



Un-Audited Condensed Interim Financial Statements

For The Half Year Ended June 30, 2021



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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

Mr. Javaid Sadiq
Director

Ms. Parveen Akhter Malik
Director

PRESIDENT/ CEO (OFFICIATING)

Mr. Wajahat Malik

COMPANY SECRETARY

Mr. Rafat Abbas

CHIEF FINANCIAL OFFICER

Mr. Ali Murtza

CHIEF INTERNAL AUDITOR

Mr. Latif Ahmad Saqi

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

Ms. Parveen Akhter Malik
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Ms. Parveen Akhter Malik
Chairman

Mr. Javaid Sadiq
Member

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

Mr. Javaid Sadiq
Member

Syed Rahat Ali Shah
Member

Mr. Abdul Aziz Khan
Member

MONITORING COMMITTEE

Mr. Muhammad Asghar
Chairman

Mr. Muhammad Saleem Shaikh
Member

Mr. Javaid Sadiq
Member

Mr. Muhammad Akram Shahid
Member

Syed Rahat Ali Shah
Member

AUDITORS

Ilyas Saeed & Co.
Chartered Accountants

TAX / LEGAL ADVISOR

Mumtaz Najam Law Chambers
Advocates & Corporate Consultants Lahore

BANKERS

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

REGISTERED OFFICE

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Gizri Karachi.
PABX Tel: +92 21 35865352-55
Fax: +92 21 35865017
Website: 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

SHARE REGISTRAR

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

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 Information of the Bank for the half year end June 30, 2021.

Economic Overview:

The global economy has been hit by an unprecedented economic shock as a result of the COVID-19 outbreak. The corona virus has infected millions of people around the world, threatening to plunge the world into the worst global recession in decades. COVID-19 is expected to have a significant effect on consumption, development, and trade flows, raising concerns in Pakistan. The Microfinance industry is likely to be impacted by this highly unusual backdrop, but the Bank's management is able to take all appropriate steps to minimize those risks.

After a period of prolonged uncertainty and economic downturn the country is well on its way to economic recovery in Q2' 2021. The resumption of industrial activity across the country is supporting employment levels driven by a more favorable business environment. The government's nation-wide vaccination drive is picking up momentum in a bid to protect its citizens. However, the treat of prolonged fourth wave of the pandemic due to the spread of new variants may impact this nascent recovery.

The State Bank of Pakistan (SBP) has maintained the policy rate at 7% in its latest monetary policy announced in July-2021.

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.

In the light of above difficult economic background, the Bank has managed its financial position as mentioned below;

Particulars	June 30, 2021 Un-audited	December 31, 2020 Audited	% Change
Advances net of provision	10,591,542,073	10,119,919,747	5%
Deposits and other accounts	22,184,548,418	26,178,886,970	-15%

Particulars	June 30,, 2021 Un-audited	June 30, 2020 Un-audited	% Change
Mark -up/return/interest earned	1,659,269,380	1,687,984,307	-2%
Mark -up/return/interest expenses	(651,793,092)	(705,386,940)	-8%
Administrative expenses	(1,018,629,237)	(998,182,026)	2%
Profit / (loss) after taxation	7,896,867	29,592,801	-73%

The Bank posted a profit after tax in the current period amounting to PKR 7.897 million as compared to a profit of PKR 29.593 million in corresponding period. The equity (net of losses) of the Bank has grown to PKR 2,417.083 million and the total assets stood at PKR 24,960.454 million as at June 30, 2021. The earnings per share for the period ended June 30, 2021 is PKR 0.023 per share as compared to earnings per share of PKR 0.086 in the corresponding period.

The Bank's deposit figure stood at PKR. 22,184.548 million. The deposits have exhibited a significant decrease of 15 % from December 31, 2020. This decline is due to a withdrawal of approx. PKR 4,000 million by a large ticket

DIRECTORS' REPORT TO THE MEMBERS

depositor. However, the management has revamped its deposit strategies which focus on building a long-term deposits portfolio while minimizing costs of deposits. Further, with a slight increase from the year end 2020, advances net of provision stood at PKR. 10,591.542 million. Investment-net of provision were at PKR. 1,322.771 million.

The Bank has had lending of approx. PKR. 2,208.022 million to 13,216 new customers. The management have devised and implemented new strategies to control the provision of the Bank's loan portfolio. The Bank recorded an additional provision expense of PKR. 46.042 million against a gross portfolio of PKR. 11,022.237 million in current quarter. Whereas, the provision of PKR 75.143 million was recorded against the gross portfolio of PKR. 10,504.574 million in corresponding period.

During the period the sponsors have injected fresh capital / share deposit money of PKR. 150 million. As a results, the equity net of losses of the Bank has increased by over PKR. 157.897 million from December 31, 2020. These figures are a sign of improved investor confidence in the Bank's operations translating in successful future prospects.

Future Outlook

After facing the effects of three devastating waves of pandemic in the previous periods all global economies including Pakistan are facing a fourth wave of COVID-19, during the 2nd and 3rd quarters of the current year. The Government of Pakistan is utilizing all of its resources like vaccinations and strict adherence to SOPs in order to limit the impacts of this pandemic. Due to these efforts the economic situation of the country has shown signs of improvements and we are now observing slight financial recovery in all sectors. However, the threat of distortion to this economic uplifts still looms due to newer variants of the virus. The Bank's management is committed and taking all necessary steps to manage and mitigate these challenges.

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, 2021, 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 continued with a modified report on review of Interim Financial Statements with respect to the tagging of old running finance portfolio built before November 2016. The auditors found the tagging both incomplete and subjective as the information was entered in the system manually on the basis of available physical record. The auditors were unable to determine the quantum of NPL's, related provision, suspension of markup and resultant deferred tax asset with respect to old running finance portfolio due to incomplete information generated from the Bank's information system.

In respect of the audit observation, it is to state that the cases were tagged on the basis of physically available information and said information was diligently entered in the Bank's system. We are convinced that the

DIRECTORS' REPORT TO THE MEMBERS

system is providing appropriate information about those tagged cases. We are hopeful that the auditor concerns will be satisfactorily addressed and observations will be removed within the upcoming periods.

Material Changes

Following are material changes since December 31, 2020;

- I. The Bank has completed its 7th Right Share issue process and issued the 85,000,000 right shares @ Rs. 10 per share (Rs. 850,000,000) to its directors/sponsors and general members.
- II. Mr. Muhammad Gulistan Malik has resigned from the position of President and chief Executive Officer of the Bank with effect from July 12, 2021 and Mr. Wajahat Malik has appointed as officiating President /Chief Executive Officer till interim period.

Credit Rating

The Pakistan Credit Rating Agency Ltd. (PACRA) maintained the long-term rating of the Bank as “BBB+”(Triple B plus) and the short-term rating is “A3” (A three) with a “Stable” future outlook.

Acknowledgment

We would 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 support throughout these tumultuous times. We would also like to thank our valued customers, shareholders and business partners for their continued patronage and confidence as well as staff members for their commitment and devotion.

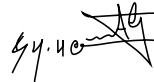
**For and on behalf of Board of Directors,
The Apna Microfinance Bank Limited**



Mr. Wajahat Malik
President/CEO (Officiating)

Date: August 30, 2021

Lahore



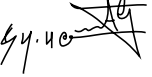
Syed Rahat Ali Shah
Director


ممبران کے لئے ڈائریکٹرز رپورٹ

اعترافات:

ہم اس مشکل وقت میں اسٹیٹ بینک آف پاکستان، بکیورٹیز اینڈ ایڈجسٹمنٹ آف پاکستان اور پاکستان ٹراک ایڈجسٹمنٹ کوان کی مستقل رہنمائی اور تعاون کے لئے اظہار تشکر پیش کرتے ہیں۔ ہم اپنے قابل قدر کسٹمرز، شیئر ہولڈرز اور کاروباری شراکت داروں کی مسلسل سرپرستی اور اعتماد کے ساتھ ساتھ عملے کی کمنٹ اور جدوجہد کا بھی شکریہ ادا کرنا چاہیں گے۔

منجانب بورڈ آف ڈائریکٹرز اپنا مائیکروفنانس بینک لمیٹڈ


سید راحت علی شاہ
ڈائریکٹر


وجاہت ملک
قائم مقام صدر اسی ای او
تاریخ: 30 اگست 2021ء
لاہور

ممبران کے لئے ڈائریکٹرز رپورٹ

مستقبل کا لائحہ عمل:

پچھلے ادوار میں عالمی سطح پر وبائی مرض کی تین تباہ کن لہروں کے اثرات کا سامنا کرنے کے بعد موجودہ سال کی دوسری اور تیسری سہ ماہی کے دوران پاکستان سمیت عالمی معیشتوں کو COVID-19 کی چوٹی لہر کا سامنا ہے، حکومت پاکستان اس وبا کے اثرات کو محدود کرنے کے لئے اپنے تمام وسائل پیسے کہ ویکسی نیشن اور SOPs پر عمل درآمد کر رہی ہے۔ ان کوششوں کی وجہ سے ملک کی معاشی صورت حال میں بہتری کے آثار دکھائی دے رہے ہیں، اور اب ہم تمام شعبوں میں معمولی مالی بحالی کا مشاہدہ کر رہے ہیں۔ تاہم اب بھی نئے قسم کے دائرس کی وجہ سے اس معاشی ترقی کے سبب ہونے کا خطرہ ہے۔ بینک کی انتظامیہ تمام ضروری اقدامات کر رہی ہے اور ان چیلنجز کو کم کرنے کے لئے پُر عزم ہے۔

انتظامیہ عالمی وبائی مرض کے دوران ڈیجیٹل بینکاری کی ضرورت کو اہم تصور کرتی ہے، پچھلے ایک سال کے دوران بینک نے انٹرنیٹ بینکنگ اور موبائل بینکنگ میں اضافہ کیا ہے تاکہ ان علاقوں میں بھی بینکاری کی سہولت دی جاسکے جہاں بینک نہیں ہیں۔ اس ڈیجیٹل نیشن کا پہلا مرحلہ پہلے ہی مکمل ہو چکا ہے۔

ہماری ڈیجیٹل تبدیلی کے اگلے مرحلے میں ریگولیٹری ضروریات کی تعمیل کے بعد درج ذیل شامل ہوں گے:

☆..... برانچ لیس بینکاری خدمات جیسے ”مرچنٹ پوٹل“ اور ”موبائل والٹس“۔

☆..... متعدد سیکسین جاری کرنا اور ادائیگی کارڈوں کی اقسام۔

..... پوائنٹ آف سیل (POS) / (حصول کاروباری)۔

..... ڈیجیٹل کوینک کسٹمر آن بورڈنگ۔

ڈیجیٹل نیشن کا یہ اقدام نہ صرف معاشرتی دوری کی ثقافت کو فروغ دے گا، بلکہ بینک کی رسائی بھی بڑھے گی، آپریشنل اور برانچ سطح کے اخراجات کم ہوں گے۔ ہمارا ویژن ایسا ٹیکنالوجی گڑھ بنانا ہے جو صنعتی ادائیگی کی ضروریات کو پورا کرے اور بینک کے کاروبار میں اضافہ کرے۔

بینک کی (CAR) مانیٹرنگ و فنانس کے پروڈیٹل ریگولیشنز کے مطابق نہیں، جیسا کہ 30 جون 2021ء کی مالیاتی رپورٹ کے نوٹ نمبر 2.1 میں بھی بیان کیا گیا ہے تاہم سپانسرز CAR کی کمی کو جلد پورا کرنے کے لئے پُر عزم ہیں۔

آڈٹ کے مشاہدے:

ایکسٹرنل آڈیٹر نے نومبر 2016ء سے پہلے والے رنگ فنانس پورٹ فولیو کی ٹیکنگ کے حوالے سے اپنی عبوری مالیاتی فنانشل سٹینڈنس کی رپورٹ کو موڈیفائی رکھا ہے۔ آڈیٹر نے اس ٹیکنگ کو مکمل اور ذہنی پایا، کیونکہ سسٹم میں معلومات، دستیاب معلومات کی بنا پر ہاتھ سے درج کی گئی تھیں۔ آڈیٹر سسٹم سے نکالی گئی مکمل معلومات کی بناء پر پرانے رنگ فنانس پورٹ فولیو این پی ایل (NPL)، اس کی پروڈون، مارک اپ کی معطی اور اس کے اوپر ڈیفرنڈ ٹیکس کا تعین کرنے میں ناکام رہے۔

اس لئے ہم اس بات پر یقین رکھتے ہیں کہ بینک کا سسٹم ٹیکنگ کی معلومات حقیقی اور منصفانہ بنیاد پر فراہم کر رہا ہے، ہم یہ امید ہیں کہ ہم آڈیٹر کے خدشات کو آنے والے ادوار میں اطمینان بخش انداز میں ختم کر دیں گے۔

اہم تبدیلیاں:

31 دسمبر 2020ء سے اہم تبدیلیاں درج ذیل ہیں:

☆ بینک نے اپنا سا تو اس رائٹ شیئر جاری کرنے کا عمل مکمل کر لیا ہے، اور اپنے ڈائریکٹرز/سپانسرز اور عام ممبران کو 85,000,000 کے رائٹ شیئر 10 روپے فی شیئر (850,000,000) کے حساب سے جاری کئے۔

☆ جناب محمد گلستان ملک نے صدر/چیف ایگزیکٹو آفیسر کے عہدے سے 12 جولائی 2021ء کو استعفیٰ دے دیا ہے اور جناب وجاہت ملک قائم مقام صدر اور چیف ایگزیکٹو آفیسر عبوری مدت کے لئے مقرر ہوئے ہیں۔

کریڈٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کے مستقبل کے لائحہ عمل کے تناظر میں بینک کی لاگت ٹرم ریٹنگ ٹریپل بی پلس (BBB+) اور شاٹ ٹرم ریٹنگ اے تھری (A3) کو برقرار رکھا ہے۔

ممبران کے لئے ڈائریکٹرز رپورٹ

ایٹانیکرو فنانس بینک لمیٹڈ کے ڈائریکٹرز انٹہائی مسرت کے ساتھ بینک کی 30 جون 2021ء کو ختم ہونے والی مالیاتی مدت کی غیر آڈٹ شدہ مختصر عبوری مالیاتی رپورٹ پیش کر رہے ہیں۔

معاشی جائزہ:

COVID-19 کے نتیجے میں عالمی معیشت کو غیر معمولی معاشی صدمے کا سامنا کرنا پڑا ہے۔ کورونا وائرس نے دنیا بھر کے لاکھوں لوگوں کو متاثر کیا ہے، جس سے دنیا کو دہائیوں میں بدترین عالمی کساد میں جمبو کھنکے کا خطرہ ہے۔ COVID-19 کے کھیت، ترقی اور تجارتی بہاؤ پر نمایاں اثرات مرتب ہوں گے، جس کی وجہ سے پاکستان میں توشلیں پائی جاتی ہے۔ ایٹانیکرو فنانس کی صنعت اس انتہائی غیر معمولی پس منظر سے متاثر ہونے کا امکان ہے، لیکن بینک کی انتظامیہ ان خطرات کو کم سے کم کرنے کے لئے تمام مناسب اقدامات کرنے کے قابل ہے۔

طویل غیر یقینی صورت حال اور معاشی بد حالی کے بعد 2021ء کی دوسری سہ ماہی میں ملک معاشی بحالی کی راہ پر گامزن ہے، ملک بھر میں صنعتی سرگرمیاں دوبارہ شروع ہونے سے روزگار کی سطح زیادہ سازگار کاروباری ماحول کی طرف گامزن ہے۔ حکومتی ویکسی نیشن مہم ملک بھر میں شہریوں کی حفاظت کے لئے زور پکڑ رہی ہے تاہم یہ خدشہ ہے کہ وبا کی طویل چوتھی لہریں شکل میں ابتدائی بہتر صورت حال کو متاثر کر سکتی ہے۔

اسٹینڈ بینک آف پاکستان نے اپنی تازہ ترین جولائی 2021ء کی مانیٹری پالیسی میں پالیسی کی شرح کو 7 فیصد برقرار رکھنے کا اعلان کیا ہے۔

پرنسپل سرگرمی، ترقی اور مالی کارکردگی:

بینک ایک پبلک لیٹڈ بینک کے طور پر بنا اور اس کے حصص پاکستان سٹاک ایکسچینج پر درج ہیں، بینک کا اہم کاروبار ایٹانیکرو فنانس انشٹیٹیویشنز آرڈیننس 2001ء کے تحت غربت کو کم کرنے کے نظریے سے معاشرے کے غریب اور پسماندہ طبقے کو ایٹانیکرو فنانس سے متعلق خدمات مہیا کرنا ہے۔ مذکورہ بالا شکل معاشی پس منظر کی روشنی میں، بینک نے اپنی مالی حالت کو پیچ کیا ہے جو کہ مندرجہ ذیل ہے:

کوائف	30 جون 2021ء ان آڈٹڈ	31 دسمبر 2020ء آڈٹڈ	% تبدیلی
فراہم کیا گیا کل ایڈوائس (پروڈن کے بعد)	10,591,542,073	10,119,919,747	5%
ڈپازٹس اور دیگر اکاؤنٹس	22,184,548,418	26,178,886,970	-15%
کوائف	30 جون 2021ء ان آڈٹڈ	30 جون 2020ء ان آڈٹڈ	% تبدیلی
مارک اپ آمدنی	1,659,269,380	1,687,984,307	-2%
مارک اپ خرچ	(651,793,092)	(705,386,940)	-8%
انتظامی اخراجات	(1,018,629,237)	(998,182,026)	2%
منافع/ نقصان بعد از ٹیکس ادائیگی	7,896,867	29,592,801	-73%

بینک نے ٹیکس کے بعد رواں مدت میں 7.897 ملین (پاکستانی روپے) کا منافع ظاہر کیا ہے، جبکہ گزشتہ برس اسی مدت میں 29.593 ملین (پاکستانی روپے) کا منافع تھا۔ بینک کی ایکویٹی بعد از نقصانات بڑھ کر 2417.083 ملین (پاکستانی روپے) ہو گئی ہے، اور بینک کے کل اثاثہ جات 30 جون 2021ء پر 24,960.454 ملین (پاکستانی روپے) ہیں۔ 30 جون 2021ء کو فی حصص منافع کی شرح 0.023 پاکستانی روپے ہے، جبکہ گزشتہ برس اسی مدت میں یہی شرح 0.086 پاکستانی روپے تھی۔

بینک کے ڈپازٹس 22,184.548 ملین (پاکستانی روپے) ہیں۔ 31 دسمبر 2020ء سے ڈپازٹس میں 15% کی نمایاں کمی ہوئی ہے یہی ایک بڑے ڈپوزیٹر کے تقریباً 4,000 ملین روپے کے ڈپازٹ نکلوانے کی وجہ سے ہوئی ہے تاہم بینجمنٹ نے اپنی ڈپازٹ کی حکمت عملی کو نئی شکل دی ہے جس کا مقصد ڈپازٹ کے اخراجات کو کم کرتے ہوئے ایک طویل مدتی ڈپازٹ پورٹ فولیو کی تعمیر کرنا ہے۔ مزید یہ کہ سال 2020ء کے اختتام سے معمولی اضافے کے ساتھ فراہم کیا گیا کل ایڈوائس (پروڈن کے بعد) 10,591.542 ملین (پاکستانی روپے) رہا۔ انٹرنسٹ (پروڈن کے بعد) 1,322.771 ملین (پاکستانی روپے) رہی۔

رواں مدت کے دوران بینک نے 13,216 نئے کسٹمرز کو تقریباً 2,208.022 ملین (پاکستانی روپے) قرضے دیے۔ انتظامیہ نے بینک کے کریڈٹ پورٹ فولیو کی پروڈن کو کم کرنے کے لئے نئی حکمت عملی وضع کی ہے۔ بینک نے رواں مدت میں 11,022.237 ملین (پاکستانی روپے) کے کریڈٹ پورٹ فولیو پر 46.042 ملین پاکستانی روپے کی اضافی پروڈن ریکارڈ کی، جبکہ گزشتہ اسی مدت میں 75.143 ملین (پاکستانی روپے) کی پروڈن 10,504.574 ملین (پاکستانی روپے) کے کریڈٹ پورٹ فولیو پر ریکارڈ کی گئی تھی۔

رواں مدت کی دوران سپانسر نے 150 ملین (پاکستانی روپے) کا فریش کیپٹل انشیز ڈپازٹ منہی متعارف کرایا، جس کے نتیجے میں بینک کی ایکویٹی بعد از نقصانات 31 دسمبر 2020ء کے مقابلے میں 157.897 ملین (پاکستانی روپے) بڑھ گئی ہے۔ یہ اعداد و شمار مایہ کاروں کے بینک کے اقدامات پر اعتماد کی علامت ہے، جو کہ کامیاب مستقبل کی عکاسی کرتا ہے۔

FINANCIAL STATEMENTS

APNA MICRO FINANCE BANK LIMITED

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Apna Microfinance Bank Limited Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **APNA MICROFINANCE BANK LIMITED** ("the Bank") as at June 30, 2021 and the related condensed interim profit and loss account and condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these 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.

Basis of Qualified Conclusion

As disclosed in note 1.1.1 to the condensed interim financial statements, the Bank's lending operations were suspended by the State Bank of Pakistan (SBP) in November, 2016. Till then the Bank's information system had not been classifying micro-credits (Running Finance) cases as non performing advances, making any provision and suspending related income. Subsequently, the Bank was allowed to resume the lending operations from June 2017. During the year 2018, the Bank claims to have completed the tagging of old running finance portfolio pertaining to the period prior to November, 2016, by manual input. We have found the tagging both incomplete and subjective. We are, therefore, unable to verify the non performing advances and provision as per note 1.1.1 and suspended income of the said portfolio built before November 2016 and the resultant deferred tax asset. Further, we are unable to determine the quantum of non-performing advances, related provision and suspended income and the resultant deferred tax asset of running finance portfolio relating to the period prior to November 2016 in accordance with the requirements of Prudential Regulations due to incomplete information / details generated from the Bank's information system.

Qualified Conclusion

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

Emphasis of matter

We draw attention to note 1.2 of the accompanying condensed interim financial statements which mentions that the Bank has not complied with certain applicable regulatory requirements as detailed in the said note. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' **REVIEW REPORT**

Other Matters

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

The engagement partner on the audit resulting in this independent auditors' report is **Muhammad Ilyas**.



ILYAS SAEED & CO.
Chartered Accountants
LAHORE

Date: August 30, 2021

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, 2021

	Note	June 30, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
ASSETS			
Cash And Balances With SBP And NBP	7	2,000,000,973	2,394,744,268
Balances With Other Banks/NBFIs/MFBs	8	5,564,806,702	9,505,025,520
Lending To Financial Institutions		-	-
Investments - Net Of Provisions	9	1,322,771,477	1,704,020,909
Advances - Net Of Provisions	10	10,591,542,073	10,119,919,747
Operating Fixed Assets		989,913,000	985,452,512
Other Assets	11	3,946,256,932	3,592,473,029
Deferred Tax Asset		545,163,249	529,751,497
Total Assets		24,960,454,406	28,831,387,482
LIABILITIES			
Deposits And Other Accounts	12	22,184,548,418	26,178,886,970
Borrowings	13	1,708,742	3,466,749
Subordinated Debt		-	-
Other Liabilities		357,114,468	389,785,806
Deferred Tax Liabilities		-	-
Total Liabilities		22,543,371,628	26,572,139,525
NET ASSETS		2,417,082,778	2,259,247,957
REPRESENTED BY:			
Share Capital	14	3,439,849,620	3,439,849,620
Discount On Issue Of Shares		(1,335,963,831)	(1,335,963,831)
Share Deposit Money		1,196,215,185	1,046,215,185
Statutory Reserve		30,080,706	30,080,706
Depositors' Protection Fund		7,520,177	7,520,177
Unappropriated (Loss)		(920,619,079)	(928,515,946)
		2,417,082,778	2,259,185,911
Surplus/(Deficit) On Revaluation Of Assets		-	-
Deferred Grants		-	62,046
Total Capital		2,417,082,778	2,259,247,957

MEMORANDUM / OFF- BALANCE SHEET ITEMS 15 - -

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.











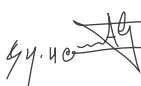
Officiating President / CEO **Chief Financial Officer** **Chairman** **Director** **Director**

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM PROFIT AND LOSS **ACCOUNT** (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	Half Year Ended		Quarter Ended	
		June 30, 2021 Rupees	June 30, 2020 Rupees	June 30, 2021 Rupees	June 30, 2020 Rupees
Mark-up/Return/Interest Earned	16	1,659,269,380	1,687,984,307	811,285,297	885,621,568
Mark-up/Return/Interest Expensed		(651,793,092)	(705,386,940)	(329,611,623)	(350,028,712)
Net Mark-up/Interest Income		1,007,476,288	982,597,367	481,673,674	535,592,856
Provision against non-performing loans and advances	10.3	(46,041,581)	(75,143,473)	(14,570,343)	(41,082,481)
Provision for diminution in the value of investments		-	-	-	-
Recovery against bad debts written off		12,459,131	21,591,651	12,459,131	21,523,651
Bad debts written off directly		-	-	-	-
		(33,582,450)	(53,551,822)	(2,111,212)	(19,558,830)
Net Mark-up/Interest Income after provisions		973,893,838	929,045,545	479,562,462	516,034,026
NON MARK-UP/NON INTEREST INCOME					
Fee, Commission and Brokerage Income		41,478,359	42,850,699	19,491,702	12,396,507
Dividend Income		-	-	-	-
Other Income		21,253,371	71,026,411	10,752,400	6,712,099
Total Non Mark-up/Non Interest Income		62,731,730	113,877,110	30,244,102	19,108,606
		1,036,625,568	1,042,922,655	509,806,564	535,142,632
NON MARK-UP/NON INTEREST EXPENSES					
Administrative expenses		(1,018,629,237)	(998,182,026)	(504,371,565)	(517,992,492)
Other provisions/write offs/adjustment		-	-	-	-
Other charges		-	-	-	-
Total Non Mark-up/Non Interest Expenses		(1,018,629,237)	(998,182,026)	(504,371,565)	(517,992,492)
		17,996,331	44,740,629	5,434,999	17,150,140
Extra ordinary/unusual items		-	-	-	-
PROFIT BEFORE TAXATION		17,996,331	44,740,629	5,434,999	17,150,140
Taxation		(25,511,216)	(25,962,525)	(12,461,655)	(13,470,271)
- Current		-	-	-	-
- Prior periods		-	-	-	-
- Deferred		15,411,752	10,814,697	7,478,789	11,402,967
		(10,099,464)	(15,147,828)	(4,982,866)	(2,067,304)
PROFIT AFTER TAXATION		7,896,867	29,592,801	452,133	15,082,836
Unappropriated loss brought forward		(928,515,946)	(956,430,276)	(921,071,212)	(941,920,311)
Profit available for appropriation / (loss)		(920,619,079)	(926,837,475)	(920,619,079)	(926,837,475)
APPROPRIATIONS:					
Transfer to:					
Statutory Reserve		-	-	-	-
Capital Reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue Reserve		-	-	-	-
Proposed Cash dividend Rs.Nil per share (2020: Rs.Nil per share)		-	-	-	-
Others		-	-	-	-
		-	-	-	-
Unappropriated loss carried forward		(920,619,079)	(926,837,475)	(920,619,079)	(926,837,475)
Earnings per share-Basic & Diluted		0.023	0.086	0.001	0.044

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

Officiating President / CEO **Chief Financial Officer** **Chairman** **Director** **Director**

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM STATEMENT OF **COMPREHENSIVE INCOME** (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Half Year Ended		Quarter Ended	
	June 30, 2021 Rupees	June 30, 2020 Rupees	June 30, 2021 Rupees	June 30, 2020 Rupees
PROFIT AFTER TAXATION	7,896,867	29,592,801	452,133	15,082,836
Other comprehensive income/(loss)				
Items that will not be reclassified to profit and loss account	-	-	-	-
Items that may subsequently be reclassified to profit and loss account	-	-	-	-
Comprehensive income transferred to equity	7,896,867	29,592,801	452,133	15,082,836
Components of comprehensive income/(loss) not reflected in equity:				
Net change in fair value of available-for-sale investments	-	-	-	-
Total comprehensive income for the period	7,896,867	29,592,801	452,133	15,082,836

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.



Officiating President / CEO



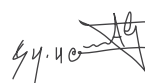
Chief Financial Officer



Chairman



Director



Director

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM CASH FLOW **STATEMENT** (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		17,996,331	44,740,629
Adjustments for non-cash charges			
Depreciation		33,500,887	50,630,881
Amortization of intangibles		2,145,822	2,622,099
Amortization of deferred grants		(62,046)	(1,375,530)
Provision against non-performing advances		46,041,581	75,143,473
(Gain) / Loss on disposal of fixed asset		(710,000)	(150,000)
		80,916,244	126,870,923
Operating cash flow before working capital changes		98,912,575	171,611,552
Changes in working capital			
(Increase)/Decrease in operating assets			
Advances		(517,663,907)	(778,679,354)
Other assets		(379,295,119)	(641,837,128)
		(896,959,026)	(1,420,516,482)
Increase/(Decrease) in operating liabilities			
Deposits		(3,994,338,552)	3,437,788,409
Other Liabilities		(32,671,338)	(97,707,400)
		(4,027,009,890)	3,340,081,009
Net cash (used in) / flow from operating activities		(4,825,056,341)	2,091,176,079
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in held to maturity securities		381,249,432	(275,200,204)
Investments in operating fixed assets		(40,107,197)	(45,033,185)
Sale proceeds from disposal of operating fixed assets		710,000	150,000
Net cash flow /(used in) investing activities		341,852,235	(320,083,389)
CASH FLOW FROM FINANCING ACTIVITIES			
Share deposit money		150,000,000	150,000,000
Borrowings-net		(1,758,007)	(1,257,618)
Net cash flow from financing activities		148,241,993	148,742,382
(Decrease) / Increase in cash and cash equivalents		(4,334,962,113)	1,919,835,072
Cash and cash equivalents at the beginning of the period		11,899,769,788	6,806,251,851
Cash and cash equivalents at the end of the period	17	7,564,807,675	8,726,086,923

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

Officiating President / CEO

Chief Financial Officer

Chairman

Director

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Share Capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Unappropriated (Loss)	Total
Balance as at December 31, 2019	3,439,849,620	(1,335,963,831)	696,215,185	22,636,885	5,659,222	(956,430,276)	1,871,966,805
Comprehensive income / (loss) for the period							
Profit after taxation	-	-	-	-	-	29,592,801	29,592,801
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	29,592,801	29,592,801
Transactions with owners directly recorded in equity							
Share deposit money received during the period	-	-	150,000,000	-	-	-	150,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
Balance as at June 30, 2020 - Un-audited	3,439,849,620	(1,335,963,831)	846,215,185	22,636,885	5,659,222	(926,837,475)	2,051,559,606
Comprehensive income / (loss) for the period							
Profit after taxation	-	-	-	-	-	7,626,305	7,626,305
Transfer to statutory reserves	-	-	-	7,443,821	-	(7,443,821)	-
Transfer to depositors protection fund	-	-	-	-	1,860,955	(1,860,955)	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7,443,821	1,860,955	(1,678,471)	7,626,305
Transactions with owners directly recorded in equity							
Share deposit money received	-	-	200,000,000	-	-	-	200,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
Balance as at December 31, 2020 - Audited	3,439,849,620	(1,335,963,831)	1,046,215,185	30,080,706	7,520,177	(928,515,946)	2,259,185,911
Comprehensive income / (loss) for the period							
Profit after taxation	-	-	-	-	-	7,896,867	7,896,867
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	7,896,867	7,896,867
Transactions with owners directly recorded in equity							
Share deposit money received during the period	-	-	150,000,000	-	-	-	150,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
Balance as at June 30, 2021 - Un-audited	3,439,849,620	(1,335,963,831)	1,196,215,185	30,080,706	7,520,177	(920,619,079)	2,417,082,778

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.



Officiating President / CEO



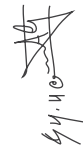
Chief Financial Officer



Chairman



Director



Director

1 STATUS AND NATURE OF BUSINESS

1.1 Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Bank under the repealed Companies Ordinance, 1984 now the "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 121 business locations comprising of 116 branches and 5 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.

1.1.1 'In consequence of an inspection by the State Bank of Pakistan (SBP), the lending operations of the Bank were suspended from November, 2016. Till then the Bank's information system had not been classifying micro-credits (Running Finance) cases as non performing advances, had not been making any provision and had not been suspending related income. Provisioning on said portfolio was determined manually on the basis of management's subjective assessment.

Subsequently, the Bank was allowed to resume the lending operations from June 2017. The Bank has built up fresh portfolio as from June, 2017, amounting to Rs 10,480 million (2020: Rs 9,755 million) against which the related provision has been recorded and markup is suspended in accordance with the Prudential Regulations for Microfinance Banks. In year 2018, the Bank also completed the tagging of old running finance portfolio pertaining to the period prior to November, 2016, by manual input on the basis of available information in physical record.

'Following the said suspension of operations, the bank faced enormous operational & financial difficulties and fell short of its regulatory requirements named as Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR). However, owing to managements and sponsors below given extraordinary efforts, commitments and dedications, the Bank overcame all of its financial and operational hurdles and emerged as a survivor in microfinance industry.

'Subsequent to resumption of financing operations, the Bank built up a new credit portfolio. The portrait of growth in the fresh portfolio and recovery of the old portfolio is stated below:

Particulars	June - 2021			December - 2020		
	Term Finance	Running Finance	Total Portfolio	Term Finance	Running Finance	Total Portfolio
<i>-----Rupees in million-----</i>						
Loan portfolio built before Nov-2016						
Micro credits	12	530	542	13	737	750
Less: Provision held						
- Specific	4	1	5	2	1	3
- General	-	85	85	-	85	85
	4	86	90	2	86	88
	8	444	452	11	651	662
Loan portfolio built from June-2017						
Micro credits	2,816	7,664	10,480	2,814	6,941	9,755
Less: Provision held						
- Specific	203	55	258	136	78	214
- General	26	57	83	27	56	83
	229	112	341	163	134	297
	2,587	7,552	10,139	2,651	6,807	9,458
Advances - Net of provisions	2,595	7,996	10,591	2,662	7,458	10,120

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2021

- 1.2** As at June 30, 2021 the Bank could not meet the regulatory requirements of "Prudential Regulations for Microfinance Banks" issued by the State Bank of Pakistan (SBP), mentioned as under;

Regulation R-5 ©: Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) (equivalent to at least 15% of their risk weighted assets) shall be eligible to undertake micro enterprise lending.

The Capital Adequacy Ratio of the Bank fell below the minimum ratio required as at June 30, 2021 and the Bank is hopeful of bringing its CAR upto the required limit in near future.

2 BASIS OF PRESENTATION

This condensed interim financial information is prepared in accordance with BSD Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP) and IAS – 34 'Interim Financial Reporting' and hence do not include all the information required in the annual audited published financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2020.

This condensed interim financial information is presented in Pak Rupees, which is the Bank's functional and presentation currency.

BUSINESS AND ECONOMIC ENVIRONMENT

The coronavirus pandemic (COVID-19) has been evolving as a major strain to the global economy including Pakistan, causing major disruption to the financial activities. COVID-19, is expected to cast a significant impact on the entire microfinance sector. The Microfinance institutions offer loans and other services to low-income customers who lack easy access to commercial Banks. However, as household incomes have collapsed with the imposition of lockdowns, our borrowers' ability to repay loans has been diminished as well.

This inability of the borrower to repay their loans has direct consequences for Microfinance Banks, on a number of fronts. These include increased credit risk pertaining to the loans and advances portfolio, reduced income and continuity of normal business operations. If the present scenario continues in the upcoming months there is a risk that the resulting slowdown will have severe ramifications on Banks' outstanding portfolio as well as fresh lending, recovery activities, core business operations and future financial results of the overall Microfinance industry.

3 STATEMENT OF COMPLIANCE

- 3.1** This condensed interim financial information of the Bank for the half year ended June 30, 2021 has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001, the Prudential Regulations for Microfinance Banks/Institutions and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where the requirements differ, the provisions of Companies Act, 2017, the Microfinance Institution Ordinance 2001, the Prudential Regulations of Microfinance Banks/Institutions or the requirements of the said directives have been followed.
- 3.2** SBP has deferred the applicability of International Accounting Standards (IAS) 39 'Financial Instruments Recognition and Measurement' and International Accounting Standards (IAS) 40 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2021

2002. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 “Financial Instruments: Disclosures” through its notification S.R.O 633(1) / 2014 dated 10th July 2014. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information.

- 3.3** Effective date for implementation of IFRS 9 ‘Financial Instruments’ has been further extended by SBP through BPRD Circular No. 24 of 2021 dated July 05, 2021 to annual periods beginning on or after January 01, 2022 instead of its earlier implementation date of January 01, 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new Expected Credit Loss (ECL) model for calculating impairment on financial assets, and new general hedge accounting requirements. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. SBP has shared “IFRS 9 Financial Instruments Application Instructions” for parallel reporting. Meanwhile, the banks/DFIs/MFBs are required to Submit IFRS 9 compatible pro forma Financial Statements for year-ending 2020 and Parallel Run Implementation of IFRS 9 results for period ending Mar 31, 2021 and Jun 30, 2021 according to time lines given in foresaid notification. Accordingly, the requirements of IFRS 9 have not been considered in the preparation of this condensed interim financial information.

BASIS OF MEASUREMENT

This financial information has been prepared under the historical cost convention except for certain investments which are measured at fair value and amortized cost.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank’s accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Bank’s accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Bank for the year ended December 31, 2020.

5 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and the methods of computation adopted in preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited published financial statements for the year ended December 31, 2020.

6 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and the methods of computation adopted in preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited published financial statements for the year ended December 31, 2020.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
7 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand - local currency		561,803,133	517,224,946
Balance with State Bank of Pakistan	7.1	1,153,426,273	1,765,367,577
Balance with National Bank of Pakistan in:			
- Current Account		251,052,040	92,258,987
- Deposit Account	7.2	33,719,527	19,892,758
		2,000,000,973	2,394,744,268

7.1 This represents balance maintained in current accounts with the State Bank of Pakistan (SBP) to meet the requirements of maintaining a minimum balance equivalent to not less than 5% of the Bank's time and demand liabilities in accordance with Regulation 3 of the Prudential Regulations.

7.2 This carries mark-up rate at 6.00% per annum (2020: 5.50% per annum).

	Note	June 30, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
8 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
- In current accounts		31,512,737	31,032,785
- In deposit accounts	8.1	5,433,293,965	3,273,992,735
- Certificates of deposits	8.2	100,000,000	6,200,000,000
		5,564,806,702	9,505,025,520

8.1 These carry mark-up rates ranging from 5.50% to 8.25% per annum (2020: 5.50% to 8.50% per annum).

8.2 These represent placement with different financial institutions carrying mark-up of 7% per annum (2020: 8.25% to 14.50% per annum). Their maturity falls in three months from the date of placement.

	Note	June 30, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
9 INVESTMENTS - NET OF PROVISIONS			
Federal Govt. Securities:			
-Market Treasury Bills - (Held to maturity)	9.1	1,222,841,477	1,604,080,909
Silk Bank Ltd. - Term Finance Certificate (TFC's) - (Held to maturity)	9.2	99,930,000	99,940,000
		1,322,771,477	1,704,020,909

9.1 This represents T-Bills issued for periods of three to six months with maturities ranging from July 15, 2021 to November 18, 2021. These carry yields ranging from 7.22% to 7.53% per annum (2020: 7.10% to 7.15% per annum). These securities have an aggregate face value of Rs. 1,235 million. (2020: Rs. 1,627 million).

9.2 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 (2020: 6 months KIBOR plus 1.85% per annum).

10 ADVANCES - NET OF PROVISIONS	Note	June 30, 2021		December 31, 2020	
		No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
		-----Un-audited-----		-----Audited-----	
Micro credits	10.1	118,211	11,022,237,423	117,973	10,504,573,516
Less: Provision held:					
- Specific	10.2		263,136,602		217,095,021
- General			167,558,748		167,558,748
	10.3		430,695,350		384,653,769
Advances - Net Of Provisions			<u>10,591,542,073</u>		<u>10,119,919,747</u>

10.1 All advances are secured by personal guarantees including gold loans amounting to Rs. 1,973.67 million (2020: Rs. 1,272.63 million).

10.2 Particulars of non-performing advances

Advances include Rs. 536.31 million (2020: Rs. 486.04 million) which have been placed under non performing status as detailed below:

Category of Classification	June 30, 2021			December 31, 2020		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	-----Un-audited-----			----- Audited-----		
OAEM	149,341,275	-	-	206,014,916	-	-
Sub-standard	95,586,131	23,819,441	23,819,441	7,413,485	1,841,864	1,841,864
Doubtful	101,987,804	50,993,902	50,993,902	93,656,255	46,700,788	46,700,788
Loss	189,390,439	188,323,259	188,323,259	178,958,827	168,552,369	168,552,369
	<u>536,305,649</u>	<u>263,136,602</u>	<u>263,136,602</u>	<u>486,043,483</u>	<u>217,095,021</u>	<u>217,095,021</u>

10.3 Particulars of provision against non-performing advances

	June 30, 2021			December 31, 2020		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
	-----Un-audited-----			----- Audited-----		
Opening balance	217,095,021	167,558,748	384,653,769	125,104,748	167,558,748	292,663,496
Charge/ (reversal) for the period	46,041,581	-	46,041,581	91,990,273	-	91,990,273
Closing balance	<u>263,136,602</u>	<u>167,558,748</u>	<u>430,695,350</u>	<u>217,095,021</u>	<u>167,558,748</u>	<u>384,653,769</u>

	Note	June 30, 2021	December 31, 2020
		Rupees	Rupees
		Un-audited	Audited
11 OTHER ASSETS			
Income / Mark-up Accrued		2,850,639,946	2,606,732,804
Advances to Staff		178,023,530	145,409,984
Advances and Prepayments		286,400,928	256,200,704
Advance Income Tax - Net of Provision		151,664,519	101,537,521
Security Deposits		37,131,920	37,761,920
Inter Banks ATM Settlement account		23,700	2,457,707
Insurance Claims Receivable	11.1	442,372,389	442,372,389
		3,946,256,932	3,592,473,029

11.1 This represents insurance claims receivable from The United Insurance Company of Pakistan Limited, which is a related party of the Bank.

	Note	June 30, 2021		December 31, 2020	
		No. of accounts	Rupees	No. of accounts	Rupees
		Un-audited		Audited	
Time liabilities					
Fixed Deposits (Deals)	12.1	7,289	6,523,336,262	7,350	6,141,735,917
Demand liabilities					
Saving Deposits	12.2	29,716	12,365,596,548	28,445	12,744,083,910
Current Deposits		378,919	3,295,615,608	360,796	7,293,067,143
		408,635	15,661,212,156	389,241	20,037,151,053
	12.3	415,924	22,184,548,418	396,591	26,178,886,970

12.1 These represent deposits received from customers ranging from 1 month to 5 years. These carry interest rates ranging from 5% to 15.5% per annum (2020: 4.75% to 15.5% per annum).

12.2 These carry interest rates ranging from 3% to 5.75% per annum (2020: 3% to 7.75% per annum).

12.3 Particulars of deposits by ownership

	June 30, 2021		December 31, 2020	
	No. of accounts	Rupees	No. of accounts	Rupees
	Un-audited		Audited	
Individual Depositors	414,951	15,928,535,513	395,863	19,917,821,549
Institutional Depositors				
- Corporations / Firms	960	6,002,412,834	713	5,871,825,004
- Banks & Financial Institutions	13	253,600,071	15	389,240,417
	973	6,256,012,905	728	6,261,065,421
	415,924	22,184,548,418	396,591	26,178,886,970

	Note	June 30, 2021	December 31, 2020
		Rupees	Rupees
		Un-audited	Audited
13 BORROWINGS			
Borrowings from Banks/Financial Institutions in Pakistan			
Demand Finance	13.1	1,708,742	3,466,749

13.1 The demand finance facility was obtained to purchase brand new locally manufactured vehicles with a maximum limit of Rs. 100 million for the business of the Bank. The facility is secured against hypothecation charge over the financed vehicles under hire purchase agreement, against corporate guarantee of the Bank. Each demand finance (for each vehicle) is repayable in 60 monthly installments commenced from the date of the respective disbursement. It is subject to mark-up at the rate of 1 year KIBOR plus 1.50% per annum payable on a monthly basis.

14 SHARE CAPITAL**14.1 Authorized capital**

No. of shares			Rupees	
June 30, 2021	December 31, 2020		June 30, 2021	December 31, 2020
500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000

14.2 Issued, subscribed and paid-up capital

No. of shares			Rupees	
June 30, 2021	December 31, 2020		June 30, 2021	December 31, 2020
343,984,962	343,984,962	Ordinary shares of Rs. 10/- each fully paid in cash	3,439,849,620	3,439,849,620

15 MEMORANDUM / OFF- BALANCE SHEET ITEMS**15.1 Contingencies:**

Proceedings for Financial Years (FY) 2016, 2017, and 2018 were initiated by Additional Commissioner (Enforcement-IV) of Punjab Revenue Authority [‘PRA’] regarding alleged inadmissible input tax credit claimed without apportionment a same between taxable and non-taxable service. The Bank responded to the notices as per the Bank contention. The said commissioner passed impugned orders for relevant financial years by raising unjustified demand in respect of disallowed input tax. Being aggrieved from the said orders, the Bank filed appeal against the orders in Commissioner (Appeals) of PRA. The hearing is still pending before Commissioner Appeal.

Proceedings, as per provisions of Punjab Sales Tax on Services (Withholding) Rules, 2015 for tax period January to December, 2016 for non-deduction of Punjab Sales Tax, were initiated by The Additional Commissioner, Enforcement-II, PRA. Recovery notice was issued from the same office indicating that order had been passed by the Commissioner HQ, PRA wherein the impugned demand was raised on account of alleged default of withholding of Punjab Sales Tax on Services against which the bank filed appeal in Honorable Appellate Tribunal. The tribunal has passed its judgement in which the impugned order passed by Commissioner HQ PRA is set aside and the matter is referred back to the officer concerned having jurisdiction for decision afresh. Now the proceedings are in progress at commissioner PRA forum.

A show cause notice was issued to bank by Assistant Commissioner (Unit-09) of Sindh Revenue Board [‘SRB’] in which the bank was confronted that it has claimed inadmissible input tax credit during the tax periods from January 2012 to December 2015 in terms applicable Sindh Sales Tax Act 2011. Further, it is also alleged that the Bank has short deducted / not deducted of sales tax on services. The proceedings are held from time to time during the year but not finalized so far.

Proceedings, under Rule 44(4) of the Income Tax Rules, 2002 for the FY 2014, 2015 and 2018 were initiated by the Assistant Commissioner Inland Revenue (ACIR), Large Taxpayer Unit, Karachi. For FY 2014 and FY 2015, the Bank had complied the aforesaid proceedings by submitting all the required reconciliations. There has been no further correspondence till date. For FY 2018, compliance of the proceeding is in progress and required reconciliations are submitted from time to time.

The tax audit proceedings under Section 177 of the Income Tax Ordinance, 2001 for FY 2014 were initiated by the Deputy Commissioner Inland Revenue (DCIR), Audit Unit-3, Large Taxpayer Unit, Karachi. The Bank had complied the proceedings by providing all the required data/ information along with supporting documents etc. There has been no further correspondence till date in this regard.

In respect of above tax cases, based upon advise of its tax consultants, management expects favorable outcomes and is confident that significant outflow of economic resources will not be required, as a result of final decisions. Except as stated above, there is no other significant matter required to be disclosed.

15.2 Commitments:

Bank Guarantee

June 30, 2021	December 31, 2020
Rupees	Rupees
Un-audited	Audited
73,650	-

This represents bank guarantee issued by the Bank during the period amounting to Rs.73,650. This guarantee will expire on June 14, 2022.

16 MARK-UP/RETURN/INTEREST EARNED

	Half Year Ended		Quarter Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	Rupees	Rupees	Rupees	Rupees
	-----Un-audited-----			
Mark-Up on Loans and Advances	1,383,856,469	1,301,657,112	709,292,139	700,934,634
Mark-Up on Deposit Accounts	230,456,978	329,266,230	82,653,383	158,340,699
Mark-Up on Investments in Government Securities	44,955,933	57,060,965	19,339,775	26,346,235
	1,659,269,380	1,687,984,307	811,285,297	885,621,568

17 CASH AND CASH EQUIVALENTS

	June 30, 2021	June 30, 2020
	Rupees	Rupees
	Un-audited	Un-audited
Cash and Balances with SBP and NBP	2,000,000,973	2,070,084,853
Balances With Other Banks/NBFIs/MFBs	5,564,806,702	6,656,002,070
	7,564,807,675	8,726,086,923

18 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 this condensed interim financial information are as under:

Nature of Relationship	Nature of Transactions	June 30, 2021	December 31, 2020
		Rupees	Rupees
		Un-audited	Audited
Balances at period end:			
Associated company	Deposits	248,028,098	146,393,251
	Share deposit money	1,113,015,274	963,015,274
	Insurance Claims Receivable	442,372,389	442,372,389
Key management personnel	Deposits	3,180,029	3,651,525
Directors / Sponsors / Shareholders	Deposits	4,358,556	1,873,015
	Share deposit money	83,199,911	83,199,911
Transactions during the period:			
Associated company	Deposits received	2,470,035,357	457,949,553
	Withdrawals	2,372,701,017	397,849,202
	Mark-up paid on deposits	3,073,982	708,817
	Share deposit money received	150,000,000	150,000,000
Key management personnel	Deposits received	56,601,366	59,544,766
	Withdrawals	57,067,744	59,000,186
	Mark-up paid on deposit	15,246	7,166
Directors / Sponsors / Shareholders	Deposits received	31,063,228	2,759,304
	Withdrawals	28,599,061	1,899,059
	Mark-up paid on deposits	21,376	24,333
Staff Provident Fund	Contribution made during the period	11,944,842	10,485,231

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED JUNE 30, 2021

18.1 The names of related parties with whom the Bank has entered into transactions or had agreements / arrangements in place during the period.

Name of Related Party	Nature of Relationship	Aggregate Percentage of Shareholding (%)
The United Insurance Company Of Pakistan Ltd	Associate	44.50%
United Track System (Pvt) Limited	Common Directorship	19.99%
Tawasul Healthcare Tpa (Private) Limited	Common Directorship	1.69%
United Software and Technologies International (Pvt.) Limited	Common Directorship	1.39%
Saudi Pak Insurance Company Limited	Common Directorship	2.46%
UIC Employee Provident Fund	Common Control	-
Syed Rahat Ali Shah	Director	0.00%
Mr. Muhammad Saleem Shaikh	Director	0.00%
Mr. Muhammad Akram Shahid	Director/ Chairman	4.46%
Mr. Imad Mohammad Tahir	Director	16.03%

19 TAXATION

Current

The Bank has carried forward tax losses of Rs. 1,049.23 million (2020: Rs. 1,098.83 million) as at reporting date due to which no taxable income arises during the period. However, under section 113 "minimum tax on income of certain persons" of the Income Tax Ordinance, 2001, the Bank is required to make a provision for minimum taxation. Therefore, provision for minimum taxation amounting to Rs. 25.511 million (2020: Rs. 52.739 million) has been made.

Deferred tax

The management is expecting future taxable profits and has recognized deferred tax asset amounting to Rs. 545.163 million on the basis of financial projections indicating utilization of deferred tax asset against those future taxable profits. The financial projections involve certain key assumptions such as deposit composition, interest rates, decrease in cost of deposits and operational costs, growth of deposits and advances, investment returns and potential recoveries against non-performing loans. Any significant change in the key assumptions may have an effect on the utilization of the deferred tax asset.

20 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue by the Board of Directors on **August 30, 2021**.

21 GENERAL

21.1 No significant reclassification / rearrangement of the corresponding figures has been made.

21.2 Figures have been rounded off to the nearest rupee unless otherwise stated.



Officiating President / CEO



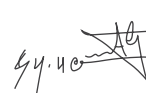
Chief Financial Officer



Chairman



Director



Director



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