

PAK OMAN MICRO FINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 30 JUNE 2020

	<i>Note</i>	30 June 2020 (Un-Audited)	31 December 2019 (Audited)
		----- (Rupees) -----	
ASSETS			
Cash & Bank Balances with SBP/NBP		4,723,089	3,621,997
Balances with other banks	6	1,406,616,791	1,197,269,451
Lending to financial institutions		-	-
Investments	7	912,252,689	1,258,489,777
Advances - net of provisions	8	1,764,464,309	1,902,927,173
Operating fixed assets	9	119,482,796	132,483,018
Other assets	10	206,130,947	110,713,459
Deferred tax asset - net	11	36,362,091	29,452,631
		4,450,032,712	4,634,957,506
LIABILITIES			
Deposits and other accounts	12	6,701,291	6,701,291
Borrowings	13	1,982,284,483	1,982,284,483
Other liabilities	14	219,120,034	242,965,937
Lease obligation		33,834,599	37,723,330
Deferred tax liability - net		-	-
		2,241,940,407	2,269,675,041
NET ASSETS		2,208,092,305	2,365,282,465
REPRESENTED BY:			
Share capital	15	2,308,300,000	2,308,300,000
Reserves		93,572,053	93,096,239
Unappropriated loss		(193,779,748)	(36,113,774)
		2,208,092,305	2,365,282,465
		2,208,092,305	2,365,282,465
MEMORANDUM / OFF BALANCE SHEET ITEMS	16		

The annexed notes 1 to 25 form an integral part of the condensed interim financial information.

**President & Chief
Executive Officer**

Chairman

Director

Director

PAK OMAN MICRO FINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2020

	Note	Half year ended		Quarter ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		----- (Rupees) -----		----- (Rupees) -----	
Mark-up / return / interest earned	17	410,777,257	314,015,184	188,095,470	168,085,047
Mark-up / return / interest expensed	18	(127,769,370)	(3,306,615)	(62,584,576)	(3,291,242)
Net mark-up / return / interest income		283,007,887	310,708,569	125,510,894	164,793,805
Provision against non-performing loans and advances	8.2	149,927,076	94,149,389	79,085,604	47,691,292
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		-	-	-	-
Net mark-up / return / interest income after provisions		133,080,813	216,559,180	46,425,290	117,102,513
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income	19	21,969,245	35,913,419	2,381,062	17,868,524
Dividend income		13,011,685	3,047,188	6,685,193	1,642,525
Other income		5,547,107	1,321,190	495,223	(402,008)
Total non-mark-up / non-interest income		40,528,037	40,281,797	9,561,478	19,109,041
		173,608,850	256,840,977	55,986,768	136,211,554
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses	20	327,330,671	214,651,913	182,910,878	112,640,526
Finance cost for Lease		2,230,440	-	1,115,220	-
Other provisions / write-offs		-	-	-	-
Other charges		-	-	-	-
Total non-mark-up / non-interest expenses		329,561,111	214,651,913	184,026,098	112,640,526
		(155,952,261)	42,189,064	(128,039,330)	23,571,028
Extraordinary / unusual items		-	-	-	-
		(155,952,261)	42,189,064	(128,039,330)	23,571,028
Taxation - Current		8,623,173	12,335,141	1,002,779	6,605,645
- Prior years		-	-	-	-
- Deferred		(6,909,460)	(5,483,028)	-	-
		1,713,713	6,852,113	1,002,779	6,605,645
(LOSS) / PROFIT AFTER TAXATION		(157,665,974)	35,336,951	(129,042,109)	16,965,383
Basic and diluted (loss) / earnings per share - Rupees		(0.68)	0.15	(0.56)	0.07

The annexed notes 1 to 25 form an integral part of the condensed interim financial information.

**President & Chief
Executive Officer**

Chairman

Director

Director

PAK OMAN MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2020

	2020	2019
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(155,952,261)	52,549,639
Less: Dividend income	(13,011,685)	(13,729,129)
	(168,963,946)	38,820,510
Adjustments for non-cash charges:		
Depreciation	23,016,637	42,243,683
Amortization	2,825,799	2,396,084
Amortization of premium on held maturity securities	(15,808,749)	(181,632)
Provision against non-performing advances	149,927,076	225,418,279
Reversal of provision for diminution in the value of investments	-	(117,267)
Gain on disposal of fixed assets	(81,507)	(1,284,676)
Finance cost on lease obligation	2,355,822	8,225,518
Provision for gratuity	8,575,989	6,714,470
Capital gains on mutual funds	(302,621)	(1,131,457)
Surplus on revaluation on investments	-	(582,701)
Provision for leave fare assistance	13,364,064	9,720,353
	183,872,510	291,420,654
	14,908,564	330,241,164
(Increase) / decrease in operating assets		
Lendings to financial institutions	-	-
Advances	(11,464,212)	(919,704,459)
Other assets (excluding advance taxation)	(76,473,626)	(52,532,916)
	(87,937,838)	(972,237,375)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	-	(83,010)
Other liabilities (excluding current taxation)	(23,238,463)	128,896,851
	(23,238,463)	128,813,841
	(96,267,737)	(513,182,370)
Income tax paid	(8,623,173)	(39,582,840)
Gratuity Paid	(2,824,780)	(7,000,000)
Leave fare assistance paid	(6,908,414)	(9,515,214)
Net cash (outflow) from operating activities	(114,624,104)	(569,280,424)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	-	117,267
Net investments in held to maturity securities	255,072,198	154,328,472
Net investments in held for trading securities	(109,104,468)	(203,735,717)
Dividend received	13,011,685	13,729,129
Rentals paid against lease obligation	(6,119,173)	(36,359,016)
Investment in operating fixed assets	(14,274,647)	(53,815,930)
Sale proceeds of property and equipment disposed-off	1,513,943	2,835,742
Net cash inflow / (outflow) from investing activities	140,099,538	(122,900,053)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of further shares	-	-
Transaction cost on issuance of shares	-	-
Borrowings from SBP	-	1,982,284,483
Net cash flow from financing activities	-	1,982,284,483
Increase in cash and cash equivalents	25,475,434	1,290,104,006
Cash and cash equivalents at the beginning of the year	1,945,532,448	655,428,442
Cash and cash equivalents at the end of the year	1,971,007,882	1,945,532,448

The annexed notes 1 to 25 form an integral part of the condensed interim financial information.

President / Chief Executive

Chairman

Director

Director

PAK OMAN MICRO FINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2020

	Half year ended		Quarter ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----
(Loss) / profit after taxation for the period	(157,665,974)	35,336,951	(129,042,109)	16,965,383
Other comprehensive income:				
<i>Items that are not to be reclassified to profit</i>				
Remeasurement of defined benefit plan	-	-	-	-
Related tax impact	-	-	-	-
Comprehensive income for the period transferred to equity	<u>(157,665,974)</u>	<u>35,336,951</u>	<u>(129,042,109)</u>	<u>16,965,383</u>
Comprehensive income for the period not transferred to equity				
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>				
(Deficit) / surplus on revaluation of 'available for sale investments'	-	-	-	-
Related tax impact	-	-	-	-
Total comprehensive income for the period - net of tax	<u>(157,665,974)</u>	<u>35,336,951</u>	<u>(129,042,109)</u>	<u>16,965,383</u>

The annexed notes 1 to 25 form an integral part of the condensed interim financial information.

**President & Chief
Executive Officer**

Chairman

Director

Director

PAK OMAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN - AUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital	Share premium	Capital reserves		Revenue reserves	Total
			Statutory reserve	Depositors' Protection Fund	Accumulated losses	
(Rupees)						
Balance as at 01 January 2019 (Audited)	2,308,300,000	52,041,600	26,320,606	6,873,233	(59,065,629)	2,334,469,810
Total comprehensive income:						
Profit after tax for the year ended 31 December 2019	-	-	-	-	28,692,840	28,692,840
Other comprehensive income - net of tax	-	-	-	-	1,432,225	1,432,225
Total comprehensive income	-	-	-	-	30,125,065	30,125,065
Transfer to Statutory Reserve	-	-	5,738,568	-	(5,738,568)	-
Issue of share capital - deferred tax	-	-	-	-	-	-
Transfer to Depositors' Protection Fund	-	-	-	-	-	-
- 5% of the profit after tax	-	-	-	1,434,642	(1,434,642)	-
- return on investment - net of tax	-	-	-	687,590	-	687,590
	-	-	-	2,122,232	(1,434,642)	687,590
Balance as at 31 December 2019 (Audited)	2,308,300,000	52,041,600	32,046,144	8,995,465	(36,113,774)	2,365,282,465
Total comprehensive loss:						
Loss after tax for the year ended 30 June 2020	-	-	-	-	(157,665,974)	(157,184,183)
Other comprehensive loss - net of tax	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(157,665,974)	(157,184,183)
Transfer to Depositors' Protection Fund	-	-	-	-	-	-
- 5% of the profit after tax	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	488,844	-	488,844
	-	-	-	488,844	-	488,844
Balance as at 30 June 2020 (Un-Audited)	2,308,300,000	52,041,600	32,046,144	9,484,309	(193,779,748)	2,208,092,305

* In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations for Microfinance Banks issued by the SBP (Prudential Regulations), the Bank has transferred an amount equivalent to 20% of profit after tax to the statutory reserve.

** In accordance with the requirements of the Microfinance Institution Ordinance, 2001 and the Prudential Regulations, the Bank has transferred an amount equivalent to 5% of profit after tax to the Depositors' Protection Fund, plus the return earned on such funds.

The annexed notes 1 to 25 form an integral part of the condensed interim financial information.

President / Chief Executive

Chairman

Director

Director

PAK OMAN MICRO FINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2020

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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 2019, the Bank has 30 branches (2018: 25) and 35 service centers (2018: 22) 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.
- 1.2** JCR-VIS has determined the Bank's medium to long-term rating as 'A-' and the short-term rating as 'A-2'.
- 1.3** 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).

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 the State Bank of Pakistan (SBP).

3. STATEMENT OF COMPLIANCE

- 3.1** The condensed interim financial information of the Bank has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International 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 Microfinance Institution Ordinance, 2001;
 - Provisions of and directives issued under the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property'. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments : Disclosures' through its notification S.R.O. 411(I)/2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

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

There are certain interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 9 'Financial Instruments'	January 01, 2021
Covid-19-Related Rent Concessions - Amendment to IFRS 16	June 01, 2020
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized

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

Early adoption of standards

The Bank has not early adopted any new or amended standard in the period 2020.

4. BASIS OF MEASUREMENT

- 4.1** This condensed interim financial information have been prepared under the historical cost convention except for available for sale investments which are measured at fair value.
- 4.2** This condensed interim financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

5. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of financial statements of the Bank for the year ended 31 December 2019.

5.2 The Financial risk management objectives and policies are consistent with those disclosed in the financial statement of the bank for the year ended 31 December 2019. Except as stated below:

During the year, the world health organization declared COVID -19 as pandemic and due to this public health emergency. The federal and provincial government of Pakistan imposed lockdown conditions resulting in shut down and disruptions to various businesses across the country. The bank continues their operation to serve customers by observing government instructions and taking necessary steps such as observing health precautions, limiting the number of working hour and implementation of remote working protocols where possible

The Bank's management and board are fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Bank's operation and liquidity position. Whilst the management does not expect and significant impacts on the financial health of the Bank in the short term, the full extent and duration of the impact of COVID-19 on the bank's operation and financial health of the bank in the short term, the full extent and duration of the impact of COVID -19 on the Bank's operations and financial performance in the long term will depend on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, and its impact on financial markets on an macroeconomics level.

6. BALANCES WITH OTHER BANKS	Note	30 June	31 December
		2020 (Un-Audited)	2019 (Audited)
		----- (Rupees) -----	
In Pakistan			
- Current accounts		35,631,250	49,472,963
- PLS deposit accounts	6.1	1,370,985,541	1,147,796,488
		<u>1,406,616,791</u>	<u>1,197,269,451</u>

6.1 These represents deposits with commercial banks carrying mark-up at rates ranging from 6.50% to 11.10% per annum (2019: 7.00% to 14.30% per annum).

7. INVESTMENTS

Federal Govt. Securities - Held to Maturity			
- Pakistan Investment Bonds	7.1 & 7.2	9,752,857	9,639,358
- Market Treasury Bills		29,991,645	299,891,001
Investment in mutual funds - Held for Trading		312,840,185	203,735,717
Bonds, Participation Term Certificates & Term Finance Certificates - Available for Sale		6,311,657	6,311,657
Sukuk - Available for Sale		10,000,000	10,000,000
Term Deposit Receipts (TDRs) - Available for Sale		559,668,002	744,641,000
Provision for diminution in value of investments		(16,311,657)	(16,311,657)
Surplus on revaluation of held for trading investments		-	582,701
Investments - net of provision		<u>912,252,689</u>	<u>1,258,489,777</u>

7.1 PIB's were purchased from Pak Oman Investment Company Limited (POICL), an associated company, on 25 July 2019 and 17 July 2019 having cost of Rs.2,655,162 and Rs.891,795 respectively having maturity on 21 April 2021.

7.2 PIB having a face value Rs. 4 million was purchased from Pak Oman Investment Company Limited (POICL), an associated company, on 18 May 2018 at a cost of Rs. 3,964,812 and PIB having a face value Rs. 2 million was purchased from JS Bank Limited on 22 December 2016 at a cost of Rs. 2,043,710 . These carry mark-up rate of 7.75% per annum (2019: 9.0%) and 7.75% per annum (2019: 7.75%) respectively and have maturity on 29 December 2021 and 21 April 2021 respectively. The PIBs are classified as Held to Maturity.

8. ADVANCES - NET OF PROVISIONS

Advances - gross		1,853,058,604	1,981,993,166
Provision against non-performing loans and advances			
- Specific provision	8.1	87,758,794	74,454,623
- General provision		17,652,998	19,039,100
		105,411,792	93,493,723
Staff loan		16,817,497	14,427,730
Advances - net of provisions		<u>1,764,464,309</u>	<u>1,902,927,173</u>

8.1 Advances includes Rs. 238,004,601 (2019: Rs. 172,445,250) which have been placed under non-performing status as detailed below:

	30 June 2020 (Un-Audited)			31 December 2019 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
OAEM	50,725,439	-	-	34,509,553	-	-
Substandard	75,643,903	18,910,975	18,910,976	27,334,940	6,833,735	6,833,735
Doubtful	85,574,881	42,787,441	42,787,440	85,959,737	42,979,868	42,979,868
Loss	26,060,378	26,060,378	26,060,378	24,641,020	24,641,020	24,641,020
	238,004,601	87,758,794	87,758,794	172,445,250	74,454,623	74,454,623

8.2 Particulars of provision against non-performing advances

	30 June 2020 (Un-Audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Opening balance	74,454,623	19,039,100	93,493,723	36,440,582	12,107,301	48,547,883
Charge for the year	151,313,178	(1,386,102)	149,927,076	218,486,480	6,931,799	225,418,279
Amount written off	(138,009,007)	-	(138,009,007)	(180,472,439)	-	(180,472,439)
	13,304,171	(1,386,102)	11,918,069	38,014,041	6,931,799	44,945,840
Closing balance	87,758,794	17,652,998	105,411,792	74,454,623	19,039,100	93,493,723

9. OPERATING FIXED ASSETS	30 June 2020	31 December 2019
	(Un-Audited)	(Audited)
Property and equipment	69,762,308	70,201,423
Right of use asset	36,292,094	48,389,455
Intangible assets	13,428,394	13,892,140
	119,482,796	132,483,018
9.1 Additions during the period - at cost		
Improvements to leasehold buildings	3,865,689	7,964,001
Furniture and fixtures	439,018	8,867,830
Electrical, office and computer equipments	4,872,387	17,332,636
Vehicles - owned	2,735,500	4,979,986
Intangible assets	2,362,053	14,671,477
	14,274,647	53,815,930
9.2 Disposals during the period - at cost		
Improvements to leasehold buildings	-	246,170
Furniture and fixtures	-	284,297
Electrical, office and computer equipments	310,000	159,807
Vehicles - owned	5,840,355	5,535,097
	6,150,355	6,225,371
10. OTHER ASSETS		
Mark-up / return / interest accrued	142,747,066	72,247,578
Security deposits	3,896,585	3,898,527
Prepayments - rent	12,257,754	11,553,688
Prepayment - others	9,663,925	3,763,437
Advances - Suppliers & others	6,292,292	4,422,421
Refundable / advance taxation (payments less provision)	25,756,864	6,813,002
Others	5,516,461	8,014,806
	206,130,947	110,713,459

	30 June 2020 (Un-Audited)	31 December 2019 (Audited)	
	----- (Rupees) -----		
11. DEFERRED TAX ASSET - NET			
For the half year and quarter ended 30 June 2020			
Deductible temporary differences arising in respect of:			
Provision against non-performing loans and advances	30,569,420	27,113,180	
Deficit on revaluation of investments	4,730,381	4,730,380	
Lease Obligation IFRS 16	9,812,033	10,939,766	
Other Provisions	6,362,615	3,465,580	
Excess of minimum tax over normal tax	6,568,304	-	
	<u>58,042,753</u>	<u>46,248,906</u>	
Taxable temporary differences arising in respect of:			
Amortization of premium on investment	8,754,817	2,619,245	
Accelerated depreciation allowance	12,199,817	14,089,625	
Surplus on revaluation of securities	726,028	87,405	
	<u>36,362,091</u>	<u>29,452,631</u>	
12. DEPOSITS AND OTHER ACCOUNTS			
Fixed deposits	120,000	120,000	
Savings deposits	63,539	63,539	
Current accounts	6,517,752	6,517,752	
	<u>6,701,291</u>	<u>6,701,291</u>	
13. BORROWINGS			
Borrowing from SBP	<u>1,982,284,483</u>	<u>1,982,284,483</u>	
13.1	SBP has provided Line of Credit Fund to ensure liquidity constraint of microfinance sector and to provide access to long term market based funding. Pricing is done at 6 month KIBOR minus 100 bps payable by 15th subsequent month of half year. It is provided for 5 years.		
14. OTHER LIABILITIES			
Mark-up / return / interest payable	125,169,152	120,295,913	
Advance from Customer (Funding Account)	17,225,194	98,955,917	
Accrued expenses	29,666,434	6,732,532	
Payable to LOLC	20,068,321	1,764,199	
Withholding tax payable	2,659,659	3,267,099	
Payable to defined benefit plan	8,575,989	4,775,989	
Provision for Compensated absences & leave fare assistance	13,364,064	7,174,288	
Deposit against leases	2,391,221	-	
	<u>219,120,034</u>	<u>242,965,937</u>	
15. SHARE CAPITAL			
15.1 Authorised share capital			
	30 June 2020 (Un-Audited)	31 December 2019 (Audited)	
	<u>250,000,000</u>	<u>250,000,000</u>	Ordinary shares of Rs.10 each
			<u>2,500,000,000</u>
15.2 Issued, subscribed and paid-up share capital			
	30 June 2020 (Un-Audited)	31 December 2019 (Audited)	
	<u>230,830,000</u>	<u>230,830,000</u>	Ordinary shares of Rs.10 each fully paid in cash
			<u>2,308,300,000</u>

16. MEMORANDUM / OFF BALANCE SHEET ITEMS

There are no memorandum / off balance sheet items as at 30 June 2020 except for the following contingent liabilities :

The Bank received a Show Cause Notice No. PRA/Enf-IV/2019/1278 dated 4 March 2019 (SCN) as issued by the learned Additional Commissioner under Sections 24/70 of the Punjab Sales Tax on Services Act, 2012 [Act] read with Punjab Sales Tax on Services Rules, 2012 wherein the Bank was alleged of contravening sections 3,4,10,11,18 and 35 read with section 32(2) of the Act. Further, the appellant was required to show cause as to why tax demand of Rs 5,317,151 for the tax periods 2014 and 2015 should not be made under section 24 of the Act and recovered under section 70 of the Act along with default surcharge and penalty under section 49 and 48 (sr.No.2,3 and 5 of the table) of the ACT.

In response to show-cause notice, the Bank filed detailed reply vide letter No. KST-AA-1273 dated 29 April 2019 explaining the factual and legal position. The Additional Commissioner, without considering the legal and factual detail, passed the impugned Order no. ADC Enf-IV/02/05/2019 dated 2 May 2019 received on 1 July 2019, under section 24 to the Act, wherein the Punjab sales tax demand aggregating to Rs.3,545,352 was raised along with penalty of Rs. 177,267 and default surcharge under the provisions of Serial No. 3 of Section 48 and 49 to the Act respectively. The Commissioner (Appeals) PRA has passed order no. 178/2019 dated 18 November 2019 [received on 30 June 2020] under section 65(4) of the Punjab Sales Tax on Services Act, 2012 deleting the imposition of penalty amounting to Rs. 177,267 and confirming the sales tax demand of As. of Rs.3,545,352. The Bank is in a process of filing an appeal against order passed by the Commissioner (Appeals) PRA, to the Appellant Tribunal, Punjab Revenue Authority.

17. MARK-UP / RETURN / INTEREST EARNED

Note	Half year ended		Quarter ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Un-Audited)		(Un-Audited)	
	----- (Rupees) -----		----- (Rupees) -----	
On loans and advances	279,918,985	262,795,821	128,472,670	140,451,561
Investments	15,808,749	181,632	18,900,565	102,161
On deposits with financial institutions	85,982,457	14,857,156	40,722,235	7,334,121
Other Income	29,067,066	36,180,575		20,197,204
	<u>410,777,257</u>	<u>314,015,184</u>	<u>188,095,470</u>	<u>168,085,047</u>

18. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	-	15,480	-	107
On borrowings	127,769,370	3,291,135	62,584,576	-
	<u>127,769,370</u>	<u>3,306,615</u>	<u>62,584,576</u>	<u>107</u>

19. FEE, COMMISSION AND BROKERAGE INCOME

Loan processing fee	<u>21,969,245</u>	<u>35,913,419</u>	<u>2,381,062</u>	<u>17,868,524</u>
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20. ADMINISTRATIVE EXPENSES

	30 June 2020	30 June 2019
	(Un-Audited)	(Un-Audited)
	----- (Rupees) -----	
Salaries, allowances etc.	165,106,506	98,962,909
Bonus to employees	3,700,000	3,274,115
Contribution to defined contribution plan	6,624,780	4,960,439
Charge for defined benefit plan	3,800,000	300,000
Charge for leave fare assistance	13,098,190	4,244,826
Non-executive directors' allowances and other expenses	1,323,579	915,200
Training	2,220,586	2,779,026
Rent, rates and taxes	9,979,088	21,321,526
Legal and professional charges	2,799,854	3,506,347
Utilities	3,350,747	2,342,427
Communications	9,341,946	6,303,720
Fusion expenses	11,300,000	-
Repairs and maintenance	5,474,025	3,711,193
Vehicle running	757,403	1,565,505
Insurance	4,747,257	7,250,072
Travel and transportation	8,975,416	9,689,800
Stationery and printing	10,456,390	7,927,176
Fees and subscription	5,259,966	2,750,523
Advertisement and business promotions	3,492,696	5,125,483
Auditors' remuneration	867,892	678,060
Depreciation	10,919,274	9,807,798
Depreciation on right-of-use assets	12,097,363	-
Amortisation of intangible assets	2,825,799	893,822
Bank charges	5,049,573	4,619,956
Security expense	11,345,080	6,994,283
Kitchen expenses	2,005,074	1,109,202
Entertainment expenses	751,533	300,939
Medical staff	998,828	353,938
Archiving	1,317,534	487,221
Other expenses	7,344,292	2,476,407
	<u>327,330,671</u>	<u>214,651,913</u>

21 RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise of subsidiaries, associates (including entities having directors in common with the Bank, retirement benefit funds, major share holders, directors and key management personnel and their close family members).

Balances with related parties have been disclosed in respective notes. Transactions with related parties, other than those disclosed elsewhere in the financial statements, are summarised as follows:

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	2020				2019			
	As at 01 January 2020	Given / made during the year	Repaid / sale during the year	As at 30 June 2020	As at 01 January 2019	Given / made during the year	Repaid / sale during the year	As at 31 December 2019
(Rupees)								
Investments								
Associates	-	-	-	-	-	139,334,566	(139,334,566)	-
Lendings to financial institutions								
Associates	-	-	-	-	-	-	-	-
Advances - staff loans								
Key management personnel	7,848,361	-	213,456	7,634,905	10,018,890	1,935,000	(4,105,529)	7,848,361
Acquisition of Intangible Asset								
LOIT Tech	-	2,362,053	-	-	-	-	4,159,893	-
2020 2019 ----- (Rupees) -----								
Right issue								
Ministry of Finance - Sultanate of Oman							-	-
Associates							-	-
Other payable								
Gratuity fund							8,575,989	12,244,092
Ministry of Finance - Sultanate of Oman							-	26,600
LOLC Private Limited							20,068,321	8,416,588
Mark-up income								
Associates							-	5,361,918
Key management personnel							11,355	217,037
Dividend income								
Associates							-	3,047,188
22 CASH AND CASH EQUIVALENTS								
Cash and balances with SBP / NBP							4,723,089	3,621,997
Balances with other banks							1,406,616,791	1,197,269,451
Term Deposit Receipts (TDRs)							559,668,002	744,641,000
							1,971,007,882	1,945,532,448

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

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

The investments classified as available for sale financial assets have been impaired and full provision has been maintained by the Bank thereagainst. The carrying amounts of other financial assets are approximately equal to their fair values.

During the period ended June 30, 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

25. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on ----- by the Board of Directors of the Bank.

**President & Chief
 Executive Officer**

Chairman

Director

Director