RATING REPORT

Pak Oman Microfinance Bank Limited

REPORT DATE:

April 30, 2021

RATING ANALYST:

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RATING DETAILS				
	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	A-	A-2	A-	A-2
Rating Outlook	Rating Watch - Developing		Rating Watch – Negative	
Rating Date	*April 30, 2021*		*April 30, 2020*	

COMPANY INFORMATION	
Incorporated in 2006	**External auditors:** EY Ford Rhodes & Co., Chartered Accountants
Unlisted Public Limited Company	**Chairman of the Board:** H.H. Juland Jaifar Salim Al Said
Key Shareholders (with stake 5% or more):	**Chief Executive Officer (Acting) :** Mr. Kashif Ahmed Siddiqui
LOLC Private Limited – 50.1%	
Sultanate of Oman (Ministry of Finance) – 33.2%	
Pak Oman Investment Company Limited –16.7%	

APPLICABLE METHODOLOGY(IES)
Methodology: Micro Finance Banks (June 2019) https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Micro%20Finance%20201906.pdf

Pak Oman Microfinance Bank Limited

OVERVIEW OF THE INSTITUTION

Pak Oman Microfinance Bank Limited was incorporated in March 2006 as an unlisted public limited company under Microfinance Institutions Ordinance; 2001. The Bank's principal activity is to provide microfinance services to the poor and underserved.

Profile of Chairman

His Highness Sayyid Juland Jaifar Al Said has over 15 years of experience at the Oman Investment Authority (OIA) (Previously known as State General Reserve Fund), the largest sovereign wealth fund of the Sultanate of Oman in the areas of Private Equity, Real Estate, and Risk Management. He currently heads the Investment Risk & Assurance function at OIA and has played a significant role in the establishment of the Risk and Compliance function at SGRF in 2013, embedding a risk-based approach to all investment decisions and global risk standards to the investment process and management of the sovereign wealth. The royal decree by His Majesty Sultan Haitham Bin Tarik dated June 8th, 2020,

RATING RATIONALE

Incorporated in March 2006, Pak Oman Microfinance Bank Limited (POMBL) is engaged in provision of microfinance services to the poor and underserved segment of the society. The bank currently holds license to operate nationwide. Head office of POMBL is based in Karachi, while the bank also has branches and service centers across all provinces of Pakistan barring Gilgit Baltistan. As at end-Dec 2020, service network of the bank included 31 (2019: 30) branches and 35 (2019: 35) service centers.

No change has been witnessed in the shareholding pattern during the period under review. Lanka Orix Leasing Company (LOLC) continues to maintain majority stake of 50.1% in the organization, while the remaining shareholding is vested with the Sultanate of Oman through Ministry of Finance (33.2%) and Pak Oman Investment Company (16.7%).

LOLC Private Limited: LOLC is a wholly owned subsidiary of LOLC Group Sri Lanka. The registered office of LOLC Private limited is based in Singapore. LOLC Group Sri Lanka is one of the biggest and diversified conglomerates in Sri Lanka having investments in various industries including financial services, insurance, manufacturing, trading, plantation, renewable energy, and leisure. Apart from Pakistan, LOLC Group has presence in Cambodia, Myanmar, Indonesia, the Philippines, Nigeria and Zambia providing financial services.

Board of Directors

Table 1: Board of Directors

Members	Status
H.H. Juland Jaifar Salim Al Said	Chairman
Mr. Ishara Chinthaka Nanayakkara	Deputy Chairman
Mr. Faisal Ali Ibrahim AL Siyabi	Non-Executive
Mr. Ayham Abdul Aziz Abdul Qadar Al Ghassani	Non-Executive
Mr. Wanni Achchige Rohana Kumara	Non-Executive
Mr. Bahauddin Khan	Non-Executive
Mr. Rehman Ghani	Independent Director
Mr. Ali Salman Abbasi	Independent Director
Mr. P.L. Chamika Rasintha Cooray Wijewarnasooriya	Executive Director

The Board of Directors (BoD) at POMBL was reconstituted in December 2020 and the above members are subject to the clearance of Fit and Proper Test from SBP. The BoD comprises 9 members and is chaired by H.H. Juland Jaifar Salim Al Said. A total of four Board meetings were held during 2020. Key discussions during the BoD meetings encompassed update and evaluation of operational performance, future plans for growth and COVID-19 related strategies. Attendance and participation of members was satisfactory.

In order to ensure effective oversight, three board level committees are in place; these include Board stipulated that all sovereign investments be under the ambit of OIA, inclusive of Pak Oman Investment Company Limited ("POICL"). His Highness has served on the board of POICL and some of its subsidiaries since 2017. He has been appointed as Chairman of the Board of Directors of the Company in 2021

Audit Committee (BAC), Board Human Resource and Remuneration Compensation Committee (BHRCC) and Board Risk Management Committee (BRMC). With appointment of new directors, the BAC is yet to be fully reconstituted. The other two Board committees comprise four members each.

Management Profile and Organizational Structure

Significant changes have been observed in the senior leadership team during the period under review. Mr. P.L. Chamika Rasintha Cooray Wijewarnasooriya was appointed as the Acting Chief Executive Officer (CEO) of the bank after replacing the outgoing CEO, Mr. Teizoon Kisat in July 2020. However, after the completion of the six month period allowed by the State Bank of Pakistan (SBP) to Mr. Chamika to serve as the acting CEO, further extension was not granted. Hence, Mr. Kashif Ahmed Siddiqui has been appointed as the acting CEO in 2021, while Mr. Chamika has been assigned the position of Chief Operating Officer (COO). The bank is in the process of appointing a permanent CEO. Addition of Mr. Chamika in the senior management team is viewed positively from the ratings perspective as he has vast experience in the financial services industry especially in the microfinance industry.

Table 2: Management Team

Names	Designation
Mr. Kashif Ahmed Siddiqui	Acting CEO, Chief Financial Officer (CFO) & Company Secretary
Mr. P.L. Chamika Rasintha Cooray Wijewarnasooriya	Chief Operating Officer (COO)
Ms. Aseya Qasim	Head of Marketing & Business Development
Ms. Iffat Hina	Head of Human Resource
Mr. Zeeshan Muhammad Sharif	Head of Compliance
Mr. Yasir Afzal Rajput	Head of Administration
Mr. Waseem Bari	Head Of Internal Audit
Mr. Mumtaz Hadi Naqvi	Head of Risk Management
Mr. Mohamed Faraz Basheer	Head of IT
Mr. Haider Ali Khan	Head of Legal

Several changes have been undertaken in the organizational structure in order to improve efficiency and controls. Risk management function has been segregated from the marketing function. Risk management department reports directly to the BRMC. Moreover, a digitalization department has been created. The management aims to digitalize the operations of the loan processing and payments to streamline operations. At present, all the key positions barring the Head of Digitalization position are filled with qualified and experienced resources. Management plans to fill the Head of Digitalization soon.

Management Committee (MANCOM), Asset and Liability Committee (ALCO), Risk Committee (RC) and Human Resource Committee (HRC) are four committees present at management level.

Distribution Network

POMBL increased its network reach to 66 branches by adding one branch in 2020; the expansion in branches/service centers was minimal due to the COVID-19 led disruption. The bank has gradually developed its distribution network over the years by opening both branches and service centers. The majority of the branches are in Punjab (36 branches) followed by Sindh (19 branches), KPK (6 branches), Baluchistan (4 branches) and one in Azad Kashmir. The lending staff at each branch includes Customer Relationship Officers (CRO), and Verification Officer (VO). CRO and VO report to Branch Manager (BM) who then reports to the Area Manager (AM). With focus on decentralization, Regional Business Heads have also been appointed.

Productivity indicators

With increased focus on market based business (micro enterprise loans), average loan size increased in 2020 vis-à-vis 2019. The number of active loans observed reduction due to management's preference to deal with borrowers with sound repayment capacity, especially during the COVID-19 time. However, increasing the number of borrowers is a key priority of the management going forward. The number of loan officers (LOs) also observed significant increase to ensure aid in recovery efforts and improve profitability at branch level. Going forward, the management's focus is on digitalization, which will aid the employees in keeping track record of the customers' payments and processing loan applications. In other words, productivity of employees is expected to increase.

Table 3: Productivity indicators

	2019	2020
Active Loans (Rs.)	1,981,993,166	2,519,257,627
Branches	65	66
No. of loan officers (LOs)	367	480
No. of active loans	59,703	56,658
Average loan size (Rs.)	33,198	44,464
Active Clients/ LO	163	118
Loan Amount/ LO (Rs.)	5,400,526	5,248,452

Information Technology (IT)

POMBL is using in-house developed core banking application FUSION for bank operations and loan processing while also providing solution for leasing and deposit-based products. In addition to the core banking application, POMBL has launched recovery collection through a mobile application at the field level.

The bank's Disaster Recovery (DR) site is located at third party- CubeXs Weatherly in Karachi and its primary data center is situated at head office, DHA, Karachi. Real time data backups are maintained on six servers and the same is stored on magnetic tapes for offline back-up. The tapes are placed in BRR security vault at each day end.

Going forward, the bank is planning to implement digital loans module to facilitate borrowers in making repayments of installments, and the management also has plans to establish call centers as well.

Internal Audit

The Internal Audit department is headed by Mr. Waseem Bari. He is a seasoned professional with 15 years of Internal Audit and Finance experience. Prior to joining POMBL, Mr. Waseem was associated with the Summit Bank Limited. He is a Certified Chartered Accountant from Association of Chartered Certified Accountants (ACCA). Total staff strength of the Audit department is 9, including the Head of the department.

Scope of the IA department activities is defined by the annual audit plan, which is approved by the Board. The management follows a risk based audit methodology whereby Branches and Service Centers are selected on the basis of their respective NPL ratios, portfolio size and previous audit ratings. The audit observations are classified into three categories: 'Satisfactory', 'Average' and 'Unsatisfactory'.

Financial Analysis

Advances portfolio constitutes largest proportion of the total asset base; proportion of advances in overall asset base is expected to increase going forward

Table 4: Asset Mix

(Rs. in millions)	2019	%	2020	%
Cash and Bank	3.6	0.1%	3.4	0.1%
Balances with other banks/NBFIs/ MFBs	1,197.3	25.8%	1,290.2	29.0%
Investments-net	1,258.5	27.2%	181.3	4.1%
Advances-net	1,902.9	41.1%	2,469.4	55.5%
Operating Fixed Assets	132.5	2.9%	170.1	3.8%
Other Assets	110.7	2.4%	229.3	5.2%
Deferred Tax Assets- net	29.5	0.6%	102.7	2.3%
Total	**4,635.0**		**4,446.3**	

Total assets of the bank decreased by 4% to Rs. 4.4b (2019: Rs. 4.6b) at end-2020, with sizeable decline manifested in the investments. Additional funds generated from redemption of investments were used to facilitate growth in the advances portfolio, which observed considerable increase to Rs. 2.5b (2019: 1.9b). Total asset base was primarily funded through equity and borrowings, as the deposit base was nominal at end-2020. With the management's focus to increase the size of the loan book, advances are expected to constitute a greater proportion of the total asset base going forward. Increase in deposit base is expected to fund the growth in lending portfolio.

Despite disruptions in disbursements due to the onset of COVID-19 pandemic, lending portfolio registered sizeable growth in 2020; however, market share of the bank (in terms of advances) remains on the lower side vis-à-vis peers. In line with the overall industry, asset quality indicators of the bank declined during 2020

With imposition of lockdown due to COVID-19, pace of disbursements slowed down in period from March 2020 to August 2020; however, due to sizeable disbursements in the last quarter, gross loan book of POMBL registered healthy growth of 27.1% in 2020. Total quantum of the gross financing portfolio amounted to approximately Rs. 2.5b (2019: Rs. 2.0b) at end-2020. With increase in gross advances, market share of POMBL was reported higher at 1.1% (2019: 0.9%). However, the market share remains on the lower side vis-à-vis peers.

The product portfolio comprises several products spanning from Livestock, Agricultural Microbusiness to Enterprise Loans catering to both individuals and group customers. Total product suite offered by the bank comprises 11 products as shown in the table below:

Table 5: Product-wise advances

(Rs. in millions)	2019	%	2020	%
Microbusiness loan	563.9	28.5%	294.4	11.7%
Micro Agri Loan	0.7	0.0%	91.6	3.6%
Micro Asset Loan	-	0.0%	1.6	0.1%
Livestock Loan	330.2	16.7%	80.5	3.2%
New Micro Business Loan	364.7	18.4%	0.1	0.0%
Micro Enterprise Loan	449.5	22.7%	1,572.5	62.4%
Micro Enterprise Loan - LSL	173.5	8.8%	-	0.0%
Salary Loan	1.5	0.1%	42.2	1.7%
Bara Karobar Loan	85.0	4.3%	216.0	8.6%
Bullet Zarai Karza	9.4	0.5%	208.9	8.3%
Lease	3.5	0.2%	11.3	0.5%
	1,982.0		**2,519.3**	

During the outgoing year, the management realigned its product wise lending strategy by focusing on micro enterprise loans. As per the management, borrowers of the micro enterprise loans have better repayment capacity in comparison to the borrowers of other products. Moreover, with revision of size limits, management was able to increase average loan size through micro enterprise loans. Resultantly, micro enterprise loans registered almost two fold increase in 2020. Other notable increase was observed in agriculture loan products, namely Bara Karobar Loan and Bullet Zarai Karza, during 2020. Management had hired additional CROs with forte in agricultural lending. Hence, this measure allowed the bank to increase the quantum of agricultural loans. Product wise concentration is present in the portfolio as the micro enterprise loans constituted approximately 62.4% (2019: 22.7%) of total portfolio at end-2020. The portfolio mix is tilted towards EMI loans as the same comprised 92% of total portfolio, while the bullet loans constituted only 8% of the total portfolio.

Table 6: Asset Quality Indicators

(Rs. in millions)	2019	2020
Gross Advances	1,982.0	2,519.3
Specific Provisioning	74.5	45.9
General Provisioning	19.0	24.7
Staff Loan	14.4	20.7
Net Advances	**1,902.9**	**2,469.4**
NPLs	172.4	195.6
NPLs written off	180.5	269.8
Tier 1 Equity	2,365.3	2,187.1
Gross Infection	**8.7%**	**7.8%**
Net Infection	**5.1%**	**6.1%**
Incremental Infection	**7.7%**	**8.6%**
Provisioning Coverage	**54.2%**	**36.1%**
Net NPLs/Tier 1 Equity	**4.1%**	**6.8%**

Akin to the industry, POMBL also experienced notable credit impairment on account of COVID-19 with gross NPLs growing by 13.4% in 2020. At end-Dec 2020, total NPLs amounted to Rs. 195.6m (2019: Rs. 172.4m). Moreover, the bank also booked a write-off to the tune of Rs. 269.8m (2019: Rs. 180.5m) during the same period. With considerable increase in the advances portfolio, gross infection decreased to 7.8% (2019: 8.7%). Net and incremental infection ratios were reported at 6.1% (2019: 5.1%) and 7.8% (2019: 8.7%). However, comfort is drawn from the senior management's stringent focus on the recoveries and measures undertaken to improve lending practices. The bank managed to recover Rs. 29.4m (2019: Rs. 15.6m) against written off advances in 2020. Moreover, quantum of NPLs has decreased in Q1'2021 due to the management efforts, thereby translating to improvement in asset quality indicators during the same period.

In order to provide regulatory relief to borrowers during COVID-19, SBP allowed deferral of principal comportment of installments for one year provided that the borrower will continue to service the mark-up amount. Moreover, the financing facilities of borrowers, who are unable to service the mark-up amount or need deferment exceeding one year, may be rescheduled / restructured upon their request. No loans of the bank were restructured as per this moratorium; however, the bank did grant principal payment deferrals to more than 35,000 customers with outstanding principal base of more than Rs. 1.2b. Total quantum of deferred principal payments amounted to Rs. 580.8m at end-Dec 2020; however, reduction has been observed in the same amount to Rs. 364.0m at end-March 2021. Recovery of this amount is considered important from to maintain asset quality indicators in line with the parameters for the assigned ratings.

Liquidity profile is considered satisfactory in view of adequate liquid assets in relation to outstanding deposits and borrowings

Deposit base of the bank remained stagnant at Rs. 6.7m (2019: Rs. 6.7m) in comparison to the preceding year. Given the availability of funds in the form of equity and low cost borrowings for deployment in advances, the management did not realize the need to focus on raising deposits during 2020. These deposits are entirely raised through individual depositors. The composition of deposits is presented below:

Table 7: Composition of deposits

(Rs. in millions)	2019	%	2020	%
Saving Deposits	0.1	0.9%	0.1	0.9%
Fixed Deposits	0.1	1.8%	0.1	1.8%
Current Deposits	6.5	97.3%	6.5	97.3%
Total Deposits	**6.7**		**6.7**	

Total borrowings acquired by POMBL amounted to Rs. 2.0b (2019: Rs. 2.0b) at end-2020. These borrowings have been acquired from the State Bank of Pakistan (SBP). The credit facility carries interest rate at 6 month KIBOR minus 100 bps and is repayable in June 2024. Management is discussion with various financial institutions to raise further borrowings to facilitate the growth in advances portfolio. However, the deposits are expected to become the major source of liquidity to fund the growth in the advances portfolio. The bank has started mobilizing fixed deposits from the institutional clients during Q1'2021 and plans to launch micro savings accounts going forward.

Liquid assets carried on the balance sheet decreased to Rs. 1.5b (2019: Rs. 2.5b) primarily on account of reduction in investments (T-bills and Term Deposit Receipts). Liquidity generated from redemption of investments was deployed in advances. Resultantly, liquid assets in relation to deposits and borrowings decreased to 74.2% (2019: 123.7%) at end-2020. Nevertheless, overall liquid assets in relation to deposits and borrowings are still considered adequate. Given the projected increase in deposit base and borrowings, maintaining adequate liquidity profile is considered important from the ratings perspective.

Table 8: Liquidity Indicators

(Rs. in millions)	2019	2020
Investments	1,258.5	181.3
Cash and balances with SBP and NBP	3.6	3.4
Balances with other banks and MFBs	1,197.3	1,290.2
Liquid Assets	**2,459.4**	**1,474.9**
Deposits	6.7	6.7
Borrowings	1,982.3	1,982.3
Liquid Assets to Deposits and Borrowing (%)	**123.7%**	**74.2%**
Advances to Deposits (x)	**295.8**	**375.9**
Liquid Assets/Total Assets (%)	**53.1%**	**33.2%**

Decreasing spreads, higher provisions and increase in administrative overheads eroded profitability of the bank in 2020; volumetric growth in advances is expected to support the profitability profile going forward

Overall profitability profile was impacted by declining spreads, higher provisions and sizeable increase in administrative costs. Markup income earned decreased by 4.2% primarily on account of subdued return on advances, term deposit receipts and investment portfolio as indicated in the table below:

Table 9: Breakup of markup income earned

(Rs. in millions)	2019	2020
Income from Advances	565.8	531.9
Income from Investment in Government Securities	33.4	16.8
Income from Amortization of Pakistan Investment Bond	0.2	-
Income from Deposit Accounts	128.2	161.3
Income from Term Deposit Receipts	54.8	38.9
Income from Staff Loan	0.4	0.6
Total	**782.8**	**749.6**

In line with the trend observed across the microfinance industry, spreads of the bank also witnessed considerable decline in 2020 as indicated below:

Table 10: Spreads

	2019	2020
Return on Markup Bearing Assets	24.0%	18.6%
Cost of Funds	12.5%	9.5%
Spreads	11.5%	9.1%

Non-markup income witnessed sizeable increase to Rs. 191.0m (2019: Rs. 116.3m) on the back of higher other income generated from recoveries against written off advances (2020: Rs. 29.4m; 2019: Rs. 15.6m) and fee charged to the borrowers for the deferment of monthly installments under the regulatory relief provided by SBP (2020: Rs. 56.5m; 2019: nil). Increase in non-markup income supported the profitability profile in 2020.

Administrative expenses depicted sizeable increase to Rs. 740.1m (2019: 488.6m) on account of employee and security related expenses. Considerable increase in headcount of employees and deployment of Sri Lankan staff contributed to higher salaries and wages expenses. Increase in administrative expenses coupled with decline in recurring income resulted in lower Operating Self Sufficiency Ratio (2020: 89.8%; 2019: 154.8%). There is room for improvement as recurring income is not sufficient to cover operating expenses. Loss before tax was reported at Rs. 239.0m (2019: Profit of Rs. 52.5m) in 2020. Due to current and broad forward tax losses, recognition of deferred tax effect helped in partially offsetting the losses. Therefore, loss after tax amounted to Rs. 179.6m (2019: Rs. 28.7m). Going forward, higher expected interest income generated due to volumetric growth in advances is expected to support profitability. Considerable improvement has been witnessed in profitability during Q1'FY21.

Table 11: Profit & Loss Statement (Extract)

(Rs. in millions)	2019	2020
Net Interest Income	658.5	561.4
Provisions	225.4	246.9
Fee Income	83.8	89.2
Dividend Income	13.7	13.7
Other Income	18.7	88.0
Administrative Expenses	488.6	740.2
Other Expenses	8.2	4.3
Profit/(Loss) before taxation	52.5	(239.0)
Profit After Tax	28.7	(179.6)

Capitalization indicators are sound and are expected to remain healthy over the ratings horizon

Table 12: Capitalization

(Rs. in millions)	2019	2020
Share Capital	2,308.3	2,308.3
Share Premium	52.0	52.0
Statutory & General Reserves	32.1	32.1
Depositors' Protection Fund	9.0	10.0
Accumulated Profit	(36.1)	(215.3)
Equity	**2,365.2**	**2,187.0**
Capital Adequacy Ratio (CAR)	**82.45%**	**64.95%**

Paid up capital of the bank remained unchanged at Rs. 2.3b (2019: Rs. 2.3b) at end December 2020. Accounting for reserves and retained loss, equity level of the bank was reported at Rs. 2.1b (2019: Rs. 2.3b). At end December 2020, the bank has an accumulated loss of Rs. 215.3m resulting in a decline in the bank's equity by 7.5%. Projected improvement in profitability is expected to aid growth in equity base of the bank going forward. Although Capital Adequacy Ratio (CAR) of the bank decreased to 64.95% (2019: 82.45%), the same remains comfortably above the regulatory requirement of 15%, thereby indicating considerable room for growth in risk weighted assets.

Pak Oman Microfinance Bank Limited Appendix I

FINANCIAL SUMMARY			(amounts in PKR millions)
BALANCE SHEET	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**
Cash and Bank Balances with SBP and NBP	3.8	3.6	3.4
Balances with other Banks and/NBFIs/MFBs	491.4	1,197.3	1,290.2
Lending to Financial Institutions	0.0	0.0	0.0
Total Investments	630.6	1,258.5	181.3
Net Advances	1,208.6	1,902.9	2,469.4
Operating Fixed Assets	52.3	132.5	170.1
Other Assets	48.1	110.7	229.3
Deferred Tax Assets - Net	22.9	29.5	102.7
Total Assets	**2,457.7**	**4,635.0**	**4,446.3**
Total Deposits	6.8	6.7	6.7
Borrowings	-	1,982.3	1,982.3
Subordinated Debt	-	-	-
Other Liabilities	116.4	243.0	194.2
Lease Obligation	-	37.7	76.1
Tier-1 Equity	2,334.5	2,365.3	2,187.1
Net Worth	2,334.5	2,365.3	2,187.1
Paid-Up Capital	2,308	2,308	2,308
INCOME STATEMENT	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**
Net Mark-up Income	439.0	658.5	561.4
Net Provisioning / (Reversal)	89.1	225.4	246.9
Non-Markup Income	69.2	116.3	191.0
Operating Expenses	318.7	488.6	740.2
Profit Before Tax	100.6	52.5	-239.0
Profit after tax	60.2	28.7	-179.6
RATIO ANALYSIS	**31-Dec-18**	**31-Dec-19**	**31-Dec-20**
Gross Infection (%)	8.3%	8.7%	7.8%
Incremental Infection (%)	14.2%	15.5%	12.4%
Provisioning Coverage (%)	46.8%	54.2%	36.1%
Net Infection (%)	5.6%	5.1%	6.1%
Net NPLs to Tier-1 Capital (%)	2.9%	4.1%	6.8%
Capital Adequacy Ratio (%)	143.8%	83.9%	64.3%
Cost of Funds (%)	0.6%	12.5%	9.5%
Markup Spreads (%)	19.9%	11.5%	9.1%
OSS (%)	156.0%	154.8%	89.8%
ROAA (%)	2.5%	0.8%	-4.0%
ROAE (%)	2.6%	1.2%	-7.9%
Liquid Assets to deposits & borrowings (%)	16593.1%	123.7%	74.2%
Added Information- COVID-19 Restructuring as per SBP's notification			
	31-Dec-19	**31-Dec-20**	**31-Mar-21**
Total Rollover Portfolio (Rs. in b)	NA	580.7	363.9
Deferred Portfolio	NA	580.7	363.9
Restructured Portfolio	NA	-	-

Rollover Portfolio to Net Advances (%)	NA	23.5%	11.1%
Current Cash Recovery (%)	NA	NA	NA
Amount Recovered (Rs. in b)	NA	NA	NA
Amount to be Recovered (Rs. in b)	NA	NA	NA
Write off (Rs. in mn)	180.5	269.8	0
Write off to GLP (prior to write-off) (%)	8.3%	9.7%	0
Provisioning to Total Income (%)	17.0%	14.0%	38.1%
Provisioning to Profit After Tax (%)	325.8%	-39.3%	373.3%
Provisioning to Gross Loan Portfolio (%)	4.7%	2.8%	3.2%
Provisioning to Net Advances (%)	4.9%	2.9%	3.3%
Mark-up Accrued (Rs. in mn)	72.2	145.9	183.5
Mark-up Accrued to Total Income (%)	13.2%	28.9%	65.2%
Categorization of NPL Classification (%)			
OAEM	*20*	*39*	*34*
Sub-Standard	*16*	*31*	*15*
Doubtful	*50*	*27*	*42*
Loss	*14*	*2*	*9*
Total NPL (Rs. in m)	172.4	195.6	173.5

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORYDISCLOSURES Appendix III

Name of Rated Entity	Pak Oman Microfinance Bank (POMBL)
Sector	Micro Finance Bank (MFB)
Type of Relationship	Solicited
Purpose of Rating	Entity Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
30-April-21	A-	A-2	Rating Watch - Developing	Maintained
30-April-20	A-	A-2	Rating Watch - Negative	Maintained
25-April-19	A-	A-2	Stable	Reaffirmed
27-Apr-18	A-	A-2	Stable	Reaffirmed
29-Sep-17	A-	A-2	Stable	Upgrade
28-April-17	BBB+	A-3		Rating Watch-Positive
28-April-16	BBB+	A-3	Stable	Reaffirmed
29-April-15	BBB+	A-3	Stable	Reaffirmed
29-April-14	BBB+	A-3	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. . For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Kashif Ahmed Siddiqui	Acting CEO, CFO & Company Secretary	April 21, 2021
Mr. P.L. Chamika Rasintha Cooray Wijewarnasooriya	Chief Operating Officer (COO)	April 21, 2021
Ms. Aseya Qasim	Head of Marketing and Business Development	April 21, 2021