Un-audited
		March 31, 2023	March 31, 2022
		------(Rupees)-----	
<b>Audit services</b>			
Audit fee			
Sales tax			
Out of pocket expenses			
		<b>-</b>	<b>-</b>

**Un-audited**                      **Audited**  
**March 31, 2023**            **December 31, 2022**  
 -----(Rupees)-----

**22 TAXATION**

For the period		
- current	2,598,334	11,722,298
- deferred	-	-
	<b>2,598,334</b>	11,722,298
For period		
- current	-	-
- deferred	-	-
	<b>2,598,334</b>	11,722,298

The Finance Act 2007 had introduced amendments to the Income Tax Ordinance, 2001, through which income of Microfinance Banks has been conditionally exempted from tax for five years commencing January 01, 2008 under clause 66 (viii) of Part I of the Second Schedule. However, the Finance Act 2007 had also introduced the Seventh Schedule to the Income Tax Ordinance, 2001 which is applicable to Banking Companies. Under Rule 8 of the Seventh Schedule, no exemptions of the Second Schedule are to apply to Banking Companies. The exemption of Clause 66 (viii) therefore appears to be overruled by Rule 8 of the Seventh Schedule. However, based on the opinion of the Bank's lawyer, the Bank continues to prepare and submit its tax returns as a microfinance institution and does not follow the Seventh Schedule.

**23 NUMBER OF EMPLOYEES**

	<b>March 31, 2023 (Un-audited)</b>			<b>December 31, 2022 (Audited)</b>		
	<b>Credit / Sales</b>	<b>Banking / Support</b>	<b>Total</b>	<b>Credit / Sales</b>	<b>Banking / Support</b>	<b>Total</b>
Permanent	621	150	771	327	481	808
Contractual	350	39	389	322	140	462
Total number of employees	971	189	1,160	649	621	1,270

	<b>Un-audited</b> <b>March 31, 2023</b>	<b>Audited</b> <b>December 31, 2022</b>
	----- (Rupees) -----	
<b>24 NUMBER OF BRANCHES</b>		
Branches at the beginning of the year	61	43
Branches opened	2	5
Transfer from Service Centers	-	13
Closed during the year	(2)	-
Branches at the end of the year	<u>61</u>	<u>61</u>

## 25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the period in respect of remunerations, including all benefits to the Chief Executive, Directors and Executives are as follows:

	<b>March 31 2023 (Un-audited)</b>			<b>December 31 2022 (Audited)</b>		
	<b>President / Chief Executive Officer</b>	<b>Directors</b>	<b>Executives</b>	<b>President / Chief Executive Officer</b>	<b>Directors</b>	<b>Executives</b>
	----- (Rupees) -----					
Director fees	-	300,000	-	-	200,000	-
Managerial remuneration	4,280,220	-	12,806,982	17,120,880	-	75,259,992
Contribution to defined contribution plan	-	-	652,788	-	-	2,949,828
Medical allowance	219,780	-	786,849	879,120	-	2,434,608
Conveyance	-	-	1,020,969	-	-	2,820,000
Bonus	-	-	-	-	-	-
Charge for defined Benefit plan	-	-	1,483,903	-	-	5,935,612
	<u>4,500,000</u>	<u>300,000</u>	<u>16,751,491</u>	<u>18,000,000</u>	<u>200,000</u>	<u>89,400,040</u>
Number of persons at period end	<u>1</u>	<u>9</u>	<u>17</u>	<u>1</u>	<u>9</u>	<u>23</u>

- 25.1 The Bank has provided free use of Bank's maintained car to the Chief Executive
- 25.2 Executive means an employee, other than the Chief Executive and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial period.

## 26 EARNINGS PER SHARE

		<b>Un-audited March 31, 2023</b>	<b>Audited December 31, 2022</b>
<b>26.1 Basic</b>			
Profit after taxation	Rupees	<u>6,361,439</u>	<u>28,699,418</u>
Weighted average number of ordinary shares	Number	<u>230,830,000</u>	<u>230,830,000</u>
Earnings per share	Rupee	<u>0.028</u>	<u>0.124</u>

### 26.2 Diluted

No figure for diluted earnings per share has been presented as the Bank has not issued any instrument which would have an impact on basic earnings per share when



## 27 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its parent, associates, employee benefit plans, and its key management personnel (including their associates).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel is in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

27.1 The volumes of related party transactions, outstanding balances at the period end, and related expense and income for the period are as follows:

Nature of related party transaction	March 31, 2023 (Un-audited)			December 31, 2022 (Audited)				
	As at January 01, 2023	Given / made during the year	Repaid / sale during the year	As at March 31, 2023	As at January 01, 2022	Given / made during the year	Repaid / sale during the year	As at December 31, 2022
(Rupees)								
Advances - staff loans								
Key management personnel	9,955,034	-	-	9,955,034	3,627,280	10,024,000	3,696,246	9,955,034

	Note	Un-audited	Audited
		March 31, 2023	December 31, 2022
(Rupees)			
<b>Other payable</b>			
Gratuity fund		12,242,228	12,242,228
LOLC holding limited		-	2,344,388
LOLC Technology Services Limited			
-System cost		168,088,275	145,317,965
-Staff Deployed		35,345,700	35,345,700
<b>Other receivable</b>			
LOLC (Private) Limited		-	2,802,066
<b>Mark-up income</b>			
Key management personnel		-	111,762

		Un-audited March 31, 2023	Audited March 31, 2022
	Note	(Rupees)	
<b>Expenses for the period</b>			
Remuneration to key management personnel		16,751,491	22,350,010
Non-executive director's fee / remuneration		300,000	50,000
Charge for defined contribution plan		3,278,283	3,308,902
Charge for defined benefit obligation		4,500,000	3,750,827
Repairs and maintenance		5,342,426	498,750
System Maintenance (Fusion charge)		23,681,545	20,459,155

		Un-audited March 31, 2023	Audited December 31, 2022
		(Rupees)	

## 28 CASH AND CASH EQUIVALENT

Cash and balances with SBP and N	6	159,886,829	96,335,117
Balances with other banks / NBFIs / MFBs	7	85,928,370	1,119,240,963
		<u>245,815,199</u>	<u>1,215,576,080</u>

## 29 CAPITAL MANAGEMENT

**29.1** 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 recognizes 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.

### 29.2 Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalized institution, as defined by the regulatory authorities
- Maintain strong ratings and to protect the Bank against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- Achieve low overall cost of capital with appropriate mix of capital elements.

### **29.3 Statutory minimum capital requirement and management of capital**

29.3.1 As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated June 03, 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 December 31, 2018. As of March 31, 2023, the share capital of the Bank stood at Rs. 2,308.300 million (2022: Rs. 2,308.300 million) and paid up capital of the Bank free of losses is Rs. 2,308 million (2022: Rs. 2,308 million).

32.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" (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 it is able to continuously monitor the exposure across the entire organization.

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

As at March 31, 2023 the Bank's CAR was approximately 35.17% (2022: 37.87%) of its weighted exposure.

## SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS &amp; LIABILITIES

	March 31, 2023 (Un-audited)				
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
Advances - net of provisions	5,166,931,518	-	117,515,673	337,519,235	4,711,896,610
Investments	309,743,572	-	228,455,869	27,884,041	53,403,662
Other earning assets	-	-	-	-	-
<b>Total market rate assets</b>	<u>5,476,675,090</u>	<u>-</u>	<u>345,971,542</u>	<u>365,403,276</u>	<u>4,765,300,272</u>
<b>Total assets</b>	<u>5,476,675,090</u>	<u>-</u>	<u>345,971,542</u>	<u>365,403,276</u>	<u>4,765,300,272</u>
<b>Market rate liabilities</b>					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate deposits)	1,600,537,008	-	623,918,419	912,507,750	64,110,839
Borrowings	1,982,284,483	-	-	-	1,982,284,483
Other liabilities	822,140,499	-	-	-	822,140,499
<b>Total market rate liabilities</b>	<u>4,404,961,990</u>	<u>-</u>	<u>623,918,419</u>	<u>912,507,750</u>	<u>2,868,535,821</u>
Other non-cost bearing liabilities	-	-	-	-	-
<b>Total liabilities</b>	<u>4,404,961,990</u>	<u>-</u>	<u>623,918,419</u>	<u>912,507,750</u>	<u>2,868,535,821</u>
<b>December 31, 2022 (Audited)</b>					
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
Advances - net of provisions	5,286,759,877	-	120,241,026	345,346,777	4,821,172,074
Investments	312,073,768	-	230,174,539	28,093,812	53,805,417
Other earning assets	-	-	-	-	-
<b>Total market rate assets</b>	<u>5,598,833,645</u>	<u>-</u>	<u>350,415,565</u>	<u>373,440,589</u>	<u>4,874,977,491</u>
<b>Total assets</b>	<u>5,598,833,645</u>	<u>-</u>	<u>350,415,565</u>	<u>373,440,589</u>	<u>4,874,977,491</u>
<b>Market rate liabilities</b>					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate deposits)	2,407,222,296	-	938,379,008	1,372,420,000	96,423,288
Borrowings	1,982,284,483	-	-	-	1,982,284,483
Other liabilities	145,664,083	-	-	-	145,664,083
<b>Total market rate liabilities</b>	<u>4,535,170,862</u>	<u>-</u>	<u>938,379,008</u>	<u>1,372,420,000</u>	<u>2,224,371,854</u>
Other non-cost bearing liabilities	6,581,291	6,581,291	-	-	-
<b>Total liabilities</b>	<u>4,541,752,153</u>	<u>6,581,291</u>	<u>938,379,008</u>	<u>1,372,420,000</u>	<u>2,224,371,854</u>

## 31 Fair value of financial Instruments

Fair value is an amount for which an asset can be exchanged, or liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates. The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs use in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using input other than quoted prices included within level 1 that are observable for the asset or liability,

either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

### **32. GENERAL**

- Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation.
- Figures have been rounded off to the nearest rupee, unless otherwise specified.
- Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP) in respect of forms of financial statements for Microfinance Institutions / Banks, these captions have not been reproduced.

### **33. SUBSEQUENT EVENT**

Subsequent to the year end, december 31, 2022 The SECP and SBP has approved the application filed for change in the name of the Bank and allowed the Bank to change its name from January 01, 2023. Thereafter, the Bank shall be known as “LOLC Microfinance Bank Limited”

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**President / Chief Executive**

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**Chairman**

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**Director**

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**Director**