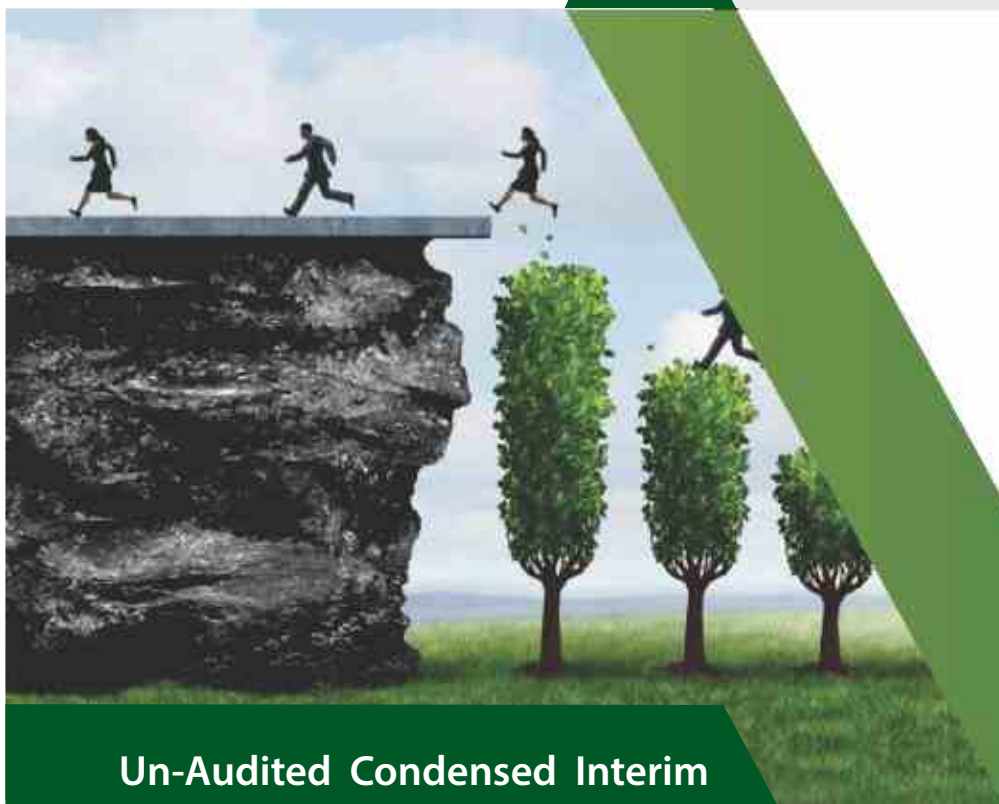




Micro Finance  
**apna** bank  
Limited



# Un-Audited Condensed Interim **FINANCIAL STATEMENTS**

For The Half Year Ended June 30, 2022



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# CORPORATE INFORMATION



## BOARD OF DIRECTORS

Mr. Muhammad Akram Shahid  
Chairman

Mr. Imad Mohammad Tahir  
Director

Mr. Muhammad Asghar  
Director

Mr. Muhammad Saleem Shaikh  
Director

Syed Rahat Ali Shah  
Director

Mr. Abdul Aziz Khan  
Director

## PRESIDENT/ CHIEF EXECUTIVE OFFICER

Mr. Wajahat Malik

## COMPANY SECRETARY

Mr. Rafat Abbas

## CHIEF FINANCIAL OFFICER

Mr. Ali Murtza

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr. Abdul Aziz Khan  
Chairman

Mr. Muhammad Asghar  
Member

Mr. Imad Mohammad Tahir  
Member

Mr. Muhammad Saleem Shaikh  
Member

Syed Rahat Ali Shah  
Member

## EXECUTIVE COMMITTEE

Mr. Muhammad Akram Shahid  
Chairman

Mr. Imad Mohammad Tahir  
Member

Mr. Abdul Aziz Khan  
Member

Mr. Muhammad Asghar  
Member

Mr. Muhammad Saleem Shaikh  
Member

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Imad Mohammad Tahir  
Member

Syed Rahat Ali Shah  
Member

Mr. Muhammad Saleem Shaikh  
Member

## RISK MANAGEMENT & COMPLIANCE COMMITTEE

Mr. Muhammad Asghar  
Chairman

Mr. Muhammad Akram Shahid  
Member

Syed Rahat Ali Shah  
Member

Mr. Abdul Aziz Khan  
Member

## MONITORING COMMITTEE

Mr. Muhammad Asghar  
Chairman

Mr. Muhammad Saleem Shaikh  
Member

Mr. Muhammad Akram Shahid  
Member

Syed Rahat Ali Shah  
Member

## AUDITORS

RSM Awaiz Hyder Liaquat Nauman  
Chartered Accountants

## TAX / LEGAL ADVISOR

Mumtaz Najam Law Chambers  
Advocates & Corporate Consultants Lahore

## BANKERS

Bank Islami Limited  
Sindh Bank Limited  
Faysal Bank limited  
Bank AlHabib Limited  
Bank Al-Falah Limited  
Summit Bank Limited  
Zarai Taraqati Bank Limited  
JS Bank Limited  
Silk Bank Limited  
Allied Bank Limited  
Dubai Islamic Bank Limited  
Soneri Bank Limited  
MCB Bank Limited  
Tameer Microfinance Bank Limited  
FINCA Microfinance Bank Limited  
NRSP Microfinance Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan Limited  
Habib Bank Limited  
The Bank of Punjab Limited  
U Microfinance Bank Limited  
AL Baraka Bank Pakistan Limited  
Mobilink Microfinance Bank Limited

## REGISTERED OFFICE

K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road,  
Gizri Karachi.  
PABX Tel: +92 21 35865352-55  
Fax: +92 21 35865017  
Website: [www.apnabank.com.pk](http://www.apnabank.com.pk)

## HEAD OFFICE

23-A, Sundar Das Road,  
Zaman Park Lahore.  
PABX Tel: +92 42 36306730  
UAN: +92 42 111-771-772  
Website: [www.apnabank.com.pk](http://www.apnabank.com.pk)

## SHARE REGISTRAR

F.D. Registrar Services (SMC-Pvt.) Ltd  
Office No. 1705, 17<sup>th</sup> Floor, Saima Trade  
Tower-A. I.I. Chundrigar Road, Karachi.  
Phone: 021-32271905 & 32271906  
Fax: 021-3261233  
Email: [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com)

*\* The SBP-FPT of newly elected Directors  
are under process with SBP.*

## DIRECTORS' REPORT TO THE MEMBERS



The Directors of the Apna Microfinance Bank Limited (hereinafter referred to as 'the Bank') are pleased to present the Un-audited Condensed Interim Financial Statements of the Bank for the half year ended June 30, 2022.

### Economic Overview

Pakistan's economy remained under severe stress during the first half of 2022. The USD/PKR parity depreciated significantly during the first six months of the current calendar year, while domestic food prices and fuel and energy prices increased sharply. The KSE-100 index was also impacted by the current economic crisis but remained relatively resilient and closed at 41,541 points as of 30 June 2022, as against 44,596 on 31 December 2021.

The geographical uncertainty, arising out of the Russia-Ukraine conflict, has amplified macroeconomic imbalance and global commodity prices have increased substantially. For Pakistan's economy, the main impact will be on Current Account Deficit (CAD) and inflation. These geopolitical tensions along with domestic political conditions can hamper the positive outlook for Pakistan's economy and may also aggravate the macroeconomic imbalances. This led the State Bank of Pakistan to raise the policy rate to 15% as part of monetary tightening which has been underway since September 2021 to tame the rising inflation.

In year 2022, Pakistan is underwater after heavy monsoon rains burst the banks of some of its rivers. The flood has killed and affected many people and caused widespread agriculture devastation. This incident will collapse the economic growth as well as rising the inflation and a near doubling of public spending from the government's target. The unprecedented devastation caused by the floods has affected Farmers, low income communities living in slums. This is precisely the target market of the Bank. Further, this situation threatens not only us but other similar institutions as well going forward and depicts a challenge of large scale repayment constraint/ default effecting the Bank.

### Principal Activity, Developments and Financial Performance

The Bank was incorporated as a public limited bank and its shares are listed on Pakistan Stock Exchange Limited. The Bank's principal business is to provide microfinance banking and related services to the poor and underserved segment of the society with a view to alleviate poverty under the Microfinance Institutions Ordinance, 2001.

The highlights of the financial results for the half year ended June 30, 2022 are as follows:

Particular's	June 30, 2022 Un-audited	December 31, 2021 Audited	% Change
Advances net of provision	10,023,810,141	11,505,706,719	-13%
Deposits and other accounts	22,947,794,608	22,083,717,249	4%

Particular's	June 30, 2022 Un-audited	June 30, 2021 Restated Un-audited	% Change
Mark -up/return/interest earned	1,377,533,215	1,659,269,380	-17%
Mark -up/return/interest expenses	(756,924,623)	(691,048,698)	10%
Administrative expenses	(1,095,362,283)	(991,403,020)	10%
Loss after taxation	(1,407,605,370)	(7,621,045)	18370%

The Bank recorded loss before tax PKR. 1,796.99 million and loss after tax PKR 1,407.605 million in the current period as compared to profit before tax PKR 5.996 million and loss after tax PKR. 7.621 million in comparative period. As a result, the loss per share was recorded at PKR 3.28 for the current reporting period (June: 2021 loss per share PKR. 0.02). The Bank's equity (net of losses) stood at negative (-) PKR. 965.226 million as against the statutory requirement prescribed by State Bank of Pakistan (SBP) while the Capital Adequacy Ratio (CAR) of the Bank also stood at negative.

The Bank has made fresh lending of approx. PKR 2,311.505 million to 11,986 new customers during the current

## DIRECTORS' REPORT TO THE MEMBERS



period. The Bank recorded the additional provision expense of PKR 1,399.303 million against a gross loan portfolio of PKR 11,915.200 million in current period. Whereas, the provision of PKR 46.041 million was recorded against the portfolio of PKR 11,022.237 million in corresponding period. The Bank has recorded provision of PKR. 1,035 million in current period on advances portfolio affected due to COVID 19 (Ref. Note no. 6 of the condensed interim financial statements).

Non-performing loans were PKR. 2,078.019 million on June 30, 2022 as against PKR. 639.732 million on December 31, 2021. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of June 30, 2022 stood at 17.44% as against 5.33% on December 31, 2021. At the period end, the Bank's gross advances to deposits ratio stands at 51.92% as compared to 54.33% on December 31, 2021.

The deposits of the Bank settled at PKR 22,947.794 million whereas with a slight decrease from the year end 2021, advances-net of provision stood at PKR 10,023.810 million. Investments were at PKR. 1,443.853 million.

As at June 30, 2022, the Bank has deferred tax assets (net) of PKR. 1,700.00 million. As at June 30, 2022, the Bank has recognized further deferred tax assets (net) of PKR. 416.518 million mainly due to the effect of heavy losses sustained by the Bank.

The Bank's operating expenses remained well-contained as they increased by 10% compared to the previous period, recorded at PKR. 1,095.362 million during first half of 2022.

### Future Outlook

The bank has incurred loss for the period amounting to PKR. 1,407.605 million and its accumulated loss was stood at PKR.4,297.100 million. The Bank is facing problems in recovery of unsecured non-performing advances which includes non-performing advances of PKR. 2,150.036 million against which provision will be made in a phased manner.

The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management of the Bank, however, developed a multi-faceted plan and is implementing the same to overcome the financial and operational difficulties faced by the Bank. The plan is feasible and its implementation will result in addressing the adverse factors being faced by the Bank. These are discussed below:

- The Sponsors are injecting capital and will inject further capital in the ensuing years. The bank has share deposit money of PKR. 350.39 million (2021: PKR 350.39 million) against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors (with whom negotiations are already in process) subject to approval of State Bank of Pakistan (SBP). Injection of further capital will help address the issue of compliance with MCR and CAR. The sponsors have undertaken to continue their support to the Bank.
- The Bank is putting efforts to recover the non-performing advances and is hopeful that these advances will be recovered substantially. The delay in recovery of non-performing advances is owing to the adverse economic conditions post Covid-19 which are beyond the control of the borrowers. Non-performing advances of PKR. 613 million have been recovered during the previous year and non-performing of PKR. 236 million have been recovered by the Bank during the current period. Recovery of the classified portfolio will result in improvement of the financial position of the Bank in the ensuing years.
- The Bank is converting its advances portfolio from unsecured to secured portfolio. The Bank is utilizing the proceeds of further issue of capital and recovery of non-performing advances to

## DIRECTORS' REPORT TO THE MEMBERS



enhance its secured portfolio by advancing more secured advances to increase its income and profitability.

- The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.

The management believes that the above-mentioned plans / efforts will help the Bank to overcome its financial and operational problems and will result in improvement in the financial position and results of the Bank in ensuing years and is confident that the Bank will be able to continue as a going concern.

The management also realizes the importance of digital banking services amid the COVID-19 pandemic. Over the past years the Bank had established internet banking and mobile banking to increase its outreach and cater for the unbanked population. The first phase of this digitization process has already been completed. The next phase of our digital transformation will include the following after complying with regulatory requirements;

- ☆ Branchless banking services such as “Merchant Portal” and “Mobile Wallets”
- ☆ Issuance of Multiple schemes & Types of payments cards
- ☆ Point of Sale (POS)/ Acquiring Business
- ☆ Digitally quick Customer on boarding

This digitization initiative will not only promote a culture of social distancing but also expand the Bank's outreach while bringing down operational and branch level costs. Our vision is to build a technology powerhouse which caters to the needs of the payments industry and enhances the businesses of the Bank.

The Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.2 to the condensed interim financial statements for the half year ended June 30, 2022, is not in compliance with the requirements of Prudential Regulation for MFB's. However, the sponsors are committed to filling the CAR shortage soon.

### Audit Observations

The external auditors have drawn attention towards Note 1.2 of the condensed interim financial statements for the half year ended June 30, 2022 via an emphasis of matter paragraph. Attention is drawn towards the huge accumulated losses and Non-performing loan figure as a result of which the Bank is MCR and CAR noncompliant. These events and conditions along with other matters set forth in the above-mentioned note indicate a material uncertainty that may cast significant doubt in the Bank's ability to continue as a going concern. Further, realization of deferred tax of Rs. 1,700.00 million also depends on the Bank's ability to continue as a going concern.

The auditors have not modified their opinion with respect to these matters. The management has devised and is implementing a detailed plan of action to overcome the financial and operational difficulties faced by the Bank as discussed in the said note.

### Credit Rating

The long-term rating of the Bank is “BBB+” (Triple B plus) and the short-term rating is “A3” (A Three) with a “Negative” future outlook as determined by The Pakistan Credit Rating Agency Ltd. (PACRA) in their statement issued on April 30, 2022.

### Acknowledgment

We would also like to express our gratitude to the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX) for their continued guidance and

## DIRECTORS' REPORT TO THE MEMBERS



support. We especially offer our sincere appreciation to the management of the State Bank of Pakistan for the co-operation extended to the Bank during this demanding phase. We duly acknowledge that SBP's constant support and enlightened guidelines that provided us with a reason to rethink about the future of this potential organization.

**For and on behalf of Board of Directors,**

**Wajahat Malik**  
**President/CEO**

Date: October 31, 2022  
Lahore

**Syed Rahat Ali Shah**  
**Director**

## ممبران کے لئے ڈائریکٹر رپورٹ

قائم کی ہے۔ تاکہ اس کی رسائی کو بڑھایا جاسکے اور بینک سے محروم آبادی کو پورا کیا جاسکے۔ اس ڈیجیٹلائزیشن کے عمل کا پہلا مرحلہ مکمل ہو چکا ہے۔ ہماری ڈیجیٹل تبدیلی کے اگلے مرحلے میں ریگولیٹری تقاضوں کی تکمیل کے بعد درج ذیل چیزیں شامل ہوں گی۔

☆ براؤنچ لیس بینکنگ خدمات جیسا کہ ”مرچنٹ پوڈل“ اور ”موہائل والٹ“

☆ متعدد سیکس اور ادائیگی کارڈز کی اقسام

☆ پوائنٹ آف سیل (POS) ایکوائزنگ سروس

☆ بورڈنگ پریڈیجیشنل طور پر فوری گاہک

ڈیجیٹلائزیشن کے ان اقدام سے نہ صرف سماجی فاصلے کے کچھ کو فروغ ملے گا، بلکہ آپریشنل اور براؤنچ کی سطح پر اخراجات کم کرتے ہوئے بینک کی رسائی میں توسیع ہوگی۔ ہمارا اولین مقصد ایک ایسا ٹیکنالوجی پاور ہاؤس بنانا ہے جو ادائیگیوں کی صنعت کی ضروریات کو پورا کرے گا اور بینک کے کاروبار کو بڑھائے گا۔

بینک کی کپٹل ایڈیکٹیویٹی ریٹو (CAR)، جیسا کہ 30 جون 2022ء کو ششماہی کے افتتاح کی مالیاتی رپورٹ کے نوٹ نمبر 1.2 میں بیان کی گئی ہے، MFB کے لئے پریڈیجیشنل ریگولیشنز کے تقاضوں کے مطابق نہیں ہے۔ تاہم اسپانسرز جلد ہی CAR کی کمی کو پورا کرنے کے لئے پرعزم ہیں۔

### آڈٹ کے مشاہدے:

ایکسٹرنل آڈیٹرز نے 30 جون 2022ء کو ختم ہونے والی ششماہی کے مالیاتی بیانات کے نوٹ نمبر 1.2 کی طرف توجہ مبذول کروائی ہے۔ جس میں ایفاسز آف میٹر پیہرا گراف کی طرف زور دیا گیا ہے۔ ششماہی کے دوران بڑے نقصانات اور غیر فعال قرض کے اعداد و شمار کی طرف توجہ مبذول کروائی گئی ہے۔ جس کے نتیجے میں بینک MCR اور CAR کی تعمیل نہیں کر رہا ہے۔ مذکورہ بالا نوٹ میں بیان کردہ دیگر معاملات کے ساتھ یہ واقعات اور حالات ایک ایسی غیر یقینی صورت حال کی نشان دہی کرتے ہیں جو بینک کے جاری رہنے کی صلاحیت پر اہم شکوک پیدا کرتے ہیں۔ مزید ڈیفیریڈ ٹیکس جو کہ 1700 ملین ہے، کی وصولی بھی بینک کے جاری رہنے کی صلاحیت پر منحصر ہے۔ آڈیٹرز نے ان معاملات کے حوالے سے اپنی رائے میں کوئی تبدیلی نہیں کی ہے۔ انتظامیہ نے بینک کو درپیش مالی اور آپریشنل مشکلات پر قابو پانے کے لئے ایک تفصیلی لائحہ عمل وضع کیا ہے اور اس پر عمل درآمد کر رہی ہے جیسا کہ مذکورہ نوٹ میں بتایا گیا ہے۔

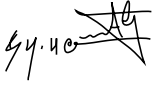
### کریڈٹ ریٹنگ:


پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کے منفی مستقبل کے لائحہ عمل کے تناظر میں بینک کی لاگ ٹرم ریٹنگ ٹریپل بی پلس (BBB+) اور شارٹ ٹرم ریٹنگ اے تھری (A3) مقرر کی ہے۔ (PACRA) نے یہ ریٹنگ اپنی آئینٹ میں 30 اپریل 2022ء کو جاری کی ہے۔

### اعترافات:

ہم اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کو ان کی مستقل رہنمائی اور تعاون کے لئے اظہار تشکر پیش کرتے ہیں۔ ہم خاص طور پر اسٹیٹ بینک آف پاکستان کو خراج تحسین پیش کرتے ہیں۔ جن کا تعاون بینک کے مشکل وقت میں بھی شامل حال ہے۔ ہم یقینی طور پر تسلیم کرتے ہیں کہ اسٹیٹ بینک آف پاکستان کی مسلسل حمایت اور روشن رہنمائی نے ہمیں بینک کے مستقبل کے بارے میں سوچنے کا سبب فراہم کیا۔

### منجانب: بورڈ آف ڈائریکٹرز

  
سیّد راحت علی شاہ  
(ڈائریکٹر)

  
وجاہت ملک  
(صدر ای۔ ای۔ او)  
تاریخ: 31 اکتوبر 2022ء  
لاہور



## ممبران کے لئے ڈائریکٹر رپورٹ

965.226 ملین روپے رہی جبکہ بینک کی کپٹل ایڈیکویسی ریشو (CAR) بھی منفی رہی۔

بینک نے موجودہ ششماہی کے دوران 11,986 ملین روپے سسٹم کو تقریباً 2,311.505 ملین کے نئے قرضے دیئے۔ بینک نے رواں سال مدت میں 11,915.200 PKR ملین کے کریڈٹ پورٹ فولیو پر 1399.303 PKR ملین کی اضافی پروڈن ریکارڈ کی۔ جبکہ گزشتہ برس اسی مدت میں 1399.303 PKR ملین کی اضافی پروڈن ریکارڈ کی۔ جبکہ گزشتہ برس اسی مدت میں 46.041 PKR ملین کی پروڈن ریکارڈ کی جو کہ کوویڈ-19 کی وجہ سے متاثر ہوا تھا (کنٹریڈیٹوری مالی بیانات کا حوالہ نوٹ نمبر-6)۔

1,035 ملین کی پروڈن ایڈوانس پورٹ فولیو پر ریکارڈ کی جو کہ کوویڈ-19 کی وجہ سے متاثر ہوا تھا (کنٹریڈیٹوری مالی بیانات کا حوالہ نوٹ نمبر-6)۔

30 جون 2022ء کو بینک کے غیر فعال قرضے 2,078.019 ملین تھے۔ جبکہ 31 دسمبر 2021ء کو 639.732 ملین تھے۔ 30 جون 2022ء تک بینک کا مجموعی غیر فعال قرضوں کا تناسب (مجموعی غیر فعال قرضے اور مجموعی ایڈوانسز) 17.44% رہا۔ جو 31 دسمبر 2021ء کو 5.33% تھا۔ اس مدت کے اختتام پر بینک کا مجموعی ایڈوانسز نو ڈیپازٹس کا تناسب 51.92 فیصد ہے جو 31 دسمبر 2021ء کو 54.33 فیصد تھا۔

بینک کے ڈیپازٹس 22,947.794 ملین روپے پر بند ہوئے جبکہ سال 2021ء کے اختتام سے معمولی کمی کے ساتھ ایڈوانس نیٹ آف پروڈن PKR 10,023.810 ملین روپے رہا۔ سرمایہ کاری 1,443.853 ملین روپے رہی۔

30 جون 2022ء تک بینک نے 1,700 ملین کے ٹیکس اثاثوں کو مؤخر کر دیا ہے۔ 30 جون 2022ء تک بینک نے مزید 416.518 ملین کے ٹیکس اثاثوں کو مؤخر کیا ہے جو کہ بنیادی طور پر بینک کے جاری بھاری نقصانات کو برداشت کرنے کی وجہ سے ہے۔

بینک نے اپنے آپریٹنگ اخراجات کو برقرار رکھا ہے جس میں گزشتہ مدت کے مقابلے میں 10% اضافہ ہوا۔ 2022ء کی پہلی ششماہی میں 1,095.362 ملین ریکارڈ کیا گیا ہے۔

### مستقبل کا لائحہ عمل:

بینک کا اس ششماہی کا خسارہ 1,407.605 ملین ہے اور اس کا مجموعی خسارہ 4,297.100 ملین ہو گیا ہے۔ بینک کو غیر محفوظ، غیر فعال قرضوں کی وصولی میں مسائل کا سامنا ہے۔ جس میں 2,150.036 ملین کا غیر فعال ایڈوانس شامل ہے جس کے خلاف مرحلہ وار پروڈن کی جانے گی۔

بینک مائیکرو فنانس بینکوں کے لئے پروڈیشنل ریگولیشنز 2014ء کے کم از کم سرمایے کی ضروریات (MCR) اور کپٹل ایڈیکویسی شرح (CAR) کی ضروریات کے مطابق نہیں تھا۔ غیر یقینی واقعات اور حالات کی وجہ سے بینک کے جاری رہنے کی صلاحیت کے بارے میں نمایاں شک پیدا ہو سکتا ہے اور اس وجہ سے بینک کے اپنے اثاثوں کا ادراک کرنے اور کاروبار کے عام دورانیہ میں اپنی ذمہ داریوں کو ادا کرنے کی قابلیت میں کمی آ سکتی ہے۔ تاہم بینک کی نظامیہ نے ایک مختلف پہلوؤں والا منصوبہ تیار کیا ہے اور بینک کو درپیش مالی اور آپریٹنگ مشکلات پر قابو پانے کے لئے اس پر عملدرآمد کر رہا ہے۔ یہ منصوبہ قابل عمل ہے اور اس کے نفاذ سے بینک کو درپیش منفی عوامل سے نمٹنا جاسکتا ہے۔ یہ ذیل میں زیر بحث ہیں:

☆ اسپانسر سرمایہ لگا رہے ہیں اور آنے والے سالوں میں مزید سرمایہ لگائیں گے۔ بینک کی شیئر ڈیپازٹ مئی 350.39 ملین ہے۔ (2021ء: PKR 350.39 ملین) جس کے خلاف مقررہ وقت پر حصص جاری کئے جائیں گے۔ مزید سرمایہ موجودہ اسپانسرز/مکنہ اسپانسرز جن کے ساتھ مذاکرات پہلے ہی جاری ہیں، اسٹیٹ بینک آف پاکستان (SBP) کی منظوری سے مشروط ہے۔ مزید سرمایہ کاری سے MCR اور CAR کی تعمیل کے مسائل کو حل کرنے میں مدد ملے گی۔ اسپانسرز نے بینک کی حمایت جاری رکھنے کا فیصلہ کیا ہے۔

☆ بینک غیر فعال قرضوں کی وصولی کے لئے کوششیں کر رہا ہے اور امید ہے کہ ان قرضوں کو کافی حد تک بحال کر دیا جائے گا۔ غیر فعال قرضوں کی بحالی میں تاخیر کی وجہ کو ردنا وائرس (Covid-19) کے بعد غیر مناسب معاشی حالات ہیں جو قرض لینے والوں کے کنٹرول سے باہر ہے۔ سال کے دوران 613 PKR ملین کے غیر فعال قرضوں کو وصول کیا گیا ہے اور سال کے بعد بینک نے 236 PKR ملین کے غیر فعال قرضوں کو جولائی تک وصول کیا ہے۔ کلاسیفائیڈ پورٹ فولیو کی وصولی کے نتیجے میں آنے والے سالوں میں بینک کے مالی حالات میں بہتری آئے گی۔

☆ بینک اپنے قرضوں کو غیر محفوظ سے محفوظ میں تبدیل کر رہا ہے۔ بینک اپنی آمدنی اور منافع میں اضافے کے لئے مزید محفوظ قرضوں کو بڑھا رہا ہے۔ اس مقصد کے لئے بینک سرمایہ اور غیر فعال قرضوں کی وصولی سے حاصل ہونے والی آمدنی کو استعمال کر رہا ہے۔

☆ بینک کی انتظامیہ، بینک کی آپریٹنگ کارکردگی کو متاثر کئے بغیر اپنے انتظامی اور آپریٹنگ اخراجات کو محدود کرنے کی کوشش کر رہی ہے۔

انتظامیہ کا خیال ہے کہ مذکورہ بالا منصوبوں اور کوششوں سے بینک کو اپنے مالی اور آپریٹنگ مسائل پر قابو پانے میں مدد ملے گی اور اس کے نتیجے میں آنے والے برسوں میں بینک کی مالی حالت اور نتائج میں بہتری آئے گی اور انہیں یقین ہے کہ بینک کو جاری رکھنے میں کامیاب ہو جائیں گے۔

انتظامیہ کو کو ردنا وائرس (Covid-19) وباء کے درمیان ڈیجیٹل بینکنگ کی خدمات کی اہمیت کا احساس ہوا ہے۔ پچھلے سالوں میں بینک میں انٹرنیٹ بینکنگ اور موبائل بینکنگ

## ممبران کے لئے ڈائریکٹرز رپورٹ

”اپنا مائیکروفنانس بینک لمیٹڈ“ کے ڈائریکٹرز انتہائی مسرت کے ساتھ بینک کی 30 جون 2022ء کو ختم ہونے والی مالیاتی مدت کی غیر آڈٹ شدہ مختصر عبوری مالیاتی انفارمیشن پیش کر رہے ہیں۔

### معاشی جائزہ:

پاکستان کی معیشت 2022ء کی پہلی ششماہی کے دوران شدید تناؤ کا شکار رہی۔ سال 2022ء کی پہلی ششماہی میں USD/PKR برابری کے شروعات میں نمایاں کمی ہوئی۔ جبکہ گھریلو خورداک کی قیمتوں اور ایندھن اور توانائی کی قیمتوں میں تیزی سے اضافہ ہوا۔ KSE-100 انڈیکس بھی موجودہ معاشی بحران سے متاثر ہوا، لیکن 31 دسمبر 2021ء کے مقابلے میں نسبتاً یکساں رہا اور 30 جون 2022ء تک 41,541 پوائنٹس پر بند ہوا جو کہ 21 دسمبر 2021ء پر 44,596 پوائنٹس تھا۔

روس، یوکرین تنازعہ سے پیدا ہونے والی جغرافیائی غیر یقینی صورت حال نے معاشی عدم توازن کو بڑھا دیا ہے اور عالمی اجناس کی قیمتوں میں خاطر خواہ اضافہ ہوا ہے۔ پاکستان کی معیشت پر سب سے زیادہ اثر کرنٹ اکاؤنٹ خسارہ (CAD) اور افراط زر سے پڑا ہے۔ ملکی، سیاسی حالات کے ساتھ یہ جغرافیائی سیاسی تناؤ پاکستان کی معیشت کے لئے مثبت نقطہ نظر کو متاثر کر سکتا ہے اور میکرو اکنامک عدم توازن کو بھی بڑھا سکتا ہے۔ اس کے نتیجے میں اسٹیٹ بینک آف پاکستان نے بڑھتی ہوئی افراط زر پر قابو پانے کے لئے ستمبر 2021ء سے جاری مانیٹری سختی کے حصے کے طور پر پالیسی کی شرح کو 15% فیصد تک بڑھا رہا ہے۔

سال 2022ء میں مومن سون کی شدید بارشوں کے بعد پاکستان کے کچھ دریاؤں کے بند ٹوٹنے کے بعد پاکستان پانی کے اندر ڈوب گیا تھا۔ سیلاب نے بہت سے لوگوں کو ہلاک اور متاثر کیا ہے اور بڑے پیمانے پر زراعت کی تباہی کا سبب بنا ہے۔ یہ واقعہ معاشی ترقی کو تباہ کر دے گا اور ساتھ ہی مہنگائی میں اضافہ اور حکومت کے ہدف سے عوامی اخراجات تقریباً دو گنا کر دے گا۔ سیلاب کی وجہ سے ہونے والی غیر معمولی تباہی نے کسانوں، کچی آبادی میں رہنے والے کم آمدنی والے طبقے کو متاثر کیا ہے۔ یہ کم آمدنی والا طبقہ بینک کا ہدف ہے۔ اس کے علاوہ یہ صورت حال نہ صرف ہمیں بلکہ دیگر ہماری طرح کے اداروں کے ساتھ ساتھ آگے بڑھنے کے لئے بھی خطرہ ہے اور بینک پر بڑے پیمانے پر ادائیگی کی رکاوٹ / ڈیفالٹ کے چیلنج کو ظاہر کرتی ہے۔

بینکنگ انڈسٹری کو مستقبل قریب میں غیر فعال قرضوں کی لہر کے خطرے کا بھی سامنا کرنا پڑے گا۔ کیونکہ قدرتی آفت نے پاکستان کے مالیاتی بنیادی اصولوں کو کمزور کر دیا ہے۔

### پرنسپل سرگرمی، ترقی اور مالی کارکردگی:

بینک ایک پبلک لمیٹڈ بینک کے طور پر بنا اور اس کے حصص پاکستان اسٹاک ایکسچینج پر درج ہیں۔ بینک کا اہم کاروبار مائیکروفنانس انشٹیٹیوشنز آرڈیننس 2001ء کے تحت غربت کو کم کرنے کے نظریے سے معاشرے کے غریب اور پسماندہ طبقے کو اور مائیکروفنانس سے متعلق خدمات مہیا کرتا ہے۔

ششماہی 30 جون 2022ء کے دوران بینک کی مالیاتی کارکردگی مندرجہ ذیل ہے:

کوائف	30 جون 2022ء ان آؤٹ پاکستانی روپے	31 دسمبر 2021ء آؤٹ پاکستانی روپے	% تبدیلی
فراہم کیا گیا کل ایڈوانس (پروڈن کے بعد)	10,023,810,141	11,505,706,719	-13%
ڈپازٹس اور دیگر اکاؤنٹس	22,947,794,608	22,083,717,249	4%
کوائف	30 جون 2022ء ان آؤٹ پاکستانی روپے	30 جون 2021ء ان آؤٹ پاکستانی روپے	% تبدیلی
مارک اپ آمدنی	1,377,533,215	1,659,269,380	-17%
مارک اپ خرچ	(756,924,623)	(691,048,698)	10%
انتظامی اخراجات	(1,095,362,283)	(991,403,020)	10%
منافع / (نقصان) بعد از ٹیکس ادائیگی	(1,407,605,370)	(7,621,045)	18370%

بینک نے قبل از ٹیکس 1,796.99 ملین کا نقصان اور بعد از ٹیکس 1,407.605 ملین کا نقصان ظاہر کیا۔ جبکہ گزشتہ برس اسی مدت میں قبل از ٹیکس 1,796.99 ملین منافع اور نقصان بعد از ٹیکس 7.621 ملین تھا۔ نتیجتاً موجودہ رپورٹنگ کی مدت کے لئے فی شیئر نقصان 3.28 PKR ریکارڈ کیا گیا تھا۔ (جون: 2021ء فی شیئر نقصان 0.02 PKR) بینک کی ایکویٹی نقصان کے بعد اسٹیٹ بینک آف پاکستان (ایس بی پی) کی جانب سے مقرر کردہ قانونی ضرورت کے مقابلے میں منفی (-) PKR

# FINANCIAL STATEMENTS

APNA MICRO FINANCE BANK LIMITED

# INDEPENDENT AUDITOR'S REVIEW REPORT



## TO THE MEMBERS OF APNA MICROFINANCE BANK LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Apna Microfinance Bank Limited (the Bank) as at June 30, 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and selected explanatory notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matters

We draw attention to Note 1.2 to the condensed interim financial statements which states that the Bank has incurred loss for the period amounting to Rs. 1,407.61 million (2021: Rs. 7.62 million) and as at the period end, its accumulated loss was Rs. 4,297.10 million (December 31, 2021: Rs. 2,889.50 million). The Bank is facing problems in recovery of unsecured non performing advances which include non-performing advances against which provision is being made in a phased manner as explained in Note 6.2.3. These events and conditions, along with other matters as set forth in Note 1.2, indicate a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Realization of deferred tax asset of Rs. 1,700.00 million (December 31, 2021: Rs. 1,283.48 million) also depends on the Bank's ability to continue as a going concern. Our conclusion is not modified with respect to these matters.

### Other Matter

The condensed interim financial statements of the Bank for the period of six month ended June 30, 2021 were reviewed by another firm of chartered accountants who have expressed a qualified conclusion in their report dated August 30, 2021.

The engagement partner on the review resulting in this independent auditor's review report is Syed Naveed Abbas.

RSM AVAIS HYDER LIAQUAT NAUMAN  
CHARTERED ACCOUNTANTS

Place: Lahore

Date: October 31, 2022

UDIN: RR202210239FO69PSdVz

In case of any discrepancy on the Bank's website and the published material, the auditors shall only be responsible in respect of the information contained in the hard copies of the Reviewed financial statements available at the Bank's registered office.

APNA MICROFINANCE BANK LIMITED  
CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2022



	Note	June 30, 2022 Rupees Un-audited	December 31, 2021 Rupees Audited
<b>ASSETS</b>			
Cash and Balances with SBP and NBP	3	2,468,143,319	1,586,619,423
Balances With Other Banks/NBFIs/MFBs	4	3,713,106,947	4,284,767,144
Investments - Net Of Provisions	5	1,443,853,504	1,259,859,259
Advances - Net Of Provisions	6	10,023,810,141	11,505,706,719
Operating Fixed Assets	7	957,449,992	976,219,982
Right of use assets		608,510,668	699,454,614
Other Assets		2,402,499,753	2,180,609,481
Deferred Tax Asset	8	1,700,000,000	1,283,481,934
<b>Total Assets</b>		<b>23,317,374,324</b>	<b>23,776,718,556</b>
<b>LIABILITIES</b>			
Deposits and other accounts		22,947,794,608	22,083,717,249
Borrowings		-	472,722
Lease liabilities		674,326,375	766,027,453
Other Liabilities		660,480,105	484,122,526
<b>Total Liabilities</b>		<b>24,282,601,088</b>	<b>23,334,339,950</b>
<b>NET ASSETS</b>		<b>(965,226,764)</b>	<b>442,378,606</b>
<b>REPRESENTED BY:</b>			
Share Capital		4,289,849,620	4,289,849,620
Capital Reserve			
Discount On Issue Of Shares		(1,335,963,831)	(1,335,963,831)
Share Deposit Money		350,390,276	350,390,276
Statutory Reserve		22,078,496	22,078,496
Depositors' Protection Fund		5,519,624	5,519,624
Revenue Reserve			
Accumulated Loss		(4,297,100,949)	(2,889,495,579)
<b>Total Capital</b>		<b>(965,226,764)</b>	<b>442,378,606</b>

**MEMORANDUM / OFF- BALANCE SHEET ITEMS 9**

The annexed notes form an integral part of these condensed interim financial statements.

President / CEO

Chief Financial Officer

Chairman

Director

Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

## FOR THE HALF YEAR ENDED JUNE 30, 2022



	Note	Un-audited			
		Six month period ended June 30,		Three month period ended June 30,	
		2022	2021	2022	2021
		Rupees	Rupees	Rupees	Rupees
		*(Restated)		*(Restated)	
Mark-up / Return / Interest Earned	10	1,377,533,215	1,659,269,380	586,890,871	811,285,297
Mark-up / Return / Interest Expensed		(756,924,623)	(691,048,698)	(382,934,887)	(349,239,426)
Net Mark-up / Return / Interest Income		620,608,592	968,220,682	203,955,984	462,045,871
Provision against non-performing loans and advances	6	(1,399,303,747)	(46,041,581)	(906,181,498)	(14,570,343)
Recovery of bad debts		30,356	12,459,131	26,566	12,459,131
		(1,399,273,391)	(33,582,450)	(906,154,932)	(2,111,212)
Net Mark-up / Interest (Expense)/Income after provisions		(778,664,799)	934,638,232	(702,198,948)	459,934,659
NON MARK-UP / NON INTEREST INCOME					
Fee, commission and brokerage income		56,826,709	41,478,359	28,792,908	19,491,702
Other Income		20,200,628	21,253,371	10,487,173	10,752,400
Total non mark-up / non interest income		77,027,337	62,731,730	39,280,081	30,244,102
		(701,637,462)	997,369,962	(662,918,867)	490,178,761
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses		(1,095,362,283)	(991,403,020)	(600,689,807)	(538,957,699)
(Loss)/profit for the period before taxation		(1,796,999,745)	5,966,942	(1,263,608,674)	(48,778,938)
Provision for taxation					
- Current		(27,123,691)	(25,511,216)	(16,890,239)	(12,461,655)
- Deferred	8	416,518,066	11,923,229	251,389,823	4,979,389
		389,394,375	(13,587,987)	234,499,584	(7,482,266)
(Loss) for the period		(1,407,605,370)	(7,621,045)	(1,029,109,090)	(56,261,204)
Accumulated loss brought forward		(2,889,495,579)	(958,524,235)	(3,267,991,859)	(909,884,076)
Total Accumulated (Loss)		(4,297,100,949)	(966,145,280)	(4,297,100,949)	(966,145,280)
APPROPRIATIONS OF PROFIT:					
Transfer to:					
Statutory reserve		-	-	-	-
Contribution to Depositors' Protection Fund		-	-	-	-
		-	-	-	-
Accumulated loss carried forward		(4,297,100,949)	(966,145,280)	(4,297,100,949)	(966,145,280)
(Loss) per share - Basic and diluted		(3.28)	(0.02)	(2.40)	(0.16)

The annexed notes form an integral part of these condensed interim financial statements.

\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to Annual Audited Financial Statements(AAFS)).

President / CEO

Chief Financial Officer

Chairman

Director

Director

# CONDENSED INTERIM STATEMENT OF **COMPREHENSIVE INCOME** FOR THE HALF YEAR ENDED JUNE 30, 2022



Note	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2022	2021	2022	2021
	Rupees	Rupees	Rupees	Rupees
		*(Restated)		*(Restated)
(Loss) for the period	(1,407,605,370)	(7,621,045)	(1,029,109,090)	(56,261,204)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the period	(1,407,605,370)	(7,621,045)	(1,029,109,090)	(56,261,204)

The annexed notes form an integral part of these condensed interim financial statements.

\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to AAFS).

President / CEO

Chief Financial Officer

Chairman

Director

Director

APNA MICROFINANCE BANK LIMITED  
CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED JUNE 30, 2022



Note	Un-audited	
	Six month period ended June 30,	
	2022 Rupees	2021 Rupees *(Restated)
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit for the period before taxation	(1,796,999,745)	5,966,942
Adjustments for non-cash charges		
Depreciation of operating fixed assets	33,090,459	33,500,887
Depreciation on right of use assets	90,943,946	95,449,998
Amortization of intangible assets	2,839,900	2,145,822
Amortization of deferred grants	-	(62,046)
Provision against non-performing advances	1,399,303,747	46,041,581
Gain on disposal of operating fixed assets	-	(710,000)
	1,526,178,052	176,366,242
Operating cash flow before working capital changes	(270,821,693)	182,333,184
Changes in working capital		
(Increase) / Decrease in operating assets		
Advances	82,592,831	(517,663,907)
Other assets	(221,364,432)	(303,656,905)
	(138,771,601)	(821,320,812)
Increase / (Decrease) in operating liabilities		
Deposits	864,077,359	(3,994,338,552)
Other liabilities	176,357,579	(32,671,338)
	1,040,434,938	(4,027,009,890)
Income tax paid	(27,649,531)	(75,638,214)
Net cash flow from operating activities	603,192,113	(4,741,635,732)
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments/(divestment) in held to maturity securities	(183,994,245)	381,249,432
Investments in operating fixed assets	(17,160,369)	(40,107,197)
Repayment of lease liabilities	(91,701,078)	(83,420,609)
Proceeds from disposal of operating fixed assets	-	710,000
Net cash flow from investing activities	(292,855,692)	258,431,626
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share deposit money received	-	150,000,000
Re-payment of demand finance	(472,722)	(1,758,007)
Net cash flow from financing activities	(472,722)	148,241,993
(Decrease)/increase in cash and cash equivalents during the year (A + B + C)	309,863,699	(4,334,962,113)
Cash and cash equivalents at the beginning of the year	5,871,386,567	11,899,769,788
Cash and cash equivalents at the end of the year	6,181,250,266	7,564,807,675

The annexed notes form an integral part of these condensed interim financial statements.

\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to AAFS).

President / CEO

Chief Financial Officer

Chairman

Director

Director





# APNA MICROFINANCE BANK LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED JUNE 30, 2022

Balance as at January 01, 2021 - as previously reported  
Effect of correction error (Refer Note 15.4 to AAFS)  
**Balance as at January 01, 2021 - restated**

Total comprehensive loss for the period - restated  
Profit for the period  
Other comprehensive income

### Transactions with owners:

Share deposit money received during the period  
**Balance as at June 30, 2021 - restated**

Total comprehensive loss for the period  
Loss for the period  
Other comprehensive income

### Transactions with owners:

Share deposit money received during the period  
Shares issued during the period

### Balance as at December 31, 2021 - audited

Total comprehensive loss for the period  
Loss for the period  
Other comprehensive income

### Balance as at June 30, 2022

The annexed notes form an integral part of these condensed interim financial statements.

President / CEO

Chief Financial Officer

Chairman

Director

Director

Share Capital	Capital Reserves				Revenue Reserve	Total
	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund		

3,439,849,620	(1,335,963,831)	1,046,215,185	30,080,706	75,201,177	(928,515,946)	2,259,185,911
-	-	-	(8,002,210)	(2,000,553)	(30,008,289)	(40,011,052)
3,439,849,620	(1,335,963,831)	1,046,215,185	22,078,496	5,519,624	(958,524,235)	2,219,174,859
-	-	-	-	-	(7,621,045)	(7,621,045)
-	-	-	-	-	-	-
-	-	-	-	-	(7,621,045)	(7,621,045)
-	-	-	-	-	-	-
-	-	-	-	-	(1,923,350,299)	(1,923,350,299)
-	-	-	-	-	(1,923,350,299)	(1,923,350,299)
-	-	-	-	-	-	-
850,000,000	-	4,175,091	-	-	-	4,175,091
850,000,000	-	(850,000,000)	-	-	-	-
850,000,000	-	(845,824,909)	-	-	-	4,175,091
4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(2,889,495,579)	442,378,606
-	-	-	-	-	(1,407,605,370)	(1,407,605,370)
-	-	-	-	-	-	-
-	-	-	-	-	(1,407,605,370)	(1,407,605,370)
-	-	-	-	-	-	-
4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(4,297,100,949)	(965,226,764)



## 1 STATUS AND NATURE OF BUSINESS

1.1 Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Company under the repealed Companies Ordinance, 1984 updated by 'Companies Act, 2017' (the Companies Act). The Bank was granted certificate of commencement of business on December 28, 2004 and started its operations on January 01, 2005. Its shares are listed on Pakistan Stock Exchange Limited. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank has been operating at national level in Pakistan. The Bank has 118 business locations comprising of 116 branches and 2 service centers (2020: 121 business locations comprising of 116 branches and 5 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the Province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab.

1.2 The Bank has incurred loss for the period amounting to Rs. 1,407.61 million (June 30, 2021: Rs. 7.62 million) and as at period end, its accumulated loss was Rs. 4,297.10 million (December 31, 2021: Rs. 2,889.50 million). The Bank is facing problems in recovery of unsecured non performing advances which includes non-performing advances of Rs. 2,150.04 million (December 31, 2021: Rs. 3,459.18 million) against which provision will be made in a phased manner (Refer Note 6.2). The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management of the Bank, however, developed a multi-faceted plan and is implementing the same to overcome the financial and operational difficulties faced by the Bank. The plan is feasible and its implementation will result in addressing the adverse factors being faced by the Bank in due course. These are discussed below:

- a. The Sponsors are injecting capital and will inject further capital in the ensuing years. The bank has issued right shares of Rs. 850 million during the last year and has share deposit money of Rs. 350.39 million (December 31, 2021: Rs. 350.39 million) against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors (with whom negotiations are already in process) subject to approval of State Bank of Pakistan (SBP). Injection of further capital will help address the issue of compliance with MCR and CAR. The sponsors have undertaken to continue their support to the Bank.
- b. The Bank is putting efforts to recover the non-performing advances and is hopeful that these advances will be recovered substantially. The delay in recovery of non-performing advances is owing to the adverse economic conditions post Covid-19 which are beyond the control of the borrowers. Non-performing advances of Rs. 613 million have been recovered during the last year and non-performing advances of Rs. 236 million have been recovered by the Bank during the current period. Recovery of the classified portfolio will result in improvement of the financial position of the Bank in the future.
- c. The Bank is converting its advances portfolio from unsecured to secured portfolio. The Bank is utilising the proceeds of further issue of capital and recovery of non-performing advances to enhance its secured portfolio by advancing more secured advances to increase its income and profitability.
- d. The Bank is maintaining adequate liquidity to ensure uninterrupted services to deposit holders and will take measures to enhance deposits which will be utilized in secured advances to increase its revenue and profitability.
- e. The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.



The management believes that the above mentioned plans / efforts will help the Bank to overcome its financial and operational problems and will result in improvement in the financial position and results of the Bank in ensuing years and is confident that the Bank will be able to continue as a going concern.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 2021.

### **2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

2.1.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- the local laws which comprise of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions and the directives issued under these local laws by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

2.1.2 Wherever the requirements of the local laws and circulars and directives issued under these local laws differ with the requirements of the standard, the requirements of the local laws and circulars and directives issued under these local laws take precedence.

These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with the annual audited financial statements of the Bank for the year ended December 31, 2021.

### **2.2 Basic of measurement**

These condensed interim financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

### **2.3 FUNCTIONAL AND PRESENTATION CURRENCY**

These condensed interim financial statements are presented in Pakistani Rupees which is the Bank's functional and presentation currency. All figures have been rounded to the nearest Rupee, unless otherwise stated.

### **2.4 Standards, interpretations and amendments effective in current period**

- 2.4.1 There are certain amendments to standards that became effective during the period and are mandatory for accounting periods of the Bank beginning on or after January 01, 2022 but are considered not to be relevant to the Bank's operations and are, therefore, not disclosed in these condensed interim financial statements.
- 2.4.2 There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Bank's operations, therefore, not disclosed in these condensed interim financial statements.
- 2.4.3 The State Bank of Pakistan (SBP), vide BPRD circular no. 3, dated July 05, 2022, deferred the applicability of IFRS-9 'Financial Instrument' till annual periods beginning on or after January 01, 2024. Previously the application of IAS 39 'Financial Instrument Recognition and Measurement' and IAS 40 'Investment Property' were also deferred by SBP. According to the notification of SECP issued vide SRO 411 (1)/2008

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## FOR THE HALF YEAR ENDED JUNE 30, 2022

dated April 28, 2008, IFRS 7, Financial Instrument: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not have considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issues by the SBP.

### 2.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 2021.

### 2.6 FINANCIAL RISK MANAGEMENT

Financial risk management policies and procedures are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended December 31, 2021.

	Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
<b>3 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand - local currency		542,435,091	623,895,818
Balance with State Bank of Pakistan (SBP)	3.1	781,214,285	701,257,484
Balance with National Bank of Pakistan (NBP)in:			
- Current Account	3.1	1,112,284,868	216,031,224
- Deposit Account	3.2	32,209,075	45,434,897
		<b>2,468,143,319</b>	<b>1,586,619,423</b>

3.1 These represent balances maintained in current account with the SBP and NBP to meet the requirements of maintaining a minimum balance equivalent to not less than 5% of the Bank's time and demand liabilities, with tenure of less than 1 year, in accordance with Regulation R-3 of the Prudential Regulations for Microfinance Banks issued by the SBP.

3.2 This carries mark-up at the rate of 12.25% per annum (December 31, 2021: 7.25% per annum).

	Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
<b>4 BALANCES WITH OTHER BANKS/NBFIs/MFBs</b>			
In Pakistan			
- In current accounts		16,967,947	37,016,276
- In deposit accounts	4.1	3,196,139,000	3,847,750,868
- Certificates of deposits	4.2	500,000,000	400,000,000
		<b>3,713,106,947</b>	<b>4,284,767,144</b>

4.1 These carry mark-up rates ranging from 12.25% to 17% per annum (December 31, 2021: 7.25% to 11.50% per annum).

# SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

## FOR THE HALF YEAR ENDED JUNE 30, 2022



- 4.2 These represent placement with different financial institutions carrying mark-up ranging from 7.90% to 16.75 % per annum (December 31, 2021: 7.90% to 11.75% per annum). Their maturity ranges from three months to one year from the date of placement.

	Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
<b>5 INVESTMENTS</b>			
<b>Federal Govt. Securities:</b>			
-Market Treasury Bills - (Held to maturity)	5.1	1,343,933,504	1,159,939,259
Other			
Term Finance Certificate (TFC's) - (Held to maturity)	5.2	99,920,000	99,920,000
		<b>1,443,853,504</b>	<b>1,259,859,259</b>

- 5.1 This represents T-Bills issued for periods of three to six months. These carry yields ranging from 10.56% to 15.15% per annum (December 31, 2021: 7.38% to 10.33% per annum). These securities have an aggregate face value of Rs. 1,370 million. (December 31, 2021: Rs. 1,170 million).

- 5.2 This represents investment in 20,000 units in TFC's issued by Silk Bank Limited. The investment will mature on August 10, 2025. It carries mark-up at the rate of 6 months KIBOR plus 1.85% per annum.

## 6 ADVANCES - NET OF PROVISIONS

	Note	June 30, 2022 - Unaudited		December 31, 2021 - Audited	
		No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
Micro credits					
Secured			6,031,403,294		5,797,887,370
Unsecured			5,883,797,381		6,199,906,136
	6.1	113,103	11,915,200,675	118,474	11,997,793,506
Less: Provision held:					
- Specific	6.2.1	25,803	1,723,831,786	9,867	324,528,039
- General			167,558,748		167,558,748
	6.2.2		1,891,390,534		492,086,787
Advances - Net of provisions			<b>10,023,810,141</b>		<b>11,505,706,719</b>

- 6.1 Advances are secured by personal guarantees and advances amounting to Rs. 3,418.485 million (December 31, 2021: Rs. 3,059.47 million) are further secured against gold.

- 6.2 Particulars of non-performing advances

	Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
Specific non-performing advances	6.2.1	2,078,019,553	639,732,919
Other non-performing advances	6.2.3	2,150,036,464	3,459,183,047
		<b>4,228,056,017</b>	<b>4,098,915,966</b>

- 6.2.1 Specific non-performing advances

Category of Classification	June 30, 2022 - Unaudited			December 31, 2021 - Audited		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
OAEM	122,060,279	-	-	167,846,037	-	-
Sub-standard	102,679,669	25,442,484	25,442,484	82,276,228	20,488,184	20,488,184
Doubtful	211,400,060	102,557,574	102,557,574	167,872,331	83,526,401	83,526,401
Loss	1,641,879,545	1,595,831,728	1,595,831,728	221,738,323	220,513,454	220,513,454
	<b>2,078,019,553</b>	<b>1,723,831,786</b>	<b>1,723,831,786</b>	<b>639,732,919</b>	<b>324,528,039</b>	<b>324,528,039</b>



## 6.2.2 Particulars of provision against non-performing advances

	June 30, 2022 - Unaudited			December 31, 2021 - Audited		
	Specific	General	Total	Specific	General	Total
	Rupees			Rupees		
Opening balance	324,528,039	167,558,748	492,086,787	217,095,021	167,558,748	384,653,769
Charge for the year	1,399,303,747	-	1,399,303,747	107,433,018	-	107,433,018
Closing balance	1,723,831,786	167,558,748	1,891,390,534	324,528,039	167,558,748	492,086,787

- 6.2.3 These advances have been classified as non performing advances against which provision is being made in a phased manner as per regulatory instructions. These advances became overdue mainly owing to the adverse economic conditions since outbreak of Covid 19. Non performing advances of Rs. 236 million have been recovered during the period.

## 7 OPERATING FIXED ASSETS

Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
Property and equipment	771,685,360	782,512,208
Intangible assets	167,558,308	169,968,839
Advances to suppliers / contractors	18,206,324	23,738,935
	<b>957,449,992</b>	<b>976,219,982</b>

## 7.1 Acquisition of operating assets - At cost

	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
Leasehold improvements	9,578,529	47,949,567
Furniture and fixtures	970,908	4,434,828
Electrical and office equipment	4,202,041	10,150,737
Computer hardware and peripheral	1,979,521	16,114,670
Motor vehicles	-	8,000,645
Intangible assets	429,370	48,228,001

## 7.2 Disposal of operating assets - At cost

Motor vehicles	-	(25,799,209)
----------------	---	--------------

## 8 DEFERRED TAX ASSET

Note	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
Opening balance	1,283,481,934	546,094,039
Recognized in profit and loss account	416,518,066	737,387,895
Closing balance	<b>1,700,000,000</b>	<b>1,283,481,934</b>

- 8.1 As a matter of prudence, the management has recognized deferred tax asset of Rs. 1,700 million out of total deferred tax asset of Rs. 1,849 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of:

	Un-audited June 30, 2022 Rupees	Audited December 31, 2021 Rupees
Taxable temporary differences in respect of; Accelerated tax depreciation	(68,293,711)	(64,495,868)
Deductible temporary differences in respect of; Leases liabilities	19,086,555	19,306,123
Provision against advances	548,503,255	143,104,100
Carry forwardable tax losses	1,213,220,374	1,076,112,937
Minimum tax credits	136,578,333	109,454,642
	<b>1,849,094,806</b>	<b>1,283,481,934</b>

## 9 MEMORANDUM / OFF- BALANCE SHEET ITEMS

There are no significant changes in the contingencies and commitments as reported in the annual audited financial statements of the Bank for the year ended December 31, 2021.

## 10 MARK-UP / RETURN / INTEREST EARNED

	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2022	2021	2022	2021
	Rupees	Rupees	Rupees	Rupees
Mark up on loans and advances	1,171,453,576	1,383,856,469	476,099,735	709,292,139
Mark up on deposit accounts	144,785,029	230,456,978	75,946,513	82,653,383
Mark up on investments in Government securities	61,294,610	44,955,933	34,844,623	19,339,775
	<b>1,377,533,215</b>	<b>1,659,269,380</b>	<b>586,890,871</b>	<b>811,285,297</b>

## 11 CASH AND CASH EQUIVALENTS

	Un-audited June 30, 2022 Rupees	Un-audited June 30, 2021 Rupees
Cash and Balances with SBP and NBP	2,468,143,319	2,000,000,973
Balances With Other Banks/NBFIs/MFBs	3,713,106,947	5,564,806,702
	<b>6,181,250,266</b>	<b>7,564,807,675</b>

## 12 TRANSACTION AND BALANCES WITH RELATED PARTIES

Related parties of the Bank comprise of Chief Executive Officer, Directors and their close family members, entities under common control, staff retirement benefits fund, key management personnel, entities with common directors, and major shareholders of the Bank. The details of transactions and balances with related parties other than those disclosed elsewhere in these financial statements are as under:

		Un-audited	Audited
Nature of Relationship	Nature of Transactions	June 30, 2022	December 31, 2021
		Rupees	Rupees
Balances at period end:			
Associated company	Deposits	113,434,369	253,725,829
	Share deposit money	350,390,276	350,390,276
	Insurance Claims Receivable	442,372,389	442,372,389
Key management personnel	Deposits	5,049,522	2,280,077
Directors / Sponsors / Shareholders	Deposits	1,824,609	5,433,003



Transactions during the period:		June 30, 2022	June 30, 2021
		Rupees	Rupees
		Un-audited	Un-audited
Associated company	Deposits received	2,794,257,182	2,470,035,357
	Withdrawals	2,949,959,891	2,372,701,017
	Mark-up paid on deposits	14,451,980	3,073,982
	Share deposits money received	-	150,000,000
Key management personnel	Deposits received	54,538,391	56,601,366
	Withdrawals	51,322,808	57,067,744
	Mark-up paid on deposit	5,124	15,246
Directors / Sponsors / Shareholders	Deposits received	45,907,515	31,063,228
	Withdrawals	49,543,951	28,599,061
	Mark-up paid on deposits	16,665	21,376
Staff Provident Fund	Contribution made during the period	11,177,409	11,944,842

**13 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were approved and authorised for issue on **October 31, 2022** by the Board of Directors of the Bank.

**14 GENERAL**

14.1 There is no unusual item included in these condensed interim financial statements which are affecting assets, liabilities, loss, total comprehensive loss, equity or cash flows of the Bank.

14.2 The provision for taxation made in these condensed interim financial statements is subject to adjustment in annual financial statements.

14.3 Figures have been rounded off to the nearest Rupees unless otherwise stated.

President / CEO

Chief Financial Officer

Chairman

Director

Director



### Head Office:

23 - A, Sunderdas Road,  
(Thandi Sarak) Zaman Park, Lahore.

Tel : +92 42-36362475-76

UAN : +92 42 111-771-772

Email : [info@apnabank.com.pk](mailto:info@apnabank.com.pk)

[www.apnabank.com.pk](http://www.apnabank.com.pk)



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