



— Pak Oman —
Microfinance Bank Limited
پاك عمان مائڪرو فنانس بينڪ لميٽڊ

ANNUAL REPORT 2021

RISING TOGETHER

ANNUAL REPORT 2021



76

**Branches and
Service Centres**



**GROSS LOAN PORTFOLIO
PKR 5,583 MILLION
2021**



**YEAR END DEPOSIT
PKR 1,771 MILLION
2021**

**LONG TERM
RATING
“A-”**

**SHORT TERM
RATING
“A-2”**



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“ Our shareholders will be delighted to learn that we have been able to convert an ROE of (7.89 %) in 2020 to an ROE of 9.4% in 2021 ”

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

On behalf of the Members of the Board of Directors of Pak Oman Microfinance Bank, I am privileged to present you the annual report for the year ending 2021. An year full of happenings, challenges and successes for our bank.

The subsequent waves of the COVID-19 pandemic remained a challenge for the developed and developing economies across the world. The situation in Pakistan was no different where the economic challenges multiplied due record levels of inflation, rising international commodity prices and depreciation of PKR.

Let me take this opportunity to inform you that despite all the challenges, Pak Oman Microfinance Bank is reporting a profit before tax of PKR 324 million for the year 2021 compared to a loss of PKR 238 Million in 2020.

Our shareholders will be delighted to learn that we have been able to convert an ROE of (7.89 %) in 2020 to an ROE of 9.4% in 2021.

Our bank with the mission to serve financially un(der) served population of Pakistan was able to expand its footprints across the country including the provinces of Baluchistan, Azad Jammu and Kashmir and interior Sindh. Moving

“LOLC Asia, Singapore has acquired 100% equity stake in the Bank”

forward, we plan to expand our branch network across the country and have our footprints in Gilgit Baltistan.

While increasing the average loan size to PKR 130,000, Pak Oman Microfinance Bank's gross loan portfolio increased by 121% from PKR 2.5 Billion in 2020 to PKR 5.6 Billion in 2021. During the year, our total assets have increased from PKR 4.4 Billion in 2020 to PKR 7.2 Billion in 2021.

In line with the Prime Minister's vision for affordable housing, we have launched a specialized house mortgage product for our esteemed clients.

Last but not least, let me share with you a very exciting news! Pak Oman Microfinance Bank's majority shareholder LOLC Asia, Singapore has acquired 100% equity stakes in the bank.

As a leading player in the MSME sector with its international presence in different countries including Sri Lanka, Myanmar, Indonesia, Philippines, Cambodia, African continent and Central Asia, the LOLC Group aims to revolutionize the microfinance landscape in Pakistan by replicating its international experience and innovative product line.

I would like to extend my profound gratitude to the CEO and the management of Pak Oman Microfinance Bank for their tireless efforts in writing the success story for the year 2021!!

H. H. Juland Jaifar Salim Al Said

Chariman Board of Directors



MESSAGE FROM THE PRESIDENT & CEO

Dear Stakeholders,

On behalf of the management of Pak Oman Microfinance Bank, I take pleasure to present you the annual report for the year 2021 – a year in which we continued to focus on creating more value for our clients, communities and shareholders. An eventful year!

The unprecedented and severely disruptive global labor market shock triggered by the outbreak of COVID-19 pandemic continued to affect economies across the world in 2021. Despite, the Government of Pakistan's policy of "Smart Lockdowns" and "Micro Smart Lockdowns" to minimize economic adversity, the country's economy remained under severe pressure due to rising commodity prices coupled with depreciation of PKR at record levels.

Pakistan's microfinance industry has also been severely affected due to the ongoing pandemic and record high inflation rates resulting in highest ever NPLs across the industry.

In spite of a challenging business environment, I am incredibly proud of how Pak Oman Microfinance Bank demonstrated its ability to adapt with speed in response to the global pandemic and other economic challenges within the country.

Our gross loan portfolio increased from PKR 2.5 Billion in 2020 to PKR 5.6 Billion in 2021 (An increase of 121% compared to an increase of 21% for the Microfinance Industry as a whole), while our average loan size increased from PKR 100,000 in 2020 to PKR 130,000 in 2021. Despite a challenging business landscape, we were able to open six additional branches during 2021.

I am delighted to inform that Pak Oman Microfinance Bank has reported a Profit Before Tax of PKR 323 Million for the year ending 2021 compared to a loss of PKR 239 Million in 2020. Our total assets base increased by 59% from PKR 4.4 Billion in 2020 to PKR 7.2 Billion in 2021, while our year end deposit increased from merely PKR 6.7 Million in 2020 to PKR 1.77 Billion in 2021. All these achievements would not have been possible without the untiring efforts of our management and field staff.

During the year, we have utilized all available resources to strengthen our Credit and Risk management function, while we are working to deploy various digital and paper less technologies to bring operational efficiencies in our lending mechanism.

I would also like to take this opportunity to announce that our major shareholder, LOLC group has fully acquired Pak Oman Microfinance Bank's by increasing its equity stakes to 100%.

Admired as one of the largest Micro and Small & Medium Enterprises (MSME) finance platforms in the world, the LOLC Group is engaged in leisure, plantations, Agri inputs, renewable energy, construction and real estate, manufacturing and trading, technology, research & innovation and other strategic investments.

With the acquisition by LOLC group and induction of a new Board, we are looking forward to a very exciting yet challenging transformation process and aim to replicate international experience and best practices within Microfinance landscape in Pakistan.

We have taken year 2022 as challenging year in terms of expansion strategy, digital strategy enabling us to build organization on strong footings, creating ease and convince to our valued customer base.

I would like to extend by profound gratitude to the State Bank of Pakistan, our Board of Directors and our field staff for their commitment and support throughout the year...

Farooq Rashid

President & CEO

“During the year, we have utilized all available resources to strengthen our Credit and Risk management function, while we are working to deploy various digital and paper less technologies to bring operational efficiencies in our lending mechanism.”

COMPANY INFORMATION

CHAIRMAN BOD

H. H. Juland Jaifar Salim Al Said

DEPUTY CHAIRMAN BOD

Mr. Ishara Chinthaka Nanayakkara

PRESIDENT & CEO

Mr. Farooq Rashid

CFO & COMPANY SECRETARY

Mr. Kashif Ahmed Siddiqui

STATUTORY AUDITORS

**M/s EY Ford Rhodes,
Progressive Plaza, 601 Beaumont Rd, Civil Lines,
Karachi, Karachi City, Sindh**

LEGAL ADVISOR

**M/s Mohsin Tayebaly
Office: 1st Floor, Dime Centre, BC-4, Block-9,
Kehkashan, Clifton, Karachi**

REGISTERED ADDRESS

**20 – C, Khayaban-e-Nishat, Itehad Commercial
Area, Phase VI, DHA Karachi**

URL

www.pomicro.com

Board of Directors

H. H. Juland Jaifar Salim Al Said	Chairman
Mr. Ishara Chinthaka Nanayakkara	Deputy Chairman
Mr. Bahauddin Khan	Director
Mr. Rohana Kumara	Director
Mr. Faisal Ali Ibrahim Al Siyabi	Director
Mr. Al Ayham Abdul Aziz Abdul Qadar Al Ghassani	Director
Mr. Ali Salman Abbasi	Director
Mr. Rehman Ghani	Director
Mr. Chamika Wijewarnasooriya	Director

Board Committees

Risk Management Committee

Mr. Ali Salman Abbasi	Chairman
Mr. Bahauddin Khan	Member
Mr. Rohana Kumara	Member
Mr. Al Ayham Abdul Aziz Abdul Qadar Al Ghassani	Member

Human Resource and Compensation Committee

Mr. Ishara Chinthaka Nanayakkara	Chairman
H. H. Juland Jaifar Salim Al Said	Member
Mr. Bahauddin Khan	Member
Mr. Rohana Kumara	Member

Audit Committee

Mr. Rehman Ghani	Chairman
H. H. Juland Jaifar Salim Al Said	Member
Mr. Bahauddin Khan	Member
Mr. Rohana Kumara	Member
Mr. Ali Salman Abbasi	Member



INTRODUCTION

Pak Oman Microfinance Bank Limited (POMFBL) received its license from the State Bank of Pakistan (SBP) to commence microfinance activities nationwide, on April 12, 2006 under the Microfinance Institution Ordinance of 2001.

In the year 2017, LOLC Asia Pvt. Ltd., Singapore, a member company of LOLC Group injected fresh equity in the Bank and acquired 50.1% of the Bank's shareholding. Other than LOLC Asia Pvt. Ltd., the Sultanate of Oman through its Ministry of Finance and Ministry of Commerce, Industry & Investment Promotion holds 33.23% shares and Pak Oman Investment Company Limited (POICL) holds 16.67% shares of the Bank.

Pak Oman Microfinance Bank Limited (POMFBL) comes with the objective of increasing access to financial services to the

microfinance clients in Pakistan for the purpose of poverty alleviation and at the same time to be a financially sustainable and profitable financial institution. POMFBL is firmly moving forward to effectively enhance its support to the sustainable development. It has been able to build an efficient organizational structure and sound internal regulatory framework to improve its development effectiveness and governance. It has been pursuing an ambitious agenda but also realistic enough in order to be credible and effective.

The Bank provides a range of products and services to the customers for enhancing trade, development of small businesses and meeting their financial needs.

JCR-VIS has determined the Bank's medium to long term rating as "A-" and the Short term rating as "A -2" as of April, 2021.



SINDH 23

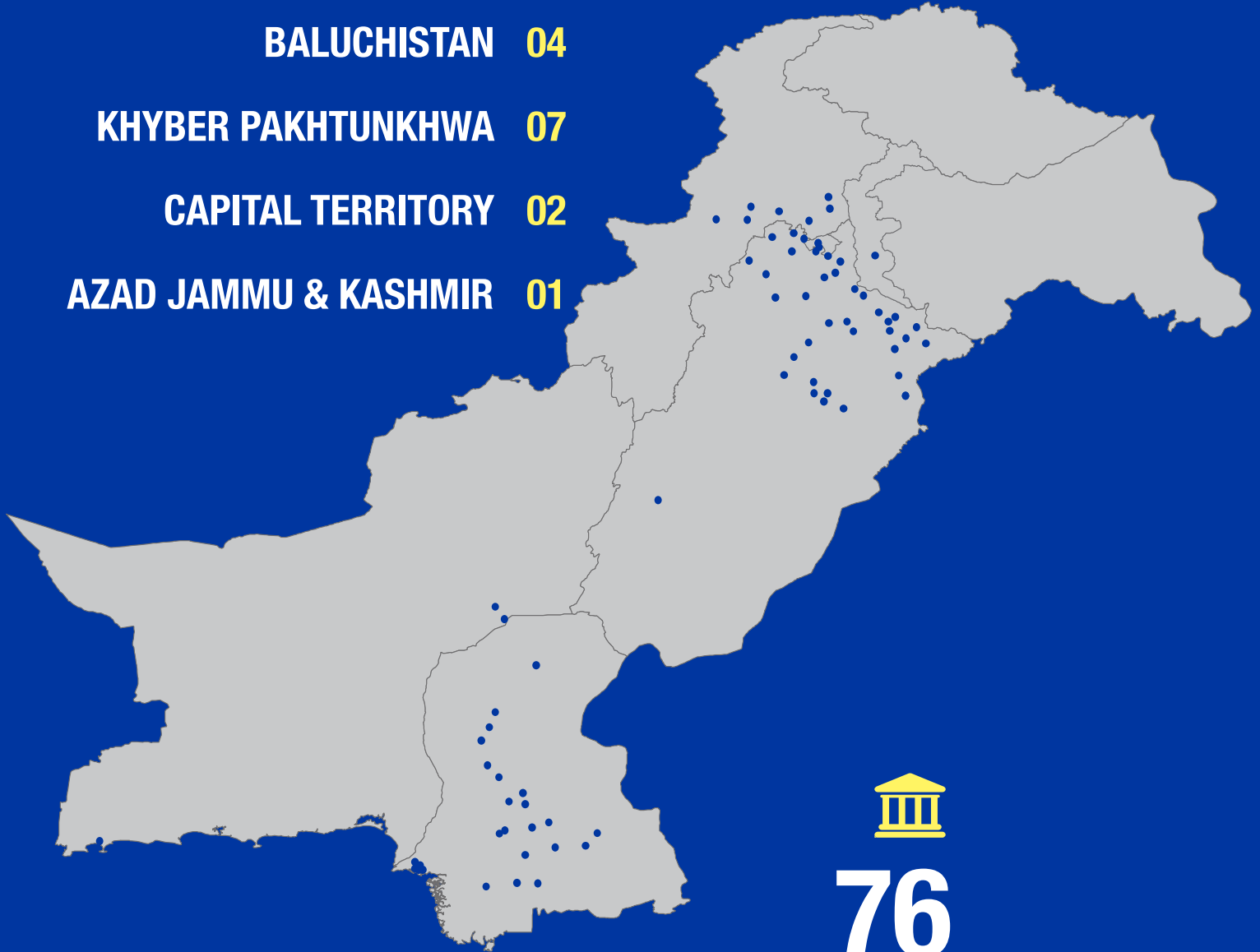
PUNJAB 39

BALUCHISTAN 04

KHYBER PAKHTUNKHWA 07

CAPITAL TERRITORY 02








AZAD JAMMU & KASHMIR 01



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**Branches
and Service
Centres**

HIGHLIGHTS

	PKR 7,181 MILLION 2021	PKR 4,446 MILLION 2020	62% GROWTH
TOTAL ASSETS			
	PKR 4,775 MILLION 2021	PKR 2,259 MILLION 2020	111% GROWTH
TOTAL LIABILITIES			
	55,982 2021	55,658 2020	0.58% GROWTH
ACTIVE BORROWERS			
	PKR 5,583 MILLION 2021	PKR 2,519 MILLION 2020	122% GROWTH
GROSS LOAN PORTFOLIO			
	PKR 130,000 2021	PKR 100,000 2020	30% GROWTH
AVERAGE LOAN SIZE			
	PKR 1.77 BILLION 2021	PKR 6.7 MILLION 2020	26,332% GROWTH
YEAR END DEPOSIT			
	PKR 323 MILLION 2021	PKR (239) MILLION 2020	235% GROWTH
PROFIT BEFORE TAX			
	LONG TERM RATING	SHORT TERM RATING	
	“A-”	“A-2”	

VISION

A leading Microfinance Bank of Pakistan, providing effective and efficient financial solutions to the poor masses for alleviating poverty.

MISSION

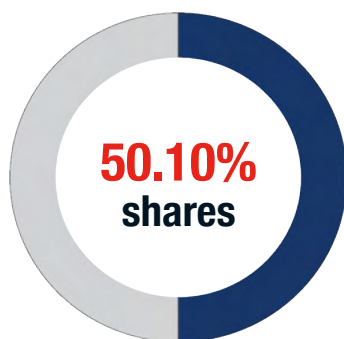
To create quality and sustainable income generating opportunities for the poor people of Pakistan, particularly women with a focus to bring visible change in their lives through quality and innovative micro finance services.



CORE VALUES

- **Honesty and integrity as cornerstone of all business activities.**
- **Functioning as a dynamic and Closely integrated team.**
- **Strong, Diverse and Respectful Stakeholder Relationships.**

SHAREHOLDERS' PROFILE



LOLC

Admired as one of the largest Micro and Small & Medium Enterprises (MSME) finance platforms in the world and one of the most strategically diversified conglomerates, the LOLC Group is engaged in leisure, plantations, Agri inputs, renewable energy, construction and real estate, manufacturing and trading, technology, research & innovation and other strategic investments. The LOLC Group has been a catalyst in facilitating financial inclusion, whilst striving to maximize environmental benefits through green operations and processes in line with its triple bottom line focus.

Over the years, the Group has been backed strongly by Development Finance Institutions and multilateral funding lines, which reflects the confidence these global entities place in the Group's sustainable operations. Sustainability is embedded in the Group's ethos and embodied in its transparent, fair, equitable and beneficial products and services that are uplifting the lives and livelihoods of thousands across the globe, giving them hope for a brighter tomorrow.

After dominating the local market, the LOLC Group is now making giant strides overseas as well. Harboring ambitions of replicating its success overseas, the LOLC Group has already built its reputation as the largest multi-currency, multi-geography microfinance platform in the world, operating NBFIs in 13 countries, backed by advanced technology platforms designed by its Sri Lankan operations which have been adopted by its overseas companies.

Present in the continents of Asian and Africa, the LOLC Group operates in Myanmar, Indonesia, Philippines, Cambodia, Pakistan, Maldives, Sierra Leone, Zambia, Nigeria, Mauritius, Malawi, Tanzania, Kenya, Egypt, Tajikistan, Zimbabwe, UAE, and Singapore. Admired as one of the largest Micro and Small & Medium Enterprises (MSME) finance platforms in the world and one of the most strategically diversified conglomerate, with strategic plans to further entrench its presence across the African continent and Central Asia.



Global Diversified Conglomerate

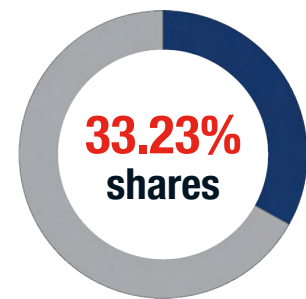
SHAREHOLDERS' PROFILE

SULTANATE OF OMAN



MINISTRY OF FINANCE is located in Muscat, Oman and is part of the Executive, Legislative, and Other General Government Support Industry. In 1985, the Royal Decree was issued, modifying the organizational structure of the Office of the Deputy Prime Minister for Financial and Economic Affairs, and thus the Ministry of Finance and Economy was established. In this organizational structure, two activities stood out for finance and economy, consisted of the Ministry's Undersecretaries, Directorates General, and State General Reserve Fund. In 1991, the Royal Decree issued whereby, Secretary General for Tax was appointed, so that the General Secretariat for Taxation became one of the organizational divisions of the Ministry of Finance and Economy.

In 1995, the Royal Decree 1995 was issued, modifying the ministerial structure, whereby the financial activity was separated from the economic activity, establishing an independent ministry for each activity, and thus the name of Ministry was changed to Ministry of Finance. In 1996, the Royal Decree was issued, determining the competences of Ministry of Finance and its organizational structure which was modified later by the Royal Decree 2008, dividing the Directorate General of Income and Investment into two directorates named as General Directorate of Income and General Directorate of Investment.



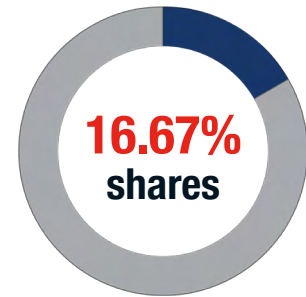
SHAREHOLDERS' PROFILE

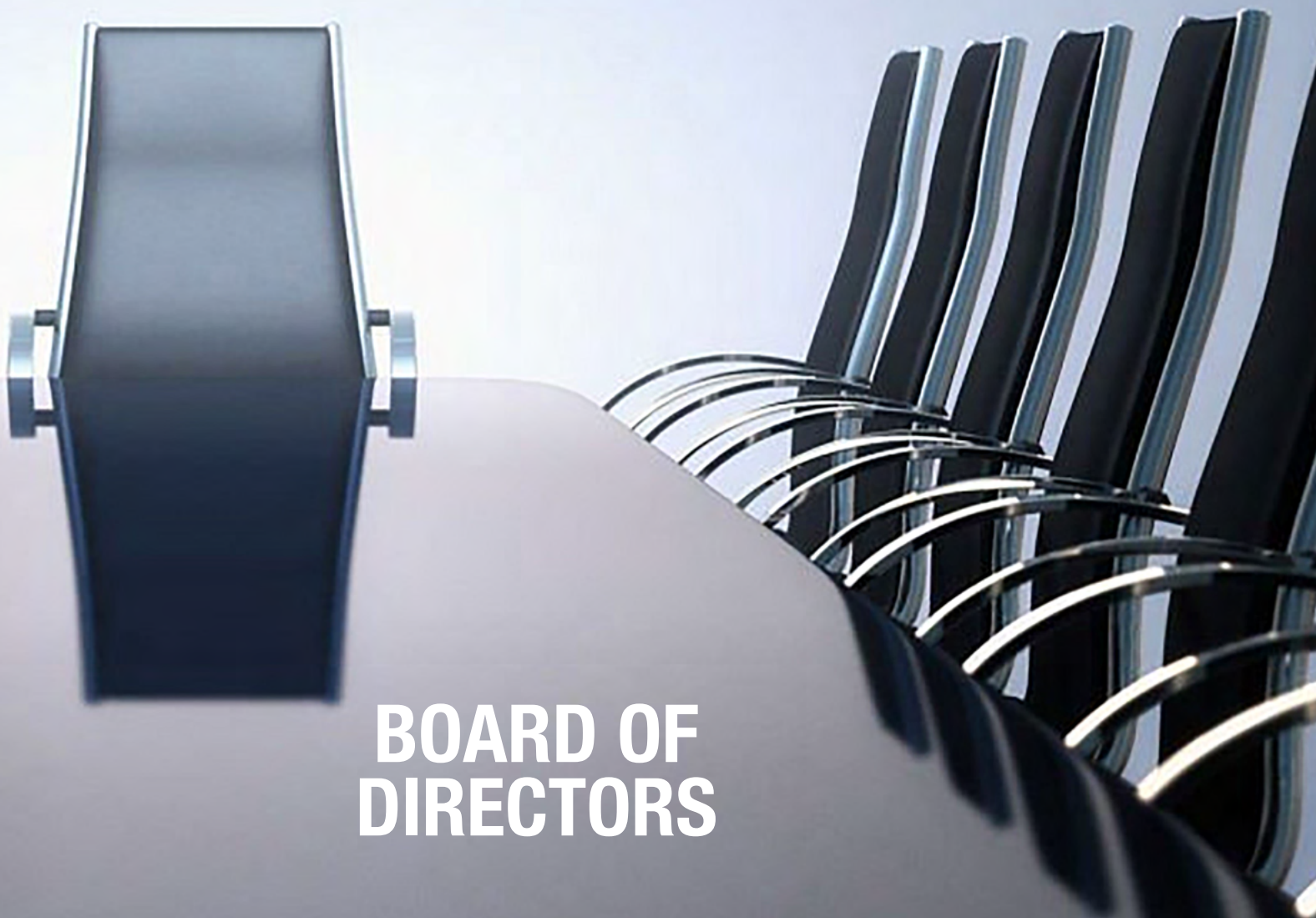
PAK OMAN INVESTMENT COMPANY LIMITED



Pak Oman Investment Company Limited ("Pak Oman") is a Development Finance Institution with a special focus on promoting two way business flows with Middle East in general and Oman in particular. The Company's focus is to support economic development in both sponsoring countries and on maximizing returns to all Stakeholders and be the employer of choice. These objectives are being achieved through its core business areas of Corporate and Investment Banking, Capital Market and Treasury Operations. The company's business focus is in Pakistan but it also has the mandate to establish subsidiaries and offshore offices.

Pak Oman has a medium to long-term rating of AA+ (Double A Plus) and short-term rating of A1+ (A one Plus) as per JCR-VIS Credit Rating Company Limited. This rating indicates a superior quality of credit and strength of protection factors. The company has also been assigned a corporate governance rating of CGR-9 by JCR-VIS Credit Rating Company Limited. The rating denotes a very high level of corporate governance and is the result of adoption of best practices within the Company.





BOARD OF DIRECTORS

BOARD OF DIRECTORS



H.H. Juland Jaifar Salim Al Said

Chairman

His Highness Sayyid Juland Jaifar Al Said has over 15 years of experience at the Oman Investment Authority (OIA) (Previously known as State General Reserve Fund), the largest sovereign wealth fund of the Sultanate of Oman in the areas of Private Equity, Real Estate, and Risk Management. He currently heads the Investment Risk and Assurance function at OIA and has played a significant role in the establishment of the Risk and Compliance function at SGRF in 2013, embedding a risk-based approach to all investment decisions and global risk standards to the investment process and management of the sovereign wealth.

His Highness has served on the board of Pak Oman Microfinance Bank since 2016. He has been appointed as Chairman of the Board of Directors of the bank in 2021.

BOARD OF DIRECTORS



Mr. Ishara Chinthaka Nanayakkara

Deputy Chairman

Mr. Ishara Chinthaka Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates internationally. Coming from a strong business background, involved in their family enterprises, he ventured into the arena of financial services with a strategic investment in LOLC Holdings PLC. In less than two decades, Nanayakkara has navigated LOLC to Sri Lanka's most valuable globally diversified financial conglomerate.

He is the Executive Deputy Chairman of LOLC Holdings PLC, Executive Chairman of Browns Investments PLC, Brown & Company PLC and the Chairman of Sri Lanka Institute of Nanotechnology (Pvt) Ltd. He also sits on several other boards of Group companies both locally and overseas.



Mr. Bahauddin Khan

Director

Mr. Bahauddin Khan has 35 years of Banking experience in both Multinational and local banks. He commenced his career with Standard Chartered Bank and has been associated with Deutsche Bank, Union Bank and UBL in senior positions.

Besides Director of Pak Oman Microfinance Bank, he is also serving on the board of Pak Oman Asset Management Company Limited, nominee Director of Oman Oil Company and Orient Power Company Limited.

Mr. Khan comes with a diverse enterprise background possessing strong Operations and Technology acumen. His proven proficiency includes all areas of Operations, Compliance, Information Technology, Trade Finance and Treasury along with broad spectrum expertise in other support services.

BOARD OF DIRECTORS



Mr. Rohana Kumara

Director

Mr. Rohana Kumara joined the LOLC Group in 1998, since then he has held several positions within the LOLC Group. During the course of his career, he has obtained extensive experience in the field of credit, operations, deposit mobilization, marketing, branch management and microfinance. He served as Chief Operating Officer of LOLC Micro Credit Ltd for two years. In addition to his present responsibilities, he is appointed as a Director in LOLC management Indonesia / PT Sarana Sumut Ventura (SSV) and Pak Oman Microfinance Bank in Pakistan.

Mr. Kumara holds an MBA from the Cardiff Metropolitan University UK and is a member of the Chartered Institute of Marketing (UK).



Mr. Faisal Ali Ibrahim Al Siyabi

Director

Mr. Faisal Ali Ibrahim Al Siyabi has 18 years of professional experience both in the government and private sector with a majority of career in the banking sector of Sultanate of Oman, where he remained affiliated with various positions at Bank Muscat. After a profound banking experience, he moved to the government sector and joined the ministry of finance. In the Ministry of Finance, he remained affiliated with the Directorate General (DG) of Revenue and DG of Treasury and Accounts of the Ministry of Finance of the Sultanate of Oman.

BOARD OF DIRECTORS



**Mr. Al Ayham Abdul Aziz
Abdul Qadar Al Ghassani**

Director

Mr. Al Ayham Al Ghassani has over 12 years of diversified experience varied from Oil downstream counter to financial and banking services. He started his career at Shell Oman for a span of 3 years, managing the logistics activities through a full circle of supply chain operations. He played a major role in the optimization of planning and execution of consumer orders. He has been a part of Bank Dhofar for a total of 9 years mainly in the Corporate finance department.

Currently, Mr. Al Ayham Al Ghassani is working in the Economic Diversification Investments looking after the national assets launched by government in order to thrive the local economy and meet the national objectives.



Mr. Ali Salman Abbasi

Director

Mr. Ali Salman Abbasi is a professionally trained and experienced manager, a graduate from the London Business School, U.K. and a Sloan Fellow. He is a graduate of the ELDP from the JFK School of Government at Harvard University, USA. He carries rich and wide experience in operational management, strategic reviews, organizational remodeling, corporate planning and strategic turnarounds. He possesses strong interpersonal skills, problem solving attitude and teamwork spirit.

He is currently working as the Secretary General of the Pakistan China Centre for Economic Cooperation (PCCEC) and as a Member of the Board of Directors of the Pak Oman Microfinance Bank Limited. Also he is currently working as an Advisor to the Chairperson of the Beacon House School System, Lahore.

BOARD OF DIRECTORS



Mr. Rehman Ghani

Director

Mr. Rehman Ghani was Former Managing Director of BSN Medical (Pvt) Limited, Pakistan. He was experienced Chief Executive Officer with a demonstrated history of working in the medical equipment industry. Mr. Rehman is a strong business development professional, skilled in Medical Equipment, Product Launch, Business Strategy, Cross-functional Team Leadership, and Market Development.

Mr. Rehman Ghani has done his MS in (Operation's Management) from the Northrop University, LA California and Bachelors from the Forman Christian College Lahore, Pakistan.



Mr. Chamika Wijewarnasooriya

Executive Director

Mr. Chamika Wijewarnasooriya has more than 23 years of experience. Prior to joining POMFBL, he was associated with LOLC Holding PLC where he has led the development and implementation of the multiple transformation projects.

Mr. Chamika has also worked in organizations of repute like Pan Asia Bank, Amlak Finance PJC and Hatton National Bank PLC. In these reputable organizations Mr. Chamika has utilized his capabilities in handling SME Financing, Corporate Financing, Retail Banking and International Trade Financing.

Mr. Chamika holds a Masters Degree in Business Administration from ICFAI University, Sri Lanka and a Masters in Human Resource Management from University of Kelaniya. He is also a Fellow Member of Institute of Bankers of Sri Lanka.



SENIOR MANAGEMENT

SENIOR MANAGEMENT



Mr. Farooq Rashid

President & CEO

Mr. Farooq Rashid brings over 25 years of rich experience working in Microfinance Industry as well as Commercial Bank. Prior to joining Pak Oman Microfinance Bank, he was one of the key member of senior leadership of NRSP Bank where he was instrumental for integration and execution of several business and operational strategic plans. He has also worked at Mobilink Microfinance Bank and Askari Bank Limited at various senior positions. His core strengths include but not limited to branchless, consumer and corporate banking. Mr. Farooq Rashid holds an MBA degree from Brenau University, USA and BBA degree from Kennesaw State University, USA.



Mr. Chamika Wijewarnasooriya

COO

Mr. Chamika Wijewarnasooriya has more than 23 years of experience. Prior to joining POMFBL, he was associated with LOLC Holding PLC where he has led the development and implementation of the multiple transformation projects.

Mr. Chamika has also worked in organizations of repute like Pan Asia Bank, Amlak Finance PJC and Hatton National Bank PLC. In these reputable organizations Mr. Chamika has utilized his capabilities in handling SME Financing, Corporate Financing, Retail Banking and International Trade Financing.

Mr. Chamika holds a Masters Degree in Business Administration from ICFAI University, Sri Lanka and a Masters in Human Resource Management from University of Kelaniya. He is also a Fellow Member of Institute of Bankers of Sri Lanka.

SENIOR MANAGEMENT



Mr. Kashif Ahmed Siddiqui

CFO & Company Secretary

Possessing more than 25 years of experience, Mr. Kashif Ahmed Siddiqui is associated with the bank for the last 14 years. He has served at executive level in Audit, Risk Management and Compliance department. He is CFO and Company Secretary of the bank since 2014.

His previous experiences was with HBL Audit Group where he performed audit of Corporate / Commercial branches, Management Audits, Treasury Audit, and International Audits. Prior to joining HBL, he was Manager Audit at First Credit Investment Bank. He completed his CA article-ship from Kreston Hyder Bhimji & Co (Chartered Accountants).

He is a fellow member of the Institute of Chartered Accountants of Pakistan and Pakistan Institute of Public Finance Accountants. He is also a Certified Internal Auditor from the Institute of Internal Auditors Florida, USA. Further he is a Certified Director from Institute of Cost & Management Accountants of Pakistan.



Mr. Zafar Iqbal

Head of Marketing and Business Development

Mr. Zafar Iqbal possesses over 35 years of experience in microfinance industry. He has served in Apna Microfinance Bank, NRSP Microfinance Bank, Khushaali Bank and various large Rural Support Programs at senior positions. He holds a Master's Degree from University of Balochistan.

Mr. Zafar has attended a number of trainings from leading organizations including Boulder Institute of Microfinance, Italy and Lahore University of Management Sciences (LUMS). He has also visited microfinance institutions in various countries and has replicated international best practices in local institutions.

SENIOR MANAGEMENT



Mr. Faraz Basheer

Head of Information Technology

Mr. Faraz is the Head of IT department since May 2020. He has a rich experience of IT sector and possesses expertise in Infrastructure development and project management in Sri Lanka. Prior to elevation to the position of Head of IT, his services were obtained on secondment from LOLC Holdings PLC, Sri Lanka. He led the setup and implementation of core banking system as well as IT's infrastructure. His total career spans over 15 years. Previously he has been associated with various reputable organizations in Sri Lanka.

Mr. Faraz Basheer holds MSc in Technology Management Program from Staffordshire University, UK.



Ms. Iffat Hina

Head of Human Resources

Ms. Iffat Hina is a seasoned HR professional with over 20 years of progressive experience in Banking and Financial sector. She brings in an in-depth expertise and understanding of complex human resource matters: HR Policies & Procedures, Talent Management, Employee Relations, Engagement and Employer Branding, Learning & Development, Rewards & Retention.

She started her career with NIB Bank's HR Division and worked there at various positions. Previously, she was associated with ORIX Leasing Pakistan Limited. Ms. Iffat Hina holds Master's and Bachelor's degree in Business Administration.

SENIOR MANAGEMENT



Mr. Waseem Bari

Head of Internal Audit

Mr. Waseem Bari is an experienced Head of Internal Control & Audit professional; with a demonstrated history of working in the Banking, Insurance & Manufacturing industry. Skilled with diversified experience of over 15 years in the field of Finance, Internal Audit, Risk Assessment, Internal Controls, Forensic Audits and Business Process Re-engineering (BPR) with a strong accounting professional as an ACCA, CICA & CFE (Pak). Prior to joining POMBL in April 2021, he was associated with Summit Bank Limited as Head of Internal Controls where he was instrumental in implementing Internal Control over Financial Reporting (ICFR) structure as required by SBP for all banks. He has also worked with the organization of repute like Soneri Bank Limited, Ernst & Young Ford Rhodes Pakistan – Advisory & Business Services – (ABS) and Audit & Assurance Services (ASS). He has also worked in AAS Group of the Ernst & Young – Saudia Arabia (Jeddah) office.



Mr. Gohar Iqbal

Head of Credit and Risk Management

Mr. Gohar Iqbal is a banking professional with 15+ years of diversified experience in Pak Oman Microfinance Bank. He is leading the strategic development, planning, implementation, and execution of the credit and risk framework across the Bank.

Mr. Gohar holds MBA degree from University of Gloucestershire (UK), Masters in Economics from University of Karachi. He also holds a Post Graduate Diploma in Business Management from School of Business and Law (UK). He attended the “Management and Leadership program” in the world renowned microfinance institute i.e. Boulder Institute of Microfinance, Turin, Italy. He also attended one-week program at LOLC/BRAC and learned the dynamics, processes, procedure and digitalization frame work in Sri Lanka.

SENIOR MANAGEMENT



Mr. Haider Ali Khan

Head of Legal

Mr. Haider Ali Khan has more than 11 years of diversified experience ranging from Banking, Corporate, Civil, Labor, Intellectual Property Laws and Criminal litigation. During his career he has worked at various leading law firms and banks namely Ahmed & Qazi Law Associates, Azizuddin & Shahid Law Associates, M Tariq Bugti & Co and Industrial & Commercial Bank of China (ICBC).

Mr. Haider Ali graduated with LLB in 2008 and is enrolled as an advocate of the Sindh High Court.



Mr. Kamran Hussain

Head of Compliance

Mr. Kamran Hussain brings with him 18 years of experience of banking in conducting regulatory inspections, supervising and managing the compliance function and oversight of Risk function for Payment Systems, Third Party Service Provider and Branchless banking (BB) initiatives.

He has an exceptional knowledge of BB products, regulations, policies, guidelines, procedures and laws governing the banking industry.

Prior to joining POMBL, Mr. Kamran was associated with the Pakistan Currency Exchange. He has also worked various reputable organizations such as NRSP Microfinance Bank, Virtual Remittance Gateway, Bank Alfalah Limited, State Bank of Pakistan and Khushhali Bank. Mr. Kamran holds a Master's Degree in Business Administration.

**SUCCESS
STORIES**





IMRAN ALI SHAH

(BARA KAROBAR LOAN CLIENT)

Forty years old Imran Ali Shah, a resident of Batapur area of Lahore is running a business of bridal and fancy dresses for the last 15 years.

"I was planning to add more variety of bridal dresses in my shop however, financial constraints did not allow me to do so. I was referred to Pak Oman Microfinance Bank by one of my relatives and to my surprise I was able to secure a loan of PKR 500,000 without any collateral."

"I utilized the loan amount to add more variety into my stock and was able to double my sales in a span of just three months."

"I am planning to refer my younger brother who is into the business of shoe making to Pak Oman Microfinance Bank for a business loan."

"I was planning to add more variety of bridal dresses in my shop however, financial constraints did not allow me to do so. I was referred to Pak Oman Microfinance Bank by one of my relatives and to my surprise I was able to secure a loan of PKR 500,000 without any collateral."



FIAZ ALI

(LIVE STOCK LOAN CLIENT)

Fiaz Ali, a resident of small village near Wagah Border has been a customer of Pak Oman Microfinance Bank for the last 3 years. A small dairy farmer having 5-6 buffaloes, supplies milk to the adjoining urban areas of his village.

"I availed a loan of PKR 350,000 to purchase additional two buffaloes to increase my milk production. Loan from Pak Oman Microfinance bank helped me to increase my daily milk production to 80 liters per day."

"I am maintaining a very good credit profile with the bank and have requested the bank staff to increase my loan amount to PKR 500,000 since I plan to buy two more buffaloes and animals are getting costlier day by day"

"I availed a loan of PKR 350,000 to purchase additional two buffaloes to increase my milk production. Loan from Pak Oman Microfinance bank helped me to increase my daily milk production to 80 liters per day."



ZULFIQAR ALI

(AGRICULTURE LOAN CLIENT)

Zulfiqar Ali is a small farmer of a village near Sheikhpura District cultivating wheat and rice on a land measuring 6 acres.

“I was approached by the bank staff during their visit in my village and was offered a loan amount of PKR 50,000 for the purchase of fertilizer”.

“The cost of inputs has increased manifolds and I have requested the bank staff to at least double the loan amount”.

“The cost of inputs has increased manifolds and I have requested the bank staff to at least double the loan amount”.



MUHAMMAD ARIF

(MORTGAGE LOAN CLIENT)

Forty years old Arif Ali runs a small grocery store in Chahar village near DHA Lahore.

"I was able to complete the ground floor of my house with the funds available with me. A neighbor of mine informed me about a house mortgage loan being offered by various banks in Lahore".

"I visited Pak Oman Microfinance bank branch located at the Ferozpur road and after completing all the formalities, I was able to secure a loan of PKR 600,000 to complete the second floor of my house."

"I visited Pak Oman Microfinance bank branch located at the Ferozpur road and after completing all the formalities, I was able to secure a loan of PKR 600,000 to complete the second floor of my house."

FINANCIAL POSITION

	2021 (PKR)	2020 (PKR)	Change (%)
Assets			
Cash and Bank Balances	982,415,663	1,293,628,164	(24%)
Lending to Financial Institutions	-	-	-
Investments	286,396,358	181,261,558	58%
Advances Net of Provisions	5,372,014,802	2,469,371,985	118%
Operating Fixed Assets	284,582,431	170,057,566	67%
Others	255,454,145	331,999,695	(23%)
Total Assets	7,180,863,399	4,446,318,968	62%
Liabilities			
Deposits	1,771,282,584	6,701,291	26332%
Borrowings	2,482,284,483	1,982,284,483	25%
Subordinated Debt	-	-	-
Other Liabilities	521,226,063	270,257,944	93%
Total Liabilities	4,774,793,130	2,259,243,718	111%
Net Assets	2,406,070,269	2,187,075,250	10%
Shareholders Funds			
Share Capital	2,308,300,000	2,308,300,000	0%
Statutory Reserve	149,480,245	94,076,101	59%
Un-appropriated Profit/Loss	(51,709,976)	(215,300,851)	76%
Revaluation of Assets	-	-	-
Total Shareholders Funds	2,406,070,269	2,187,075,250	10%
Profit & Loss			
Markup/Return/Interest Earned	1,574,352,224	749,580,300	110%
Markup/Return/Interest Expensed	224,685,269	192,473,492	17%
Net Markup Income	1,349,666,955	557,106,808	142%
Fee, Commission, Brokerage Income	217,518,909	89,212,025	144%
Other Income	100,094,112	101,760,966	(2%)
Total Non Markup/Non Interest Income	317,613,021	190,972,991	66%
Operating Expenses	1,027,948,892	740,167,923	39%
Provisions and Charges	315,539,372	246,876,784	28%
Profit/ Loss Before Tax	323,791,712	(238,964,908)	235%
Taxation	107,865,763	(59,326,820)	282%
Profit/ Loss After Tax	215,925,949	(179,638,088)	220%
Ratios			
Return on Equity	9.4%	(7.89%)	
Return on Assets	3.72%	(3.16%)	

FIVE YEAR PERFORMANCE AT A GLANCE

	2017	2018	2019	2020	2021
Outreach					
Number of Branches & SC	34	49	65	66	76
Number of Active Borrowers	23,903	40,145	59,703	55,658	55,982
Gross Loan Portfolio (PKR)	694,759,463	1,247,169,936	1,981,993,166	2,519,257,627	5,583,519,184
Total Number of Depositors	16798	16794	14615	14615	14703
Year End Deposit (PKR)	9,033,264	6,784,301	6,701,291	6,701,291	1,771,282,584
Assets/Liabilities					
Total Assets	2,391,690,806	2,489,547,513	4,634,957,506	4,446,318,968	7,180,863,399
Total Liabilities	80,902,751	123,211,033	2,269,675,041	2,259,243,718	4,774,793,130
Total Equity/Net Assets	2,310,788,055	2,366,336,480	2,365,282,465	2,187,075,250	2,406,070,269
Shareholders Funds (PKR)					
Share Capital	2,308,300,000	2,308,300,000	2,308,300,000	2,308,300,000	2,308,300,000
Reserves	71,775,744	85,235,439	93,096,239	94,076,101	149,480,245
Un-appropriated Profit/Loss	(69,422,192)	(27,198,959)	(36,113,774)	(215,300,851)	(51,709,976)
Total Shareholders Funds	2,310,653,552	2,366,336,480	2,365,282,465	2,187,075,250	2,406,070,269
Profit/Loss					
Interest Income	243,495,422	439,075,898	565,611,725	531,947,016	1,574,352,224
Interest Expense	9,391,785	49,676	124,290,216	188,139,081	224,685,269
Net Interest Income	234,103,637	439,026,222	441,321,509	343,807,935	1,349,666,955
Provision/Writeoffs	24,299,202	89,138,659	225,418,279	246,876,784	315,539,372
Fee & Commission Income	28,765,771	52,661,896	83,846,432	89,212,025	217,518,909
Other Income	18,279,415	16,500,362	249,588,645	319,394,250	100,094,112
Operating Expenses	213,105,964	318,476,967	496,788,668	744,502,344	1,027,948,892
Taxation	14,182,045	40,345,143	23,856,799	(59,326,819)	107,865,763
Profit/Loss Before Tax	43,743,657	100,572,854	52,549,639	(238,964,919)	323,791,712
Profit/Loss After Tax	29,561,612	60,227,711	28,692,840	(179,638,099)	215,925,949
Profitability Ratios					
Gross Profit Margin	96.14%	99.99%	78.03%	64.63%	85.73%
Net Profit Margin	17.96%	22.91%	9.29%	(44.92%)	20.57%
Return on Equity	1.28%	2.55%	1.21%	(7.89%)	9.4%
Return on Assets	1.24%	2.42%	0.62%	(3.16%)	3.72%
Earnings Per Share (EPS)	0.13	0.26	0.12	(0.78)	0.94
OSS	118%	125%	106%	80%	121%
FSS	110%	121%	77%	53%	114%
Efficiency/Productivity Ratios					
Operating Expense Ratio	87.52%	72.53%	87.83%	139.96%	65.29%
Average Loan Size	50,000	50,000	52,000	100,000	130,000
Portfolio Quality Ratios					
Portfolio at Risk > 30 days	3.57%	8.32%	8.70%	7.76%	6.99%
Portfolio at Risk > 90 days	1.76%	4.18%	5.58%	2.26%	3.12%
Write Off Ratio	2.84%	4.49%	9.11%	10.71%	2.83%
Risk Coverage Ratio	61.92%	46.81%	54.22%	36.10%	58.38%

DIRECTORS' REPORT

We are pleased to present the Directors' Report and audited financial statements of Pak Oman Microfinance Bank Limited for the year ended December 31, 2021.

Economy

With the different variant of pandemic namely "Delta and Omicron", the Covid wave continues to subside globally. Implementing smart lock downs, an extensive vaccination drive, expanding its cash transfer poverty reduction program, and providing accommodative monetary conditions to sustain economic growth through managing the discount rate were the tools used by government for managing repeated COVID-19 infection waves.

The FY 2021, the year after the outbreak of epidemic. The effects, however, does not seem to be over yet. The economic indicators though depicting an improved trend as compared to last year, nevertheless the impact is due to low base effect. The imbalance between two strings i.e. the increasing demand and supply shocks have created inflationary pressure globally and locally.

In FY 2021, The remittances were recorded at all-time high, with strengthening of private consumption and investment sector, further due to low-base effects and recovering domestic demand, real GDP growth (at factor cost) is estimated to have rebounded to 3.5 percent in FY21 from a contraction of 0.5 percent in FY20. Government consumption is also estimated to have risen, but at a slower pace than in FY20. The current account deficit shrink from 1.7 percent of GDP in FY20 to 0.6 percent in FY21 as strong remittance inflows offset a wider impact of trade deficit.

Foreign direct investment decreased, while portfolio inflows increased with the issuance of US\$2.5 billion Eurobonds. Overall, the balance of payments surplus was 1.9 percent of GDP in FY21, and the official foreign exchange reserves rose to US\$18.7 billion at end-FY21, the highest since January 2017 and equivalent to 3.4 months of total imports. Accordingly, the Rupee appreciated by 5.8 percent against the U.S. dollar over the FY, while the real effective exchange rate rose by 10.4 percent.

Whereas the pandemic has significantly increased the credit risk of the borrower along with other risk faced by the microfinance industry, while on the other hand the individuals has gradually learned the "new way" of living. The year 2021 was a time to learn, unlearn and relearn new ways of working and doing business and celebrating our resilience to these challenges.

Market overview

During financial year 2021, the Country's Micro Finance sector registered a growth of 21 percent in micro lending portfolio to achieve Rs. 393 billion at the end of the year 2021 as against Rs. 325 billion at the end of prior year. Similarly, the number of MFB's microcredit borrowers recorded a decline of 1% percent and stood at 8.1 million by the end of 2021. Growth was also witnessed in MFB's savings that reached PKR 423 billion after registering a growth of 13 percent as compared with prior year. The number of active savers exceeded 78.7 million registering an annual growth of 23 percent.

The number of branches / service centers increased to 3,823 from 3,795 as MFBs/MFIs expanded their foot print and presence in the country. The overall industry penetration increased to 39 percent as compared to 34 percent last year indicating an enhancing its outreach. Overall, MFB's Portfolio at Risk, greater than 30 days, witnessed an increase and was

reported at 4.9 percent, the increase has mainly been accounted for moratorium customers who were provided relaxation due to the epidemic previously and due amount fallen in this year. Micro-enterprise lending has the potential to fill the financing gap between the microfinance and small and medium enterprises. In order to enable Micro finance banks to serve the microenterprise credit requirement, SBP has enhanced the loan size to Rs. 3.0 million in end of 2020 resulting in an increase of 20% in credit creation in 2021.

It looks like the country's microfinance sector closed out the year 2021 on a strong note. One can see that there is substantial growth in year-end sector position for borrowing, savings and insurance portfolios. For the 2022 outlook, the growth in credit portfolio in microfinance sector is still welcome as there is a long way to go to cover the potential market. To financially cater a majority of the potential market, the sector's loan book requires to be tripled along with the MFPs' physical presence, which clocked in at 3,823 branches by December 2021 end, will need a significant expansion.

Performance for the year

Last year the outbreak of pandemic did not let the Bank to expand its footprint and increase customer outreach, however the Bank made a complete turnaround in 2021, with responsive governance structure, quality credit and risk assessment and effective internal controls enabled the Bank to establish a portfolio of Rs. 5.583 billion, a massive growth of 122 percent in microcredit portfolio.

Operating with 76 branches across Pakistan, the bank achieved year-on-year growth of 122 percent in the loan and reaching a deposit portfolio of Rs. 1.771 billion by expanding the current branch network's including the staff productivity and delivering significant increase over the previous year's financial results while maintaining loan asset quality. The institution is geared towards further growth and expansion in the future, centered around its unique advantage as a key digital financial services provider

The bank increased its outreach by opening 11 branches during the year 2021 and arriving at a portfolio of Rs. 5.583 billion as compared to Rs. 2.519 billion in the previous year with the borrower's base at 55,982 as compared to 56,658 in prior year. The bank's total assets reached at Rs. 7.180 billion including government securities of Rs. 238.938 million, Sukuk of Rs 50 million and deposits with other banks of Rs. 894 million.

During the year the Bank micro credit disbursements were recorded at all-time high measuring Rs. 6.918 billion as against Rs. 2.736 billion in prior year, resultantly the mark-up income increased to Rs. 1.720 billion as compared to Rs. 621.15 million in the prior year.

On the liability side, along with the previous line of credit facility of Rs. 1.982 billion extended by the State Bank of Pakistan under "Financial Inclusion and Infrastructure Project", the Bank has obtained a long term financing facility from Pakistan Microfinance Investment Company Limited amounting to Rs. 500 million carrying interest at 6 month KIBOR plus 350 bps and is repayable biannually till October 2023. During the year 2021, the Bank has started raising term finance certificate (TFC) and within a short span of time the Bank has built a TFC portfolio of Rs 1.771 billion. Accordingly, mark-up expense has increased to Rs. 224.68 million, however on the contrary the income earned from other sources amounted to Rs. 171.96 million as against Rs. 305.65 million in prior year.

FY 2021, being a challenging year, considering the smart lockdown and emergence of different variants of covid, the Bank was able to reduce its delinquency ratio to 6.9% as compared to 7.7% in prior year. Consequently, micro loans amounting to Rs. 390.50 million, on a specific identification basis, have been provided in accordance with SBP Prudential Regulation. The Bank has also made a general provision of Rs. 123.38 million, the amount is over and above 1% of required, the excess provision is because of the prudent view being taken by the Bank against the outstanding loan portfolio.

During the year, SBP has notified vide its BPRD Circular No. 24 of 2021 dated 5 July 2021 that the effective date of IFRS 9 "Financial Instruments" for the banks would be 01 January 2022. Further, in terms of the said circular the bank has assigned the responsibility for the oversight of IFRS 9 implementation to board risk committee which is supported by a management level IFRS 9 steering committee. Additionally, a parallel run of IFRS 9 was performed by the banks during the year 2021 to prepare for the smooth transition to the new standard. To align itself with the new learning, the bank would further strengthen its internal systems and procedures and methodology, policies, controls and reporting requirement of IFRS 9.

Given the external challenges driven by lockdown in the country and closure of business activity, the Bank has made following progress in financial statements

Particulars	Rs.'000.	Rs.'000.
Profit before Taxation		323,792
Taxation - Current	84,834	
Deferred	23,032	107,865
Profit after Taxation		215,926
Other Comprehensive Income (Items that will not be re-classified subsequently to Profit & Loss account- net of tax)		1,646
Total Comprehensive Income for the year		217,572
Accumulated Losses brought forward		(215,301)
Transfer to:		
Statutory Reserve		(43,185)
Depositors Protection Fund		(10,796)
Accumulated losses carried forward		(51,710)
EPS		0.935

Transfer to Reserves

In light of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for the Microfinance Banks issued by the State Bank of Pakistan, the Bank shall create and maintain a Statutory Reserve Fund and Depositors' protection fund to which shall be credited each year, a sum equivalent to 20 percent and 5 percent respectively of its after tax profit.

Capital Adequacy Ratio

The Bank Capital Adequacy Ratio as on Balance Sheet date i.e., December 2021 stood at 37.78% compared to as 64.28% at the end of December 2020. The Bank is well above the required ratio of capital adequacy.

Shareholding

The pattern of shareholding as of Balance sheet date i.e. December 31, 2021 is as follows:

Shareholders	Shareholding	
	No. of shares	% age
Ministry of Finance – Sultanate of Oman	76,711,211	33.23%
Ministry of Commerce & Industry – Sultanate of Oman	1	0.00%
Pak Oman Investment Company	38,470,788	16.67%
LOLC Private Limited	115,648,000	50.10%
Total	230,830,000	100%

Board of Directors

During the year Five Board of Directors meeting were held, following is the pattern of attendance of Directors in the BoD meetings.

S. No	Directors	Designation	Meetings Attended
1	H.H. Juland Jaifar Salim Al Said	Chairman / Non-Executive Director	5
2	Mr. Ishara Chinthaka Nanayakkara	Deputy Chairman / Non-Executive Director	4
3	Mr. Bahauddin Khan	Non-Executive Director	5
4	Mr. Rohana Kumara	Non-Executive Director	4
5	Mr. Rehman Ghani	Independent Director	5
6	Mr. Ali Salman Abbassi	Independent Director	5
7	Mr. Chamika Wijewarnasooriya	Executive Director	5
8	Mr. Faisal Ali Ibrahim Al Siyabi	Non-Executive Director	3
9	Mr. Al Ayham Abdul Aziz Al Ghassani	Non-Executive Director	3

Change in Composition in Board of Directors

Name of Outgoing Directors	Designation
H.E. Yahya bin Said bin Abdullah Al Jabri	Non-Executive Director
Mr. Haitham Yousuf Juma Al-Zadjali	Non-Executive Director

Name of Incoming Directors	Designation
Mr. Faisal Ali Ibrahim Al Siyabi	Non-Executive Director
Mr. Al Ayham Abdul Aziz Al Ghassani	Non-Executive Director

During the year, CFO Mr. Kashif Ahmed Siddiqui was accorded with additional responsibility of acting CEO for a period of four months, thereafter, from June 2021 Mr. Farooq Rashid took the charge as Chief Executive Officer of the Bank.

Corporate Governance

The Bank's management, being responsible for establishing and maintaining an adequate and effective system of internal controls and procedures, evaluates the effectiveness of the Bank's internal control system and reviews significant policies and procedures. To make these functions more effective & independent Board Sub - Committees have been set-up to provide the necessary oversight

Statement of Compliance Corporate Governance

The Directors are pleased to state that:

- a) All the resident Directors of the Bank are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or being a member of stock exchange, has been declared as a defaulter by that stock exchange
- b) The Bank has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particular of significant policies along with the dates on which they were approved or amended has been maintained.
- c) All the powers of the Board have been exercised and decision on material transaction, have been taken by the Board. Appointment and determination of remuneration and terms and conditions of employment of the Chief Executive was approved by the Board.
- d) The meetings of the Board were presided over by the Chairman and the Board met at least once in the quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes were appropriately recorded and circulated.
- e) The Directors have been provided with the copies of the Prudential Regulations, Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.
- f) The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.
- g) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.
- h) The Directors' Report has been prepared in compliance with the relevant Laws and Regulations and fully describes the salient matters required to be disclosed.
- i) The financial statements of the Bank were duly signed by the Chief Executive Officer, Chairman and two Directors.

- j) The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- k) The Bank has formed various Internal Committees to review periodic performance of the Bank, i.e. Audit Committee, Management Committee (MANCOM), Asset & Liability Committee (ALCO), IT Steering Committee and Risk Management Committee.
- l) The Bank has complied with all the corporate and financial reporting requirements applicable to the Bank.
- m) The Board has formed an Audit Committee. It comprises of five members, who are Non-Executive Directors including two independent Directors. The Chair is held by an Independent Director.
- n) The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank. The terms of reference of the committee have been approved by the Board of Directors.
- o) The Board has set-up an effective audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the Internal Audit function on a full time basis.
- p) The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- q) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listed regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- r) We confirm that all other material principles contained in the code have been complied

Credit Rating

JCR VIS has maintained the bank's medium to long term entity rating to A- (single A minus) and short term rating A-2 with "Developing" outlook.

Principal Risk

The Banking industry is one of the most highly regulated industries in Pakistan. The State Bank of Pakistan (SBP) not only regularly keeps a check on each and every unit of the industry by frequently inspecting affairs of the Banks, but has also put various stress indicators, such as Minimum Capital Requirement. (MCR), Capital Adequacy Ratio (CAR), Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)-requirement. During the year, the Bank remained compliant with all the regulatory requirements. In addition, the Bank also maintained high quality of its asset portfolio including investments and maintained industry standard liquidity, stress and delinquency ratios

Change in External Auditors

The retiring Auditors M/s EY Ford Rhodes & Co. Chartered Accountants, though being eligible, however have not offered themselves for re-appointment in the forthcoming Annual General Meeting.

The Board of Directors on recommendation of the Board Audit Committee has recommended to the shareholders of the Bank, the appointment of M/s BDO Ebrahim & Co. Chartered Accountants, as statutory auditors of the Bank for the year ending 31 December 2022 in place of the retiring auditors.

Events after Balance Sheet Date

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 26 October 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/ share, thereafter the Bank has become a wholly owned subsidiary of LOLC group.

Management Acknowledgment

We take this opportunity to express gratitude to our stakeholders including our customers and business partners for their unwavering support and trust. We would also like to offer sincere appreciation to the State Bank of Pakistan (SBP), for its utmost support for their wisdom and guidance in this challenging year.

A wholehearted acknowledgement is also extended to the Securities and Exchange Commission of Pakistan (SECP) and Central Depository Company (CDC), for their guidance and cooperation. Finally, we also appreciate our associates, Bank's management and staff for their commitment in providing quality services to our customers

On behalf of the Board

Farooq Rashid
Chief Executive Officer

Director

March 14, 2022



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT

To the members of Pak Oman Microfinance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Pak Oman Microfinance Bank Limited** ("the Bank"), which comprise the statement of financial position as at **31 December 2021**, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Microfinance Institution Ordinance, 2001 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2021 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Microfinance Institution Ordinance, 2001 and Companies Act, 2017 (XIX of 2017);
 - b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Microfinance Institution Ordinance, 2001 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi

Date: MARCH 31, 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021	2020
		----- (Rupees) -----	
ASSETS			
Cash and balances with SBP and NBP	6	88,026,731	3,430,883
Balances with other banks / NBFIs / MFBs	7	894,388,932	1,290,197,281
Lending to financial institutions		-	-
Investments - net of provisions	8	286,396,358	181,261,558
Advances - net of provisions	9	5,372,014,802	2,469,371,985
Operating fixed assets	10	284,582,431	170,057,566
Other assets	11	176,497,959	229,270,511
Deferred tax asset - net	12	78,956,186	102,729,184
Total assets		<u>7,180,863,399</u>	<u>4,446,318,968</u>
LIABILITIES			
Deposits and other accounts	13	1,771,282,584	6,701,291
Borrowings	14	2,482,284,483	1,982,284,483
Subordinated debt		-	-
Other liabilities	15	521,226,063	270,257,944
Deferred tax liabilities		-	-
Total liabilities		<u>4,774,793,130</u>	<u>2,259,243,718</u>
NET ASSETS		<u>2,406,070,269</u>	<u>2,187,075,250</u>
REPRESENTED BY:			
Share capital	16.2	2,308,300,000	2,308,300,000
Reserves		149,312,606	94,076,101
Accumulated losses		(51,709,976)	(215,300,851)
		<u>2,405,902,630</u>	<u>2,187,075,250</u>
Surplus on revaluation of assets - net of deferred tax	17	167,639	-
Deferred grants		-	-
		<u>2,406,070,269</u>	<u>2,187,075,250</u>
MEMORANDUM / OFF BALANCE SHEET ITEMS	18		
The annexed notes from 1 to 37 form an integral part of these financial statements.			

**PRESIDENT /
CHIEF EXECUTIVE**

CHAIRMAN

DIRECTOR

DIRECTOR

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 ----- (Rupees) -----	2020
Mark-up / return / interest earned	19	1,574,352,224	749,580,300
Mark-up / return / interest expensed	20	(224,685,269)	(192,473,492)
Net mark-up / return / interest income		1,349,666,955	557,106,808
Provision against non-performing loans and advances	9.3	(315,539,372)	(246,876,784)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
Net mark-up / return / interest income after provisions		1,034,127,583	310,230,024
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		217,518,909	89,212,025
Dividend income		-	13,738,731
Other income	21	100,094,112	88,022,235
Total non-mark-up / non-interest income		317,613,021	190,972,991
		1,351,740,604	501,203,015
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	22	1,020,851,738	740,167,923
Other provisions/write offs		-	-
Other charges	23	7,097,154	-
Total non mark-up / non interest expenses		1,027,948,892	740,167,923
		323,791,712	(238,964,908)
Extraordinary unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		323,791,712	(238,964,908)
Taxation - current		84,833,714	16,345,631
Taxation - prior years		-	(2,211,677)
Taxation - deferred	24	23,032,049	(73,460,774)
PROFIT / (LOSS) AFTER TAXATION		107,865,763	(59,326,820)
		215,925,949	(179,638,088)
Unappropriated loss brought forward		(215,300,851)	(36,113,776)
Total comprehensive income / (loss) for the year		217,572,362	(179,187,075)
		2,271,511	(215,300,851)
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		(43,185,190)	-
Capital reserve		-	-
Depositors' protection fund		(10,796,297)	-
Revenue reserve		-	-
Proposed cash dividend		-	-
		(53,981,487)	-
Unappropriated loss carried forward		(51,709,976)	(215,300,851)
Earning / (loss) per share - basic and diluted	29	0.935	(0.778)

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 2021

	Note	2021	2020
		----- (Rupees) -----	-----
Profit / (loss) after taxation		215,925,949	(179,638,099)
Other comprehensive income / (loss)			
Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax			
Remeasurement gain on defined benefit obligation		2,318,891	635,243
Related tax impact		(672,478)	(184,219)
		1,646,413	451,024
Comprehensive income / (loss) for the year transferred to equity		217,572,362	(179,187,075)
Comprehensive income / (loss) for the year not transferred to equity			
Item to be reclassified to statement of profit and loss subsequently on sale - net of tax			
Surplus on revaluation of 'available for sale' investments		236,111	-
Related tax impact	12	(68,472)	-
Comprehensive income for the year not transferred to equity		167,639	-

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		323,791,712	(238,964,918)
Less: dividend income		-	(13,738,731)
		323,791,712	(252,703,649)
Adjustments for non-cash charges:			
Depreciation	10.1	64,302,843	47,423,116
Amortisation	10.2	8,684,560	5,966,730
Provision against non-performing advances	9.3	315,539,372	246,876,784
Reversal of provision for diminution in the value of investments		(109,282)	-
Gain on disposal of fixed assets	21	(483,921)	(522,217)
Finance cost on lease obligation		5,962,864	4,334,411
Provision for gratuity	26.6	11,355,174	9,660,041
Capital gains on mutual funds		-	(1,319,322)
Surplus on revaluation on investments		(236,111)	-
Provision for leave fare assistance	22	24,404,985	20,943,133
		429,420,484	333,362,676
		753,212,196	80,659,027
Increase in operating assets			
Advances		(3,199,712,824)	(813,321,596)
Other assets (excluding advance taxation)		30,602,174	(91,312,055)
		(3,169,110,650)	(904,633,651)
Increase / (decrease) in operating liabilities			
Deposits and other accounts		1,764,581,293	-
Other liabilities (excluding current taxation)		183,851,102	(48,753,770)
		1,948,432,395	(48,753,770)
		(467,466,059)	(872,728,394)
Income tax paid	11.1	(62,625,615)	(43,656,885)
Gratuity paid	26.5	(3,800,000)	(10,000,000)
Leave fare assistance paid		(16,208,533)	(16,023,558)
Net cash outflow from operating activities		(550,100,207)	(942,408,837)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(47,349,051)	-
Net investments in held to maturity securities		(199,298,272)	269,890,803
Net investments in held for trading securities		-	204,318,418
Dividend received		-	13,738,731
Rentals paid against lease obligation		(75,866,090)	(11,317,238)
Investment in operating fixed assets		(81,389,705)	(46,867,102)
Sale proceeds of property and equipment disposed-off		1,168,822	2,362,943
Net cash (outflow) / inflow from investing activities		(402,734,296)	432,126,555
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings		500,000,000	-
Net cash flow from financing activities		500,000,000	-
Decrease in cash and cash equivalents		(452,834,503)	(510,282,282)
Cash and cash equivalents at the beginning of the year		1,435,250,166	1,945,532,448
Cash and cash equivalents at the end of the year	31	982,415,663	1,435,250,166

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DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Capital reserves				Total Capital Reserves	Revenue Reserves	Total
	Share Capital	Share Premium	Statutory Reserve	Depositors' Protection Fund		Accumulated losses	
	----- (Rupees) -----						
Balance as at 31 December 2019	2,308,300,000	52,041,600	32,059,174	8,995,465	2,401,396,239	(36,113,776)	2,365,282,463
Total comprehensive loss:							
Loss after tax for the year ended 31 December 2020	-	-	-	-	-	(179,638,098)	(179,638,098)
Other comprehensive income - net of tax	-	-	-	-	-	451,023	451,023
Total comprehensive loss	-	-	-	-	-	(179,187,075)	(179,187,075)
Transfer to depositors' protection fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	979,862	979,862	-	979,862
	-	-	-	979,862	979,862	-	979,862
Balance as at 31 December 2020	2,308,300,000	52,041,600	32,059,174	9,975,327	2,402,376,101	(215,300,851)	2,187,075,250
Total comprehensive income:							
Profit after tax for the year ended 31 December 2021	-	-	-	-	-	215,925,949	215,925,949
Other comprehensive income - net of tax	-	-	-	-	-	1,646,413	1,646,413
Total comprehensive income	-	-	-	-	-	217,572,362	217,572,362
Transfer to statutory reserve	-	-	43,185,190	-	43,185,190	(43,185,190)	-
Transfer to depositors' protection fund							
- 5% of the profit after tax	-	-	-	10,796,297	10,796,297	(10,796,297)	-
- return on investment - net of tax	-	-	-	1,255,018	1,255,018	-	1,255,018
	-	-	-	12,051,315	12,051,315	(10,796,297)	1,255,018
Balance as at 31 December 2021	2,308,300,000	52,041,600	75,244,364	22,026,642	2,457,612,606	(51,709,976)	2,405,902,630

**PRESIDENT /
CHIEF EXECUTIVE**

CHAIRMAN

DIRECTOR

DIRECTOR

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

1 Status and nature of business

Pak Oman Microfinance Bank Limited (the Bank) was incorporated on 09 March 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on 30 May 2017) and was granted license by the State Bank of Pakistan (SBP) on 12 April 2006. The Bank received certificate of commencement of business on 06 May 2006, effective from 08 May 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 20-C, Khayaban-e-Nishat, Ittehad Commercial Area, Phase-VI, DHA, Karachi, Pakistan. As at 31 December 2021, the Bank has 43 branches (2020: 31) and 33 service centers (2020: 35) 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 nationwide.

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 03 February 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).

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 26 October 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/ share.

- 1.1** 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 30 December 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 unconsolidated 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 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.
- Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 3.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021 directed the Banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2022. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures'

through its notification S.R.O 411 (I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

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 Rupee, which is also the functional currency of the Bank, and have been rounded off to the nearest Rupee.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Company has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year.

COVID-19-Related Rent Concessions - Amendment to IFRS 16

The IASB has issued amendments to IFRS 16 (the amendments) to provide optional practical relief for lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the conditions described in IFRS 16 paragraph 46B are met.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free mark-up rate (RFR).

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the unconsolidated financial statements of the Company.

5.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

IFRS 9 'Financial Instruments' - IFRS 9 will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021 has extended the implementation date of IFRS 9 to 01 January 2022 from an earlier implementation date of 01 January 2021. However, SBP has directed the banks/DFIs in Pakistan to submit IFRS 9 parallel run and proforma financial statements on periodic basis based on the instructions issued by SBP for parallel run of IFRS 9 and Bank / DFIs has been complying with these requirements.

Further, the following IFRS as notified under the Companies Act, 2017 and the amendments thereto will be effective for future periods and not early adopted:

Standards and amendments	IASB Effective date (annual periods beginning on or after)
- IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract (Amendments)	January 01, 2022
- IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	January 01, 2022
- IFRS 3 - Reference to the Conceptual Framework	January 01, 2022
- IAS 1 - Classification of liabilities as current or non-current (Amendments)	January 01, 2022
- IFRS 9 - Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities (Amendments)	January 01, 2022

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the unconsolidated financial statements of the Company.

Standards and amendments	IASB Effective date (annual periods beginning on or after)
- IAS 8 - Definition of Accounting Estimates	January 01, 2022
- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	January 01, 2022
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet announced

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	'01 January 2004
IFRS 17 – Insurance Contracts	'01 January 2023

5.3 Critical accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the unconsolidated financial statements are in respect of the following:

	Note
Classification and provisioning against loans and advances	5.6 and 9
Classification and provisioning against investments	5.5 and 8
Impairment of available-for-sale investments	5.5 and 8
Current and deferred taxation	5.12, 10 and 24
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	5.8, 5.9, 10 and 22
Determination of lease term and borrowing rate	5.8
Provision for staff retirement benefits	5.12, 15 and 26

5.4 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash in hand and unrestricted 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.

5.5 Investments

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

Initial Measurement

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. The trade date is the date on which the Bank commits to purchase or sell the investment.

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

Subsequent Measurement

Held-for-trading

These represent investments, 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.

Investments classified as held-for-trading are subsequently measured at fair value. Any unrealised surplus / deficit arising on revaluation is taken to the profit and loss account in accordance with the requirements prescribed by SBP.

Held-to-maturity

These are investments with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts. Profit on held to maturity investments is recognised on a time proportion basis taking into account effective yield on the investments.

Available-for-sale

These are investments which do not fall under the held-for-trading and held-to-maturity categories. After initial measurement, such investments are measured at fair value. Any unrealised surplus / deficit arising on revaluation is recorded in the surplus / deficit on revaluation of securities account (shown as part of equity in Balance Sheet) and is taken to the profit and loss account either when realised upon disposal or when the investment is considered to be impaired

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

5.6 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:

(a) Other Assets Especially Mentioned (OAEM)

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

(b) Substandard

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

(c) Doubtful

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

(d) Loss

These are advances in arrears (payment / installments 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:

	Substandard: 25% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realisable without recourse to a Court of Law.
Doubtful:	50% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realisable without recourse to a Court of Law.
Loss:	100% of outstanding principal net of cash collaterals and gold (ornaments and bullion) realisable 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.

5.7 Operating fixed assets and intangibles

5.7.1. 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 recognised 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 derecognised. 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 recognised in the profit or loss account.

5.7.2. Capital work in progress

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.

5.7.2. Property and equipment - Leased

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments at inception of lease and subsequently stated net of accumulated depreciation. Finance charges are allocated over the period of lease term so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.8 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right of Use Assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ii) Lease Liability

At the commencement date of the lease, the Company recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

5.9 Intangible assets

Intangible assets with a definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method at the rates mentioned in note 10.2 over their estimated useful life.

Amortisation 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.

5.10 Impairment assets

Non-financial assets (except for deferred tax assets)

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Financial assets

A financial asset, other than advances, 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 recognised in the profit and loss account.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost reversal is recognised in the profit and loss account. However, impairment against the loans and advances are recognised in the manner explained in note 5.6 above.

5.11 Deferred Grants

The grant related to an asset is recognised in the balance sheet initially as deferred income when there is reasonable certainty that it will be received and that the Bank will comply with the conditions attached to it. Grants that compensate the Bank for expenses incurred are recognised as revenue in the profit and loss account on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the profit and loss account on a systematic basis over the useful life of the asset acquired from grant proceeds.

5.12 Staff retirement benefits

5.12.1 Defined contribution plan

The Bank also operates a recognised 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% (2020: 8.33%) of basic salary per month.

5.12.2 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 recognised in Other Comprehensive Income (OCI) in the periods in which they occur.

5.12.3. 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.

5.13 Taxation

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

5.13.1. 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 / finalised during the year.

5.13.2. Deferred

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax asset is recognised 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 utilised.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the periods when the asset is realised 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) recognised in surplus / (deficit) on revaluation of assets is charged / credited to such account.

5.14 Deposits

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

5.15 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.

5.16 Provision

Provisions are recognised 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.

5.17 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.

5.18 Revenue Recognition

- Return on investment / lending to financial institutions is recognised using effective interest rate method.
- Mark-up / interest / return on performing advances is recognised 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 recognised on a receipt basis.
- Dividend income is recognised when the right to receive dividend is established.
- Processing fees is recognised when services are performed.
- Capital gains / (losses) on sale of investments are recognised in the profit or loss account at the time of sale.
- Other income are recognised on accrual basis.

5.19 Financial instruments**5.19.1. Financial assets and financial liabilities**

All financial assets and financial liabilities are recognised 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 derecognised at the time when the Bank loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised 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.

5.19.2. 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 recognised amounts and the Bank intends to settle either on a net basis, or to realise 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.

5.20 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.

5.21 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.

5.22 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.

5.23 Dividend and other appropriations

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

	2021	2020
	------(Rupees)-----	
6. CASH AND BALANCES WITH STATE BANK OF PAKISTAN (SBP) AND NATIONAL BANK OF PAKISTAN (NBP)		
Cash in hand		
- local currency	2,093,138	1,788,138
Balance with State Bank of Pakistan	85,933,593	1,642,745
	88,026,731	3,430,883

- 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 time deposits with tenor of less than 1 year in accordance with the Prudential Regulations.

		2021	2020
	Note	----- (Rupees) -----	
7. BALANCES WITH OTHER BANKS / NBFIS / MFBS			
In Pakistan			
- on local currency savings accounts		5,115,776	23,737,957
- on local currency deposit accounts	7.1	889,273,156	1,266,459,324
		894,388,932	1,290,197,281

7.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 6.50% to 11% per annum (2020: 5.50% to 9.75% per annum).

		2021	2020
	Note	----- (Rupees) -----	
8. INVESTMENTS - NET OF PROVISIONS			
Federal Govt. Securities			
- Pakistan Investment Bonds	8.2	11,796,124	9,875,949
-Market Treasury Bills	8.3	227,141,901	29,763,607
Bonds, Participation Term Certificates & Term Finance Certificates	8.4	6,202,375	6,311,657
Sukuk	8.4	57,458,333	10,000,000
Term Deposit Receipts (TDRs)		-	141,622,002
Provision for diminution in value of investments	8.4 & 8.5	(16,202,375)	(16,311,657)
Investments - net of provision		286,396,358	181,261,558

8.1 Investments Classification

Available for sale

Term Finance Certificates	8.4	6,202,375	6,311,657
Sukuk	8.4	57,458,333	10,000,000
		63,660,708	16,311,657
Provision for diminution in value of investments	8.4	(16,202,375)	(16,311,657)
		47,458,333	-

Held to maturity

Federal Government Securities - Pakistan Investment Bonds	8.2	11,796,124	9,875,949
Term Deposit Receipts (TDRs)		-	141,622,002
Federal Government Securities - Treasury Bills	8.3	227,141,901	29,763,607
		238,938,025	181,261,558
		286,396,358	181,261,558

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
Pakistan investment bond (PIB)					
- 5 years	50,000	5,000,000	4,964,057	8.00%	12-Jul-23
- 3 years	70,000	7,000,000	6,832,067	7.00%	20-Aug-23

8.3 Federal Government Securities - Treasury Bills

	2021	2020
	(Rupees)	
Purchase price	226,057,286	29,515,680
Amortised during the period	1,084,615	247,927
Value as at 31 December	227,141,901	29,763,607

8.4.1 Investments in WorldCall Telecom and Agritech Limited amounting to Rs. 4,752,375 and Rs. 1,450,000 respectively are fully provided.

8.5 Particulars of provision for diminution in value of investments

	Note	2021 ----- (Rupees) -----	2020
Opening balance		(16,311,657)	(16,311,657)
Reversals		109,282	-
Closing balance		<u>(16,202,375)</u>	<u>(16,311,657)</u>

9. ADVANCES - NET OF PROVISIONS	Note	2021		2020	
		Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
Loan type					
Micro credit advances					
- Considered good		49,561	5,193,018,028	49,097	2,323,646,592
- Considered doubtful	9.2	6,421	390,501,156	7,561	195,611,035
			<u>5,583,519,184</u>		<u>2,519,257,627</u>
Less: Provision held					
- Specific provision	9.2	6,421	123,386,018		45,885,689
- General provision			104,601,332		24,733,719
	9.3		<u>227,987,350</u>		<u>70,619,408</u>
			<u>5,355,531,834</u>		<u>2,448,638,219</u>
Staff loan	9.6		16,482,968		20,733,766
Advances - net of provisions			<u>5,372,014,802</u>		<u>2,469,371,985</u>

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 30 September 2014. The details of such deposits held with the Bank are disclosed in note 13. The interest rate on the advances is 44% per annum (2020: 39% per annum).

9.2 Particulars of non-performing advances

Advances includes Rs. 390,501,156 (2020: Rs. 195,611,035) which have been placed under non-performing status as detailed below:

Category of classification	31 December 2021			31 December 2020		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
----- (Rupees) -----						
Other assets especially mentioned	114,618,962	-	-	77,069,212	-	-
Sub-standard	101,571,536	25,392,883	25,392,883	61,513,139	15,378,284	15,378,284
Doubtful	152,635,049	76,317,525	76,317,525	53,042,561	26,521,281	26,521,281
Loss	21,675,609	21,675,609	21,675,609	3,986,123	3,986,123	3,986,123
Total	390,501,156	123,386,017	123,386,017	195,611,035	45,885,688	45,885,688

9.3 Particulars of provision against non-performing loans and advances

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

Note	31 December 2021			31 December 2020		
	Specific	General	Total	Specific	General	Total
----- (Rupees) -----						
Opening balance	45,885,688	24,733,719	70,619,407	74,454,623	19,039,100	93,493,723
Charge for the year	235,671,760	79,867,612	315,539,372	241,182,165	5,694,619	246,876,784
Amounts written off	(158,171,430)	-	(158,171,430)	(269,751,100)	-	(269,751,100)
	77,500,330	79,867,612	157,367,942	(28,568,935)	5,694,619	(22,874,316)
Closing balance	123,386,018	104,601,331	227,987,349	45,885,688	24,733,719	70,619,407

9.3.1 Particulars of write offs

	2021	2020
	----- (Rupees) -----	
Against provision	158,171,430	269,751,100
Directly charged to profit or loss account	-	-
	<u>158,171,430</u>	<u>269,751,100</u>

9.4 This represents general provision equivalent to 1% (2020: 1%) of the net outstanding advances held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

	2021	2020
	----- (Rupees) -----	
9.5 Portfolio by type		
Micro business loan	524,173	294,426,920
Micro agri loan	633,277,886	91,614,787
Micro assets loan	841,924	1,585,652
Livestock loan	313,868	80,485,815
New micro business loan	-	101,683
Micro enterprise loan	3,604,553,003	1,572,539,620
Salary loan	244,736,753	42,215,092
Bara karobar loan	954,562,293	216,011,853
Bullet zarai karza	126,553,404	208,935,843
Lease	2,767,088	11,340,362
House loan	15,388,792	-
	<u>5,583,519,184</u>	<u>2,519,257,627</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 (2020: 6 months KIBOR) is charged.

		2021	2020
		----- (Rupees) -----	
10. OPERATING FIXED ASSETS	Note		
Property and equipment	10.1	142,565,032	85,452,849
Intangible assets	10.2	7,182,189	15,049,469
Right of use assets	10.3	134,835,210	69,555,248
		<u>284,582,431</u>	<u>170,057,566</u>

10.1 Property and equipment

	2021							
	COST			DEPRECIATION			Book value as at 31 Dec 2021	Rate of depreciation %
	As at 01 January 2021	Additions / (disposals)	As at 31 December 2021	As at 01 January 2021	Charge for the year / (disposals)	As at 31 December 2021		
----- (Rupees) -----								
Owned								
Leasehold improvements	35,196,304	29,316,712	64,513,016	12,938,577	9,600,754	22,539,331	41,973,685	
(Building's fixtures)		-			-			20%
Office equipment	26,228,145	6,907,774	33,066,419	9,735,594	5,105,050	14,797,157	18,269,262	20%
		(69,500)			(43,487)			
Furniture and fixture	22,594,270	8,768,189	31,093,445	11,438,877	4,344,690	15,514,567	15,578,878	20%
		(269,014)			(269,000)			
Computers	44,070,416	17,498,378	61,568,794	28,080,820	11,268,740	39,349,560	22,219,234	33%
Vehicles	38,002,423	18,081,372	52,733,677	18,444,840	3,621,654	19,401,259	33,332,418	20%
		(3,350,118)			(2,665,235)			
Fixed Asset Addition Clearing	-		11,191,555			-	11,191,555	20% to 33%
	166,091,558	80,572,425	254,166,906	80,638,708	33,940,888	111,601,874	142,565,032	
		(3,688,632)			(2,977,722)			

	2020							
	COST			DEPRECIATION			Book value as at 31 December 2020	Rate of depreciation %
	As at 01 January 2020	Additions / (disposals)	As at 31 December 2020	As at 01 January 2020	Charge for the year / (disposals)	As at 31 December 2020		
	----- (Rupees) -----							
Owned								
Leasehold improvements (Building's fixtures)	22,864,915	12,331,389	35,196,304	8,184,847	4,753,730	12,938,577	22,257,727	20%
Office equipment	19,925,765	6,612,380	26,228,145	6,776,452	3,269,141	9,735,594	16,492,551	20%
		(310,000)			(309,999)			
Furniture and fixture	21,846,372	747,898	22,594,270	7,792,894	3,645,983	11,438,877	11,155,393	20%
Computers	32,082,780	11,987,636	44,070,416	22,059,195	6,021,625	28,080,820	15,989,596	33%
Vehicles	36,516,487	8,643,740	38,002,423	18,221,508	5,537,911	18,444,840	19,557,583	20%
		(7,157,804)			(5,314,579)			
	133,236,319	40,323,043	166,091,558	63,034,896	23,228,390	80,638,708	85,452,849	
		(7,467,804)			(5,624,578)			

10.1.1 This includes property and equipment costing Rs. 94,164,793 (2020: Rs. 37,411,667) that have been fully depreciated as at 31 December 2021 but are still in use.

10.1.2 Details of disposals of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 respectively whichever is less and property and equipment disposed off to the Chief Executive or to a director or to executives or to any other related party, irrespective of the values, are as follows:

	2021						
	Cost	Accumulated depreciation	Net book Value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
<u>Vehicles</u>							
Honda City	1,543,220	1,234,576	308,644	1,004,322	695,678	HR Policy	Ex-Senior Vice President IT

10.2 Intangible assets

	COST			AMORTISATION			Book value as at 31 December	Rate of amortisation
	As at 01 January	Additions / Transfers	As at 31 December	As at 01 January	Charge for the year	As at 31 December		
	----- (Rupees) -----							
Computer software								
2021	31,316,073	817,280	32,133,353	16,266,604	8,684,560	24,951,164	7,182,189	33%
2020	24,192,014	7,124,059	31,316,073	10,299,874	5,966,730	16,266,604	15,049,469	33%

10.3 Right of use of asset

	As at 31 December 2021		
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
At January 1,	117,854,680	(48,299,432)	69,555,248
Additions during the year	37,861,512	-	37,861,512
Reassessment during the year	95,641,917	-	95,641,917
Depreciation charge for the year	-	(30,361,955)	(30,361,955)
Derecognised during the year	(110,400,683)	72,539,171	(37,861,512)
At December 31,	140,957,426	(6,122,216)	134,835,210
Useful life		3 years	

	As at 31 December 2020		
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
At January 1,	72,539,171	(24,149,716)	48,389,455
Additions during the year	-	-	-
Reassessment during the year	45,315,509	-	45,315,509
Depreciation charge for the year	-	(24,149,716)	(24,149,716)
Derecognised during the period	-	-	-
Derecognised during the year	-	-	-
At December 31	117,854,680	(48,299,432)	69,555,248
Useful life		3 years	

11 OTHER ASSETS

		2021	2020
	Note	----- (Rupees) -----	
Income / mark-up accrued on advances and investments		104,109,896	145,909,379
Advances, deposits, advance rent and other prepayments		40,058,669	39,468,889
Refundable / advance taxation (payments less provision)	11.1	14,627,834	36,835,933
Others		17,701,560	7,056,310
		176,497,959	229,270,511

11.1 Movement in advance tax - net

		2021	2020
	Note	----- (Rupees) -----	
Balance as at 01 January		36,835,933	6,813,002
Tax paid		62,625,615	43,656,885
Provision for taxation		(84,833,714)	(13,633,954)
Balance as at 31 December		14,627,834	36,835,933

12 DEFERRED TAX ASSETS - NET

	31 December 2021					
	Balance as at 01 January 2021	Recognised in profit or loss account	Recognised in other comprehensive income	Recognised in share premium	Recognized in revaluation of assets accounts	Balance as at 31 December 2021
----- (Rupees) -----						
Taxable temporary differences						
Surplus on revaluation of investments	-	-	68,472	-	-	68,472
Amortisation of premium on						
investments	164,835	167,071	-	-	-	331,906
Difference between accounting book						
value of fixed assets and tax base	17,788,693	(14,422,138)	-	-	-	3,366,555
Difference between accounting book						
value of lease receivable and tax base	-	39,102,211	-	-	-	39,102,211
	17,953,528	24,847,144	68,472	-	-	42,869,144
Deductible temporary differences						
Provision for other liabilities	5,639,721	5,529,713	(672,478)	-	-	10,496,956
Provision for diminution in value of investments	4,730,380	(31,692)	-	-	-	4,698,688
Difference between accounting book						
value of lease obligation IFRS 16	22,069,296	18,444,059	-	-	-	40,513,355
Provision against non-performing loans and advances	20,479,628	45,636,703	-	-	-	66,116,331
	52,919,025	69,578,783	(672,478)	-	-	121,825,330
Unabsorbed depreciation and carry forward losses						
	67,763,688	(67,763,688)	-	-	-	-
	102,729,185	(23,032,049)	(740,950)	-	-	78,956,186

	31 December 2020					
	Balance as at 01 January 2020	Recognised in profit or loss account	Recognised in other comprehensive income	Recognised in share premium	Recognized in revaluation of assets accounts	Balance as at 31 December 2020
----- (Rupees) -----						
Taxable temporary differences						
Surplus on revaluation of securities	87,405	(87,405)	-	-	-	-
Amortisation of premium on investments	2,619,245	(2,454,410)	-	-	-	164,835
Difference between accounting book value of fixed assets and tax base	14,032,942	3,755,751	-	-	-	17,788,693
Difference between accounting book value of lease receivable and tax base	56,683	(56,683)	-	-	-	-
	16,796,275	1,157,253	-	-	-	17,953,528
Deductible temporary differences						
Provision for other liabilities	3,465,580	2,358,361	(184,220)	-	-	5,639,721
Provision for diminution in value of investments	4,730,380	-	-	-	-	4,730,380
Difference between accounting book value of lease obligation IFRS 16	10,939,766	11,129,530	-	-	-	22,069,296
Provision against non-performing loans and advances	27,113,180	(6,633,552)	-	-	-	20,479,628
	46,248,906	6,854,339	(184,220)	-	-	52,919,025
Unabsorbed depreciation and carry forward losses	-	67,763,688	-	-	-	67,763,688
	29,452,631	73,460,774	(184,220)	-	-	102,729,184

13 DEPOSITS AND OTHER ACCOUNTS

	Note	2021		2020	
		Number of Accounts	Amount (Rupees)	Number of Accounts	Amount (Rupees)
Saving deposits	13.2	129	63,539	129	63,539
Fixed deposits	13.2	65	1,764,701,293	40	120,000
Current deposits - mandatory		14,509	6,517,752	14,446	6,517,752
	13.1	14,703	1,771,282,584	14,615	6,701,291

13.1 Particulars of deposits by ownership

Individual depositors	14,690	84,501,291	14,615	6,701,291
Institutional depositors - Corporation	13	1,686,781,293	-	-
	14,703	1,771,282,584	14,615	6,701,291

13.2 These carry interest rate of 3.50% to 10% (2020: 3.50%) per annum on saving deposits and 8.25% - 13.50% (2020: 2.00% to 6.50%) per annum for fixed deposits.

14. BORROWINGS	Note	2021	2020
		(Rupees)	
Borrowing from State Bank of Pakistan	14.1	1,982,284,483	1,982,284,483
Borrowing from Pakistan Microfinance Investment Company Limited	14.2	500,000,000	-
		2,482,284,483	1,982,284,483

14.1 This represents line of credit facility carrying interest at 6 month KIBOR minus 100 bps and is repayable in June 2024.

14.2 This represents line of credit facility carrying interest at 6 month KIBOR plus 350 bps and is repayable biannually upto October 2023

15. OTHER LIABILITIES

	2021	2020
Note	----- (Rupees) -----	
Mark-up / interest / return payable	91,646,184	60,369,712
Book overdraft	34,958,492	-
Accrued expenses	95,736,833	27,802,266
Payable to LOLC Technology Services Limited	101,552,466	71,398,277
Payable to defined benefit plan	9,037,070	3,800,787
Provision for compensated absences	14,281,767	9,281,767
Provision for leave fare assistance	15,196,452	7,000,000
Withholding taxes payable	4,590,831	1,074,017
Sales taxes	3,893,838	3,276,736
Advance from customer	8,386,588	6,547,820
Security deposit	2,244,319	3,605,542
Lease obligation	139,701,223	76,101,020
	521,226,063	270,257,944

15.1 Lease liability against right-of-use assets

Opening	76,101,020	37,723,330
Effect of initial recognition	-	45,360,517
Additions during the year	37,861,512	-
Deletions during the year	-	-
Impact of reassessment during the year	95,641,917	-
Finance cost	5,962,864	4,334,411
Payment of lease liability	(75,866,090)	(11,317,238)
Closing	139,701,223	76,101,020

16. SHARE CAPITAL

16.1 Authorised capital

2021	2020		2021	2020
(Number of shares)		Note	(Rupees)	
250,000,000	250,000,000	Ordinary shares of Rs. 10 each	2,500,000,000	2,500,000,000

16.2 Issued, subscribed and paid-up share capital

2021	2020		2021	2020
(Number of shares)				
230,830,000	230,830,000	Ordinary shares of Rs. 10 each fully paid in cash	2,308,300,000	2,308,300,000

16.3 Share capital has been subscribed by the following:

Ministry of Finance - Sultanate of Oman	767,112,110	767,112,110
Ministry of Commerce - Sultanate of Oman	10	10
Pak Oman Investment Company Limited	384,707,880	384,707,880
LOLC (Private) Limited - Parent Company	1,156,480,000	1,156,480,000
	2,308,300,000	2,308,300,000

16.4 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 26 October 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/ share

	2021	2020
	----- (Rupees) -----	
17. SURPLUS ON REVALUATION OF ASSETS		
- net of deferred tax		
Sukuks	236,111	-
Related tax effect	(68,472)	-
	<u>167,639</u>	<u>-</u>

18. MEMORANDUM / OFF BALANCE SHEET ITEMS

There are no memorandum / off balance sheet items as at 31 December 2021.

	2021	2020
	----- (Rupees) -----	
19. MARK-UP / RETURN / INTEREST EARNED		
Interest / mark-up on:		
- Advances	1,502,480,626	531,947,016
- Investment in government securities	5,610,607	16,808,136
- Deposit accounts	61,284,723	161,342,063
- Sukuk	3,985,409	-
- Term deposit receipts	422,085	38,924,459
- Staff loan	568,774	558,626
	<u>1,574,352,224</u>	<u>749,580,300</u>

	2021	2020
	----- (Rupees) -----	
20. MARK-UP / RETURN / INTEREST EXPENSED		
- on deposits	49,263,920	7,246
- on borrowing	169,458,485	188,131,835
- on lease	5,962,864	4,334,411
	<u>224,685,269</u>	<u>192,473,492</u>

Note

	2021	2020
Note	----- (Rupees) -----	
21. OTHER INCOME		
Gain on disposal of fixed assets	483,921	522,217
Recoveries against written off advances	46,514,261	29,393,391
Capital gain on sale mutual funds unit	-	1,319,322
Moratorium income	52,015,828	56,505,630
Miscellaneous income	1,080,102	281,675
	100,094,112	88,022,235

22. ADMINISTRATIVE EXPENSES

		2021	2020
		----- (Rupees) -----	
Salaries, allowances etc.		511,711,145	373,584,532
Bonus to employees		20,336,735	-
Contribution to defined contribution plan		12,771,978	13,445,258
Charge for defined benefit plan		11,355,174	9,660,041
Charge for leave fare assistance		24,404,985	20,943,133
Non-executive directors' allowances and other expenses		1,900,000	1,924,579
Training		3,607,090	4,223,922
Rent, rates and taxes		52,843,860	26,476,151
Legal and professional charges		13,124,175	5,581,882
Utilities		13,775,158	12,542,034
Communications		32,247,477	27,953,347
Fusion expenses		43,043,957	35,374,676
Repairs and maintenance		22,410,909	17,468,091
Vehicle running		1,185,255	3,772,489
Insurance		22,826,979	12,231,014
Travel and transportation		24,683,252	18,411,554
Stationery and printing		33,232,612	25,400,164
Fees and subscription		17,806,083	10,549,801
Advertisement and business promotions		21,164,968	12,013,361
Auditors' remuneration	22.1	2,133,040	1,343,584
Depreciation	10.1	33,940,888	23,228,390
Depreciation on right-of-use assets	10.3	30,361,955	24,149,716
Amortisation of intangible assets	10.2	8,684,560	5,966,730
Bank charges		8,430,899	6,188,416
Security expense		24,444,185	22,839,842
Kitchen expenses		9,580,836	5,796,969
Entertainment expenses		3,200,863	2,761,967
Medical staff		710,274	4,408,389
Archiving		2,853,992	2,646,205
Fuel Expense		9,064,046	7,773,759
Other expenses		3,014,408	1,462,927
		1,020,851,738	740,122,923

22.1 Auditors' remuneration

Audit fee	1,400,434	915,929
Sales Tax	182,056	119,071
Out of pocket expenses	550,550	308,584
	2,133,040	1,343,584

- 23** In terms of the Section 21 of the Microfinance Institution Ordinance, 2001 the State Bank of Pakistan conducted a full scope inspection of the Bank and thereby imposed a penalty.

	2021	2020
Note	----- (Rupees) -----	
24. TAXATION		
For the year		
- current	84,833,714	16,345,631
- deferred	23,032,049	(73,460,774)
	107,865,763	(57,115,143)
For prior year		
- current	-	(2,211,677)
- deferred	-	-
	-	(2,211,677)
	107,865,763	(59,326,820)

24.1 Relationship between tax expense and accounting profit

Profit before taxation	323,791,712
Tax at the applicable rate of 29%	93,899,596
Tax effect due to change in tax rate	-
Tax effect of income taxed at different rate	(329,968)
Tax effect on unused tax losses adjusted during this year	(66,848,860)
Tax effect of capital loss / (gain) on listed shares and mutual funds	-
Prior year	-
Net tax effect of admissible and inadmissible expense	80,428,954
Others	716,041
	107,865,763

24.1.1 For the prior year the numerical reconciliation between average tax rate and applicable tax rate has not been presented in these financial statements as the provision for tax year had been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward.

24.2 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 1 January 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.

25. NUMBER OF EMPLOYEES

	2021			2020		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
Permanent	551	259	810	351	303	654
Contractual	271	74	345	129	51	180
Total number of employees	822	333	1,155	480	354	834

26. DEFINED BENEFIT PLAN

26.1 Staff Gratuity Scheme

As disclosed in note 5.12, the Bank operates an approved funded gratuity scheme for its employees. The accounting policy for recognising actuarial gains and losses is also disclosed in note 5.12 to the financial statements. The information in notes 25.1.1 to 25.9 relating to the 2021 and 2020 financial year has been obtained from the actuarial valuation report.

26.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2021 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2021	2020
	----- (Percent per annum) -----	
Discount rate	11.50	9.25
Expected rate of increase in salary levels - senior employees	8.50	6.25
Expected rate of increase in salary levels - other employees	8.50	6.25
Mortality rates assumed were based on the 70% of the EFU (61-66) table.		

26.2 The amounts recognised in the statement of financial position are as follows:

		2021	2020
	Note	----- (Rupees) -----	
Present value of defined benefit obligation	26.3	28,754,319	23,414,356
Fair value of plan assets	26.4	(19,717,249)	(19,613,569)
		9,037,070	3,800,787

26.3 Movement in the present value of defined benefit obligation

Present value of obligation as at January 1	23,414,356	20,237,005
Current service cost	11,179,351	9,687,483
Interest cost	1,858,432	2,069,570
Benefits paid	(6,646,402)	(6,685,106)
Actuarial gain on remeasurement of obligation	(1,051,418)	(1,894,596)
Present value of obligation as at December 31	28,754,319	23,414,356

26.4 Movement in the fair value of plan assets

Fair value of assets as at January 1	19,613,569	15,461,016
Expected return	1,682,609	2,097,012
Contributions	3,800,000	10,000,000
Benefits paid	(6,646,402)	(6,685,106)
Actuarial gain / (loss)	1,267,473	(1,259,353)
Fair value of assets as at December 31	19,717,249	19,613,569

26.5 Movement in the net liability recognised in the statement of financial position are as follows:

		2021	2020
		----- (Rupees) -----	
Opening liability	15	3,800,787	4,775,989
Charge for the year	22	11,355,174	9,660,041
Other comprehensive income		(2,318,891)	(635,243)
Benefits paid	26.4	(3,800,000)	(10,000,000)
Closing liability		9,037,070	3,800,787

26.6 The amount recognised in the profit or loss account is as follows:

Current service cost		11,179,351	9,687,483
Interest cost		175,823	(27,442)
Net charge for the year		11,355,174	9,660,041

26.7 Actuarial gains

Net unrecognised actuarial losses as at January 1		-	-
Actuarial gain on remeasurement of obligation	26.7.1	(2,318,891)	(635,243)
		(2,318,891)	(635,243)
Actuarial gain recognised in:			
- other comprehensive income		2,318,891	635,243
- profit or loss account		-	-
Net unrecognised actuarial (losses) / gains as at December 31		-	-

26.7.1 Actuarial gains on remeasurement of obligation comprise of:

Demographic assumptions		-	-
Financial loss		-	-
Experience adjustment		(1,051,418)	(1,894,596)
Investment return		(1,267,473)	1,259,353
		(2,318,891)	(635,243)

26.8 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	----- (Rupees) -----		
Discount rate	1%	(1,325,250)	1,456,864
Salary increases	1%	1,484,815	(1,372,244)

26.9 Historical information

	2021	2020	2019	2018
Present value of defined benefit obligation	28,754,319	23,414,356	20,237,005	15,478,160
Fair value of plan assets	(19,717,249)	(19,613,569)	(15,461,016)	(8,399,423)
Deficit	9,037,070	3,800,787	4,775,989	7,078,737

26.10 The expected gratuity expense and contribution for the next year ending 31 December 2022 works out to Rs. 14,585,823 and Rs. 16,290,689 respectively.

26.11 The average duration of the plan is 5.5 years on 31 December 2021 (2020: 5.4 years).

27. NUMBER OF BRANCHES

	2021	2020
	----- (Number) -----	
Branches at the beginning of the year	31	30
Opened during the year	12	2
Closed during the year	-	1
Branches at the end of the year	43	31

27.1 The Bank also has 33 service centers (2020: 35) in operation along with branches.

28. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	2021			2020		
	President / Chief Executive Officer	Directors	Executives	President / Chief Executive Officer	Directors	Executives
	----- (Rupees) -----					
Director fees	-	1,900,000	-	-	1,876,000	-
Managerial remuneration	5,508,000	-	52,204,167	17,412,500	-	34,933,931
Contribution to defined contribution plan	-	-	2,079,032	856,765	-	2,745,883
Medical allowance	612,000	-	3,674,632	1,142,400	-	3,880,972
Conveyance	-	-	2,260,000	-	-	2,772,258
Bonus	-	-	-	-	-	-
Charge for defined benefit plan	-	-	5,059,763	-	-	3,488,851
	6,120,000	1,900,000	65,277,594	19,411,665	1,876,000	47,821,895
Number of persons at period end	1	9	20	1	9	18

28.1 The Bank has provided free use of Bank's maintained car to the Chief Executive Officer and Chief Operating Officer.

28.2 Executive means an employee, other than the Chief Executive and Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

29. EARNING / (LOSS) PER SHARE**29.1 Basic**

		2021	2020
Profit after taxation	<i>Rupees</i>	<u>215,925,949</u>	<u>(179,638,088)</u>
Weighted average number of ordinary shares	<i>Number</i>	<u>230,830,000</u>	<u>230,830,000</u>
Earning per share	<i>Rupee</i>	<u>0.935</u>	<u>(0.778)</u>

29.2 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 exercised.

30. 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:

30.1 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows

Nature of related party transaction	2021				2020			
	As at 01 January 2021	Given / made during the year	Repaid / sale during the year	As at 31 Dec 2021	As at 01 January 2020	Given / made during the year	Repaid / sale during the year	As at 31 Dec 2020
----- (Rupees) -----								
Advances - staff loans								
Key management personnel	<u>2,580,428</u>	<u>2,000,000</u>	<u>953,148</u>	<u>3,627,280</u>	7,848,361	2,000,000	(7,267,933)	<u>2,580,428</u>
					2021		2020	
					----- (Rupees) -----			
Other payable								
Gratuity fund					9,037,070		3,800,787	
LOLC Holdings Limited					2,344,388		5,084,128	
LOLC Technology Services Limited								
-System cost					63,862,378		36,976,309	
-Staff deployed					35,345,700		29,337,840	
Other receivable								
LOLC (Private) Limited					2,802,066		2,802,066	
Mark-up income								
Key management personnel					178,428		70,759	
Gain on disposal of fixed assets								
Key management personnel					-		1,097	
Expenses for the year								
Remuneration to key management personnel					19,014,300		67,233,560	
Non-executive director's fee / remuneration					1,900,000		1,876,000	
Charge for defined contribution plan					12,771,978		13,445,258	
Charge for defined benefit plan					11,355,174		9,660,041	
Repairs and maintenance					1,050,000		4,200,000	
System maintenance (Fusion charges)					43,043,957		35,374,676	

		2021	2020
		----- (Rupees) -----	
31	CASH AND CASH EQUIVALENT		
		Note	
	Cash and balances with SBP and NBP	6	88,026,731
	Balances with other banks / NBFIs / MFBs	7	3,430,883
	Term deposit receipts		1,290,197,281
			-
			141,622,002
			<u>982,415,663</u>
			<u>1,435,250,166</u>

32 CAPITAL RISK MANAGEMENT

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

32.2 Goals of managing capital

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

- To be an appropriately capitalised institution, as defined by the regulatory authorities and comparable to peers;
- 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.

The Bank has 66% gearing ratio as at December 31, 2021.

32.3 Statutory minimum capital requirement and management of capital

32.3.1 As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 3 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 31 December 2018. As of 31 December 2021, the share capital of the Bank stood at Rs. 2,308.300 million (2020: Rs. 2,308.300 million) and paid up capital of the Bank free of losses is Rs. 2,256.59 million (2020: Rs. 2,093 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 31 December 2021 the Bank's CAR was approximately 37.90% in 2021 and 64.28% in 2020 of its weighted exposure.

33. FINANCIAL ASSETS AND LIABILITIES

33.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The Bank's interest rate exposure stems mainly from its lendings to financial institutions, investments, Bank deposits and advances. This risk is managed by regular review of market rates.

	Effective yield / interest rate	Interest bearing					Non-Interest bearing					Total
		Upto 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	Up to 6 months	Over 6 months to one year	Over 1 year up to five years	Over five years	Sub total	
	%	(Rupees)										
31 December 2021												
Financial assets												
Cash and balances with SBP / NBP		-	-	-	-	-	88,026,731	-	-	-	-	88,026,731
Balances with other banks / NBFIs / MIFBs	6.50%-11.00%	894,388,932	-	-	-	894,388,932	-	-	-	-	-	894,388,932
Investments - net of provisions	44%	211,235,792	25,782,255	49,378,311	-	286,396,358	-	-	-	-	-	286,396,358
Advances - net of provisions		118,481,397	337,612,090	4,915,921,315	-	5,372,014,802	-	-	-	-	-	5,372,014,802
Other assets		104,109,386	-	-	-	104,109,386	72,388,57	-	-	-	-	176,497,958
		1,328,215,507	363,394,345	4,965,299,626	-	6,656,909,478	160,415,30	-	-	-	-	6,817,324,781
Financial liabilities												
Deposits and other accounts	3.50% - 13.5%	200,063,539	817,001,293	747,700,000	-	1,764,764,832	6,517,75	-	-	-	-	1,771,282,584
Borrowing from SBP		-	-	1,982,284,483	-	1,982,284,483	-	-	-	-	-	1,982,284,483
Borrowing from PMICL		-	-	500,000,000	-	500,000,000	-	-	-	-	-	500,000,000
Other liabilities		126,604,676	44,059,306	95,641,917	-	266,305,899	254,920,164	-	-	-	-	521,226,063
		326,668,215	861,060,599	3,325,626,400	-	4,513,355,214	261,437,916	-	-	-	-	4,774,793,130
On balance sheet gap		1,001,547,292	(497,666,254)	1,639,673,226	-	2,143,554,264	(101,022,613)	-	-	-	-	2,042,531,651
31 December 2020												
Financial assets												
Cash and balances with SBP / NBP		-	-	-	-	-	3,430,883	-	-	-	-	3,430,883
Balances with other banks / NBFIs / MIFBs	5.50%-9.75%	1,266,459,324	-	-	-	1,266,459,324	23,737,957	-	-	-	-	1,290,197,281
Investments - net of provisions		171,385,609	9,875,949	-	-	181,261,558	-	-	-	-	-	181,261,558
Advances - net of provisions	39%	881,872,242	883,396,379	704,103,364	-	2,469,371,985	-	-	-	-	-	2,469,371,985
Other assets		-	-	-	-	-	229,270,511	-	-	-	-	229,270,511
		2,319,717,175	893,272,328	704,103,364	-	3,917,092,867	256,439,351	-	-	-	-	4,173,532,218
Financial liabilities												
Deposits and other accounts	2% - 6.5%	63,539	120,000	-	-	183,539	6,517,752	-	-	-	-	6,701,291
Borrowing from SBP		-	-	1,982,284,483	-	1,982,284,483	-	-	-	-	-	1,982,284,483
Other liabilities		-	-	76,101,020	-	76,101,020	194,156,924	-	-	-	-	270,257,944
		63,539	120,000	2,058,385,503	-	2,058,569,042	200,674,676	-	-	-	-	2,259,243,718
On balance sheet gap		2,319,653,636	893,152,328	(1,354,282,139)	-	1,858,523,825	55,764,675	-	-	-	-	1,914,288,500

33.2 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, investments and its lendings to financial institutions. However, the Bank believes that it is not exposed to major concentration of credit risk. The Bank's credit risk in lendings to financial institutions is limited because the counter party is an associated undertaking having high credit rating. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by the Prudential Regulations for Microfinance Banks / Institutions. Maximum amount of financial assets which are subject to credit risk amount to Rs. 6,691 million (2019: Rs. 4,355 million).

The analysis below summarizes the credit quality of the Bank's bank balances:

Bank	Rating category	As on 31 December 2021	As on 31 December 2020
		----- (Percentage) -----	
Bank balances			
<i>Local Currency</i>			
United Bank Limited-Current account	AAA	-2.8%	1.1%
United Bank Limited-PLS account	AAA	0.0%	2.8%
Habib Bank Limited-Current account	AAA	0.6%	0.3%
Allied Bank Limited-Current account	AAA	-1.3%	-0.3%
Allied Bank Limited-PLS account	AAA	-1.1%	-0.4%
Askari Bank -PLS account	AA+	0.1%	0.0%
JS Bank-PLS account	AA-	2.3%	-0.2%
Khushhali Bank - Saving account	A+	21.3%	59.4%
U Microfinance Bank Limited - Saving account	A+	75.7%	19.9%
Telenor Microfinance Bank-Saving account	A	0.0%	0.0%
NRSP Microfinance Bank Limited - Saving account	A	5.2%	17.4%
Mobilink Bank-Saving account	A	0.0%	0.0%

33.3 Liquidity risk

Liquidity risk is the risk of being unable to raise funds at a reasonable price to meet commitments when they fall due, or to take advantage of investment opportunities when they arise. The management ensures that funds are available at all times to meet the funding requirements of the Bank. The Bank manages this risk by maintaining sufficient liquidity at Head Office and Branches. Maximum amount of financial assets which are subject to liquidity risk amount to Rs. 958.05 million (2020: Rs. 1,475 million).

34. SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS & LIABILITIES

	2021				
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	(Rupees)				
Advances - net of provisions	5,372,014,802	-	122,180,047	350,915,881	4,898,918,874
Investments	286,396,358	-	211,235,792	25,782,255	49,378,311
Other earning assets	-	-	-	-	-
Total market rate assets	5,658,411,160	-	333,415,839	376,698,136	4,948,297,185
Total assets	5,658,411,160	-	333,415,839	376,698,136	4,948,297,185
Market rate liabilities					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate deposits)	1,764,701,293	200,000,000	817,001,293	684,900,000	62,800,000
Borrowings	2,482,284,483	-	-	500,000,000	1,982,284,483
Other liabilities	139,701,223	-	-	-	139,701,223
Total market rate liabilities	4,386,686,999	200,000,000	817,001,293	1,184,900,000	2,184,785,706
Other non-cost bearing liabilities	6,581,291	6,581,291	-	-	-
Total liabilities	4,393,268,290	206,581,291	817,001,293	1,184,900,000	2,184,785,706
2020					
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	(Rupees)				
Advances - net of provisions	2,469,371,985	-	881,872,242	883,396,379	704,103,364
Investments	181,261,558	141,622,002	29,763,607	9,875,949	-
Other earning assets	-	-	-	-	-
Total market rate assets	2,650,633,543	141,622,002	911,635,849	893,272,328	704,103,364
Total assets	2,650,633,543	141,622,002	911,635,849	893,272,328	704,103,364

	2020				
	Total	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	----- (Rupees) -----				
Market rate liabilities					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate deposits)	120,000	-	-	120,000	-
Borrowings	1,982,284,483	-	-	-	1,982,284,483
Lease obligation	76,101,020	-	-	-	76,101,020
Total market rate liabilities	2,058,505,503	-	-	120,000	2,058,385,503
Other non-cost bearing liabilities	6,581,291	6,581,291	-	-	-
Total liabilities	2,065,086,794	6,581,291	-	120,000	2,058,385,503

35. 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).

On balance sheet financial instruments

2021

	Carrying amount				Fair value					
	Available for sale	Held for Maturity	Held for Trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----										
Note										
35.1	Financial assets not measured at fair value									
	- Cash and bank balances with SBP and NBP	-	-	-	88,026,731	-	-	-	-	-
	- Balances with other banks	-	-	-	894,388,932	-	-	-	-	-
	- Investments - PIB	-	11,796,124	-	-	-	-	11,796,124	-	11,796,124
	- Investments - T-Bills	-	227,141,901	-	-	-	-	227,141,901	-	227,141,901
	- Investments - Sukuks	57,458,333	-	-	-	-	57,458,333	-	-	-
	- Advances	-	-	-	5,372,014,802	-	-	-	-	-
	- Other assets	-	-	-	176,497,958	-	-	-	-	-
		57,458,333	238,938,025	-	6,354,430,465	176,497,958	-	6,827,324,781	-	-

Financial liabilities not measured at fair value

35.1

- Deposits and other accounts	-	-	-	-	1,771,282,584	-	-	-	-	-
- Borrowing from PMICL	-	-	-	-	500,000,000	-	-	-	-	-
- Borrowing from SBP	-	-	-	-	1,982,284,483	-	-	-	-	-
- Other liabilities	-	-	-	-	521,226,063	-	-	-	-	-
					4,774,793,130			4,774,793,130		

On balance sheet financial instruments

2020

	Carrying amount				Fair value					
	Available for sale	Held for Maturity	Held for Trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees) -----										
Note										
35.1	Financial assets not measured at fair value									
	- Cash and bank balances with SBP and NBP	-	-	-	3,430,883	-	-	-	-	-
	- Balances with other banks	-	-	-	1,290,197,281	-	-	-	-	-
	- Investments - TDRs	-	141,622,002	-	-	-	-	141,622,002	-	141,622,002
	- Investments - PIB	-	9,875,949	-	-	-	-	9,875,949	-	9,875,949
	- Investments - T-Bills	-	29,763,607	-	-	-	-	29,763,607	-	29,763,607
	- Advances	-	-	-	2,469,371,985	-	-	-	-	-
	- Other assets	-	-	-	229,270,511	-	-	-	-	-
		181,261,558	-	-	3,763,000,149	229,270,511	-	4,173,532,218	-	-

Financial liabilities not measured at fair value

35.1

- Deposits and other accounts	-	-	-	-	6,701,291	-	-	-	-	-
- Borrowing from SBP	-	-	-	-	1,982,284,483	-	-	-	-	-
- Other liabilities	-	-	-	-	270,257,944	-	-	-	-	-
					2,183,142,698			2,183,142,698		

35.1 The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since these assets and liabilities are either short term in nature or in case of loans are frequently repriced.

36. 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 30 December 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 in these financial statements except for the statement of financial position and profit and loss account.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue on March 14, 2022 by the Board of Directors of the Bank.

**PRESIDENT /
CHIEF EXECUTIVE**

CHAIRMAN

DIRECTOR

DIRECTOR



— Pak Oman —
Microfinance Bank Limited

پاك عمان مائڪرو فنانس بينك لميٽڊ

20 – C, Khayaban-e-Nishat,
Itehad Commercial Area,
Phase VI, DHA Karachi