

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT MARCH 31, 2024

		Unaudited March 31, 2024	Audited December 31, 2023
	Note	------(Rupees)-----	
ASSETS			
Cash and balances with SBP and NBP	6	177,562,189	111,791,460
Balances with other banks / NBFIs / MFBs	7	1,285,296,619	1,215,416,035
Investments - net of provision	8	464,846,445	412,266,887
Advances - net of provisions	9	3,624,710,768	3,825,025,311
Operating fixed assets	10	372,380,365	387,732,770
Other assets	11	429,875,229	402,275,152
Deferred tax asset - net		316,556,555	316,556,555
Total assets		6,671,228,170	6,671,064,170
LIABILITIES			
Deposits and other accounts	12	1,447,129,123	928,919,543
Borrowings	13	1,982,284,483	1,982,284,483
Other liabilities	14	810,832,746	872,788,520
Deferred tax liabilities - net		-	-
Total liabilities		4,240,246,352	3,783,992,546
NET ASSETS		2,430,981,818	2,887,071,624
REPRESENTED BY:			
Share capital	15.2	3,220,000,000	3,220,000,000
Statutory & General Reserves		182,974,965	182,705,584
IFRS 09 - Initial adaptation impact		(190,883,932)	-
Accumulated profit / (losses)		(781,310,773)	(515,835,518)
		2,430,780,260	2,886,870,066
Surplus on revaluation of assets - net of deferred tax	16	201,558	201,558
		2,430,981,818	2,887,071,624
MEMORANDUM / OFF BALANCE SHEET ITEMS	17	-	-

The annexed notes from 1 to 32 form an integral part of these financial statements.

President / Chief Executive

Chairman

Director

Director

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2024

		Unaudited March 31, 2024	Audited March 31, 2023
	Note	------(Rupees)-----	
Mark-up / return / interest earned	18	493,397,688	617,312,180
Mark-up / return / interest expensed	19	(176,501,307)	(180,774,167)
Net mark-up / return / interest income		316,896,381	436,538,013
Provision against non-performing loans and advances	9.3	238,596,775	146,785,338
Provision for diminution in the value of investments		-	-
Provision against other balances		23,000,000	-
Bad debts written off directly		-	-
Net mark-up / return / interest income after provisions		55,299,606	289,752,675
NON MARK-UP / NON INTEREST INCOME			
Fee, commission and brokerage income		56,720,352	59,943,133
Dividend income		-	-
Other income	20	36,303,893	30,907,713
Total non-mark-up / non-interest income		93,024,245	90,850,846
		148,323,851	380,603,521
NON MARK-UP / NON INTEREST EXPENSES			
Administrative expenses	21	408,845,291	371,643,748
Penalties		-	-
Other charges		-	-
Total non mark-up / non interest expenses		408,845,291	371,643,748
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		(260,521,440)	8,959,773
Taxation - current	22	-	2,598,334
Taxation - prior		-	-
Taxation - deffered		-	-
		-	2,598,334
PROFIT AFTER TAXATION		(260,521,440)	6,361,439

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President / Chief Executive

Chairman

Director

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LOLC MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHESIVE INCOME (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2024

	Unaudited March 31, 2024	Audited March 31, 2023
Note	------(Rupees)-----	
Profit after taxation	(260,521,440)	6,361,439
Other comprehensive income		
Item not to be reclassified to statement of profit and loss in subsequent periods - net of tax		
Remeasurement of defined benefit obligation	-	-
Related tax impact	-	-
	-	-
Comprehensive income for the period transferred to equity	<u>(260,521,440)</u>	<u>6,361,439</u>
Item to be reclassified to statement of profit and loss subsequently on sale - net of tax		
Surplus on revaluation of 'available for sale' investments	-	-
Related tax impact	-	-
Comprehensive income for the period not transferred to equity	<u>-</u>	<u>-</u>

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President / Chief Executive

Chairman

Director

Director

LOLC MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2024

	Capital reserves				Revenue reserves		
	Share capital	Share premium	Statutory reserve	Depositors' Protection Fund (Rupees)	Total Capital Reserve	Accumulated losses	Total
Balance as at January 31, 2024	3,220,000,000	52,041,600	98,175,982	32,488,002	3,402,705,584	(515,835,518)	2,886,870,066
Total comprehensive income:							
Profit after tax for the quarter March 31,2023						(260,521,440)	(260,521,440)
Other comprehensive income - net of tax						(4,953,815)	(4,953,815)
Total comprehensive income	-	-	-	-	-	(265,475,255)	(265,475,255)
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to Depositors' Protection Fund							
- 5% of the profit after tax	-	-	-	-	-	-	-
- return on investment - net of tax	-	-	-	-	-	-	-
			-	-	-	-	-
Balance as at March 31, 2023	3,220,000,000	52,041,600	98,175,982	32,488,002	3,402,705,584	(781,310,773)	2,621,394,811

The annexed notes from 1 to 32 form an integral part of these financial statements.

President / Chief Executive

Chairman

Director

Director

LOLC MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2024

1 STATUS AND NATURE OF BUSINESS

- 1.1** LOLC Microfinance Bank Limited formerly Pak Oman Microfinance Bank Limited, (the Bank) was incorporated on March 9, 2006 as a public limited company under Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017) and was granted license by the State Bank of Pakistan (SBP) on April 12, 2006. The Bank received certificate of commencement of business on May 6, 2006, effective from May 8, 2006. The Bank's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at D-7 Parveen Building Shaheed-e-Millat Road, Bangalore Town, Karachi, Pakistan. As at March 31, 2024, the Bank has 63 branches (2022: 62) and 24 service centers (2022: 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.

The Head Office of the Bank is situated at Park View Plaza, Bearing No. CB-6300, near Royal Palace Hotel, Jhelum road, Rawalpindi.

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

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

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

2 BASIS OF PRESENTATION

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

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

3 STATEMENT OF COMPLIANCE

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

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

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

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

Moreover, recently SBP through its BPRD Circular letter No. 03 of 2022, dated July 05, 2022, extend the date of implementation of IFRS-9 till January 01, 2024. Accordingly, the requirements of this standard have also been considered in the preparation of these financial statements. However, during the transition period, the Bank is required to carry out the parallel run reporting for submission of IFRS-9 pro-forma on quarterly, half yearly and annual financial statements for the current reporting period.

3.3 New accounting standards, amendments and IFRS interpretations that are effective for the period ended March 31, 2024

The following standards, amendments and interpretations are effective for the period ended March 31, 2024. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Interest Rate Benchmark Reform - Phase 2 (Amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
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Certain annual improvements have also been made to a number of IFRSs.

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

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

Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
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Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
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**Effective date
(annual periods
beginning on or
after)**

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
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Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
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Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
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The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

3.5 Early adoption of standards

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

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Functional and presentation currency

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Lendings to financial institutions

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

5.3 Investments

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

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

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

5.3.1 Held-for-trading

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

5.3.2 Held-to-maturity

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

5.3.3 Available-for-sale

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

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

5.3.4 Impairment

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

5.4 Advances

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

5.4.1 General loans

a) Other Assets Especially Mentioned (OAEM)

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

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

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

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

5.4.2 Housing loan

a) Other Assets Especially Mentioned (OAEM)

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

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

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

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

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

5.4.3 Microenterprise loans

a) Other Assets Especially Mentioned (OAEM)

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

b) Substandard

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

c) Doubtful

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

d) Loss

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

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

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

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

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

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

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

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

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

5.5 Operating fixed assets and intangibles

5.5.1 Property and equipment

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

5.5.2 Capital work in progress

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

5.5.3 Intangible assets

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

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

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

5.5.4 Impairment

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

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

5.6.1 Financial Assets

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

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

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

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

5.6.2 Grants

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

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

5.7 Staff retirement benefits

5.7.1 Defined contribution plan

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

5.7.2 Defined benefit plan

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

5.7.3 Compensated absences

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

5.8 Taxation

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

5.8.1 Current

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

5.8.2 Deferred

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

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

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

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

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

5.9 Deposits

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

5.10 Statutory reserve

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

5.11 Provisions

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

5.12 Depositors' protection fund

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

5.13 Revenue recognition

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

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

5.14 Financial instruments

5.14.1 Financial assets and financial liabilities

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

5.14.2 Off setting

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

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

5.15 Functional and presentation currency

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

5.16 Foreign currency translations

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

5.17 Earnings per share

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

5.18 Dividend and other appropriations

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

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

		Un-audited March 31, 2024	Audited December 31, 2023
	Note	-----	-----
		(Rupees)	(Rupees)
6 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN (NBP)			
Cash in hand			
- local currency		50,273,215	44,434,583
Balance with State Bank of Pakistan (SBP)	6.1	127,288,974	67,356,877
		<u>177,562,189</u>	<u>111,791,460</u>

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

		Un-audited March 31, 2024	Audited December 31, 2023
		-----	-----
		(Rupees)	(Rupees)
7 BALANCES WITH OTHER BANKS / NBFIS / MFBS			
In Pakistan			
- on local currency current accounts		141,640,395	129,650,354
- on local currency deposit accounts	7.1	1,143,656,224	1,085,765,681
		<u>1,285,296,619</u>	<u>1,215,416,035</u>

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

		Un-audited March 31, 2024	Audited December 31, 2023
		-----	-----
		(Rupees)	(Rupees)
8 INVESTMENTS			
Federal Govt. Securities			
- Pakistan Investment Bonds	8.2	-	-
- Market Treasury Bills	8.2	242,429,780	187,072,444
Bonds, Participation Term Certificates & Term Finance Certificates	8.3	5,882,055	5,882,055
Sukuks	8.3	32,416,665	35,194,443
Less: Provision for diminution in value of investments	8.4	15,882,055	15,882,055
Investments - net of provision			
Term Deposit Receipts (TDRs)		200,000,000	200,000,000
		<u>464,846,445</u>	<u>412,266,887</u>

Un-audited	Audited
March 31, 2024	December 31, 2023
------(Rupees)-----	

8.1 Investments Classification

Available for sale

Term Finance Certificates	8.4	5,882,055	5,882,055
Sukuks	8.4	32,416,665	35,194,443
		38,298,720	41,076,498
Less: Provision for diminution in value of investment		15,882,055	15,882,055
		<u>22,416,665</u>	<u>25,194,443</u>

Held to maturity

Federal Government Securities - Pakistan Investment		-	-
Term Deposit Receipts (TDRs)		-	-
Federal Government Securities - Treasury Bills	8.2	242,429,780	187,072,444
Term Deposit Receipts (TDRs)		200,000,000	200,000,000
		<u>442,429,780</u>	<u>387,072,444</u>
Investments - net of provision		<u>464,846,445</u>	<u>412,266,887</u>

8.2 Federal Government Securities - Treasury Bills

Purchase price	236,972,174	180,796,678
Amortized during the period	5,457,606	6,291,275
Value as at 31 December	<u>242,429,780</u>	<u>187,087,953</u>

8.3 Investments in Term Finance Certificates / Sukuk

Name of the investee company	Profit / mark-up rate (per annum)	Maturity date	Note	As at March 31, 2024 (Un-audited)						As at December 31, 2023 (Audited)					
				Number of certificates	Redeemed value	Provision held	Value of investment after provision	Market value	Deficit on revaluation	Number of certificates	Redeemed value	Provision held	Value of investment after provision	Market value	Deficit on revaluation
				(Rupees)						(Rupees)					
Term Finance Certificate															
WorldCall Telecom Limited	6 month KIBOR + 1.6%	7-Oct-21	8.3.1	3,000	4,473,674	4,473,674	-	-	-	3,000	4,473,674	4,473,674	-	-	-
Agritech Limited	Zero rated	1-Jan-15	8.3.1	290	1,408,381	1,408,381	-	Non Traded	-	290	1,408,381	1,408,381	-	Non Traded	-
				3,290	5,882,055	5,882,055	-	-	-	3,290	5,882,055	5,882,055	-	-	-
Sukuk															
TPL Trakker Limited Sukuk	3 month KIBOR + 3%	30-Mar-26		50	22,416,665	-	-	22,416,665	-	50	25,000,000	-	-	25,000,000	-
Agritech Limited	6 month KIBOR + 2%	15-Aug-15		2,000	10,000,000	10,000,000	-	Non Traded	-	2,000	10,000,000	10,000,000	-	Non Traded	-
				2,050	32,416,665	10,000,000		22,416,665	-	2,050	35,000,000	10,000,000		25,000,000	

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

Un-audited	Audited
March 31, 2024	December 31, 2023
------(Rupees)-----	

8.4 Particulars of Provision for Diminution in value of investments

Opening balance	15,882,055	15,882,055
Charge for the period	-	-
Reversals	-	-
Closing balance	<u>15,882,055</u>	<u>15,882,055</u>

9 ADVANCES - NET OF PROVISIONS

Loan type	Note	March 31, 2024 (Un-audited)		December 31, 2023 (Audited)	
		Number of loans outstanding	Amount outstanding (Rupees)	Number of loans outstanding	Amount outstanding (Rupees)
Micro credit advances					
- Considered good		34,951	3,049,283,452	38,014	3,217,776,893
- Gold Loan		1,077	207,821,762	390	69,167,142
- Considered doubtful		9,619	834,810,155	9,513	794,888,980
			<u>4,091,915,369</u>		<u>4,081,833,015</u>
Less: Provision held					
- Specific provision	9.2		-	9,513	276,298,600
- General provision			-		37,363,673
- Provision - IFRS - 09	9.2	9,619	<u>533,323,402</u>		-
	9.3		<u>533,323,402</u>		<u>313,662,273</u>
			<u>3,558,591,967</u>		<u>3,768,170,742</u>
Staff loan			<u>66,118,801</u>		<u>56,854,569</u>
Advances - net of provisions			<u>3,624,710,768</u>		<u>3,825,025,311</u>

9.1 All advances are secured by personal guarantees. The details of such deposits held with the Bank are disclosed in note 13. The interest rates on the advances is 56.36% per annum (2023: 48.52% per annum).

9.2 Particulars of non-performing advances

Advances includes Rs. 834,810,155 (2023: Rs. 794,888,980) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2024 (Un-audited)			December 31, 2023 (Audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	------(Rupees)-----					
Stage - 1	3,257,105,214	163,626,424	163,626,424	-	-	-
Stage - 2	727,913,951	306,849,248	306,849,248	733,709,492	215,119,111	215,119,111
Stage - 3	106,896,204	62,847,731	62,847,731	61,179,488	61,179,488	61,179,488
Total	<u>4,091,915,369</u>	<u>533,323,403</u>	<u>533,323,403</u>	<u>794,888,980</u>	<u>276,298,599</u>	<u>276,298,599</u>

9.3 Particulars of provision against non-performing loans and advances

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

Note	March 31, 2024 (Un-audited)	December 31, 2023 (Audited)		
	IFRS 09 -Total	Specific	General	Total
	(Rupees)			
Opening balance	313,662,273	130,109,712	103,433,870	233,543,582
Charge / (reversal) for the year	238,596,775	1,018,328,224	(16,070,197)	1,002,258,027
IFRS provision	190,883,931	-	(50,000,000)	(50,000,000)
Amounts written off 9.3.1	(209,819,577)	(872,139,336)	-	(872,139,336)
	219,661,129	146,188,888	(66,070,197)	80,118,691
Closing balance	533,323,402	276,298,600	37,363,673	313,662,273
		Un-audited	Audited	
		March 31, 2024	December 31, 2023	
		(Rupees)		

9.3.1 Particulars of write offs

Against provision	209,819,577	872,139,336
Directly charged to profit or loss account	-	17,027,897
	209,819,577	889,167,233

	Un-audited	Audited
	March 31, 2024	December 31, 2023
	(Rupees)	

9.5 Portfolio by type

Micro Business loan	2,676,595	2,670,000
Micro Agri loan	344,683,344	343,834,055
Micro Assets loan	-	-
Livestock loan	-	-
Micro Enterprise loan	2,301,015,470	2,484,583,943
Micro enterprise loan-LSL	-	-
Salary loan	129,397,556	129,078,724
Bara Karobar loan	580,920,216	579,488,846
Fori Qarza	-	-
Bullet Zarai Karza	23,486	23,428
Lease	-	-
Gold Loan	207,821,762	69,167,142
Hunermam Khatoon Qarza	360,388,298	308,167,064
House loan	164,988,642	164,819,812
	4,091,915,369	4,081,833,014

		Un-audited March 31, 2024	Audited December 31, 2023
		------(Rupees)-----	
10 OPERATING FIXED ASSETS			
Property and equipment	10.1	142,563,064	150,021,898
Intangible assets	10.2	17,211,057	14,664,791
Right of use asset	10.3	212,606,244	223,046,081
		372,380,365	387,732,770

10.1 PROPERTY AND EQUIPMENT

	March 31, 2024 (Un-audited)							
	COST			DEPRECIATION				
	As at January 01, 2024	Additions / (Disposals)	As at March 31, 2024	As at January 01,2024	Charge for the period / (disposals)	As at March 31, 2024	Book value as at March 31, 2024	Rate of dep %
	----- (Rupees) -----							
Owned								
Leasehold improvements (Building's fixtures)	130,204,692	2,594,100	132,798,792	64,032,721	5,831,812	69,864,533	62,934,259	20%
Office equipment	52,635,086	3,311,058	55,946,144	29,224,854	1,859,481	31,084,335	24,861,809	20%
Furniture and fixture	45,762,953	630,623	46,393,576	27,696,999	1,641,836	29,338,835	17,054,741	20%
Computers	86,130,203	273,890	86,404,093	69,512,435	3,359,495	72,871,930	13,532,163	33%
Vehicles	54,093,709	-	54,093,709	28,337,736	1,575,881	29,913,617	24,180,092	20%
Fixed asset clearing	-	-	-	-	-	-	-	
	368,826,643	6,809,671	375,636,314	218,804,745	14,268,505	233,073,250	142,563,064	

	December 31, 2023 (Audited)							
	COST			DEPRECIATION				
	As at January 01, 2023	Additions / (Disposals)	As at December 31, 2023	As at January 01, 2023	Charge for the year / (disposals)	As at December 31, 2023	Book value as at December 31, 2023	Rate of dep %
	----- (Rupees) -----							
Owned								
Leasehold improvements (Building's fixtures)	113,951,908	16,252,784	130,204,692	41,816,115	22,216,606	64,032,721	66,171,971	20%
Office equipment	40,228,801	12,406,285	52,635,086	21,473,126	7,751,728	29,224,854	23,410,232	20%
Furniture and fixture	34,932,729	10,980,224	45,762,953	21,244,021	6,515,478	27,696,999	18,065,954	20%
		(150,000)			(62,500)			
Computers	76,902,599	9,317,604	86,130,203	53,846,456	15,755,979	69,512,435	16,617,768	33%
		(90,000)			(90,000)			
Vehicles	58,732,984	-	54,093,709	24,097,114	6,959,181	28,337,736	25,755,973	20%
		(4,639,275)			(2,718,559)			
Fixed asset clearing	-	-	-	-	-	-	-	
	324,749,021	48,956,897	368,826,643	162,476,832	59,198,972	218,804,745	150,021,898	
		(4,879,275)			(2,808,559)			

10.2 INTANGIBLE ASSETS

		COST				AMORTISATION		
	As at January 01, 2024	Additions / Transfers	As at March 31, 2024	As at January 01, 2024	Charge for the period	As at March 31, 2024	Book value as at March 31, 2024	Rate of amortzn
----- (Rupees) -----								
Computer software								
March 2024 (Un-audited)	60,595,211	5,072,449	65,667,660	45,930,420	2,526,183	48,456,603	17,211,057	33%
	As at January 01, 2023	Additions / Transfers	As at December 31, 2023	As at January 01, 2023	Charge for the year	As at December 31, 2023	Book value as at December 31, 2023	
December 2023 (Audited)	45,955,747	14,639,464	60,595,211	35,456,245	10,474,175	45,930,420	14,664,791	33%

10.2. This includes intangible assets costing Rs. 39,528,031 (2023: Rs. 49,678,141) that have been fully amortized as at March 31, 2024 but are still in use.

10.3 Right of use of asset

As at March 31,2024 (Un-Audited)			
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
Opening balance	316,333,402	(93,287,321)	223,046,081
Additions during the period	19,647,945	-	19,647,945
Reassessment during the period	-	-	-
Depreciation charge for the period	-	(30,087,782)	(30,087,782)
Derecognized during the period	-	-	-
Closing balance	335,981,347	(123,375,103)	212,606,244
Useful life	3 - 10 years		

As at December 31, 2023 (Audited)			
	Cost	Accumulated Depreciation	Net Book Value
	----- (Rupees) -----		
Opening balance	222,728,454	(56,076,378)	166,652,076
Additions during the year	34,842,747	-	34,842,747
Reassessment during the year	58,762,201	-	58,762,201
Depreciation charge for the year	-	(37,210,943)	(37,210,943)
Derecognized during the period	-	-	-
Closing balance	316,333,402	(93,287,321)	223,046,081
Useful life	3 - 10 years		

	Un-audited March 31, 2024	Audited December 31, 2023
Note	----- (Rupees) -----	

11 OTHER ASSETS

Income / mark-up accrued on Advances and Investments		316,390,672	311,194,637
Advances, deposits, advance rent and other prepayments		60,782,165	46,562,335
Refundable / advance taxation (payments less provision)	11.1	52,702,392	39,766,535
Others		-	4,751,645
		429,875,229	402,275,152

	Note	Un-audited March 31, 2024	Audited December 31, 2023
		------(Rupees)-----	
11.1 Movement in advance tax - net			
Opening Balance		39,766,535	27,476,802
Addition		12,935,857	43,637,415
Provision for taxation		-	(31,347,682)
Closing Balance		<u>52,702,392</u>	<u>39,766,535</u>

12 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2024 (Un-audited)		December 31, 2023 (Audited)	
	Number of Accounts	Amount (Rupees)	Number of Accounts	Amount (Rupees)
Saving deposits	152	78,718	144	280,343
Fixed deposits	481	1,433,124,003	230	914,661,770
Current deposits - mandatory	16,809	13,926,402	16,469	13,977,430
	<u>17,442</u>	<u>1,447,129,123</u>	<u>16,843</u>	<u>928,919,543</u>
12.1 Particulars of deposits by ownership				
Individual depositors	17,414	1,270,128,488	16,836	751,918,908
Institutional depositors - Corporation	28	177,000,635	7	177,000,635
	<u>17,442</u>	<u>1,447,129,123</u>	<u>14,703</u>	<u>928,919,543</u>

12.2 These carry interest rate of 12.79% to 14.75% (2023: 12.79% to 14.75%) per annum on saving deposits and 15.00% - 24.75% (2023: 15.00% to 23.00%) per annum for fixed deposits.

13 BORROWINGS

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

13.1 Details of borrowings from financial institutions

Secured

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

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

	Note	Un-audited March 31, 2024	Audited December 31, 2023
		------(Rupees)-----	
14 OTHER LIABILITIES			
Mark-up / interest / return payable		146,716,507	246,456,507
Accrued expenses		91,055,381	72,584,876
Payable to LOLC Technology Services Limited		262,175,450	244,483,136
Payable to defined benefit plan		29,076,164	30,955,089
Provision for compensated absences		5,095,698	6,126,675
Provision for leave fare assistance		569,633	569,633
Withholding taxes payable		5,710,427	4,640,431
Sales taxes		3,221,472	3,910,823
Advance from customer		14,019,450	11,120,643
Lease obligation		253,192,564	251,940,707
		<u>810,832,746</u>	<u>872,788,520</u>

15 SHARE CAPITAL

15.1 Authorized capital

Un-audited March 31, 2024 (Number of shares)	Audited December 31, 2023 (Number of shares)	Note	Un-audited March 31, 2024 ------(Rupees)-----	Audited December 31, 2023 ------(Rupees)-----
<u>500,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs. 10 each	<u>5,000,000,000</u>	<u>5,000,000,000</u>

15.2 Issued, subscribed and paid-up share capital

<u>322,000,000</u>	<u>322,000,000</u>	Ordinary shares of Rs. 10 each fully paid in cash	15.3 <u>3,220,000,000</u>	<u>3,220,000,000</u>
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15.3 Share capital has been subscribed by the following:

LOLC Asia Holdings (Private) Limited	10	10
LOLC Financial Sector Holdings (Private) Limited	10	10
LOLC Asia (Private) Limited - Parent Company	<u>3,220,000,000</u>	<u>3,220,000,000</u>
	<u>3,220,000,020</u>	<u>3,220,000,020</u>

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

16 Surplus on revaluation of assets - net of deffered tax

Sukuks	283,884	283,884
Related tax effect	<u>(82,326)</u>	<u>(82,326)</u>
	<u>201,558</u>	<u>201,558</u>

Un-audited	Audited
March 31, 2024	December 31, 2023
------(Rupees)-----	

17 MEMORANDUM / OFF BALANCE SHEET ITEMS

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

Un-audited	Un-audited
March 31, 2024	March 31, 2023
------(Rupees)-----	

18 MARK-UP / RETURN / INTEREST EARNED

Interest / mark-up on:		
- Advances	420,609,018	576,590,378
- Investment in Government Securities	9,622,105	11,221,288
- Placement with Financial Institutions	12,091,781	-
- Deposit accounts	48,007,210	26,183,444
- Sukuk	1,616,502	1,746,472
- Income from Early Settlement	2,457	1,315,028
- Staff loan	1,448,615	255,570
	493,397,688	617,312,180

19 MARK-UP / RETURN / INTEREST EXPENSED

- on deposits	57,233,950	91,179,166
- on borrowings	108,008,140	88,104,286
- on lease obligations	11,259,217	1,490,715
	176,501,307	180,774,167

20 OTHER INCOME

Gain on disposal of fixed assets	-	-
Recoveries against written off advances	31,930,301	22,911,309
Moratorium income	4,373,492	5,048,265
Miscellaneous Income	100	2,948,139
	36,303,893	30,907,713

		Un-audited March 31, 2024	Un-audited March 31, 2023
	Note	------(Rupees)-----	
21 ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		231,662,262	196,397,524
Bonus to employees		14,500,000	4,000,000
Contribution to defined contribution plan		4,736,321	3,278,283
Charge for defined benefit obligation		3,000,000	4,500,000
Charge for leave fare assistance		2,687	-
Non-executive directors' allowances and other expenses		-	350,000
Training		1,859,181	674,440
Rent, rates and taxes		13,905,267	13,891,699
Legal and professional charges		3,075,424	4,199,217
Utilities		7,939,009	4,415,100
Communications		15,515,205	11,933,639
System Maintenance (Fusion charges)		17,692,314	23,681,545
Repairs and maintenance		2,827,488	5,342,426
Vehicle running		1,841,241	2,911,865
Insurance		12,217,071	12,367,052
Travel and transportation		6,160,563	6,272,586
Stationery and printing		6,185,854	6,529,373
IT supplies and software		9,640,436	9,000,514
Office supplies		3,841,456	803,588
Fees and subscription		3,804,312	5,525,490
Advertisement and business promotions		3,834,260	6,821,737
Auditors' remuneration	21.1	381,900	50,988
Depreciation	10.1	14,268,506	13,727,853
Depreciation on right-of-use assets		10,439,837	13,397,736
Amortization of intangible assets	10.2	2,526,183	2,113,565
Bank charges		750,000	188,893
Security expense		9,797,458	4,866,993
Kitchen expenses		2,081,643	2,233,605
Entertainment expenses		685,575	1,097,860
Medical staff		4,300	24,388
Archiving		1,411,158	1,084,821
Other expenses		2,258,380	9,960,968
		<u>408,845,291</u>	<u>371,643,748</u>

		Un-audited March 31, 2023	Un-audited March 31, 2022
	Note	------(Rupees)-----	
21.1 Auditors' remuneration			
Audit services			
Audit fee		329,224	43,955
Sales tax		52,676	7,033
Out of pocket expenses		-	-
		<u>381,900</u>	<u>50,988</u>

	Un-audited March 31, 2023	Audited December 31, 2022
	------(Rupees)-----	
22 TAXATION		
For the period		
- current	-	2,598,334
- deferred	-	-
	-	2,598,334
For period		
- current	-	-
- deferred	-	-
	-	-
	-	2,598,334

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

23 NUMBER OF EMPLOYEES

	March 31, 2024 (Un-audited)			December 31, 2023 (Audited)		
	Credit / Sales	Banking / Support	Total	Credit / Sales	Banking / Support	Total
Permanent	377	443	820	375	441	816
Contractual	218	117	335	218	117	335
Total number of employees	595	560	1,155	593	558	1,151

	Un-audited March 31, 2024	Audited December 31, 2023
	----- (Rupees) -----	
24 NUMBER OF BRANCHES		
Branches at the beginning of the year	62	61
Branches opened	1	1
Transfer from Service Centers	-	-
Closed during the year	-	-
Branches at the end of the year	<u>63</u>	<u>62</u>

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	March 31 2024 (Un-audited)			December 31 2023 (Audited)		
	President / Chief Executive Officer	Directors	Executives	President / Chief Executive Officer	Directors	Executives
	----- (Rupees) -----					
Director fees	-	-	-	-	-	-
Managerial remuneration	1,070,055	-	26,530,829	18,520,980	-	101,069,824
Contribution to defined contribution plan	-	-	169,697	5,332,867	-	3,393,944
Medical allowance	54,945	-	282,330	979,020	-	5,646,589
Conveyance	-	-	1,445,011	-	-	5,780,043
Bonus	-	-	1,369,259	1,375,000	-	5,477,034
Charge for defined Benefit plan	-	-	1,177,585	-	-	4,710,339
	<u>1,125,000</u>	<u>-</u>	<u>30,974,711</u>	<u>26,207,867</u>	<u>-</u>	<u>126,077,773</u>
Number of persons at period end	<u>1</u>	<u>9</u>	<u>29</u>	<u>1</u>	<u>9</u>	<u>29</u>

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

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

26 EARNINGS PER SHARE

		Un-audited March 31, 2024	Audited December 31, 2023
26.1 Basic			
Profit after taxation	Rupees	<u>(260,521,440)</u>	<u>6,361,439</u>
Weighted average number of ordinary shares	Number	<u>322,000,000</u>	<u>322,000,000</u>
Earnings per share	Rupee	<u>(0.809)</u>	<u>0.020</u>

26.2 Diluted

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

27 RELATED PARTY TRANSACTIONS

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

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

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

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

Nature of related party transaction	March 31, 2024 (Un-audited)				December 31, 2023 (Audited)			
	As at January 01, 2024	Given / made during the year	Repaid / sale during the year	As at March 31, 2024	As at January 01, 2023	Given / made during the year	Repaid / sale during the year	As at December 31, 2023
(Rupees)								
Advances - staff loans								
Key management personnel	6,072,570	1,194,604	2,488,759	4,778,415	9,955,034	3,583,812	7,466,276	6,072,570

Note	Un-audited March 31, 2024	Audited December 31, 2023
	(Rupees)	
Other payable		
Gratuity & Provident fund	29,076,164	30,955,089
LOLC holding limited	-	-
LOLC Technology Services Limited		
-System cost	262,175,450	209,137,436
-Staff Deployed	-	35,345,700

		Un-audited March 31, 2024	Audited December 31, 2023
	Note	(Rupees)	
Expenses for the period			
Remuneration to key management personnel		30,974,711	126,077,773
Non-executive director's fee / remuneration		-	-
Charge for defined contribution plan		4,736,321	16,908,573
Charge for defined benefit obligation		3,000,000	26,926,772
Repairs and maintenance		2,827,488	-
System Maintenance (Fusion charges)		17,692,314	79,014,040

28 CASH AND CASH EQUIVALENT

Cash and balances with SBP and NBP	6	177,562,189	67,356,877
Balances with other banks / NBFIs / MFBs	7	1,285,296,619	1,215,416,035
		<u>1,462,858,808</u>	<u>1,282,772,912</u>

29 CAPITAL MANAGEMENT

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

29.2 Goals of managing capital

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

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

29.3 Statutory minimum capital requirement and management of capital

29.3.1 As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated June 03, 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at December 31, 2018. As of March 31, 2024, the share capital of the Bank stood at Rs. 3,200.000 million (2022: Rs. 2,308.300 million) and paid up capital of the Bank free of losses is Rs. 2,431 million (2023: Rs. 2,532 million).

32.3.2 At present, the Bank defines capital as shareholders' equity i.e. share capital and reserves. The capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" (15%) required by the Prudential Regulations for Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

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

As at March 31, 2024 the Bank's CAR was approximately 39.03% (2023: 34.17%) of its weighted exposure.

SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS & LIABILITIES

March 31, 2024 (Un-audited)					
	Total	Up to one month	Over one month up to six months (Rupees)	Over six months up to one year	Over one year
Advances - net of provisions	3,624,710,768	-	72,494,215	253,729,754	3,298,486,799
Investments	464,846,445	-	210,931,228	-	253,915,217
Other earning assets	-	-	-	-	-
Total market rate assets	4,089,557,213	-	283,425,443	253,729,754	3,552,402,016
Total assets	4,089,557,213	-	283,425,443	253,729,754	3,552,402,016
Market rate liabilities					
Large time deposits above rupees 100,000	-	-	-	-	-
All other time deposits - (including fixed rate deposits)	1,447,129,123	-	564,380,358	824,863,601	57,885,164
Borrowings	1,982,284,483	-	-	1,982,284,483	-
Other liabilities	810,832,746	-	-	-	810,832,746
Total market rate liabilities	4,240,246,352	-	564,380,358	2,807,148,084	868,717,910
Other non-cost bearing liabilities	-	-	-	-	-
Total liabilities	4,240,246,352	-	564,380,358	2,807,148,084	868,717,910
December 31, 2023 (Audited)					
	Total	Up to one month	Over one month up to six months (Rupees)	Over six months up to one year	Over one year
Advances - net of provisions	4,081,833,015	-	81,636,660	285,728,311	3,714,468,044
Investments	412,266,887	-	187,072,444	-	225,194,443
Other earning assets	-	-	-	-	-
Total market rate assets	4,494,099,902	-	268,709,104	285,728,311	3,939,662,487
Total assets	4,494,099,902	-	268,709,104	285,728,311	3,939,662,487
Market rate liabilities					
Large time deposits above rupees 100,000	9,962,000	4,612,000	3,550,000	1,800,000	-
All other time deposits - (including fixed rate deposits)	918,957,543	-	358,393,442	523,805,800	36,758,301
Borrowings	1,982,284,483	-	-	1,982,284,483	-
Other liabilities	77,032,002	-	-	-	77,032,002
Total market rate liabilities	2,988,236,028	4,612,000	361,943,442	2,507,890,283	113,790,303
Other non-cost bearing liabilities	33,738,536	33,738,536	-	-	-
Total liabilities	3,021,974,564	38,350,536	361,943,442	2,507,890,283	113,790,303

31 Fair value of financial Instruments

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

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

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

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

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

32. GENERAL

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

President / Chief Executive

Chairman

Director

Director