



ANNUAL REPORT 2022

PERSISTENCE
DRIVES US TOWARDS
FINANCIAL REVIVAL.



Micro Finance
apna bank
Limited



OUR **PURPOSE**

**Enhancing Quality
of Banking and
Contributing
to a future.**

Online

You can find more information about the
apna bank at
www.apnabank.com.pk



KEY PERFORMANCE INDICATORS

Based on results
of the Bank as presented
in the Financial Statements

(PKR in million)

Deposit
and Other
Accounts

22,606

2021: 22,084

Advances
-net of
Provisions

8,354

2021: 11,506

Total
Assets

19,587

2021: 23,660

Total
Equity

(4,047)

2021: 442

Mark-Up/
Return/
Interest
Earned

2,266

2021: 908

Loss
Before
Tax

(4,876)

2021: (2,643)

Loss
After
Tax

(4,489)

2021: (1,931)

Loss
Per
Share

(10.47)

2021: (4.84)

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ABOUT AMBL

Apna Microfinance Bank Limited is managed by group of highly experienced bankers. We are committed to providing specialized financial services to the less privileged, marginalized and poor segments of society. We support economic empowerment of women & micro-entrepreneurs in the Agri and Micro enterprises in rural areas of Pakistan. The Bank has been operating at national level in Pakistan.

Our main focus is to provide personalized services to the poor segment of the society through our dedicated products aimed at changing their life-style by entering them in micro-entrepreneurship at the lowest mark-up rate in the market.

We aim to:

- Arrange capacity building of under served masses by improving attitudes, skill, knowledge and ability to initiate and manage economically viable projects.
- Provide finances, advances and other credit facilities for the development of agriculture and rural market sector including production, marketing and house finance facilities.
- Mobilize savings by accepting deposits in savings and other specialized deposit products.
- Combine the knowledge base with the modern management methodology, latest technology, sophisticated financial instruments, universal micro-banking concepts and current corporate sciences.
- Create and perpetuate a culture of balanced approach for the development of market related competitive and innovative financial services. Introducing a culture of innovation and excellence with a view to find acceptable solutions to real and conceived impediments for promoting a true microfinancial regime.



VISION

Alleviating poverty by encouraging entrepreneurship with easy access to financial services to fulfil their dreams.

MISSION

Enable people with passion and commitment to realize their dreams with easy and tailor-made financial solutions/products.



CORE VALUES

- Customers are reason for our existence.
- Treating the customer with respect and compassion
- Delivering best services through an exceptional team work
- Legal and regulatory compliance in letter and spirit helps us grow faster and makes us stronger.
- Transparency builds customer loyalty and trust.
- Merit is the sole criteria in our decision making
- Diversity ensures long term sustainability, improves decision making and is instrumental in bringing Innovative and cost-effective solutions for delivering services to the clients.



SERVICE

We care our valued customer



CREATIVITY

We are Creative, Innovative, and Quality conscious



RECIPROCITY

We believe in building a top notch professional team



TRANSPARENCY

We are responsible, trustworthy and law abiding in all that we do



HONESTY

We are Honest, Integrated, and Trustful



GROWTH

We provide equal opportunity and growth

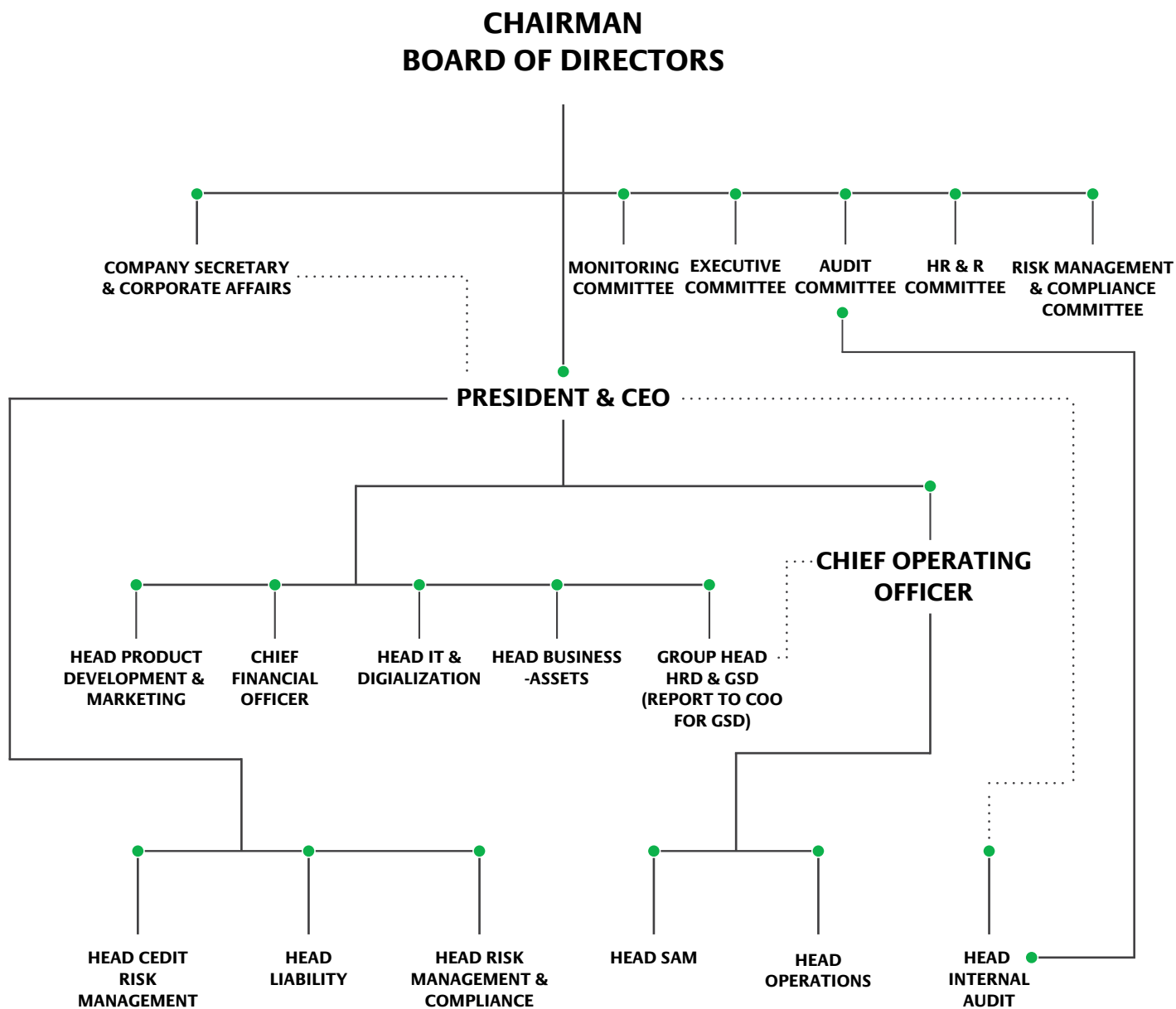
**“ALLAH
HELPS THOSE
WHO HELP
THEMSELVES”**

BANK'S PHILOSOPHY

“It is far better to help a poor person by teaching him how to catch a fish instead of buying him a fish.”

Micro Finance is a means to break the vicious cycle of poverty by empowering individuals to take control of their lives.

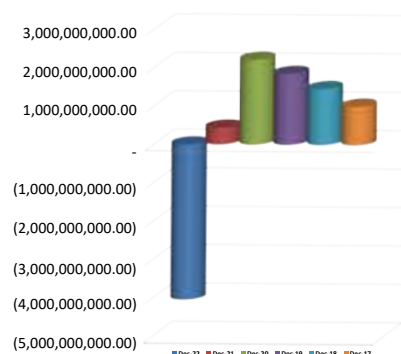
ORGANIZATIONAL CHART



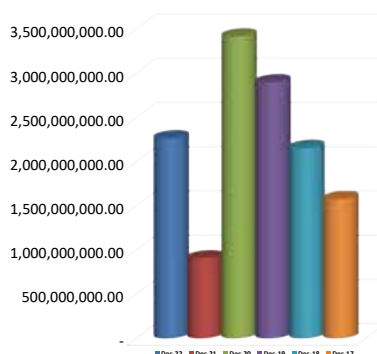
KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	Position for Year Ended							
	% Rise	Dec-22	% Rise	Dec-21	Dec-20	Dec-19	Dec-18	Dec-17
	2021 Vs 2022	Rupees	2020 Vs 2021	Rupees	Rupees	Rupees	Rupees	Rupees
					Re-stated	Re-stated		
Financial Data								
Total Assets	-17.21%	19,587,476,542	-20.03%	23,660,326,629	29,585,582,331	21,325,632,083	17,623,046,929	13,983,590,224
Advances-net of provisions	-27.39%	8,354,266,042	13.69%	11,505,706,719	10,119,919,747	8,779,226,353	8,812,740,994	5,226,547,934
Deposits	2.37%	22,606,344,550	-15.64%	22,083,717,249	26,178,886,970	18,317,083,706	15,866,330,742	12,528,727,169
Share Capital	0.00%	4,289,849,620	24.71%	4,289,849,620	3,439,849,620	3,439,849,620	2,500,000,000	2,500,000,000
Share Deposit money	0.00%	350,390,276	-66.51%	350,390,276	1,046,215,185	696,215,185	900,078,363	500,008,080
	0.00%	4,640,239,896	3.44%	4,640,239,896	4,486,064,805	4,136,064,805	3,400,078,363	3,000,008,080
Net Equity	-1014.82%	(4,046,985,297)	-80.07%	442,378,606	2,219,174,859	1,856,432,634	1,468,419,136	1,015,087,402
Accumulated Loss	155.37%	(7,378,859,482)	201.45%	(2,889,495,579)	(958,524,235)	(968,080,904)	(996,574,069)	(1,036,520,157)
Operating Data								
Mark-up / return / interest earned	149.45%	2,265,996,265	-73.43%	908,380,258	3,418,310,151	2,899,784,536	2,157,835,801	1,577,979,881
Mark-up / return / interest expensed	9.68%	(1,600,191,347)	-0.85%	(1,459,014,295)	(1,471,575,005)	(1,209,081,032)	(800,799,272)	(703,943,573)
Administrative expenses	2.99%	(2,232,557,861)	7.25%	(2,167,670,263)	(2,021,197,500)	(1,795,186,386)	(1,595,647,431)	(1,308,598,684)
Profit / (Loss) before taxation	84.48%	(4,875,980,057)	-11398.45%	(2,643,095,035)	23,393,427	89,344,447	100,500,905	(188,301,605)
Profit / (Loss) after taxation	132.49%	(4,489,363,903)	-15254.11%	(1,930,971,344)	12,742,225	53,525,058	53,261,451	(79,510,907)
Earning/(loss) per share	116.32%	(10.47)	-16233.33%	(4.84)	0.03	0.17	0.3	(0.35)

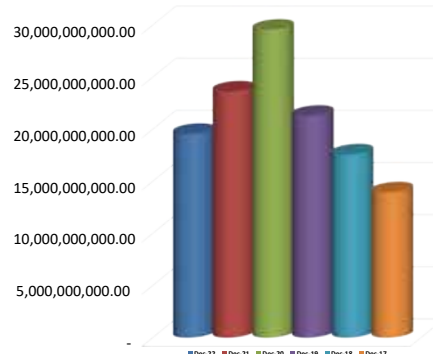
NET EQUITY



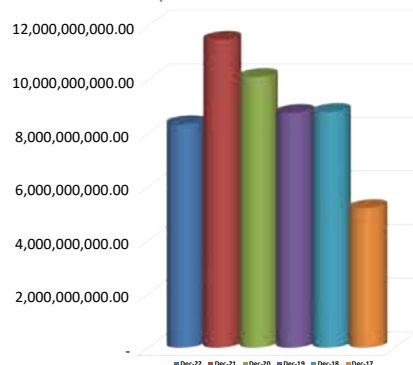
MARKUP INCOME



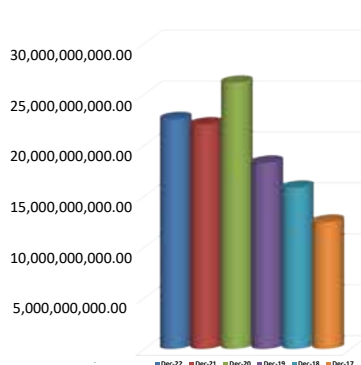
TOTAL ASSETS



ADVANCES-NET OF PROVISIONS



DEPOSITS



BOARD OF **DIRECTORS**



Mr. M. A. Shahid

Chairman



Mr. Imad Mohammad Tahir

Director



Mr. Muhammad Asghar

Director



Mr. M. Saleem Shaikh

Director



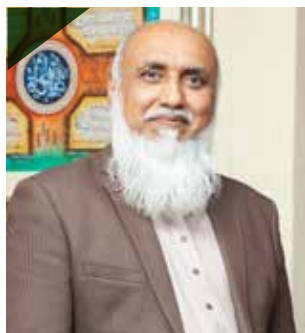
Mr. Shahid Hassan

Director



Syed Rahat Ali Shah

Director



Mr. Abdul Aziz Khan

Independent Director



Ms. Tahira Raza

Independent Director



Mr. Wajahat Malik

Executive Director/
President & CEO

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-Independent

Mr. Shahid Hassan
Director

Ms. Tahira Raza
Director-Independent

Mr. Wajahat Malik
President/CEO and Director

PRESIDENT / CHIEF EXECUTIVE

Mr. Wajahat Malik

COMPANY SECRETARY

Mr. Rafat Abbas

CHIEF OPERATING OFFICER/ 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. Shahid Hassan
Member

Mr. Muhammad Asghar
Member

Ms. Tahira Raza
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Ms. Tahira Raza
Chairperson

Mr. Wajahat Malik
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. Wajahat Malik
Member

Syed Rahat Ali Shah
Member

Mr. Abdul Aziz Khan
Member

MONITORING COMMITTEE

Mr. Muhammad Asghar
Chairman

Mr. Muhammad Saleem Shaikh
Member

Mr. Abdul Aziz Khan
Member

Mr. Imad Mohammad Tahir
Member

Syed Rahat Ali Shah
Member

Ms. Tahira Raza
Member

AUDITORS

RSM Avais 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 Taraqiati 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

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

HOW WE **PERFORM**





CHAIRMAN'S **REVIEW**



The year 2022 posed numerous challenges to the economy, which still continues to face inflationary and external sector pressures due to unprecedented rupee devaluation. Moreover, the country was severely hit by floods in the second half of the year, leaving millions with shortage of food, water and shelter.

The Bank faced another challenging year amongst these macroeconomic difficulties. Our core customer base, emerging from the marginalized sect of the populous, were hit hardest by prevailing economic conditions. A tough working environment combined with the devastating effects of floods led the Bank to record losses after tax of PKR. 4,489 Million during the year.

Despite the current year loss, I am confident that management has the capacity to turnaround these results. A multifaceted business plan will be implemented to improve the financial and operational position of the Bank. Going forward our main focus will be to strengthen portfolio health with an emphasis on strong recovery and secured lending. The Bank remains steadfast to continue its mission of poverty alleviation through provision of low-cost financing services to the poor and unbanked sect of the society. On behalf of the Board of Director's as well as the sponsors, I would like to reiterate our commitment to the Bank. We are entirely dedicated to revive the Bank's operations via continued support and guidance. The

Bank's Board is composed of highly educated and experienced individuals who are effectively performing their statutory duty. All decisions made by the Board are mutual, objective and in the best interests of the organization. I believe that the strategic vision and unwavering focus of the Board will successfully lead the Bank through these challenging times.

The Board has constituted committees for oversight of all key areas of the Bank. The terms of reference of these committees have been clearly defined by the Board which include periodic review of all significant policies in order to ensure financial and operational continuity and improvement. The Board and its committees met regularly during the year for due deliberation on all important matters and provided their oversight.

Lastly, on behalf of the Board of Directors, I would like to pay my gratitude to our shareholders and customers for their continued trust in our Bank. I would also like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their guidance and support.

Sincerely,

Mian Muhammad Akram Shahid
Chairman of the Board

June 10, 2023
Lahore

PRESIDENT / CEO'S MESSAGE



2022 remained a year with mixed bucket of challenges across the globe. The International economy remained under shadowed due to high inflation rise as the global commodity prices increases which further impacted on our domestic economy too in the shape of high inflation, Rupee devaluation, & resultantly ensuing a rise in policy rate by the SBP.

Covid-19 has left devastating effects on the entire Microfinance industry. The Bank's borrower base, which mainly consists of members of the marginalized sect of our community, has faced the worst impact of this prolonged pandemic. This has resulted in negative effects on recovery and squeezed profit margins too.

Following 2021, 2022 also remained a year for consolidation. Addressing the aftershocks of covid-19 & high inflation causing the challenges on borrowers ability to repay timely, the Bank continued its strategy of focusing on secured lending and shifting its advances portfolio from unsecured to secured. The deployment & continuity of strategy by making fresh disbursement in the secured segment continued in 2022. Accordingly, there has been a visible shift in the overall portfolio mix of secured vs unsecured advances.

The Board has continued to perform role statutory role during the unparalleled time to COVID-19 Pandemic. The Board's oversight

and guidance have been the major contributing factor to the bank's ongoing success.

We remain focused and devoted to accomplishing our goals by serving the unbanked/less privileged segment of Pakistan. Our focus is not only to increase the Bank's outreach at the pricings but also to safeguard the interests of our depositors. We consistently Pursue to empower our clients by providing them financial service and thereby support the national duty of financial inclusion.

Our employees are our Asset. Our belief and confidence in them is further strengthened when they address head-on, the ongoing challenges facing the Bank. We have full faith that they will remain dedicated, focused and strong willed to overcome these challenging situations and lead the bank towards a brighter future.

I would like to acknowledge the leadership of our Chairman, and Board of directors for their confidence and trust. I am grateful to our shareholders who continued to show their trust in the Bank.

I would also like to thank the State Bank of Pakistan, Securities & Exchange Commission of Pakistan & other regulatory bodies for their guidance & support.

Wajahat Malik
President/CEO

June 10, 2023
Lahore

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Apna Microfinance Bank Limited (hereinafter referred to as 'the Bank') are pleased to present their report together with the Audited Financial statements and Auditors' Report thereon for the year ended December 31st, 2022.

Economic Overview:

The global economy continues to struggle with major world economies registering slow growth amidst high inflation. Supply chain disruptions caused by the Russia-Ukraine conflict have also contributed to a sharp deceleration in global economic activity.

On the domestic front, the country continues to face socio economic uncertainty and turmoil. Economic conditions have worsened due to record breaking inflation and continuous monetary tightening. In the meeting of the Monetary Policy Committee held on April 4, 2023, the SBP raised the policy rate by another 100 basis points to 21% citing persistent inflationary pressures. The benchmark interest rate has been steeply raised by 500 basis points (from 16.00% to 21.00%) during the ongoing year with the aim of combating high inflation and unlocking the IMF funding.

In Year 2022, the country witnessed one of its worst floods which displaced millions and resulted in largescale damage to crops and livestock. The devastating effects of these floods have added to the rising food and commodity prices within the country and placed further inflationary pressure on the already struggling economy.

The past year saw PKR depreciate rapidly against the USD, marking the currency's highest devaluation in the last 5 years. The weak balance of payment situation of the country remained the primary reason behind this depreciation.

The prevailing economic conditions in Pakistan continue to pose significant challenges for all sectors, including the Microfinance industry. Political instability and dwindling foreign exchange reserves have contributed to this difficult environment.

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 financial performance of the Bank during the year ended December 31st, 2022 is as follows;

Particulars	31 st December 2022	31 st December 2021	%
	Audited (PKR)	Audited (PKR)	Change
Advances-net of provisions	8,354,266,042	11,505,706,719	-27%
Deposits and other accounts	22,606,344,550	22,083,717,249	2%
Mark-up/return/interest earned	2,265,996,265	908,380,258	149%
Mark-up/return/interest expensed	(1,600,191,347)	(1,459,014,295)	10%
Administrative expenses	(2,232,257,861)	(2,167,670,263)	3%
Loss after taxation	(4,489,363,903)	(1,930,971,344)	132%

The Bank reported a loss after tax in the current year amounting to PKR. 4,489 million as compared to a loss of PKR. 1,930 million in the year 2021. The equity (net of losses) of the Bank stood at negative PKR. 4,046 million and the total assets shrunk to PKR. 19,587 million from PKR. 23,660 million as at December 31, 2021.

The main contributor of this loss is the provision charge amounting to PKR. 3,535 million during the year. This provision pertains to portfolio that was classified during the year 2022 owing to adverse economic conditions instigated by Covid-19 outbreak in the past periods. Consequently, the advances - net of provision stood at PKR. 8,354 million as on December 31st, 2022, compared to PKR. 11,505 million at the close of the corresponding period, registering a decrease of 27%. The management has recorded a specific provision PKR. 3,546 million as at the reporting date (2021: PKR. 324 million) in accordance with the requirements stipulated in Prudential Regulations for MFBs issued by the SBP. The Bank's gross advances to deposit ratio (ADR) at the year-end 2022 was reported at 53.38% as compared to 54.32% in 2021.

DIRECTORS' REPORT TO THE MEMBERS

The management has devised and implemented a recovery and restructuring strategy regarding this portfolio. and has succeeded in recovering a substantial amount of non-performing advances. The management is hopeful of further recoveries in the future which will result in reversal of provision and improved financial position of the Bank.

The Bank's deposit base has increased to PKR. 22,606 million in December 2022 from PKR. 22,083 million as at December 31st, 2021. Mark-up/return/interest expensed has increased by 10%, corresponding to the increase in policy rates by the SBP.

Principal Risks and Uncertainties

The Directors of the Bank consider the following as key risks:

- **Interest Rate Risk:** Interest rates have risen significantly over the last year. The relationship between the prevailing policy rates and the Bank's interest spread will threaten the overall profitability of the Bank.

Oversight on the Bank's tolerance to interest rate risk is kept through "Asset & Liability Committee – (ALCO)" which periodically monitors and determines the rates of lending and deposit products offered by the Bank.

- **Credit Risk:** The risk associated with default by customers is a significant threat to the Bank. Driven by the motivation of increasing market share, a large growth in financing is prevailing in the sector, a hefty portion of which is unsecured. The macro economic trends such as inflation, recession and currency devaluation will incapacitate the borrowers to pay back their dues leading to increased losses to the Bank.

As part of a redefined lending strategy, the management has completely revamped its credit control procedures during the past periods. The management is fully committed to maintain a healthy credit portfolio by ensuring that all credit risks are completely covered.

- **Retention of Qualified Staff:** The importance of human capital is globally recognized. The Microfinance sector is continuously facing increasing competition owing to which the retention of qualified and skilled staff is a challenge.

The management is committed to provide the right work environment which allows our employees to excel. The aim is to promote a culture of growth which not only rewards competence but also permits the work force to evolve.

- **Technology Risk:** The risk that the Bank may be unable to cope up with new advancements in Information Technology (IT) is quite inherent on part of better service provision to customers. The increasing competition and the dynamic needs of clients increase the importance of keeping up with technology advancements in order to provide successful solutions to the user base. Lack of innovation and progressive development in this sector may lead to loss of future business to competitors. Another aspect of this risk is the loss to the Bank from disruption to its electronic systems.

The Bank has updated its IT system during the year to incorporate state of the art technological advancements in internet and mobile banking. Additionally, the system audit department regularly monitors, highlights and reports any unusual instances and weaknesses to the Bank's Information system.

- **Compliance and Regulation Risk:** The risk of legal or regulatory sanctions, material functional loss, a bank might suffer as a result of its failure to comply with laws, regulations and codes of conduct applicable to its banking activities.

To mitigate the said risk the compliance division is responsible for ensuring the Bank's timely compliance with applicable guidelines and directives issued by regulatory bodies.

- **Liquidity Risk:** The risk that the Bank may be unable to meet its contractual obligations in a timely manner due to a lack of funds.

The management performs periodic reviews of available liquidity. Funds are constantly monitored to maintain at optimal liquidity levels. The Bank also maintains a substantial portfolio of highly liquid government securities that can be realized in the event of liquidity stress.

DIRECTORS' REPORT TO THE MEMBERS

- **Information Security Risk:** It is the risk of damage that may be caused by internal or external threats, such as un-authorized access to critical financial data, sensitive customer information, non-availability of critical services, impersonating clients and theft or alteration of information, while performing financial transactions, and loss of the Bank's sensitive electronic data and IT systems.

To mitigate the said risk IT Security Risk Management Unit caters to the regulatory requirements for IT Security Risk Management, maintains the framework that enables the Bank's Management and staff to mitigate IT security risks to acceptable levels.

- **Reputational Risk:** A loss that may arise by an activity, action, or stance taken by the Bank, any of its affiliates, or its officials that can impair its image with one or more of its stakeholders resulting in loss of business and/or decrease in the value of the Bank's shares.

To mitigate the reputational risks various departments within the Bank, assess reputational risk associated with the Bank's activities in order to safeguard the Bank's interests at all times.

- **Environmental Risk:** Actual or potential threats of adverse effects on the environment and living organism by effluents, emissions, wastes, chemical releases, resource depletion, etc., arising out of the Bank or its clients' operational activities.

The Bank is endeavoring internally as well as externally to cater and mitigate the impact of the aforesaid risks and uncertainties.

Uncertainties That Could Affect the Bank's Resource, Revenues and Operations

Factors that may potentially affect the Bank's resource, revenues and operations are:

- Capital injection;
- Decisions on Discount Rate / Monetary policy;
- Revisions to rate of returns on deposits;
- Geo-Political risks and uncertainties across the geography that we operate in;
- Law and Order situation;
- Local Government rules and regulations;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

Future Outlook

The Bank has incurred loss for the year amounting to Rs. 4,489 million and as at year end, its accumulated loss was Rs. 7,379 million. This has resulted in negative net assets of Rs. 4,047 million. The Bank is facing problems in recovery of unsecured non-performing advances which includes non-performing advances of Rs. 3,477 million against which provision is being made in a phased manner. The Bank has been 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 has developed and is implementing a multi-faceted plan 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. Some salient features of the plan are discussed below:

- The Sponsors have injected capital and share deposit money of Rs. 350.39 million (2021: Rs. 350.39 million) is still available against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors if needed to meet the obligations of the Bank on their respective due dates, subject to approval of State Bank of Pakistan (SBP). 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. The amount of non-performing advances is reduced by the amounts recovered since their classification and by the amount recovered subsequently. The Bank has made substantial provision against the non-performing loans during the

DIRECTORS' REPORT TO THE MEMBERS

year and full provision will be made by March 31, 2023, therefore, quantum of provision against advances in future periods is not expected to be significant. Further recovery of the classified portfolio will result in reversal of such provision and hence will result in the improvement of the financial position of the Bank in the ensuing years.

- The Bank is converting its advances portfolio from unsecured to secured portfolio which is reflected in Note 8.1 to the financial statements. The Bank is utilizing 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.
- The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, affecting the operational efficiency of the Bank.

In view of the above, the management believes that the financial and operational condition of the Bank will improve in due course and in case of business combination, the financial position and financial performance of the combined entity will become good, therefore the operations of the Bank will continue and the Bank will be able to continue as a going concern.

The management realizes the importance of digital banking services in today's banking environment. 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 microfinance sector of Pakistan is recognized as a key player in the banking industry. The Bank is striving to provide financial services to the unbanked segment of the population while catering to high demands of customers.

By using the current technology platform, the Bank is going to create different ways of doing business to drive growth in new and existing markets. The Bank is focusing on the following major streams to generate more revenue and strengthen customer base and relationship after complying with regulatory requirements.

i. Branchless Banking Framework

By introducing the branchless banking, we can increase the reach of customer without spreading physically. This would not only increase customer base but will generate the revenue streams on all the transactions done through branchless banking agents.

ii. Issuance of Multiple schemes & Types of payment cards

Our payment switch has a capability of issuance of multiple types of cards. This can also increase the customer base. The revenue streams can also be generated through transactions as well.

iii. Point of Sale (POS)/ Acquiring Business

As per SBP and new industry dynamics, POS is one of the potential revenue streams. Our payment switch has a capability to manage the large number of POS network, but it has a cost to set up the infrastructure of acquiring business. Currently no microfinance bank is in POS acquiring business, we can have an early mover advantage with introduction of POS acquiring.

iv. Digitally quick Customer on boarding

We have a capacity of onboarding customer digitally. This would not only reduce the cost of customer onboarding but will increase the customer base resulting into more revenue generation streams.

We will continue to strive for the betterment of our revamped credit and information system in order to ensure continued transparency in the Bank's lending system. Further, the Bank shall implement a strategy of improving its profitability by greater coverage, asset performance and productivity.

DIRECTORS' REPORT TO THE MEMBERS

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 29, 2023.

Corporate Social Responsibility

We are also committed to Corporate Social Responsibility (CSR) and integrating sound social practices in our day to day business activities. CSR is an important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve.

Internal Financial Controls

The Directors are aware of their responsibility with respect to internal financial controls. Through discussion with management and auditors (both internal and external), they confirm that adequate controls have been implemented by the Bank.

Corporate and Financial Reporting Framework

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

- The Financial Statements have been prepared by the management of the Bank and present fairly the ‘state of affairs’ of the Bank, the results of its operations, cash flow statement and statements of changes in equity;
- Proper books of accounts of the Bank have been maintained;
- Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied for the preparation of the financial statements; accounting estimates are based on reasonable and prudent judgment;
- These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 and the regulations / directives issued by the SECP and the SBP. Wherever the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 or the regulations / directives issued by the SECP and the SBP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 or the requirements of the said regulations / directives shall prevail;
- The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of the internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and the internal and external auditors to discuss the effectiveness of the internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate variances from the budget;
- There is no doubt about the ability of the Bank to continue as a going concern;
- Key operating and financial data of the last six years has been included in the Annual Report;
- There is no material departure from best practices of corporate governance, as detailed in listing regulations except discussed in statement of compliance with listed companies (code of corporate governance).
- No statutory payment has been remained outstanding on account of any taxes, duties, levies and charges.
- Details of Directors’ training programs are given in the Statement of Compliance with the Code of Corporate Governance.
- Directors, are eligible for fees and logistic expenses for attending meetings of the Board and Board Committees as approved by the Board of Directors.

Corporate Governance

The Bank is in compliance with significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The prescribed statement by the management together with the Auditors’ Review Report thereon is annexed to the Annual Report.

The Directors are pleased to give the following statements required under Chapter XII - Reporting and Disclosure of the aforementioned Regulations:

DIRECTORS' REPORT TO THE MEMBERS

1. The total number of directors are nine (09) as per the following:

Category	Number of Directors
Male Director	08
Female Director	01

2. The composition of the Board of Directors (the Board) is as follows:

Category	Names
Independent Directors	Mr. Abdul Aziz Khan
	Ms. Tahira Raza
Non-Executive Directors	Mr. Muhammad Akram Shahid (Chairman)
	Mr. Imad Mohammad Tahir
	Mr. Muhammad Asghar
	Mr. Muhammad Saleem Shaikh
	Syed Rahat Ali Shah
	Mr. Shahid Hassan
Executive Directors	Mr. Wajahat Malik

The Board has formed committees comprising of the members given below:

AUDIT COMMITTEE

- Mr. Abdul Aziz Khan (Chairman)
- Mr. Muhammad Asghar
- Mr. Imad Mohammad Tahir
- Mr. Muhammad Saleem Shaikh
- Syed Rahat Ali Shah

HUMAN RESOURCE & REMUNERATION COMMITTEE

- Ms. Tahira Raza (Chairperson)
- Mr. Wajahat Malik
- Mr. Imad Mohammad Tahir
- Mr. Muhammad Saleem Shaikh
- Syed Rahat Ali Shah

RISK MANAGEMENT COMMITTEE OF THE BOARD

- Mr. Muhammad Asghar (Chairman)
- Mr. Muhammad Akram Shahid
- Mr. Wajahat Malik
- Mr. Abdul Aziz Khan
- Syed Rahat Ali Shah

MONITORING COMMITTEE OF THE BOARD

- Mr. Muhammad Asghar (Chairman)
- Mr. Imad Mohammad Tahir
- Mr. Abdul Aziz Niazi
- Syed Rahat Ali Shah
- Mr. Muhammad Saleem Shaikh
- Ms. Tahira Raza

DIRECTORS' REPORT TO THE MEMBERS

EXECUTIVE COMMITTEE OF THE BOARD

- Mr. Muhammad Akram Shahid (Chairman)
- Mr. Shahid Hassan
- Mr. Muhammad Asghar
- Mr. Imad Mohammad Tahir
- Ms. Tahira Raza

3. The Board of Directors get the remuneration in accordance with the State Bank Circular No. AC & MFD, circular no. 2 of 2019 and their Regulations. The detail of which is given in Note no. 31 to the audited Financial Statements for the year ended December 31st, 2022.

Changes in the Board of Directors

Ms. Tahira Raza (Female Independent Director) has been elected in place of Ms. Parveen Akhtar Malik, Mr. Shahid Hassan has elected in election in place of Late Javaid Sadiq (Director) due to his dismissal and Mr. Wajahat Malik (President & CEO) has elected at the vacant position by the Members in EOGM, dated June 18, 2022.

Attendance of Directors in Board Meetings

The meetings attended by the BOD during the current year are annexed to the annual report.

Statement of Investment of Provident Fund

The Bank operates a funded provident fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2022 is PKR 124 million (2021: Audited: PKR 113 million).

Related Party Disclosure

Transactions with related parties are carried at arm's length on price determined using the comparable uncontrolled price method except for those transactions which, in exceptional circumstances, are specifically approved by the Board.

Dividend and Appropriations

The Bank has neither declared a dividend nor issued bonus shares for the year due to losses. However, the appropriation of prior years' profit is as under:

Particulars	31 st December 2022
	Audited (PKR)
Loss after taxation	(4,489,363,903)
Appropriations:	
Transfer to:	
- Statutory Reserve	-
- Contribution to MSDF / DPF / RMF	-
Unappropriated loss brought forward	(2,889,495,579)
Unappropriated loss carried forward	(7,378,859,482)

Earnings/(Loss) per Share

The Basic and Diluted loss per share of the Bank after tax is PKR. (10.47) [2021: RKR. (4.84)].

Audit Observations

The external auditors have drawn attention towards Note 1.2 of the financial statements for the year ended December 31, 2022 via an emphasis of matter paragraph. Attention is drawn towards the large losses for the year, hefty accumulated losses and Non-performing loan figures as a result of which the net assets are negative at the year end. These events and conditions along with other matters set

DIRECTORS' REPORT TO THE MEMBERS

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 PKR. 1,700 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.

Auditors

The retiring auditors' **M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants, Lahore**, being eligible, have offered themselves for re-appointment. The external auditors have been given a satisfactory rating under Quality Control Review of the Institute of Chartered Accountants of Pakistan (ICAP). The Audit Committee has recommended their re-appointment as auditors of the Bank for the year 2023.

Pattern of Shareholding

The pattern of shareholding as at December 31st, 2022 is annexed to the annual report.

Trades in Shares

No trading was carried out in the shares of the Bank during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children other than that has already been disclosed in the pattern of shareholding.

Events after the date of the Statement of Financial Position

There have been no material changes since December 31st, 2022. The Bank has not entered into any commitment, which would materially affect its financial position at the date.

Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust and we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.

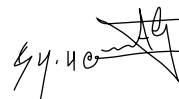
We would also like to express our gratitude to the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX) for their continued guidance and support. We especially offer our sincere appreciation to the management of the State Bank of 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,
The Apna Microfinance Bank Limited.**



Wajahat Malik
President/CEO

Date: June 10, 2023
Lahore



Syed Rahat Ali Shah
Director

ممبران کے لیے ڈائریکٹرز رپورٹ

شیر ہولڈنگ کا نمونہ:

31 دسمبر 2022ء کا شیر ہولڈنگ کا نمونہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

حصص میں تجارت:

رواں سال کے دوران ڈائریکٹرز، سی ای او، چیف فنانشل آفیسر، کمپنی سیکرٹری، چیف انٹرنل آڈیٹرز یا ان کے شریک حیات اور نابالغ بچوں میں سے کسی نے بھی حصص کی تجارت نہیں کی۔
سٹیٹمنٹ آف فنانشل پوزیشن کے بعد کے واقعات:

31 دسمبر 2022ء کے بعد کوئی اہم تبدیلی نہیں ہوئی۔ بینک نے کوئی ایسا وعدہ نہیں کیا، جس سے مالیاتی پوزیشن پر اثرات مرتب ہوں۔

اعترافات:

ہم اس موقع سے فائدہ اٹھاتے ہوئے اپنے صارفین، کاروباری شراکت داروں کی مستقل حمایت اور بھروسے کے حاصل ہونے پر اظہار تشکر پیش کرتے ہیں اور ہم صارفین کو دی گئی پُر عزم خدمات کے لئے اپنے ملازمین کا بھی شکریہ ادا کرتے ہیں۔

ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان سٹاک 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 رہا، ہم یقینی طور پر تسلیم کرتے ہیں کہ اسٹیٹ بینک آف پاکستان کی مسلسل حمایت اور روشن رہنمائی نے ہمیں اس بینک کے مستقبل کے بارے میں سوچنے کا سبب فراہم کیا۔

منجانب بورڈ آف ڈائریکٹرز اپنا مائیکرو فنانس بینک لمیٹڈ

سید راحت علی شاہ، ڈائریکٹر

وجاہت ملک، صدر/سی ای او

10 جون 2023ء، لاہور

ممبران کے لیے ڈائریکٹرز رپورٹ

(3) بورڈ آف ڈائریکٹرز کوئٹہ بینک آف پاکستان کے سرکلر نمبر AC&MFD 2019ء کے سرکلر نمبر 2 اور ان ریگولیشنز کے مطابق معاوضہ ملتا ہے۔ اس کی تفصیل 31 دسمبر 2022ء کی مالیاتی رپورٹ کے نوٹ نمبر 31 میں دی گئی ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں:

محترمہ پروین اختر ملک کی جگہ محترمہ طاہرہ رضا (خواتین خود مختار ڈائریکٹرز) منتخب ہوئی ہیں، جناب شاہد حسن مرحوم جاوید حسن مرحوم جاوید صادق (ڈائریکٹر) کی جگہ ان کی برطرفی کی وجہ سے اور جناب وجاہت ملک (صدر) منتخب ہوئے ہیں۔ (CEO کو EOGM میں ممبران نے 18 جون 2022ء کو خالی جگہ پر منتخب کیا ہے۔

بورڈ کے اجلاس میں ڈائریکٹرز کی شرکت:

اس سال کے دوران ہونے والے اجلاسوں میں بورڈ کے ڈائریکٹرز کی حاضریوں کا ریکارڈ سالانہ رپورٹ کے ساتھ منسلک ہے۔

پراویڈنٹ فنڈ کی سرمایہ کاری کا بیان:

بینک اپنے تمام مستقل ملازمین کے لئے فنڈڈ پراویڈنٹ فنڈ مہیا کرتا ہے، 31 دسمبر 2022ء کی آن آڈٹڈ مالیاتی سٹیٹمنٹ کے مطابق فنڈ کا یہ بیلنس آڈٹڈ 124 ملین پاکستانی روپے (2021ء 113 ملین پاکستانی روپے ہے۔)

متعلقہ فریقوں سے تعلقات:

متعلقہ فریقوں کے ساتھ لین دین کا موازنہ غیر کنٹرول شدہ قیمت کے طریقہ کار کو استعمال کرتے ہوئے طے شدہ قیمت کے مطابق کیا جاتا ہے۔ سوائے ان لین دین کے جو غیر معمولی حالات میں خاص طور پر بورڈ سے منظور شدہ ہوں۔

ڈیویڈنڈ اور تصرفات:

پچھلے برسوں کے مجموعی خسارے کی وجہ سے نہ تو ڈیویڈنڈ اور نہ ہی بونس حصص دینے کا اعلان کیا، تاہم منافع کا تصرف ذیل کے تحت کیا گیا ہے۔

کوائف	31 دسمبر 2022ء (پاکستانی روپے)
نقصان بعد از ٹیکس ادائیگی	(4,489,363,903)
تصرفات	
قانونی ذخائر میں منتقلی	--
ایم ایس ڈی ایف / ڈی پی ایف / آر ایم ایف میں شرکت	--
	--
	--
غیر تصرف شدہ خسارہ آگے لایا گیا	(2,889,495,579)
غیر تصرف شدہ خسارہ آگے لے جایا گیا	(7,378,859,482)

آمدنی / (نقصان) فی حصص:

ٹیکس کے بعد بینک کی فی حصص بنیادی اور کمزور آمدنی (10.47) پاکستانی روپے (2021 : 4.84 دوبارہ بیان کیا گیا)۔

آڈٹ کے مشاہدے:

ایکسٹرنل آڈیٹرز نے 31 دسمبر 2022ء کو ختم ہونے والے سال کے مالیاتی بیانات کے نوٹ نمبر 1.2 کی طرف توجہ مبذول کروائی ہے جس میں ایمفاسز آف میٹیر اگراف کی طرف زور دیا گیا 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۔

آڈیٹر:

ریٹائرنگ آڈیٹر میسرز آر ایس ایم اویس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹنٹ لاہور نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ ایکسٹرنل آڈیٹرز کو پاکستان کے چارٹرڈ اکاؤنٹنٹ ادارے کے کوائلی کنٹرول جائزہ کے تحت قابل اطمینان درجہ دیا گیا ہے۔ آڈٹ کمیٹی نے سال 2022ء میں آڈیٹر کے لئے دوبارہ تقرری کو ریگولیشنز کیا ہے۔

ممبران کے لیے ڈائریکٹرز رپورٹ

(1) مندرجہ ذیل کے مطابق ڈائریکٹرز کی کل تعداد نو ہے:

مرد: 08

خاتون: 01

(2) بورڈ آف ڈائریکٹرز (بورڈ) کی تشکیل مندرجہ ذیل ہے:

کیٹگری	نام
خود مختار ڈائریکٹر	جناب عبدالعزیز خان
	مس طاہرہ رضا
نان ایگزیکٹو ڈائریکٹرز	جناب محمد اکرم شاہد (چیئر مین)
	جناب عماد محمد طاہر
	جناب محمد اصغر
	جناب محمد سلیم شیخ
	سید راحت علی شاہ
	جناب شاہد حسن
ایگزیکٹو ڈائریکٹرز	جناب وجاہت ملک

بورڈ نے حسب ذیل ارکان پر مشتمل کمیٹیاں تشکیل دی ہیں:

آڈٹ کمیٹی:

☆..... جناب عبدالعزیز خان (چیئر مین)

☆..... جناب محمد اصغر

☆..... جناب عماد محمد طاہر

☆..... جناب محمد سلیم شیخ

☆..... سید راحت علی شاہ

ہیومن ریسورس اینڈ ریمونریشن کمیٹی:

☆..... جناب طاہر رضا (چیئر پرسن)

☆..... جناب وجاہت ملک

☆..... جناب عماد محمد طاہر

☆..... جناب محمد سلیم شیخ

☆..... سید راحت علی شاہ

ریسک مینجمنٹ کمیٹی:

☆..... جناب محمد اصغر (چیئر مین)

☆..... جناب محمد اکرم شاہد

☆..... جناب شاہد حسن

☆..... جناب عبدالعزیز خان

☆..... سید راحت علی شاہ

ممبران کے لیے ڈائریکٹرز رپورٹ

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 اسٹیٹمنٹ میں 29 اپریل 2023ء کو جاری کی ہے۔

کاروباری سماجی ذمہ داری:

ہم کاروباری سماجی ذمہ داریاں (CSR) کے لئے بھی عزم رکھتے ہیں اور ہمارے روزمرہ کی کاروباری سرگرمیوں میں معاشی عمل متحرک رہتا ہے جو ہم ہیں اور جس طرح ہم کام کرتے ہیں، سی ایس آر اس چیز کا اہم حصہ ہے، ہم اپنی کاروباری کامیابی کو صرف مالیاتی معیار کے لحاظ سے نہیں ماپتے، بلکہ اپنے صارفین کا اطمینان اور وہ طبقہ جس کو ہم خدمات فراہم کرتے ہیں اس کو بھی مد نظر رکھتے ہیں۔

انٹرنل فنانشل کنٹرولز:

ڈائریکٹرز انٹرنل فنانشل کنٹرولز کے حوالے سے اپنی ذمہ داریوں سے آگاہ ہیں، انتظامیہ اور آڈیٹرز (انٹرنل اور ایکسٹرنل) کے ساتھ تبادلہ خیال کے ذریعے وہ تصدیق کرتے ہیں کہ بینک کی طرف سے مناسب کنٹرولز لاگو کئے گئے ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

مندرجہ ذیل معاملات کے لئے ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک کے ساتھ تعمیل کی تصدیق کی ہے۔

☆ بینک انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارہ منصفانہ طور پر بینک کے معاملات کی صورت حال، سرگرمیوں کے نتائج، زیر گردش نقدی اور ایکٹیوٹی میں تبدیلیاں پیش کرتا ہے۔

☆ بینک کے کھاتوں کا مناسب انتظام رکھا گیا ہے۔

☆ مالیاتی گوشواروں کی تیاری میں مستقل مناسب کھاتے داری کی پالیسی کا اطلاق کیا گیا ہے، نیز کھاتے داری کے مالی تخمینے موزوں اور محتاط اندازوں پر مبنی ہیں۔

☆ یہ مالیاتی گوشوارے پاکستان میں اپرووڈ اکاؤنٹنگ سٹینڈرڈز کے مطابق تیار کئے گئے ہیں۔ اپرووڈ اکاؤنٹنگ سٹینڈرڈز میں یہ شامل ہیں۔ انٹرنیشنل فنانشیل رپورٹنگ سٹینڈرڈز (IFRSs) جو کہ

انٹرنیشنل اکاؤنٹنگ سٹینڈرڈز بورڈ IASB کے جاری کردہ ہیں، کمپنیز ایکٹ 2017ء، مائیکرو فنانس انسٹی ٹیوشن آرڈیننس 2001ء، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور

اسٹیٹ بینک آف پاکستان کے جاری کردہ قواعد و ضوابط کے تحت منظور شدہ ہیں، بصورت انٹرنیشنل فنانشیل رپورٹنگ سٹینڈرڈز (IFRSs) کے قواعد اگر کمپنیز ایکٹ 2017ء کی

ضروریات مائیکرو فنانس انسٹی ٹیوشن آرڈیننس 2001ء یا سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور اسٹیٹ بینک آف پاکستان کے جاری کردہ قواعد و ضوابط/ہدایات میں اختلاف ہو،

اس صورت میں کمپنیز ایکٹ 2017ء میں ضروریات، مائیکرو فنانس انسٹیٹیوٹ آرڈیننس 2001ء یا SECP اور SBP کے جاری کردہ قواعد و ضوابط لاگو ہوں گے۔

☆ انٹرنل کنٹرول نظام کا ڈھانچہ کارآمد ہے اور موثر طریقے سے کام کر رہا ہے۔ انٹرنل کنٹرول کے نظام اور اس کی نگرانی کی حتمی ذمہ داری بورڈ پر لازم ہے۔ آڈٹ کمیٹی کی تشکیل کے مقاصد میں

شامل ہے کہ وہ انٹرنل کنٹرول کے نظام اور دیگر مالیاتی امور کی رپورٹنگ کے موثر اطلاق کی نگرانی کے لئے اندرونی و بیرونی آڈیٹرز اور انتظامیہ کے ساتھ سال بھر وقتاً فوقتاً آزادانہ طور پر

مشاورتی ملاقاتیں کرتا ہے۔ مزید برآں پورے سال مسلسل مالی پیشین گوئی اور بجٹ کنٹرول کے ذریعے کارکردگی کی نگرانی کی جاتی ہے۔

☆ بینک کے کاروبار جاری و ساری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات نہیں ہیں۔

☆ گزشتہ چھ برسوں کی مالیاتی جھلکیاں اس سالانہ رپورٹ کے ساتھ منسلک ہیں۔

☆ بینک نے لسٹنگ ریگولیشنز میں تفصیلی طور پر بیان کردہ کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی کی بھی خلاف ورزی نہیں کی ہے۔

☆ گورنمنٹ ڈیوٹی یا ٹیکس کی مد میں بینک پر کوئی بھی ہیمنٹ واجب الادا نہیں ہے۔

☆ ڈائریکٹرز کے ترقیتی پروگراموں کی تفصیل، کوڈ آف کارپوریٹ گورننس کے ساتھ سٹیمنٹ آف کمپلائنس میں دی گئی ہے۔

☆ نان ایگزیکٹو ڈائریکٹرز بشمول خود مختار ڈائریکٹرز بورڈ اور بورڈ کمیٹیوں کے اجلاسوں میں شرکت کے لئے اجرت اور لاجسٹک اخراجات کے اہل ہیں جیسا کہ بورڈ آف ڈائریکٹرز نے منظور

کیا ہے۔

کارپوریٹ گورننس:

بینک لمیٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) کے ضوابط 2019ء کے اہم تقاضوں کی تعمیل کر رہا ہے۔ انتظامیہ کی جانب سے بیانیہ اور آڈیٹریک جازہ رپورٹ سالانہ رپورٹ کے ساتھ

منسلک ہے۔ ڈائریکٹرز کو باب XII کے تحت مطلوبہ درج ذیل بیانات دینے پر خوشی ہے۔

ممبران کے لیے ڈائریکٹر رپورٹ

بینک نے سال کے دوران غیر فعال قرضوں کے خلاف کافی پروویژن کیا ہے اور 31 مارچ 2023ء تک مکمل پروویژن کر دیا جائے گا، اس لئے مستقبل کے ادوار میں ایڈوائس کے خلاف پروویژن کی مقدار زیادہ ہونے کی اُمید نہیں ہے۔ کلاسیفائیڈ پورٹ فولیو کی مزید ریکوری کے نتیجے میں اس طرح کے پروویژن کو کم کیا جائے گا اور اس کے نتیجے میں آنے والے سالوں میں بینک کی مالی حالت میں بہتری آئے گی۔

☆ بینک اپنے قرضوں کو غیر محفوظ سے محفوظ میں تبدیل کر رہا ہے۔ جس کی عکاسی مالیاتی گوشواروں کے نوٹ نمبر 8.1 میں 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 آپریشنل کارکردگی کو متاثر کئے بغیر اپنے انتظامی اور آپریشنل اخراجات کو محدود کرنے کی کوشش کر رہی ہے۔

مذکورہ بالا کو مد نظر رکھتے ہوئے، انتظامیہ کا خیال ہے کہ مذکورہ منصوبے/کاوشیں بینک کو اس کے مالی اور آپریشنل مسائل پر قابو پانے میں مدد دیں گی اور اس کے نتیجے میں آنے والے سالوں میں بینک کی مالی حالت اور نتائج میں بہتری آئے گی اور اسے یقین ہے کہ بینک کے آپریشنز جاری رہیں گے اور بینک کے امور کو جاری رکھا جاسکے گا۔

انتظامیہ کو آج کے بینکنگ ماحول میں ڈیجیٹل بینکنگ خدمات کا بھی احساس ہے۔ گزشتہ برسوں میں بینک نے اپنی رسائی کو بڑھانے اور بینک سے محروم آبادی کی ضروریات کو پورا کرنے کے لئے انٹرنیٹ بینکنگ اور موبائل بینکنگ قائم کی تھی۔ اس ڈیجیٹائزیشن 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۔

☆ برانچ لیس بینکنگ خدمات جیسا کہ ”مرچنٹ پورٹل“ اور ”موبائل والٹ“

☆ متعدد سکیموں اور ادائیگی کارڈز کی اقسام

☆ پوائنٹ آف سیل (POS) ایکوائزنگ برنس

☆ بورڈنگ پریڈیجیشنل طور پر فوری گاہک

ڈیجیٹائزیشن کے ان اقدام سے نہ صرف سماجی فاصلے کے کچھ فروغ ملے گا، بلکہ آپریشنل اور برانچ 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۔

پاکستان کے مائیکرو فنانس سیکٹر کو بینکنگ انڈسٹری میں ایک اہم کھلاڑی کے طور پر تسلیم کیا جاتا ہے۔ بینک صارفین کے اعلیٰ مطالبات کو پورا کرتے ہوئے آبادی کے غیر بینک شدہ حصے کو مالی خدمات فراہم کرنے کے لئے کوشاں ہے۔

موجودہ ٹیکنالوجی کو استعمال کرتے ہوئے بینک نئی اور موجودہ مارکیٹوں میں آگے بڑھنے کے لئے کاروبار کے مختلف طریقے تخلیق کرنے جا رہا ہے۔ بینک ریگولیٹری تقاضوں کی تکمیل کے بعد زیادہ آمدنی پیدا کرنے اور زیادہ کسٹمرز اور تعلقات کو مضبوط بنانے کے لئے مندرجہ ذیل چیزوں پر توجہ دینا ضروری ہے:

(i) برانچ لیس بینکنگ فریم ورک:

برانچ لیس بینکنگ متعارف کرا کر ہم جسمانی طور پر پھیلے بغیر گاہک کی پہنچ بڑھا سکتے ہیں، اس سے نہ صرف کسٹمرز میں اضافہ ہوگا، بلکہ برانچ لیس بینکنگ ایجنٹس کے ذریعے ہونے والے تمام لین دین پر محصولات کی آمدنی بہتر ہوگی۔

(ii) متعدد سکیموں اور ادائیگی کارڈ کی اقسام کا اجرا:

ہمارے ادائیگی سوئچ میں متعدد قسم کے کارڈ جاری کرنے کی صلاحیت ہے اس سے گاہک کی بنیاد میں بھی اضافہ ہو سکتا ہے۔ لین دین کے ذریعے بھی محصولات کے ذرائع پیدا کئے جاسکتے ہیں۔

(iii) پوائنٹ آف سیل (POS) ایکوائزنگ برنس:

اسٹیٹ بینک آف پاکستان اور نئی صنعت کی حرکات کے مطابق پی او ایس مکمل محصولات کے ذرائع میں سے ایک ہے، ہمارے ادائیگی سوئچ میں پی او ایس نیٹ ورک کی بڑی تعداد کو منظم کرنے کی صلاحیت ہے، لیکن اس کے پاس کاروبار کے حصول کا بنیادی ڈھانچہ قائم کرنے کی لاگت ہے، فی الحال کوئی بھی مائیکرو فنانس بینک پی او ایس کے حصول کے کاروبار میں نہیں ہے۔ پی او ایس کے حصول کے تعارف کے ساتھ ہمیں ابتدائی امور کا فائدہ ہو سکتا ہے۔

(iv) بورڈنگ پریڈیجیشنل طور پر فوری گاہک:

ہمارے پاس ڈیجیٹل طور پر گاہک کو آگاہ کرنے کی صلاحیت ہے، اس سے نہ صرف گاہک کی آن بورڈنگ کی لاگت میں کمی آئے گی، بلکہ گاہک کی بنیاد میں اضافہ ہوگا، جس کے نتیجے میں محصولات کی آمدنی زیادہ ہوگی۔ ہم نے بینک کے قرض دینے کے نظام میں مسلسل شفافیت کو یقینی بنانے کے لئے اپنے نئے جدید ترین کریڈٹ اور انفارمیشن سسٹم کی بہتری کے لئے کوششیں جاری رکھیں گے۔ مزید بینک زیادہ کوریج اثاثوں کی کارکردگی اور پیداواری صلاحیت کے ذریعے اپنے منافع کو بہتر بنانے کی حکمت عملی پر عمل درآمد کرے گا۔

ممبران کے لیے ڈائریکٹر رپورٹ

انفارمیشن سکیورٹی خطرہ:

یہ نقصان اندرونی اور بیرونی خطرات کی وجہ سے ہو سکتا ہے۔ جسے اہم مالی اعداد و شمار تک رسائی، حساس صارفین کی معلومات، اہم خدمات کی عدم فراہمی، موکلوں کی نقالی اور معلومات میں رد و بدل، مالی معاملات اور بینک کے حساس الیکٹرانک ڈیٹا اور آئی ٹی سسٹم کا نقصان شامل ہیں۔ آئی ٹی سکیورٹی رسک مینجمنٹ یونٹ آئی ٹی سکیورٹی رسک مینجمنٹ کے لئے ریگولیٹری ضروریات کو کم کرنے کے لئے اس فریم ورک کو برقرار رکھتے ہیں جو بینک کی انتظامیہ اور عمل کو قابل قبول سطح پر آئی ٹی سکیورٹی خطرات کو کم کرنے کے قابل بناتا ہے۔

ساکھ کا خطرہ:

وہ نقصان جو بینک، اس سے وابستہ کسی بھی شخص یا اس کے عہدیداروں کی جانب سے اختیار کی گئی سرگرمی، کارروائی یا موقف سے پیدا ہو سکتا ہے، جو اس کے ایک یا ایک سے زیادہ اسٹیک ہولڈرز کے ساتھ اس کی تصویر کو خراب کر سکتا ہے، جس کے نتیجے میں کاروبار ختم ہو سکتا ہے اور / یا بینک کے حصص کی قیمت میں کمی واقع ہو سکتی ہے۔ ساکھ کے خطرہ کو کم کرنے کے لئے بینک کے اندر مختلف ڈیپارٹمنٹس کا کام بینک کی سرگرمیوں کا جائزہ لینا ہے تاکہ ہر وقت بینک کے مفادات کا تحفظ کیا جاسکے۔

ماحولیاتی خطرہ:

بینک یا اس کے گاہکوں کی آپریشنل سرگرمیوں سے پیدا ہونے والی عدم روانی، اخراج، فضلات، کیمیائی اخراج، وسائل میں کمی وغیرہ سے ماحول اور جاندار پر برے اثرات کے حقیقی یا ممکنہ خطرات شامل ہیں۔

مذکورہ بالا خطرات اور یقینی صورت حال کے اثرات کا مقابلہ کرنے کے لئے بینک اندرونی اور بیرونی سطح پر کوشش کر رہا ہے۔

غیر یقینی صورتحال جو بینک کے وسائل، محصولات اور کارروائی کو متاثر کر سکتی ہے:

مندرجہ ذیل عوامل ممکنہ طور پر بینک کے وسائل، محصولات کی کارروائیوں کی متاثر کر سکتے ہیں:-

☆ کیپٹل انجکشن

☆ ڈسکاؤنٹ ریٹ اور معالیاتی پالیسی سے متعلق فیصلے

☆ ڈپوزٹس پر شرح سود میں ترمیم

☆ جغرافیائی، سیاسی خطرات اور جغرافیہ میں غیر یقینی صورتحال جس میں ہم کام کرتے ہیں

☆ امن و امان کی صورتحال

☆ مقامی حکومت کے قواعد و ضوابط

☆ افراط زر، ایندھن اور عام اشیاء کی قیمتیں

☆ کارپوریٹ ٹیکسیشن پر اقدامات

☆ مستقبل کا لائحہ عمل:

بینک کا اس سال کا خسارہ 4,489 ملین پاکستانی روپے ہے اور اس سال کے اختتام تک اس کا مجموعی خسارہ 7,379 ملین پاکستانی روپے ہو گیا ہے۔ اس کے نتیجے میں 4,047 ملین پاکستانی روپے کے خالص اثاثے منفی ہوئے ہیں۔ بینک کو غیر محفوظ، غیر فعال قرض کی وصولی میں مسائل کا سامنا ہے۔ جس میں 3,477 ملین پاکستانی روپے کا غیر فعال قرض شامل ہے جس کے خلاف مرحلہ وار پروڈن کی جائے گی۔ بینک مائیکرو فنانس بینکوں کے لئے پروڈیشنل ریگولیشنز 2014ء کے کم از کم سرمایے کی ضرورت (MCR) اور کیپٹل ایڈیکویسی ریشو (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۔

انتظامیہ نے بینک کو درپیش مالی اور آپریشنل مشکلات پر قابو پانے کے لئے ایک کثیر جہتی منصوبہ تیار کیا ہے اور اس پر عمل درآمد کر رہی ہے۔ یہ منصوبہ قابل عمل ہے اور اس کے نفاذ سے بینک کو درپیش منفی عوامل سے نمٹا جاسکتا ہے۔ ان پر ذیل میں زیر بحث ہیں:

☆ اسپانسرز نے سرمایہ اور شیئرز ڈیپازٹ کی رقم جو کہ 350.39 ملین پاکستانی روپے (Rs.350.39: 2021) ابھی بھی دستیاب ہے، جس کے خلاف مقررہ وقت پر حصص جاری کئے جائیں گے۔ مزید اسٹیٹ بینک آف پاکستان (SBP) کی منظوری سے مشروط ان کی متعلقہ مقررہ تاریخوں پر بینک کی ذمہ داریوں کو پورا کرنے کی ضرورت پڑنے پر موجودہ اسپانسرز / ممکنہ اسپانسرز کے ذریعے مزید سرمایہ لگایا جائے گا۔

☆ 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 رونا وائرس (Covid-19) کے بعد غیر مناسب معاشی حالات ہیں جو قرض لینے والوں کے کنٹرول سے باہر ہیں۔ غیر فعال قرضوں کی درجہ بندی اور وصولی کے بعد ان کی رقم میں کمی ہوئی ہے۔

ممبران کے لیے ڈائریکٹرز رپورٹ

سال اسی مدت کے اختتام پر 11,505 ملین پاکستانی روپے تھا، جس میں 27 فیصد کی درج کی گئی۔ انتظامیہ نے رپورٹنگ کی تاریخ پر اسٹیٹ بینک کی طرف سے جاری کردہ MFBS کے پرنٹیشل ریگولیشنز میں طے شدہ تقاضوں کے مطابق ایک مخصوص پروویژن 3,546 ملین پاکستانی روپے ریکارڈ کیا ہے۔ (324 ملین: 2021ء) سال 2022ء کے آخر میں بینک کی مجموعی ایڈوانس ٹو ڈپازٹ ریشو (ADR) 2021ء میں 54.32% کے مقابلے میں 53.38% پر رپورٹ ہوئی۔

انتظامیہ نے اس پورٹ فولیو کے حوالے سے بحالی اور تنظیم نو کی حکمت عملی وضع کی ہے اور اس پر عمل درآمد کیا ہے اور کافی مقدار میں غیر کارکردگی کا مظاہرہ کرنے والے قرضوں کی وصولی میں کامیاب ہوا ہے۔ انتظامیہ مستقبل میں مزید ریکوری کے لئے پُر امید ہے جس کے نتیجے میں پروویژن میں تبدیلی آئے گی اور بینک کی مالی حالت میں بہتری آئے گی۔

بینک کا ڈپازٹ بیس دسمبر 2021ء میں 22,083 ملین پاکستانی روپے سے بڑھ کر 31 دسمبر 2022ء کو 22,606 ملین پاکستانی روپے ہو گیا ہے۔ مارک آپ / ریٹن / انٹرسٹ خرچ میں 10% اضافہ ہوا ہے، جو کہ SBP کی طرف سے پالیسی ریٹ میں اضافے کے مطابق ہے۔

بنیادی خطرات اور غیر یقینی صورت حال:

ڈائریکٹرز مندرجہ ذیل کو اہم خطرات تصور کرتے ہیں:

شرح سود:

پچھلے سال کے مقابلے میں شرح سود میں نمایاں اضافہ ہوا ہے، مارکیٹ میں بڑھتی ہوئی شرح اور بینک کے سودی پیریڈ کے مابین تعلق، بینک کے مجموعی منافع کے لئے خطرے کا باعث بنے گا۔ ایسٹ اور لائیبلیٹی کمیٹی (ALCO) کے ذریعے بینک کی شرح سود کے خطرے کی نگرانی کی جاتی ہے، جو وقتاً فوقتاً بینک کے دیئے گئے قرضہ جات کی شرح ڈیپازٹ پراڈکٹ پر نظر رکھتا ہے اور اس بات کو یقینی بناتا ہے کہ کسٹمرز کو برقرار رکھا جاسکے اور شرح سود کے پیریڈ کو زیادہ سے زیادہ بڑھایا جاسکے۔

کریڈٹ کا خطرہ:

صارفین کے ذریعے ڈیفالٹ سے منسلک خطرہ بینک کے لئے ایک خاص خطرہ ہے۔ مارکیٹ میں اپنا حصہ بڑھانے کے لئے قرضوں میں تیزی سے اضافہ ہو رہا ہے، جبکہ ان قرضوں کا ایک بڑا حصہ غیر محفوظ ہوتا ہے۔ وسیع اقتصادی رجحانات جیسے افراط زر، معاشی گراؤ اور کرنسی کے خسارے قرض داروں کو اپنا قرض واپس ادا کرنے میں ناکام کر دیں گے۔ قرضوں کی وضع کی گئی نئی حکمت عملی کے حصے کے طور پر انتظامیہ نے گزشتہ ادوار کے دوران اپنے کریڈٹ کنٹرول کے طریقہ کار کو پوری طرح سے بہتر بنایا ہے۔ انتظامیہ تمام کریڈٹ خطرات کو مکمل طور پر کور کرنے کو یقینی بناتے ہوئے ایک بہتر کریڈٹ پورٹ فولیو کو برقرار رکھنے کے لئے پُر عزم ہے۔

قابل ستاف کی برقراری:

انسانی وسائل کی اہمیت عالمی سطح پر تسلیم کی جاتی ہے۔ تاہم مائیکرو فنانس کے شعبے میں مسلسل بڑھتی ہوئی مقابلے بازی کی وجہ سے قابل اور ہنرمند ستاف کی برقراری مشکل ہوتی چلی جا رہی ہے۔ انتظامیہ کام کے صحیح ماحول کی فراہمی کے لئے پُر عزم ہے، جو ہمارے ملازمین کو کارآمد بنائے گا۔ اس کا مقصد ترقی کی ثقافت کو فروغ دینا ہے، جو نہ صرف قابلیت کو نوازتا ہے، بلکہ ورک فورس کو بھی ترقی کرنے کی اجازت دیتا ہے۔

ٹیکنالوجی کا خطرہ:

یہ خطرہ ہے کہ بینک شائد ٹیکنالوجی میں آنے والی ترقی اپنانے میں اور بہتر سروس دینے میں ناکام رہے، بڑھتی ہوئی مقابلے بازی اور صارفین کی متحرک ضروریات کا کامیاب حل فراہم کرنے میں ٹیکنالوجی کی اہمیت مزید بڑھتی جا رہی ہے۔ اس شعبے میں جدت کی کمی اور بڑھتی ہوئی ترقی کی وجہ سے مستقبل میں ہم کاروباری حریفوں کے ہاتھوں اعتماد کھو بیٹھیں گے۔ اس خطرے کا ایک اور پہلو یہ ہے کہ اس کے الیکٹرانک سسٹم میں رکاوٹ سے بینک کو نقصان ہو سکتا ہے۔

انٹرنیٹ اور موبائل بینکاری میں جدید ترین تکنیکی ترقی کو شامل کرنے کے لئے بینک نے اس سال کے دوران اپنے آئی ٹی سسٹم کو آپ ڈیٹ کیا ہے۔ مزید برآں سسٹم آڈٹ محکمہ باقاعدگی سے نگرانی کی نشاندہی کر رہا ہے اور کسی بھی غیر معمولی واقعات اور کمزوریوں کی اطلاع بینک کے انفارمیشن سسٹم کو دیتا ہے۔

تعمیل اور ریگولیشن کا خطرہ:

قانونی یا باقاعدہ پابندیوں، مادی فعال نقصان کسی بینک کو اس کی بینکاری سرگرمیوں پر لاگو قوانین، ضوابط اور ضابطہ اخلاق کی تعمیل کرنے میں ناکامی کے نتیجے میں دوچار ہونا پڑ سکتا ہے۔ مذکورہ خطرے کو کم کرنے کے لئے Compliance ڈویژن ذمہ دار رہنما اصولوں اور انضباطی اداروں کے ذریعے جاری کردہ ہدایات کے ساتھ بینک کی بروقت تعمیل کو یقینی بنانا ہے۔

لیکویڈیٹی کا خطرہ:

یہ خطرہ ہے کہ بینک فنڈز کی عدم دستیابی کی وجہ سے بروقت اپنے معاہدے کی ذمہ داریوں کو پورا نہ کر سکے۔

انتظامیہ وقتاً فوقتاً دستیاب لیکویڈیٹی کا جائزہ لیتی رہتی ہے۔ فنڈز کی مستقل نگرانی کی جاتی ہے تاکہ ان کو بہترین لیکویڈیٹی کی سطح پر برقرار رکھا جاسکے۔

بینک انتہائی لیکویڈ سرکاری سیکورٹیز کا خاطر خواہ پورٹ فولیو بھی برقرار رکھتا ہے، جس کو لیکویڈیٹی کے دباؤ کی صورت میں استعمال کیا جاسکتا ہے۔

ممبران کے لیے ڈائریکٹر رپورٹ

”اپنا مائیکروفنانس بینک لمیٹڈ“ کے ڈائریکٹر انتہائی مسرت کے ساتھ بینک کی 31 دسمبر 2022ء کو ختم ہونے والے مالی سال کے لئے اپنی رپورٹ بمعہ آڈیٹڈ مالیاتی اسٹیٹمنٹ اور اس پر آڈیٹر رپورٹ پیش کر رہے ہیں۔

معاشی جائزہ:

عالمی معیشت بڑی عالمی معیشتوں کے ساتھ جدوجہد جاری رکھے ہوئے ہے جو بلند افراط زر کے درمیان سست ترقی کا اندراج کر رہی ہے۔ روس یوکرین تنازعہ کی وجہ سے سپلائی چین میں رکاوٹوں نے بھی عالمی اقتصادی سرگرمیوں میں تیزی سے کمی کی ہے۔

ملکی محاذ پر ملک کو سماجی اقتصادی بے یقینی اور انتشار کا سامنا ہے۔ ریکارڈ توڑ مہنگائی اور مسلسل زری سختی کی وجہ سے معاشی حالات ابتر ہوئے ہیں۔ 4 اپریل 2023ء کو ہونے والی مائٹری پالیسی کمیٹی کے اجلاس میں اسٹیٹ بینک نے افراط زر کے مسلسل دباؤ کا حوالہ دیتے ہوئے پالیسی ریٹ میں مزید 100 بیس پوائنٹس کا اضافہ کر کے 21 فیصد کر دیا۔ بیچ مارک سود کی شرح کو رواں سال کے دوران 500 بیس پوائنٹس (16.00% سے 21.00%) تک بڑھایا گیا ہے جس کا مقصد بلند افراط زر کا مقابلہ کرنا اور IMF کی فنڈنگ کو غیر مقفل کرنا ہے۔

جون 2022ء میں ملک نے اپنے بدترین سیلاب میں سے ایک کا مشاہدہ کیا جس نے لاکھوں افراد کو بے گھر کر دیا اور اس کے نتیجے میں فصلوں اور مویشیوں کو بڑے پیمانے پر نقصان پہنچا۔ ان سیلابوں کے تباہ کن اثرات نے ملک کے اندر خوراک اور اجناس کی برہتی ہوئی قیمتوں میں اضافہ کیا ہے اور پہلے سے ہی مشکلات کا شکار معیشت پر مزید مہنگائی کا دباؤ ڈالا ہے۔

پچھلے سال میں امریکی ڈالر کے مقابلے PKR کی قدر میں تیزی سے کمی دیکھی گئی، جو کہ گزشتہ 5 سالوں میں کرنسی کی سب سے زیادہ قدر میں کمی ہے۔ ملک کی کمزور ادائیگی کی صورت حال، اس گراؤ کی بنیادی وجہ رہی۔

پاکستان میں موجودہ معاشی حالات مائیکروفنانس انڈسٹری سمیت تمام شعبوں کے لئے اہم چیلنجز کا باعث بنے ہوئے ہیں۔ سیاسی عدم استحکام اور کم ہوتے زرمبادلہ کے ذخائر نے اس مشکل ماحول میں اہم کردار ادا کیا 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 انشورینس آرڈیننس 2001ء کے تحت غربت کو کم کرنے کے نظریے سے معاشرے کے غریب اور پسماندہ طبقے کو اور مائیکروفنانس بینکنگ اور اس سے متعلق خدمات مہیا کرنا ہے۔

31 دسمبر 2022ء کو ختم ہونے والے سال کے دوران بینک کی مالیاتی کارکردگی مندرجہ ذیل ہے:

کوائف	31 دسمبر 2022ء آڈیٹڈ (پاکستانی روپے)	31 دسمبر 2021ء آڈیٹڈ (پاکستانی روپے)	% تبدیلی
فراہم کیا گیا ایڈوانس (پروژن کے بعد)	8,354,266,042	11,505,706,719	-27%
ڈپازٹس و دیگر اکاؤنٹس	22,606,344,550	22,083,717,249	2%
مارک آپ آمدنی	2,265,996,265	908,380,258	149%
مارک آپ خرچ	(1,600,191,347)	(1,459,014,295)	10%
انتظامی اخراجات	(2,232,257,861)	(2,167,670,263)	3%
منافع / (نقصان) بعد از ٹیکس ادائیگی	(4,489,363,903)	(1,930,971,344)	132%

گزشتہ سال 2021ء کے 1,930 ملین پاکستانی روپے (نقصان بعد از ٹیکس) کے مقابلے میں موجودہ سال بینک نے 4,489 ملین پاکستانی روپے کا نقصان ظاہر کیا۔

بینک کی ایکویٹی (بعد از نقصانات) منفی 4,046 ملین پاکستانی روپے رہی اور 31 دسمبر 2021ء سے بینک کے کل اثاثے 23,660 ملین پاکستانی روپے سے کم ہو کر 19,587 ملین پاکستانی روپے ہو گئے ہیں۔

اس نقصان کی ذمہ داری سال کے دوران لاگو ہونے والے 3,535 ملین پاکستانی روپے کے پرویزن پر ہے۔ یہ پرویزن پورٹ فولیو سے متعلق ہے جس کی درجہ بندی 2022ء کے دوران گزشتہ ادوار میں (Covid-19) کے پھیلنے سے پیدا ہونے والے منفی معاشی حالات کی وجہ سے کی گئی تھی۔ نتیجتاً 31 دسمبر 2022ء تک قرض، (پرویزن کے بعد) 8,354 ملین پاکستانی روپے رہا، جو کہ پچھلے

MEETINGS OF THE BOARD

From January 1, 2022 to December 31, 2022

Name of Directors	Meetings Due	Meetings Attended
Mr. Muhammad Akram Shahid	6	6
Mr. Imad Mohammad Tahir	6	6
Mr. Muhammad Saleem Shaikh	6	6
Mr. Mohammad Asghar	6	6
Syed Rahat Ali Shah	6	6
Mr. Shahid Hassan	6	4
Mr. Abdul Aziz Khan	6	6
Ms. Tahira Raza	6	5
Mr. Wajahat Malik	6	6

MEETINGS OF THE AUDIT COMMITTEE

From January 1, 2022 to December 31, 2022

Name of Directors	Meetings Due	Meetings Attended
Dr. Abdul Aziz Khan Niazi, Chairman	4	4
Mr. M. Saleem Sheikh, Member	4	4
Mr. Mohammad Asghar, Member	4	4
Syed Rahat Ali Shah, Member	4	4
Mr. Imad Muhammad Tahir, Member	4	4

Annexure 'A'

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (Code of Corporate Governance) Regulations, 2019 (the Regulations)

Name of company: **Apna Microfinance Bank Limited.**

Year ending: **December 31, 2022**

The company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of director are 9 as per the following:

- a) Male: 8
- b) Female: 1

2. The composition of the Board of Directors (the Board) is as follows:

Category	Number of Directors	Names
a) Independent Directors	2	Mr. Abdul Aziz Khan Ms. Tahira Raza
b) Non-Executive Directors	6	Mian M. A. Shahid Mr. Imad Mohammad Tahir Syed Rahat Ali Shah Mr. Muhammad Saleem Shaikh Mr. Mohammad Asghar Mr. Shahid Hassan
c) Executive Director	1	Mr. Wajahat malik
d) Female Director	1	Ms. Tahira raza

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
- 4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations.
- 7. The meetings of the Board are presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
- 8. The Board of directors has a formal policy and transparent procedure for remuneration of directors in accordance with the Act and the Regulations.
- 9. The Board has arranged Directors' Training Program (DTP) for the following directors:
 - Mr. Muhammad Akram Shahid
 - Mr. M Saleem Sheikh
 - Mr. Syed Rahat Ali Shah
 - Mr. Mohammad Asghar
 - Ms. Tahira Raza
- 10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- 11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

Annexure 'A'

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

12. The Board has formed committees comprising of members given below:

a) 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
b) HR and Remuneration Committee	
Ms. Tahira Raza	Chairperson
Mr. Wajahat Malik	Member
Mr. Imad Mohammad Tahir	Member
Syed Rahat Ali Shah	Member
Mr. Muhammad Saleem Shaikh	Member
c) Risk Management Committee	
Mr. Muhammad Asghar	Chairman
Mr. Muhammad Akram Shahid	Member
Mr. Wajahat Malik	Member
Mr. Abdul Aziz Khan	Member
Syed Rahat Ali Shah	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees above referred was as under,
- | | |
|----------------------------------|-------------|
| a) Audit Committee | Quarterly |
| b) HR and Remuneration Committee | Half yearly |
| c) Risk Management Committee | Half yearly |
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Board.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan (ICAP) and are registered with Audit Oversight Board of Pakistan, that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, company secretary or director of the Bank;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3,7,8,27,32,33 and 36 of the Regulations have been complied with except that the number of independent directors of the Bank are less than one third of the total number of directors.
19. Explanation for non-compliance with some requirements, other than Regulations 3,6,8,27,32,33 and 36 is as under;
- Certain remaining policies will be developed in due course;
 - Formation of nomination committee is under consideration;
 - Directors Training Program will be arranged in due course for remaining directors; and
 - The post of Head of Internal Audit vacant from March 2022 will be fulfilled in due course.

For Apna Microfinance Bank Ltd.

Muhammad Akram Shahid
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Apna Microfinance Bank Limited

Review Report on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors (the Board) of Apna Microfinance Bank Limited (the Bank) for the year ended December 31, 2022 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal control, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2022.

Further, we highlight below an instance of non-compliance with a requirement of the Regulations as reflected in the paragraph reference mentioned below where the same is stated in the Statement of Compliance:

Sr. No.	Paragraph Description	Reference
1.	18	The number of independent directors were less than one third of total number of directors.

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Engagement partner: Syed Naveed Abbas

Place: Lahore

Date: June 10, 2023

UDIN: CR2022102391Wm53xbXf

ETHICS AND BUSINESS PRACTICES

All employees of Apna Microfinance Bank Limited, hereafter called AML, are required to follow a Code of Ethics and Business Practices in all areas of professional conduct. They must abide by the following:

LAWS AND RULES

- All the employees are required to comply with all the laws, rules and regulations governing AML, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow directives given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all team members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non compliance with unethical demands, which is demeaning or detrimental to work performance or the career of any employee in any capacity.
- Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorized absences.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgment in the best interest of the Bank and its clients. The Human Resource & Recruitment Department must be informed in case an employee:
- Holds an outside directorship; carries on business activity outside; holds majority shares/interest in a public or private business; takes direct advantage of securities of a public listed company, or serves as a client's personal representative.
- No employee shall bring political or other outside pressure/ influence to bear on the authorities/superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
- Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource & Recruitment Department. Employees with financial or other interest in any family business must declare in advance by writing and seek no objection.
- Employees shall not borrow from or lend personal funds or property to any Client or Vendor who has a relationship with the Bank except on market terms and conditions from financial institutions. Borrowing or lending in personal capacity within the Bank is prohibited.
- Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource & Recruitment Department. Receipts of funds can only be issued on prescribed forms.
- Disciplinary action may be taken in case of misconduct or unsatisfactory performance including breach of above mentioned rules; willful insubordination; breach of confidential material; use of drugs or alcohol; falsification of documents; violation of safety/health rules; insider trading; parallel banking; money laundering and any act detrimental to the Bank's business.

WORKPLACE ENVIRONMENT

ETHICS AND **BUSINESS PRACTICES**

- The Bank is committed to creating and maintaining a working, learning and customer care environment, which is free from violence and has zero tolerance for violence against any employee or its property.
- Employees are not allowed to play practical jokes or pranks on each other, indulge in horseplay, or share immoral jokes with other employees or the outside world, through Apna bank email server or computer, or cell phones.
- Employees are prohibited to use, exchange, or sell intoxicants or drugs in the work place or come to work under their influence.
- Employees are required to maintain proper dress code, appear well groomed and presentable at all the time. Livery staff should be in their proper uniform. High standards of behavior and tidy work areas are to be maintained at all times.

RESPONSIBILITIES TOWARDS EMPLOYER (AMBL)

- Employees must raise concerns and suspicions, in confidence, about any actual or potential illegal activity or misconduct according to the process in Whistle Blowing Policy and the Anti Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- Guidance must be sought from relevant department in case any employee receives any demand or request for information from outside party including law enforcement agencies.
- Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Email and Internet Usage Policy and Acceptable Use Policy.
- Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise integrity of Bank's record.
- Employees are required to identify all conflicts of interest and declare them immediately, including all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.

INFORMATION MANAGEMENT

- All employees shall regard as strictly confidential any information concerning the business of the Bank which is not intended to be made public unless required to do so under the law, consulting the Human Resource & Recruitment Department in case of ambiguity about a required disclosure. Confidential information must only be shared with employees on a need to know basis consistent with their job assignments as set out in Information Security and Governance Policies.
- All customers' related information should be kept secret, used for intended purpose only and any further use should be allowed only after prior consent of the concerned customer.
- Employees should protect the privacy and confidentiality of personnel records, not sharing them inside or outside the Bank except after approval by Human Resource & Recruitment Department.
- Employees should not use Bank's facilities to access, download or distribute personal or social information, including any material that may pose reputational risk to the Bank. Secrecy of passwords must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet and email is deemed inappropriate in the workplace. Private telephone conversations must be kept at a minimum during office hours.

ETHICS AND **BUSINESS PRACTICES**

- Only officially designated spokesperson, as provided under the Bank's Media Policy, may provide comments about the Bank to the media.

RELATIONSHIP WITH AND RESPONSIBILITIES TO CUSTOMERS, PROSPECTS AND OTHER EXTERNAL CONSTITUENCIES

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards the interest of the Bank, its customers and regulators is a must.
- Employees are not authorized to accept or agree to accept any gifts or conveyance of anything of value from any current or prospective Apna bank customers or vendors or any person who has a business relationship with the Bank with exception of the following
- Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
- Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource & Recruitment Department.
- Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services
- Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.

OTHER KEY LEGAL/COMPLIANCE RULES AND ISSUES

- Employees are strictly prohibited to engage in insider trading, buying or selling Bank's common stocks or otherwise benefitting from sharing inside information, whether obtained through workplace or outside sources.
- AML fully supports the intended drive against serious crime and is committed to assisting the authorities to identify money laundering transactions and where appropriate to confiscate the proceeds of crime. Employees must follow the Anti Money Laundering Policy and Procedures.
- Violation of any of the clauses of this 'Code of Ethics' by any employee, may lead to disciplinary proceedings culminating in punishment as per merits of the case.



Chairman

Lahore

Date: June 10, 2023

PATTERN OF SHAREHOLDING

As at 31 December 2022

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
270	1	100	2,662
85	101	500	37,434
18	501	1000	16,863
28	1001	5000	80,019
2	5001	10000	15,500
2	10001	15000	21,689
2	15001	20000	37,115
3	20001	25000	71,902
1	55001	60000	60,000
1	95001	100000	100,000
1	210001	215000	211,833
1	255001	260000	257,687
1	320001	325000	324,992
1	375001	380000	375,939
1	400001	405000	402,500
1	1160001	1165000	1,160,607
1	2465001	2470000	2,465,500
1	2995001	3000000	3,000,000
1	3325001	3330000	3,326,687
1	5240001	5245000	5,242,088
1	6965001	6970000	6,967,050
1	7320001	7325000	7,323,501
1	8460001	8465000	8,462,237
1	8615001	8620000	8,618,522
1	20530001	20535000	20,532,691
1	22255001	22260000	22,259,577
1	55150001	55155000	55,151,688
1	82980001	82985000	82,980,672
1	199475001	199480000	199,478,007
431			428,984,962

CATEGORIES OF SHAREHOLDERS

As at December 31, 2022

Categories of Shareholders	Name	Number of Shares	Percentage %
Directors, Chief Executive Officer their Spouse(s) & Minor Children.			
	Syed Rahat Ali Shah	500	
	Muhammad Asghar	500	
	Abdul Aziz Khan	500	
	Muhammad Saleem Shaikh	500	
	Shahid Hussain	20,532,691	
	Nasarullah Khan	5,242,588	
	Muhammad Akram Shahid	22,259,577	
	Imad Mohammad Tahir	55,151,688	
	SUB TOTAL	103,188,544	24.05
Associated Companies, Undertaking and Related Parties			
	The United Insurance Company Of Pakistan Ltd	199,478,007	
	United Track System (Pvt) Limited	82,980,672	
	United Software And Technologies Internation (Pvt) Limited	11,052,688	
	Mr. Anas Mohammad Tahir	8,618,522	
	Saudi Pak Insurance Company Limited	8,462,237	
	Tawasul Healthcare Tpa (Private) Limited	6,967,050	
	Tawasul Risk Management Service	2,465,500	
	Sub-Totals	320,024,676	74.60
Joint Stock Companies, insurance companies and others			
	JS Global Capital Limited	4,000	
	Sarfaz Mehmood (Pvt.) Limited	500	
	Pakistan Stock Exchange Limited	59	
	Maple Leaf Capital Limited	1	
	SUB TOTAL	4,560	0.00
General Public - Local			
	General Public - Local	5,767,182	1.34
	GRAND TOTAL	428,984,962	100.00

CATEGORIES OF SHAREHOLDERS

as at December 31, 2022

Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
Directors, Chief Executive Officer their Spouse(s) & Minor Children.	7	103,188,544	24.05
Associated Companies, Undertakings & Related Parties.	9	320,024,676	74.60
Joint Stock Companies, insurance companies and others	4	4,560	0.00
General Public	411	5,767,182	1.34
TOTAL	431	428,984,962	100.00

SHAREHOLDERS HOLDING 10% OR MORE VOTING RIGHTS

Name, Father's Name & Address of Shareholder(s)	Holding	Percentage %
The United Insurance Company Of Pakistan Ltd	199,478,007	46.50
United Track System (Pvt) Limited	82,980,672	19.34
Imad Mohammad Tahir	55,151,688	12.86

MAJOR LOANS **PRODUCTS**



**APNA
AGRI LOAN**



**APNA
GOLD**



**APNA
PENSION
LOAN**



**APNA
BUSINESS
LOAN**



**APNI
SAWARI-
4 WHEELER**



**APNI
SAWARI
DEALS**



**APNA
SALARY
LOAN**



**APNA
TRACTOR
LOAN**



**APNA
HOUSE
LOAN**



**APNA
LIVE STOCK
LOAN**

FINANCIAL **STATEMENTS**

APNA MICRO FINANCE BANK LIMITED

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the annexed financial statements of Apna Microfinance Bank Limited (the Bank), which comprise the balance sheet as at December 31, 2022, and the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), the Microfinance Institutions Ordinance, 2001 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern – Emphasis of matters

We draw attention to Note 1.2 to the financial statements which states that the Bank has incurred loss for the year amounting to Rs. 4,489 million (2021: Rs. 1,931 million) and as at year end, its accumulated loss was Rs. 7,379 million (2021: Rs. 2,889 million). This has resulted in negative net assets of Rs. 4,047 million. The Bank is facing problems in recovery of unsecured non performing advances which includes non-performing advances of Rs. 3,477 million (2021: Rs. 3,459 million) against which provision is being made in a phased manner (Note 8.2).

The Bank's ability to continue as a going concern is significantly reliant on support from its sponsors / potential sponsors. These events and conditions, along with other matters as set forth in the said note, 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 million (2021: Rs. 1,283 million) also depends on the Bank's ability to continue as a going concern. Our opinion is not modified with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the Material Uncertainty Related to Going Concern - Emphasis of matters Section of our report, we have determined following Key audit matters:

INDEPENDENT **AUDITORS' REPORT**

S. No	Key Audit Matter	How our audit addressed the key audit matter
1)	Provision against advances	
	<p>(Refer note 8 to the annexed financial statements).</p> <p>The Bank makes provision against advances on a time-based criteria and subjective assessment criteria which considers the evaluation of the credit worthiness of borrowers, history of recovery, restructuring, subsequent recovery and other related factors.</p> <p>The determination of provision against advances involves significant judgement and estimation and provision is made on the basis of management's best estimate. Because of the significance of the impact of these judgements/estimations and the materiality of advances relative to the overall statement of financial position of the Bank, we considered the area of provision against advances and suspension of related mark up as a Key Audit Matter.</p>	<p>Our audit procedures, included, amongst others, the following procedures:</p> <ul style="list-style-type: none"> • an understanding of the design and implementation of the accounting and internal control systems relevant to advances; • checked the governance and approval process related to provisions, including continuous reassessment by the management, recovery and restructuring process etc. <p>A sample of loan accounts was selected for following substantive procedures:</p> <ul style="list-style-type: none"> • checked repayments of loan / mark-up installments and tested classification of nonperforming advances based on the number of days overdue; • evaluated the management's assessment for classification of a borrower's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation, discussions with the management and management's consideration of the impact of Covid-19 on the borrowers, their assessment of improvement of repayment capacity of borrowers post Covid 19, recovery and restructuring strategy, related management approvals and subsequent recovery; • checked the specific provision and general provision made in accordance with regulatory requirements / instructions /relaxation, if any; and • checked suspension of markup related to non-performing advances;

INDEPENDENT AUDITORS' REPORT

2)	Deposits and other accounts and related mark-up expense	
	<p>Refer note 13 and 17 to the financial statements.</p> <p>Deposits and other accounts represent major part of liabilities of the bank and related mark-up expense is also significant.</p> <p>Considering the materiality of this account balance and nature of activities of the Bank, these deposits and other accounts were considered as a Key Audit Matter.</p>	<p>Our audit procedures, included, amongst others, the following procedures:</p> <ul style="list-style-type: none"> - obtained an understanding of the design and implementation of the accounting and internal control systems relevant to deposits and other accounts; - obtained party-wise detail of all these deposit accounts; - balance confirmation requests and reminders were sent to the selected parties; - the responses received were compared with the information as per financial record of the bank; - alternate audit procedures were performed to verify the balances where no reply was received in response to our balance confirmation requests; - calculation of mark-up on selected sample was re-performed; and - disclosures related to these accounts in the financial statements were checked;

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017), the Microfinance Institutions Ordinance, 2001 and the directives issued by the SECP and SBP and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

INDEPENDENT **AUDITORS' REPORT**

management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT **AUDITORS' REPORT**

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017);
- b) the balance sheet, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), the Microfinance Institutions Ordinance, 2001 and the directives issued by the SECP and the SBP. These are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Bank's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is **Syed Naveed Abbas**.



RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore

Date: June 10, 2023

UDIN: AR20221023917EQxHjKn

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 audited financial statements available at the bank's registered office.

BALANCE SHEET

As at 31 December 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
Cash and balances with SBP and NBP	5	1,720,318,818	1,586,619,423
Balances with other banks/NBFIs/MFBs	6	2,236,767,029	4,284,767,144
Investments - net of provisions	7	2,466,243,246	1,259,859,259
Advances - net of provisions	8	8,354,266,042	11,505,706,719
Operating fixed assets	9	905,888,333	976,219,982
Right of use assets	10	478,513,372	583,062,687
Other assets	11	1,725,479,702	2,180,609,481
Deferred tax asset	12	1,700,000,000	1,283,481,934
Total Assets		19,587,476,542	23,660,326,629
LIABILITIES			
Deposits and other accounts	13	22,606,344,550	22,083,717,249
Borrowings		-	472,722
Lease liabilities	14	543,145,813	649,635,526
Other liabilities	15	484,971,476	484,122,526
Total Liabilities		23,634,461,839	23,217,948,023
NET ASSETS		(4,046,985,297)	442,378,606
REPRESENTED BY:			
Share capital	25	4,289,849,620	4,289,849,620
Capital reserves			
Discount on issue of shares		(1,335,963,831)	(1,335,963,831)
Share deposit money	26	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		(7,378,859,482)	(2,889,495,579)
Total Capital		(4,046,985,297)	442,378,606

MEMORANDUM/OFF-BALANCE SHEET ITEMS

27

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



President / CEO



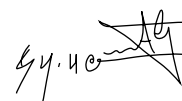
Chief Financial Officer



Chairman



Director



Director

PROFIT AND LOSS ACCOUNT

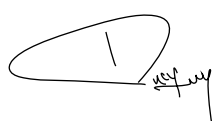
For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
Mark-up / Return / Interest Earned	16	2,265,996,265	908,380,258
Mark-up / Return / Interest Expensed	17	(1,600,191,347)	(1,459,014,295)
Net Mark-up / Return / Interest (Expense)/Income		665,804,918	(550,634,037)
Provision against non-performing loans and advances	18	(3,535,765,376)	(107,433,018)
Recovery of bad debts-net		56,961,055	21,751,568
		(3,478,804,321)	(85,681,450)
Net Mark-up / Interest expense after provisions		(2,812,999,403)	(636,315,487)
NON MARK-UP/NON INTEREST INCOME			
Fee, commission and brokerage income		126,156,713	114,163,404
Other Income	19	44,393,553	48,109,065
Total non mark-up / non interest income		170,550,266	162,272,469
		(2,642,449,137)	(474,043,018)
NON MARK-UP/NON INTEREST EXPENSES			
Administrative expenses	20	(2,232,257,861)	(2,167,670,263)
Other charges	22	(1,273,059)	(1,381,754)
Total non mark-up / non interest expenses		(2,233,530,920)	(2,169,052,017)
Loss for the year before taxation		(4,875,980,057)	(2,643,095,035)
Provision for taxation			
- Current	23	(29,901,912)	(25,264,204)
- Deferred	12	416,518,066	737,387,895
		386,616,154	712,123,691
Loss for the year		(4,489,363,903)	(1,930,971,344)
Accumulated loss brought forward		(2,889,495,579)	(958,524,235)
Total Accumulated loss		(7,378,859,482)	(2,889,495,579)
APPROPRIATIONS OF PROFIT:			
Transfer to:			
Statutory reserve		-	-
Contribution to Depositors' Protection Fund		-	-
		-	-
Accumulated loss carried forward		(7,378,859,482)	(2,889,495,579)
Loss per share – Basic and diluted	24	(10.47)	(4.84)

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



President / CEO



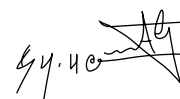
Chief Financial Officer



Chairman



Director



Director

STATEMENT OF COMPREHENSIVE INCOME

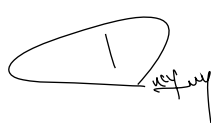
For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
LOSS FOR THE YEAR		(4,489,363,903)	(1,930,971,344)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,489,363,903)	(1,930,971,344)

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



President / CEO



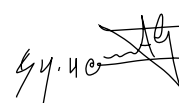
Chief Financial Officer



Chairman



Director



Director

CASH FLOW STATEMENT

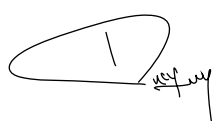
For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
A) CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(4,875,980,057)	(2,643,095,035)
Adjustments for non-cash charges			
Depreciation of operating fixed assets		96,141,321	101,425,340
Depreciation on right of use assets		173,158,135	190,899,996
Amortization of intangible assets		8,583,928	7,010,896
Amortization of deferred grants		-	(62,046)
Provision against non-performing advances		3,535,765,376	107,433,018
Gain on disposal of operating fixed asset		(404,282)	(4,632,709)
		3,813,244,478	402,074,495
Operating cash flow before working capital changes		(1,062,735,579)	(2,241,020,540)
Changes in working capital			
(Increase) / Decrease in operating assets			
Advances		(384,324,699)	(1,493,219,990)
Other assets		499,956,373	1,499,628,908
		115,631,674	6,408,918
Increase / (Decrease) in operating liabilities			
Deposits		522,627,301	(4,095,169,721)
Other liabilities		848,950	94,336,720
		523,476,251	(4,000,833,001)
Net cash flow from operations		(423,627,654)	(6,235,444,623)
Income tax paid		(74,728,506)	(113,029,564)
Net cash flow from operating activities		(498,356,160)	(6,348,474,187)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Net (investments)/divestment in held to maturity securities		(1,206,383,987)	444,161,650
Additions in operating fixed assets		(36,800,048)	(69,593,941)
Additions in intangible assets		-	(48,228,001)
Repayment of lease liabilities		(175,098,533)	(180,680,751)
Proceeds from disposal of operating fixed assets		2,810,730	23,250,945
Net cash flow from investing activities		(1,415,471,838)	168,909,902
C) CASH FLOW FROM FINANCING ACTIVITIES			
Share deposit money received		-	154,175,091
Re-payment of demand finance		(472,722)	(2,994,027)
Net cash flow from financing activities		(472,722)	151,181,064
Decrease in cash and cash equivalents during the year (A + B + C)		(1,914,300,720)	(6,028,383,221)
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	21	3,957,085,847	5,871,386,567

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



President / CEO



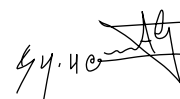
Chief Financial Officer



Chairman



Director



Director

For the year ended 31 December 2022

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

President / CEO

Chief Financial Officer

Chairman

Director

Director

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

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 '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 113 business locations comprising of 111 branches and 2 service centers (2021: 118 business locations comprising of 116 branches and 2 service centers). 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. Detail of business locations of the Bank is given in Note 28.

1.2 The Bank has incurred loss for the year amounting to Rs. 4,489 million (2021: Rs. 1,931 million) and as at year end, its accumulated loss was Rs. 7,379 million (2021: Rs. 2,889 million). This has resulted in negative net assets of Rs. 4,047 million. The Bank is facing problems in recovery of unsecured non performing advances which includes non-performing advances of Rs. 3,477 million (2021: Rs. 3,459 million) against which provision is being made in a phased manner (Note 8.2). The Bank has been 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 has developed and is implementing a multi-faceted plan 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. Some salient features of the plan are discussed below:

- (a)** The Sponsors have injected capital and share deposit money of Rs. 350.39 million (2021: Rs. 350.39 million) is still available against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors if needed to meet the obligations of the Bank on their respective due dates, subject to approval of State Bank of Pakistan (SBP). 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. The amount of non-performing advances is reduced by the amounts recovered since their classification and by the amount recovered subsequently. The Bank has made substantial provision against the non-performing loans during the year and full provision will be made by March 31, 2023, therefore, quantum of provision against advances in future periods is not expected to be significant. Further recovery of the classified portfolio will result in reversal of such provision and hence will result in the improvement of the financial position of the Bank in the ensuing years.
- (c)** The Bank is converting its advances portfolio from unsecured to secured portfolio which is reflected in Note 8.1 to the financial statements. The Bank is utilizing 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 management of the Bank is also making efforts to limit its administrative and operating expenses without, however, affecting the operational efficiency of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

In view of the above, 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 BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of:

- International Financial Reporting Standards (IFRS Standards) 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).

Where provisions of and directives issued under the local laws differ from the IFRS Standards, the provisions of and directives issued under the local laws have been followed.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with 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. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

- Classification and valuation of investments (Note 4.5 & 7)
- Provision against non-performing advances (Note 4.6 & 8)
- Residual values and useful lives of assets and methods of depreciation/amortization (Note 4.1 & 9)
- Recognition of current and deferred taxation (Note 4.13, 11 & 12)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 Standards, amendments to standards and interpretations becoming effective in the current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after January 01, 2022 and therefore, have been applied in preparing these financial statements.

i) Annual Improvements to IFRS Standards 2018–2020 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs).

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

Application of these amendments did not have any significant impact on the Company's financial statements.

ii) IAS 16 – Property, Plant and Equipment

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

The standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Application of these amendments did not have any significant impact on the Company's financial statements.

iii) IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

The IASB has published 'Onerous Contracts — Cost of Fulfilling a Contract' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Application of these amendments did not have any significant impact on the Company's financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

3.2 Standards, amendments to standards and interpretations becoming effective in the current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after January 01, 2022 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after the effective dates specified therein.

i) IAS 1 – Presentation of Financial Statements

Amendments regarding the disclosure of accounting policies

- The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:
- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.
- The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. The amendments are expected to affect disclosure of policies in the financial statements. Management is in process of assessing that effect.

Amendments regarding 'Classification of Liabilities as Current or Non-current' and the Classification of Debt with Covenants

- The IASB has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- The IASB has further modified the requirements introduced by ‘Classification of Liabilities as Current or Non-current’ on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024. The amendments are to be applied retrospectively in accordance with IAS 8. Application of these amendments is not expected to have any significant impact on the Company’s financial statements.

ii) IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The IASB has published ‘Definition of Accounting Estimates’ to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023. Application of these amendments is not expected to have any significant impact on the Company’s financial statements.

iii) IAS 12 – Income Taxes

The IASB has published ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)’ that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Application of these amendments is not expected to have any significant impact on the Company’s financial statements.

iv) IFRS 16 Leases

The IASB has issued ‘Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)’ with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments also include one amended and one new illustrative examples.

Application of these amendments is not expected to have any significant impact on the Company's financial statements.

3.4 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods as specified therein, but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.5 Standards issued by IASB but not applicable in Pakistan

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

IFRS 1 - First-time adoption of International Financial Reporting Standards
IFRS 17 - Insurance Contracts

3.6 Abeyance of applicability of International Financial Reporting Standards and International Accounting Standards

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 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied in the preparation of these financial statements are set out below:

4.1 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instruments. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and rewards of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current year.

4.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle the assets and liabilities on a net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4.3 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

4.4 Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand, balances with the Banks / NBFIs and MFBs carried at cost.

4.5 Investments

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

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

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

Held-for-trading

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

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities in respect of which the Bank has the positive intent and ability to hold till maturity. After initial recognition, such investments are carried at amortized cost less impairment, if any.

Available-for-sale

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

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

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations for Microfinance Banks.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

4.6 Advances

Advances are stated net of specific and general provisions which are determined on the basis of Prudential Regulations for Microfinance Banks and management's subjective assessment as to recovery/non-recovery of old advances considering different factors which include past history, future strength of customers, recovery efforts and subsequent recovery. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery.

4.7 Receivables

Receivables are recognised at nominal amount which is fair value of the consideration to be received in future less an estimate made for doubtful receivables based on review of outstanding amounts at the year end.

4.8 Payables

Liabilities for payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Bank.

4.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to profit and loss account over the period.

4.10 Operating fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to the profit and loss account by applying the straight line method using the rates specified in note 9.1 to the financial statements. Depreciation on additions is charged for the full month of purchase/acquisition/availability for use of an asset while no depreciation is charged in the month of disposal. The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. The effect of any revision is charged to profit and loss account for the year, when the change arises, and in future periods.

Maintenance and repairs are charged against income as and when incurred. Subsequent costs, including major renewals, and improvements are capitalized when it is probable that respective future economic benefits will flow to the Bank.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals, if any, of assets are determined by comparing the sale proceeds with the carrying amount of asset and are included in income currently.

Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use. These are carried at cost less impairment loss, if any.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

Intangible assets

These are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 9.2 to the financial statements. Amortization on additions is charged from the month in which the assets are available for use while no amortization is charged in the month in which the asset is disposed off or de-recognized.

Maintenance and repairs are charged against income as and when incurred. Subsequent costs including major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Bank.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals, if any, of assets are determined by comparing the sale proceeds with the carrying amount of asset and are included in income currently.

4.11 Leases

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- lease term;
- certainty of a purchase option; and
- termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Right of use

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use asset is depreciated over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the Right-of-use asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use asset is subject to impairment or adjusted for any remeasurement of the related lease liability.

NOTES TO THE **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay to a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4.1.2 Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence which indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial assets carried at cost, the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods. For financial assets' carried at amortized cost, the amount of impairment loss recognised is the difference between carrying amount and present value of estimated cash flows, discounted at effective interest rate.

Non-Financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4.13 Taxation

Current

Provision for current taxation is based on the taxable income at current rates of taxation after taking into consideration available tax credits and rebates, if any, in accordance with provisions of Income Tax Ordinance, 2001. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forwarded unused tax losses and tax credits, if any, to the extent that it is probable that the future taxable profits will be available against which the asset may be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be realized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow deferred tax asset to be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is expected to be utilized or the liability is expected to be settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited to profit or loss, except in case of items credited or charged to equity in which case it is included in equity.

4.14 Provisions

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

4.15 Employee benefits

Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to whom equal monthly contributions are made both by the Bank and the employees at the rate of 10% per annum of basic salary. The contributions made by the Bank are recognized as employee benefit expense when they are due.

4.16 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Bank is expected to be entitled in exchange for transferring goods or services to a customer. For this purpose, the Bank:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgment. Revenue is recognized by the Bank on the following basis:

- Mark-up / return / interest on regular advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the loan products. Profit on classified advances is recognized on receipt basis.
- Return on investment is recognized on accrual basis using effective interest rate method.
- Fee, commission and brokerage income is recognized when earned.
- Dividend income from investments is recognized when Bank's right to receive the dividend is established.
- Gain or loss on sale of securities is accounted for in the period in which the sale / settlement occurs.
- Income on balances with other banks is recognized in the profit and loss account as it is earned.

4.17 Deferred grants

Grants are initially recognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the estimated useful life of the asset.

4.18 Related party transactions

Transactions with related parties are carried at arm's length on price determined using the comparable uncontrolled price method except for those transactions which, in exceptional circumstances, are specifically approved by the Board.

4.19 Foreign currency transactions

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for, are used. Gains and losses arising on retranslation are included in the profit and loss account for the year.

4.20 Earnings per share

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

4.21 Statutory Reserve

The Prudential Regulations for Microfinance Banks require the microfinance banks to create a statutory reserve which shall be credited an amount equal to at least 20% of its annual profits after taxes till such time the reserve fund equals to Paid-up Capital of Microfinance bank and thereafter, an amount not less than 5% of its annual profits after taxes.

4.22 Depositors' Protection Fund

The Microfinance Institutions Ordinance, 2001 requires Microfinance banks to maintain Depositors' Protection Fund (DPF) for the purpose of mitigating risk of its depositors to which shall be credited not less than 5% of the annual profits after taxes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
5 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand - local currency		733,700,930	623,895,818
Balance with State Bank of Pakistan	5.1	983,829,309	701,257,484
Balance with National Bank of Pakistan in:			
Current Account		2,788,579	216,031,224
Deposit Account	5.2	-	45,434,897
	5.1	2,788,579	261,466,121
		1,720,318,818	1,586,619,423

5.1 These represent balances maintained in accounts with the State Bank of Pakistan (SBP) and National Bank of Pakistan (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 one year, in accordance with Regulation R-3 of the Prudential Regulations for Microfinance Banks issued by the SBP.

5.2 This carries mark-up rate at 14.50% per annum (2021: 7.25% per annum).

	Note	2022 Rupees	2021 Rupees
6 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
- In current accounts		33,165,647	37,016,276
- In deposit accounts	6.1	1,703,601,382	3,847,750,868
- Certificates of deposits	6.2	500,000,000	400,000,000
		2,236,767,029	4,284,767,144

6.1 These carry mark-up rates ranging from 14.50% to 17.40% per annum (2021: 7.25% to 11.50% per annum).

6.2 This represents placement with a financial institution (2021: different financial institutions) carrying mark-up at the rate of 17% per annum (2021: 7.90% to 11.75% per annum). The certificate is due to mature within one year (2021: One month to one year) from the date of placement.

	Note	2022 Rupees	2021 Rupees
7 INVESTMENTS-NET OF PROVISIONS			
Federal Govt. Securities:			
- Market Treasury Bills - (Held to maturity)	7.1	2,366,323,246	1,159,939,259
Others			
Term Finance Certificate (TFC's)- (Held to maturity)	7.2	99,920,000	99,920,000
		2,466,243,246	1,259,859,259

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

- 7.1** This represents T-Bills issued for periods of three to six months. These carry yields ranging from 15.60% to 16.93% per annum (2021: 7.38% to 10.33% per annum). These securities have an aggregate face value of Rs. 2,420 million (2021: Rs. 1,170 million).
- 7.2** 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 (2021: 6 months KIBOR plus 1.85% per annum).

	Note	2022		2021	
		No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
8 ADVANCES - NET OF PROVISIONS					
Micro credits	8.1	109,616	12,067,957,845	118,474	11,997,793,506
Less: Provision held:					
- Specific	8.2.1	46,545	3,546,133,055	9,867	324,528,039
- General	8.2.2		167,558,748		167,558,748
			3,713,691,803		492,086,787
Advances - net of provisions			8,354,266,042		11,505,706,719

8.1 The Micro credits include secured and un-secured loans as detailed below;

	Note	2022 Rupees	2021 Rupees
Secured	8.1.1	6,401,229,070	5,797,887,370
Unsecured	8.1.2	5,666,728,775	6,199,906,136
		12,067,957,845	11,997,793,506

8.1.1 Advances are secured by personal guarantees and advances amounting to Rs. 3,927.319 million (2021: Rs. 3,059.47 million) are further secured against gold.

8.2 Particulars of non-performing advances

	Note	2022 Rupees	2021 Rupees
Specific non-performing advances		1,163,226,086	639,732,919
Other non-performing advances		3,477,414,293	3,459,183,047
	8.2.1	4,640,640,379	4,098,915,966

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

8.2.1 Specific non-performing advances

Category of Classification	2022			2021		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	-----Rupees-----			-----Rupees-----		
OAEM	21,056,590	-	-	167,846,037	-	-
Sub-standard	16,583,885	4,145,971	4,145,971	82,276,228	20,488,184	20,488,184
Doubtful	55,739,229	27,869,615	27,869,615	167,872,331	83,526,401	83,526,401
Loss	4,547,260,675	4,547,117,084	3,514,117,469	221,738,323	220,513,454	220,513,454
	4,640,640,379	4,579,132,670	3,546,133,055	639,732,919	324,528,039	324,528,039

*OAEM – Other Assets Especially Maintained

8.2.2 Particulars of provision against non-performing advances

	2022			2021		
	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	3,221,605,016	-	3,221,605,016	107,433,018	-	107,433,018
Closing balance	3,546,133,055	167,558,748	3,713,691,803	324,528,039	167,558,748	492,086,787

	Note	2022 Rupees	2021 Rupees
9 OPERATING FIXED ASSETS			
Property and equipment	9.1	722,096,878	782,512,208
Intangible assets	9.2	166,951,166	169,968,839
Advances to suppliers / contractors	9.3	16,840,289	23,738,935
		905,888,333	976,219,982

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

9.1 Property and equipment

2022	Cost			Depreciation			Rate (%)
	As at 01 January 2022	Additions / transfers	(Disposals)	As at December 31, 2022	Charge for the year	(Adjustment on disposals)	
Leasehold improvements	514,472,698	22,924,015	-	537,396,713	121,605,925	25,880,515	5
Furniture and fixtures	172,830,807	986,408	(139,112)	173,678,103	71,468,535	15,546,358	10
Electrical and office equipment	316,801,292	6,051,888	(1,145,995)	321,707,185	150,113,097	27,036,350	10-20
Computer hardware and peripheral	164,036,008	3,372,128	(842,736)	166,565,400	117,030,041	(583,273)	20-30
Motor vehicles	134,911,925	4,798,000	(2,043,050)	137,666,875	60,322,924	7,410,019	15
Total	1,303,052,730	38,132,439	(4,170,893)	1,337,014,276	520,540,522	96,141,321	

2021	Cost			Depreciation			Rate (%)
	As at January 01, 2021	Additions / transfers	(Disposals)	As at December 31, 2021	Charge for the year	(Adjustment on disposals)	
Leasehold improvements	466,523,131	47,949,567	-	514,472,698	97,282,454	24,323,471	5
Furniture and fixtures	168,395,979	4,434,828	-	172,830,807	56,201,065	15,267,470	10
Electrical and office equipment	306,650,555	10,150,737	-	316,801,292	123,054,998	27,058,099	10-20
Computer hardware and peripheral	147,921,338	16,114,670	-	164,036,008	90,687,625	26,342,416	20-30
Motor vehicles	152,710,489	8,000,645	(25,799,209)	134,911,925	59,070,013	8,433,884	15
Total	1,242,201,492	86,650,447	(25,799,209)	1,303,052,730	426,296,155	101,425,340	

9.1.1 Property and equipment includes assets costing Rs. 34.970 million (2021: Rs. 34.811 million) which are fully depreciated and still in use.

9.1.2 Last year, there was a hypothecation charge over motor vehicles amounting to Rs. 17.85 million created under a hire purchase agreement with a banking company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

9.1.3 Disposal of property and equipment having book value in aggregate more than Rs. 250,000/- or cost more than Rs. 1,000,000/- during the year:

2022							
Particulars	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Gain/ (Loss) on Disposal of Fixed Asset	Mode of disposal	Particulars of Buyer
Rupees-							
Suzuki Mehran	765,000	(109,013)	655,987	630,000	(25,987)	Under bank policy	Mr. Fahad Mairaj (Employee)
Suzuki Cultus	1,278,050	(431,981)	846,069	1,690,000	843,931	Negotiation	Mr. Imran
Perkins 12KVA Generator	1,145,995	(561,888)	584,107	325,000	(259,107)	Negotiation	Mr. N.J merchant and company
Total	3,189,045	(1,102,882)	2,086,163	2,645,000	558,837		

2021							
Particulars	Cost	Accumulated Depreciation	Written down value	Sales Proceeds	Gain/ (Loss) on Disposal of Fixed Asset	Mode of disposal	Particulars of Buyer
Rupees-							
Honda Civic	1,402,500	(1,402,500)	-	710,000	710,000	Negotiation	Mr. Rafaqat Ali
Toyota Corolla	1,729,229	(1,035,025)	694,204	2,135,000	1,440,796	Negotiation	Mr. Saad Bin Shad
Honda Civic	2,929,435	(1,395,365)	1,534,070	3,000,000	1,465,930	Negotiation	Mr. Iqbal Khan
Toyota Corolla	1,720,440	(436,208)	1,284,232	1,800,000	515,768	Under bank policy	Mr. Rao Waqas Khalid (Employee)
Honda Vezel	5,282,530	(118,857)	5,163,673	3,850,000	(1,313,673)	Negotiation	Mr. Naoman Younas
Toyota Fortuner	9,084,920	(1,916,464)	7,168,456	8,600,000	1,431,544	Negotiation	Mr. Ejaz Hameed
Suzuki Cultus	1,953,115	-	1,953,115	1,973,000	19,885	Under bank policy	Mr. Imran Zahid (Employee)
Suzuki Cultus	1,127,040	(306,554)	820,486	1,125,000	304,514	Under bank policy	Mr. Farhan Saleem (Employee)
Total	25,229,209	(6,610,973)	18,618,236	23,193,000	4,574,764		

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	Note	2022 Rupees	2021 Rupees
9.2 Intangible assets			
Computer Software			
Cost		246,551,459	240,985,204
Accumulated amortization		(79,600,293)	(71,016,365)
Written down value		166,951,166	169,968,839
9.2.1 Reconciliation of written down value			
Balance at the beginning of the year		169,968,839	128,751,734
Additions during the year		5,566,255	48,228,001
Amortization charge for the year		(8,583,928)	(7,010,896)
Balance at the end of the year		166,951,166	169,968,839

9.2.1.1 Amortization rate: 5% per anum

9.2.2 Intangibles assets include assets costing Rs. 35.684 million (2021: Rs. 35.68 million) which are fully amortized and still in use.

	Note	2022 Rupees	2021 Rupees
9.3 Advances to suppliers / contractors			
Leasehold improvements			
Balance at the beginning of the year		23,738,935	40,795,441
Additions during the year		5,900,000	12,943,717
Transfer to operating fixed assets		(12,798,646)	(30,000,223)
Balance at the end of the year		16,840,289	23,738,935
10 RIGHT OF USE ASSETS			
Buildings			
Cost		1,170,093,786	1,101,484,966
Accumulated depreciation		(691,580,414)	(518,422,279)
		478,513,372	583,062,687
10.1 Reconciliation of written down value			
Balance at the beginning of the year		583,062,687	737,852,307
Additions during the year		68,608,820	36,110,376
Depreciation charge for the year		(173,158,135)	(190,899,996)
Balance at the end of the year		478,513,372	583,062,687
Lease term: 3 to 7 years			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

10.2 These represent premises acquired for operating activities. The right to terminate lease by serving a 1 to 12 months notice is available to the Bank, however, the Bank is reasonably certain not to exercise this right during the lease terms.

10.3 Additions to right of use assets in response to leases acquired in prior year were overstated by Rs. 116.392 million. The error has corrected to eliminate the effect of error.

	Note	2022 Rupees	2021 Rupees
11 OTHER ASSETS			
Income / Mark-up accrued		1,018,617,624	990,053,921
Advances to staff	11.1	142,242,463	185,062,677
Advances and prepayments		238,193,147	324,906,545
Advance income tax - net of provision		234,129,475	189,302,881
Security deposits		35,941,920	37,131,920
Inter Banks ATM Settlement Account		51,473,658	11,779,148
Insurance claims receivable from related party	18	4,881,415	442,372,389
		1,725,479,702	2,180,609,481

11.1 Advances to staff are granted to the eligible employees of the Bank as per markup rates and the ceiling limits as prescribed under the HR policy of the Bank.

	Note	2022 Rupees	2021 Rupees
12 DEFERRED TAX ASSET			
Opening balance		1,283,481,934	546,094,039
Recognized in profit and loss account		416,518,066	737,387,895
Closing balance	12.1	1,700,000,000	1,283,481,934

12.1 As a matter of prudence, the management has recognized deferred tax assets of Rs. 1,700 million out of total deferred tax assets of Rs. 2,635 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of;

Taxable temporary differences in respect of;			
Accelerated tax depreciation		(64,275,078)	(64,495,868)
Deductible temporary differences in respect of;			
Leases liabilities		18,743,408	19,306,123
Provision against advances		1,076,970,623	143,104,100
Carry forwardable tax losses		1,464,375,162	1,076,112,937
Minimum tax credits		139,356,554	109,454,642
		2,635,170,669	1,283,481,934

12.1.1 Deferred tax assets and liabilities on temporary differences are measured at tax rate of 29% (2021: 29%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Note	2022		2021	
	No. of accounts	Rupees	No. of accounts	Rupees
13 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Fixed deposits (Deals)	13.1	5,841	6,976,267,093	7,297 7,267,908,020
Demand liabilities				
Saving deposits	13.2	29,449	10,531,850,607	31,005 11,564,405,616
Current deposits		363,054	5,098,226,850	399,347 3,251,403,613
		392,503	15,630,077,457	430,352 14,815,809,229
	13.3	398,344	22,606,344,550	437,649 22,083,717,249

13.1 These represent deposits received from customers with maturity period ranging from 1 month to 5 years. These carry interest rates ranging from 5.60% to 18.00% per annum (2021: 4.75% to 15.5% per annum).

13.2 These carry interest rates ranging from 3% to 16.50% per annum (2021: 3% to 5.75% per annum).

13.3 Particulars of deposits by ownership	2022		2021	
	No. of accounts	Rupees	No. of accounts	Rupees
Individual Depositors	396,730	16,518,367,113	436,629	16,765,080,170
Institutional Depositors				
- Corporations / Firms	1,601	6,055,996,992	1,007	5,224,560,997
- Banks & Financial Institutions	13	31,980,445	13	94,076,082
	1,614	6,087,977,437	1,020	5,318,637,079
	398,344	22,606,344,550	437,649	22,083,717,249

Note	2022 Rupees	2021 Rupees
14 LEASE LIABILITIES		
Opening balance	649,635,526	794,205,901
Obtained/Adjusted during the year	68,608,820	36,110,376
Finance cost accrued during the year	58,732,988	78,511,211
	776,977,334	908,827,488
Rentals paid during the year	(233,831,521)	(259,191,962)
	543,145,813	649,635,526

14.1 These represents liabilities related to buildings under lease contracts (Refer Note 10). These are recognized at present value of remaining lease payments, discounted using incremental borrowing rate of 10% (2021: 10%) per annum.

14.2 The future lease payments to which the Company is committed are as under:

Note	2022 Rupees	2021 Rupees
Future minimum lease payments	1,437,080,936	1,397,812,929
Less: Financial charges allocated to future periods	(893,935,123)	(748,177,403)
	543,145,813	649,635,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

14.3 Reconciliation of minimum lease payments and their present values are as follows:

	Minimum lease payments	Present value of minimum lease payments Rupees	Finance Cost
2022			
Due within one year	820,162,597	197,484,023	622,678,574
Due after one year but not later than five years	581,869,048	315,345,895	266,523,153
Due after five years	35,049,291	30,315,895	4,733,396
	1,437,080,936	543,145,813	893,935,123
2021			
Due within one year	614,466,376	196,989,076	417,477,300
Due after one year but not later than five years	763,331,098	433,727,760	329,603,338
Due after five years	20,015,455	18,918,690	1,096,765
	1,397,812,929	649,635,526	748,177,403

	Note	2022 Rupees	2021 Rupees
15 OTHER LIABILITIES			
Mark-up / Return / Interest payable		274,667,574	283,078,915
Payable against pay orders		49,339,139	107,666,931
Accrued expenses		-	338,343
Staff retirement benefits		23,052,994	-
Others		137,911,769	93,038,337
		484,971,476	484,122,526
16 MARK-UP / RETURN / INTEREST EARNED			
Mark-up on Advances - Net		1,745,353,141	395,279,494
Mark-up on balance in Deposit Accounts		324,440,482	422,319,609
Mark-up on Investments in Government Securities		196,202,642	90,781,155
		2,265,996,265	908,380,258
17 MARK-UP / RETURN / INTEREST EXPENSED			
Related to:			
Deposits and other accounts		1,541,458,359	1,380,256,249
Borrowings		-	246,835
Lease liabilities		58,732,988	78,511,211
		1,600,191,347	1,459,014,295

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
18 PROVISION AGAINST NON-PERFORMING LOANS AND ADVANCES			
Specific provision against loans and advances	8.2.2	3,221,605,016	107,433,018
Provision against advances to staff		39,694,466	-
Provision against other assets		37,561,674	-
Insurance claim's settled	11	236,904,220	-
		3,535,765,376	107,433,018
19 OTHER INCOME			
Amortization of deferred grants		-	62,046
Gain on disposal of operating fixed assets		404,282	4,632,709
Cheque book charges		10,698,038	7,632,029
Income on ATM card issuance		28,488,316	14,653,316
Others	19.1	4,802,917	21,128,965
		44,393,553	48,109,065

19.1 These represents income related to ECIB report charges, account activation charges, stop payment charges, pay order issuance / cancellation charges, locker charges etc.

	Note	2022 Rupees	2021 Rupees
20 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,259,744,583	1,353,863,372
Rent, taxes, insurance, electricity, etc.		140,012,364	121,038,004
Security charges		114,463,458	114,147,323
Depreciation on operating fixed assets	9.1	96,141,321	101,425,340
Depreciation on right of use assets	10.1	173,158,135	190,899,996
Fees and subscription		60,421,981	67,012,124
Repairs and maintenance		82,079,762	44,232,596
Communication		32,807,585	36,475,605
Staff retirement benefits		46,001,685	23,829,453
Stationery and printing		49,764,045	25,055,493
Fuel expense		25,672,675	18,264,868
Entertainment		24,247,322	20,850,291
Legal and professional charges		18,530,340	9,305,838
Traveling		13,135,092	8,836,896
Credit verification expenses		11,566,971	7,250,602
Amortization of intangible assets	9.2	8,583,928	7,010,896
Advertisement and publicity		6,055,138	3,987,376
Auditors' remuneration	20.1	5,280,000	4,735,500
Training / capacity building		335,077	271,000
Others		64,256,399	9,177,690
		2,232,257,861	2,167,670,263

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

	Note	2022 Rupees	2021 Rupees
20.1 Auditors' Remuneration			
Annual audit fee and report on CCG compliance		3,937,500	3,675,000
Half yearly review		682,500	535,500
Other certifications fee		-	-
Out of pocket expenses		660,000	525,000
		5,280,000	4,735,500
21 CASH AND CASH EQUIVALENTS			
Cash and Balances with SBP and NBP	5	1,720,318,818	1,586,619,423
Balances with other banks / NBFIs / MFBs	6	2,236,767,029	4,284,767,144
		3,957,085,847	5,871,386,567
22 OTHER CHARGES			
Penalties	22.1	370,000	782,000
Bank charges		903,059	599,754
		1,273,059	1,381,754

22.1 These include penalties imposed by SBP and Pakistan Stock Exchange against certain non-compliances.

23 PROVISION FOR TAXATION

23.1 Current Tax

The income of the Bank is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001, owing to losses, hence provision for minimum taxation is made under section 113 of the Income Tax Ordinance, 2001.

23.1.1 Relationship between accounting loss and tax expense

The relationship between accounting loss and tax expense has not been presented in these financial statements as provision for taxation has been made under section 113 of the Income Tax Ordinance, 2001.

		2022	2021
24 LOSS PER SHARE – BASIC AND DILUTED			
Loss for the year	Rupees	(4,489,363,903)	(1,930,971,344)
Weighted average number of shares	Numbers	428,984,962	399,130,074
Loss per share – Basic & diluted	Rupees	(10.47)	(4.84)

24.1 There is no dilutive effect on loss per share of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

25 SHARE CAPITAL

25.1 Authorized Capital

2022 No. of Shares	2021 No. of Shares		2022 Rupees	2021 Rupees
500,000,000	500,000,000	Ordinary shares of Rs. 10/- each	5,000,000,000	5,000,000,000

25.2 Issued, subscribed and paid-up capital

2022 No. of Shares	2021 No. of Shares		2022 Rupees	2021 Rupees
428,984,962	428,984,962	Ordinary shares of Rs. 10/- each fully paid in cash	4,289,849,620	4,289,849,620

25.3 Reconciliation of issued, subscribed and paid-up capital

2022 No. of Shares	2021 No. of Shares		2022 Rupees	2021 Rupees
428,984,962	343,984,962	Ordinary shares of Rs. 10/- each fully paid in cash at beginning of the year	4,289,849,620	3,439,849,620
-	85,000,000	Issued during the year	-	850,000,000
428,984,962	428,984,962	At end of the year	4,289,849,620	4,289,849,620

	Note	2022 Rupees	2021 Rupees
26 SHARE DEPOSIT MONEY			
Share deposit money	26.1	350,390,276	350,390,276

26.1 This share deposit money shall be used against the issue of right shares subject to the approval of competent authority.

27 MEMORANDUM / OFF- BALANCE SHEET ITEMS

27.1 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 of 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 of Rs. 80.3 million (2021: Rs. 80.3 million) in respect of disallowed input tax. Being aggrieved from the said orders, the Bank filed appeal against the orders to Commissioner (Appeals) of PRA. For FY 2016 the impugned order is upheld by Commissioner (Appeal) and the Bank has filed appeal before honorable PRA Appellate Tribunal. The hearings for FY 2017 and 2018 are still pending before Commissioner (Appeals).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

- b) Proceedings, as per provisions of Punjab Sales Tax on Services (Withholding) Rules, 2015 for tax period January, 2016 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 of Rs. 18.4 million was raised on account of alleged default of withholding of Punjab Sales Tax on Services against which the bank filed appeal before Honorable PRA Appellate Tribunal. The honorable 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.
- c) 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 amount demanded in the said order was Rs. 5.8 million (2021: Rs. 5.8 million). The proceedings are held from time to time during the year and impugned order is passed by the officer against which the bank has filed an appeal at SRB Commissioner (Appeals) forum.

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.

	2022 Rupees	2021 Rupees
27.2 Commitments:		
Bank Guarantee issued on behalf of		
The Al Riaz International Rawalpindi		
in favour of Controller of Military Accounts.	460,500	73,650

28 DETAILS OF BUSINESS LOCATIONS

The addresses of the branches of the Bank are as follow:

1) I.I. Chundrigar Road (101) RY-9, Survey No. 11/9A, Railway Quarters, Opposite Schon Center, I.I. Chundrigar Road, Karachi.	2) Shahrah-E- Faisal (102), Shop # 4, Plot # 22, Block A, 6-Amber Tower, Shahrah-e-Faisal, Karachi.	3) Gizri (109) K-4/3 & 4/4, Ch. Khaliq-uz- Zaman Road, Gizri, Karachi.
4) Malir (110) Shop # 106-108, 114-115, Liaquat Market, Malir Colony, Karachi.	5) Mehmoodabad (111) Plot # 169, Mahmoodabad # 2, Jamshed Town, Karachi.	6) Larkana (112) City Survey # 164/1, Old Anaj Mandi, Gajnpur Chowk, Tehsil & District Larkana.
7) Kumb Road, Sui Gas (113) Survey # 764, Plot # 12, Deh Gahi Chakrani, Union Council Moosan.	8) Khairpur (115) D/270, Mohallah Ali Murad, New Goth, Deh & Taluka, Khairpur, Kutchery Road, Khairpur Mirus.	9) Hyderabad (116), F73-74, Commercial, Risala Road, Saddar, Hyderabad.
10) Tando Allah Yar (117) 5/C, Main Hyderabad Road, Tando Allah Yar.	11) Tando Muhammad Khan (118), City Survey # 831, Ward B, Court Road, Tando Muhammad Khan.	12) Ghotki Branch (119) S. # 10, Devri Road, Near Chandu Ram Colony, Taluka Ghotki, Deh Odharwali, District Ghotki.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

13) Mirpurkhas (120)
City Survey # 731, Tourabad, Umer Kot Road Mirpurkhas, Tehsil & District Mirpurkhas.

16) Sukkur (123)
Shop No. 8 & 9, City Survey No. F-9, Pak Colony, Race Course Road, Sukkur.

19) Sanghar (126)
City Survey No. 752-755, Main Shopping Centre, M.A. Jinnah Road, Sanghar.

22) Sunder Das Road Lahore (130),
Zaman Park, 23-A, Sunderdas Road, Lahore.

25) G.T Road Gujrawala (136)
Ghori Centre, Service Road, G.T. Road, Gujranwala.

28) Vehari (140)
Plot No. E-4, Karkhana Bazar, Vehari, Tehsil & District Vehari.

31) Kasur (143)
Property No. B-IV-7.R, Near Chowk Kot Peeran, Kasur.

34) Paris Road Sialkot (148)
Opposite Allama Iqbal Library, Paris Road, Sialkot.

37) Layyah (152)
House No. 4, College Road, Jinnah Colony, Near Sugar Mill Colony, Layyah.

40) D.H.A (155)
51-Cca, Dd Block, Phase 4, Dha Lahore.

43) Mardan (158)
College Chowk, Opposite Wali Khan University, Nowshera Road, Mardan.

14) Umer Kot (121)
Shop No. 18-19, City Survey No. 115, Gulsha-e-Akber, Mirpurkhas Road, Umerkot.

17) Shahdadpur (124)
City Survey No. 379, Ward A Shahdadpur, Tehsil Shahdadpur, District Sanghar.

20) Mehar (127)
Vip Road Mehar Nr Sindh Laboratory.

23) Kamoki (131)
Plot No. 10A/SS, Block 1/1 CS, Main GT Road Kamoki District Gujranwala.

26) Sharaqpur Chowk, Sheikhpura (137) Lahore Road Near Usman Cng Sheikhpura.

29) Stadium Road Sahiwal (141)
Super Market, Stadium Road, Sahiwal

32) Lodhran (145)
Plot No.4, Jinnah Colony, Near Sugar Mill Colony, Gate No. 2, Lodhran

35) Haveli Lakhan (150)
Pakpatan Road Haveli Lakha Tehsil & Dist Okara.

38) Township (153)
150-13-B-1, Barkat Chowk, Township, Lahore. Township, Lahore.

41) Karim Block Lahore (156)
56/2 Karim Block Allama Iqbal Town Lahore.

44) Sabzi Mandi Peshawar (159)
G-60, City Circular Road, Lahori Gate, Peshawar City.

15) Nawabshah (122)
City Survey No. 2146/165/1, Buchery Road, Nawabshah.

18) Tando Adam Khan (125)
City survey No. 224/1, Muhammadi Chowk, Tando Adam, District Sanghar.

21) Mehrabpur (128)
Thari Road Mehrabpur Tehsil:Khandiara Dist. Noshero Feroz Dist:Nosheroferoz.

24) Adiala Road, RWP (134)
Jandad Tower Near Six Road Metro Stop Main Murree Road, Rawalpindi.

27) Church Road, Okara (139)
Khewat No. 3842, Khatooni No. 388, Khasra No. 54514/103/4/6, Church Road, Okara.

30) Madina Chowk Depalpur (142)
Okara Road, Madina Chowk, Depalpur, District Okara.

33) Model Town (146)
Shop No. 31 & 33 (A) Block, Store Market, Model Town Branch, Lahore.

36) Multan (151)
Mashallah Plaza Shop # 1 Azmat Wasti Road Multan.

39) Ferozpur Road (154)
945 Mouza Atari Sarupa, Tehsil Cantt, Ferozpur Road, Lahore.

42) Shahdira (157)
Mouza Jia Musa, Shahdara, Lahore.

45) Nowshera (160)
Property No. 1080/9, Shobra Hotel, G.T. Road, Nowshera

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

46) Charsaddah (161) S.S Plaza Bacha Khan Chowk Charsadda.	47) Daska (163) Apna Microfinance Bank Limited, 872/3 872/3 Near Muslim Market, Bank Road , Daska.	51) Mirpur Ak (164) Plot No. 35-A Opposite Sco Exchange Nangi Mirpur Azad Kashmir.
49) Gilgit (165) Khasra No. 4472/2403/579, Opposite Army Communicates, NHA Complex, Jutial, Gilgit.	50) Rahim Yar Khan (166) Shop No. 941, Zone-I, Ashraf Complex , Model Town, Rahim Yar Khan.	51) Quetta (167) Commercial Property No. 894, 235/272, Mission Road, Near Meezan Chowk, Quetta.
52) Bahawalpur (169) Shop No. 12,13,14 & 15, Pelicon Shopping Plaza, Yazman Road, Bahawalpur Cantt.	53) Hafizabad (170) Khasra No. 2380/841, Gujranwala Road, Hafizabad.	54) Bahawalnagar (171) Grain Market Bahawalnagar.
55) Chichawatni (172) Plot #153 Ghalla Mandi GT Road Chichawatni.	56) Qasimabad (173) Phase II, Deh Jamshoro, Tappa Jamshoro, Taluka Qasimabad Dist. Hyderabad.	57) Kahna Nau (174) Main Ferozepur Road Kahna Nau Lahore.
58) Raiwind (175) Railway Road, Station Raiwind Tehsil & Dist Lahore.	59) D-Chowk Ground (176) P-241, Block B, D Ground, Peopoles Colony No. 1, Faisalabad.	60) Chorastan Mian Khan (177) Arrodey Wala Main Khan Tehsil Depalpur District Okara.
61) Jhang (178) Gull Plaza, Main Gojra Road, Chowk Burji, Jhang Saddar.	62) Fort Abbas (179) School Bazar Fort Abbas, District Bhawalnagar.	63) Dharanwala (180) Propt Bearing Khewat No. 265/266, Khatooni No. 265, Dharanwala.
64) Minchinabad (181) Apna Micro Finance Bank Ltd. Circular Road Minchinabad.	65) Haroonbad (182) Main Ghalla Mandi Road, Haroonabad, District Bhawalnagar.	66) Mandi Bahauddin (183) Railway Road Of Bank Road Mandi Bahuddin.
67) Burewala (184) Plot No. 11, V Block Housing Scheme, Multan, Road Burewala.	68) Taxila (187) Khasra no261 to 263, saray khola taxila, district rawalpindi.	69) Kot Noor Shah (188) Al-jalil Garden Lahore, Plot No 09 Kot Noor Shah, Sharaqpur Road Lahore.
70) Bhalwal (189) Chak 8, shamali liaquat shaheed raod tehsil Bhalwal, district sargodha.	71) Bhagtanwala (190) Baghatanwala Branch Plot # 164/147 Baghatanwala.	72) Pakpattan (191) Near Officers Club Railway road, Pak pattan.
73) Arifwala (192) Tehsil Road Arifwala Branch.	74) Gujar Khan (193) Haji Fazal dada Plaza no 13-A, Raiulway Road Gujar Khan.	75) Chakwal (194) Property No B-II-5-S/7 Bhaun Road Chakwal.
76) Dina (197) Taj puri Hospital, mamgla road, Dina district Jehlum.	77) Gojra (198) PLOT NO 1-40, GHALLAH MANDI , GOJRA Faisalbad.	78) Jauharabad (199) Plot No 58\B And 59\B, Janubi bazar Jauharabad, district Khushab.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

79) Muree (200)
Mayfair estate bank road, murree
shop no.1, 2, 3.

82) Abbotabad (203)
Mouza Sheikh ul Bandi main Mansehra
Road near Sethi Masjid Abbottabad.

85) Chishtian (206)
Ghalla Mandi Chistian district
Bhawalnagar.

88) Khudian Kasur (210)
Building 993, Main Depalpur Road,
near ZTPL Bank Khudian.

91) Toba Tek Singh (215)
House No-93, Allama Iqbal Road,
Mohalla Gang Gher, Toba Tek Singh.

94) Shikarpur (218)
City Survey No. 11/3/2/2/09 &
11/3/2/2/10, Station Road, Near Aga
Khan Laboratory, Shikarpur.

97) Mian Channu (221)
Amin Trade Center, G.T. Road, Near
Sabzi Mandi, Mian Channu.

100) Sadiqabad (224)
Katcha Rahim Yar Khan Road,
Sadiqabad.

103) Rajanpur (227)
Apna Micro Finance Bank Gulshan
Iqbal Colony Main Indus Highway
Rajanpur.

106) Fazil Pur (230)
Ambi Main Indus Highway Road
Fazilpur.

109) Liqat Pur Branch (233)
Railway Road, Liaquatpur, District
Rahim Yar Khan.

112) Sargodha service center
Midh Ranjah Tehsil Kotmomin, District
Sargodha.

80) Bhakkar (201)
PLOT NO 2/3, RAILWAY ROAD.

83) Chillas (204)
Bazar Area Chillas, Near Chillas Old
Terminal/Adda, Chillas.

86) Haripur (207)
171-Tehsil and district Haripur.

89) Farooqabad (211)
Old Sabzi Mandi Road, Farooqabad,
Sheikhupura.

92) Ahmedpur East (216)
Shahra 5, Mohalla Noor Shah
Bokhari, Nawab Road, Ahmedpur
East, Distt Bahawalpur.

95) Johar Town Branch Lahore (219)
Plot #472 Block G 3 Near Khokhar
Chowk Johar Town Lahore.

98) Gujrat (222)
Saithee Enterprises, Opp.
Woodworking Center, Small
Industrial Estate-1, GT Rd., Gujrat.

101) Islamabad (225)
Marina Heights, 109 East, Jinnah
Avenue, Blue Area, Islamabad.

104) Alipur (228)
Multan Road, Near College Chowk,
Alipur.

107) Shujabad (231)
Jalalpur Road opposite Faisal Bank,
Shujabad.

110) Sundar Adda Lahore (234)
Sundar Adda, Near Allied School,
Multan Road, Lahore.

113) Gilgit Service Centre
Near NBP, Denyore, Gilgit.

81) Muzaffarabad (202)
Tanga Stand Bank Road
Muzafaranbad Azad Kashmir.

84) Dasu (205)
Dasu, District Kohistan, KPK.

87) Nol Plot (209)
Plot No 10 main road Nol Plot Distt.
Okara.

90) Jassoki Sheller Okara (212)
Mouza Jassoki Gurdatta Tehsil
Depalpur District Okara.

93) Dadu (217)
Plot # 82, Dadu District Cooperative
Housing Society, Shewan Road, New
Excise Office, Dadu.

96) Pattoki (220)
Khewat # 375/ 346, Khatooni # 603-
604, Chak # 37, Patoki.

99) Sargodha City (223)
198, Block A, Main Road, Satellite
Town, Sargodha.

102) Khanpur (226)
Apna Micro Finance Building # 18
Model Town A Street No 1 Khanpur.

105) D.G.Khan (229)
Sajjad Square, Block Y, Eid Gah Chowk,
DG Khan.

108) Tiba Sultanpur (232)
Duniya Pur Road, Opposite Bank Al
Habib, Tiba Sultanpu.

111) Ghalla Mandi Multan (235)
Ghalla Mandi, Vehari Road, Multan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

29 NUMBER OF EMPLOYEES

As at December 31	2022			2021		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		
Permanent	612	712	1,324	792	801	1593
Contractual	114	253	367	193	339	532
	726	965	1,691	985	1140	2125

Average no. of Employees	2022			2021		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		
Permanent	702	757	1,459	821	887	1708
Contractual	154	296	450	266	299	565
	856	1,053	1,909	1087	1186	2273

	2022 Number	2021 Number
30 NUMBER OF BRANCHES/SERVICE CENTRES		
Beginning of the year	118	121
Opened/(Closed) during the year:		
-Branches	(5)	-
-Service centres	-	(3)
At the end of the year	113	118

31 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration, including all benefits to President / Chief Executive Officer of the Bank is as follows:

	President / Chief Executive Officer		Directors		Executives	
	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees	2022 Rupees	2021 Rupees
Meeting Fee	-	-	3,000,000	2,906,250	-	-
Managerial remuneration	11,467,500	6,479,375	-	-	162,315,408	159,995,157
Rent and house maintenance	4,587,000	2,591,750	-	-	62,308,800	61,642,433
Utilities	1,146,756	647,938	-	-	15,577,308	15,410,755
Medical	1,146,756	647,938	-	-	16,231,656	15,999,668
Contribution to provident fund	1,146,756	657,528	-	-	15,005,604	15,999,516
Bonus and other benefits	1,031,040	169,772	-	-	-	-
	20,525,808	11,194,301	3,000,000	2,906,250	271,438,776	269,047,529
Number of persons	1	1	9	8	165	152

31.1 The President / Chief Executive Officer and Executives are entitled to use Bank maintained cars and perquisites in accordance with the terms of their employment.

31.2 During the year, the Bank has paid fee to its non-executive directors for attending Board of Directors and Committee meetings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 MATURITIES OF ASSETS AND LIABILITIES

	2022				
	Total	Upto one month	Over one month upto 6 months	Over 6 months upto 1 year	Over one year
Rupees					
Assets					
Market rate assets					
Investments - Net of Provisions	2,466,243,246	743,518,068	1,622,805,178	-	99,920,000
Advances - Net of Provisions	8,354,266,042	2,260,988,653	1,797,227,816	2,742,590,686	1,553,458,887
Other earning assets	2,345,843,845	1,706,598,449	2,472,312	506,830,564	129,942,520
Total market rate assets	13,166,353,133	4,711,105,170	3,422,505,306	3,249,421,250	1,783,321,407
Other non-earning assets	6,421,123,409	3,336,721,704	-	-	3,084,401,705
Total assets	19,587,476,542	8,047,826,874	3,422,505,306	3,249,421,250	4,867,723,112
Market rate liabilities					
Time deposits of Rs. 100,000 and above	6,905,599,194	742,255,358	1,880,972,737	2,159,757,398	2,122,613,701
Time deposits below Rs. 100,000	70,667,900	2,570,000	4,261,000	14,136,400	49,700,500
Other cost bearing liabilities	11,074,996,420	10,531,850,607	-	-	543,145,813
Total market rate liabilities	18,051,263,514	11,276,675,965	1,885,233,737	2,173,893,798	2,715,460,014
Other non-cost bearing liabilities	5,583,198,325	5,583,198,326	-	-	-
Total liabilities	23,634,461,839	16,859,874,291	1,885,233,737	2,173,893,798	2,715,460,014

	2021				
	Total	Upto one month	Over one month upto 6 months	Over 6 months upto 1 year	Over one year
Rupees					
Assets					
Market rate assets					
Investments - Net of Provisions	1,259,859,259	632,178,257	527,761,002	-	99,920,000
Advances - Net of Provisions	11,505,706,719	2,911,634,012	2,061,309,399	4,188,372,009	2,344,391,299
Other earning assets	4,478,248,442	4,134,700,358	2,569,604	206,778,575	134,199,905
Total market rate assets	17,243,814,420	7,678,512,627	2,591,640,005	4,395,150,584	2,578,511,204
Other non-earning assets	6,416,512,209	2,816,143,489	125,000,000	150,000,000	3,325,368,720
Total assets	23,660,326,629	10,494,656,116	2,716,640,005	4,545,150,584	5,903,879,924
Market rate liabilities					
Time deposits of Rs. 100,000 and above	7,082,567,849	278,026,158	2,060,766,809	2,084,000,348	2,659,774,534
Time deposits below Rs. 100,000	185,340,173	21,810,000	34,906,000	20,442,773	108,181,400
Borrowings	472,722	472,722	-	-	-
Other cost bearing liabilities	12,214,041,140	11,464,429,445	82,078,782	98,494,538	569,038,375
Total market rate liabilities	19,482,421,884	11,764,738,325	2,177,751,591	2,202,937,659	3,336,994,309
Other non-cost bearing liabilities	3,735,526,139	3,735,526,139	-	-	-
Total liabilities	23,217,948,023	15,500,264,464	2,177,751,591	2,202,937,659	3,336,994,309

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 FINANCIAL RISK MANAGEMENT

33.1 Interest / mark-up rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates.

The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims to maintain a balance between yield and liquidity under the strategic guidance of the Asset and Liability Committee (ALCO).

	2022					
	Exposed to yield/ interest risk					
	Effective yield/ interest rate	Total	Upto one month	One month to six months	Over six months to one year	Over one year
	%	Rupees				
Assets						
Balances with other banks / NBFI s / MFBI s	7.25% - 11.75%	2,203,601,382	1,703,601,382	-	500,000,000	-
Investments	15.60% - 16.93%	2,466,243,246	743,518,068	1,622,805,178	-	99,920,000
Advances - Net of provisions	21% - 53.84%	8,354,266,042	2,260,988,653	1,797,227,816	2,742,590,686	1,553,458,887
Other Assets - Advances to Staff	6.96% - 9.34%	142,242,463	2,997,067	2,472,312	6,830,564	129,942,520
		13,166,353,133	4,711,105,170	3,422,505,306	3,249,421,250	1,783,321,407
Liabilities						
Deposits and other accounts	3% - 18.00%	17,508,117,700	11,276,675,965	1,885,233,737	2,173,893,797	2,172,314,201
		17,508,117,700	11,276,675,965	1,885,233,737	2,173,893,797	2,172,314,201
		(4,341,764,567)	(6,565,570,795)	1,537,271,569	1,075,527,453	(388,992,794)

		2021				
		Exposed to yield/ interest risk				
	Effective yield/ interest rate	Total	Upto one month	One month to six months	Over six months to one year	Over one year
		%	-----Rupees-----			
Assets						
Cash and balances with SBP and NBP	7.25%	45,434,897	45,434,897	-	-	-
Balances with other Banks / NBFIs / MFBs	7.25% - 11.50%	4,247,750,868	3,847,750,868	400,000,000	-	-
Investments - Net of Provisions	7.38% - 10.33%	1,259,859,259	632,178,257	527,761,002	-	99,920,000
Advances - Net of Provisions	21% - 53.84%	11,505,706,719	2,911,634,012	2,061,309,399	4,188,372,009	2,344,391,299
Other Assets - Advances to Staff	6.46% - 7.46%	185,062,677	41,514,593	2,569,604	6,778,575	134,199,905
		17,243,814,420	7,478,512,627	2,991,640,005	4,195,150,584	2,578,511,204
Liabilities						
Deposits and other accounts	3% - 15.50%	18,832,313,636	11,864,241,772	2,095,672,809	2,104,443,121	2,767,955,934
Borrowings	13.3%	472,722	472,722	-	-	-
		18,832,786,358	11,864,714,494	2,095,672,809	2,104,443,121	2,767,955,934
		(1,588,971,938)	(4,386,201,867)	895,967,196	2,090,707,463	(189,444,730)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

33.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its advances, balances at banks, investments and certain other assets. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations for Microfinance Banks. Investments are mainly in government securities or other securities having good credit rating. The maximum amount of financial assets which are subject to credit risk amounting to Rs. 13,166 million (2021: Rs. 17,243 million). However, credit risk is limited in respect of Cash and Balances with SBP and NBP, Balances with other banks / NBFIs / MFBs and Investments as the same are placed with Banks NBFIs, MFBs having good credit rating.

33.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present the Bank is not exposed to this risk as there is sufficient cash placed with various banks at the year end.

33.4 Fair value of financial instruments

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

34 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:

Nature of Relationship	Nature of Transactions	2022 Rupees	2021 Rupees
Balances at year end:			
Associated company	Deposits	123,295,288	253,725,829
	Share Deposit Money	350,390,276	350,390,276
	Insurance Claim Receivable	4,881,415	442,372,389
Key management personnel	Deposits	216,326	2,280,077
Directors / sponsors / shareholders	Deposits	1,817,937	5,433,003
	Share deposit money	-	-
Transactions during the year:			
Associated company	Deposits received	5,553,687,009	5,072,746,314
	Withdrawals	5,689,939,862	4,970,914,881
	Mark-up paid on deposits	5,822,311	4,274,622
	Shares issued against share deposit money	-	762,624,990
	Share deposits money received	-	150,000,000
	Deposits received	70,005,061	111,689,885
Key management personnel	Withdrawals	71,567,981	113,069,777
	Mark-up on deposit paid	12,045	28,806

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Nature of Relationship	Nature of Transactions	2022 Rupees	2021 Rupees
Transactions during the year:			
Directors / sponsors / shareholders	Deposits received	133,021,110	141,718,006
	Withdrawals	136,773,655	140,377,443
	Share deposit money received	-	4,175,091
	Mark-up paid on deposits	45,020	64,334
	Shares issued against Share Deposit Money	-	87,375,010
Staff Provident Fund	Contribution made during the year	22,948,691	23,829,453

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

Name of Related Party	Nature of Relationship	Aggregate Percentage of Shareholding (%)
The United Insurance Company Of Pakistan Ltd	Shareholding	46.50%
United Track System (Pvt) Limited	Common Directorship	19.34%
Tawasul Healthcare Tpa (Private) Limited	Common Directorship	1.62%
United Software and Technologies International (Pvt.) Limited	Common Directorship	2.58%
Saudi Pak Insurance Company Limited	Common Directorship	1.97%
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	5.19%
Mr. Imad Mohammad Tahir	Director	12.86%
Tawasul Risk Management Services (Pvt.) Limited	Common Directorship	0.57%

35 PROVIDENT FUND RELATED DISCLOSURE

The following information is based on the audited financial statements of the provident fund for the year ended December 31, 2021 and Un-audited financial statements for the year ended December 31, 2022;

	2022 Rupees	2021 Rupees
Size of the fund - Total assets	124,050,701	113,108,320
Cost of investments	43,400,000	53,200,000
Percentage of investments made	35.0%	47.0%
Fair value of investments	43,400,000	53,200,000
Investments represent Term deposit receipts		

35.1 The investment has been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

36 MATERIAL OUTSOURCING ARRANGEMENTS

In compliance to BPRD Circular No. 06 of 2017 of SBP, the material outsourcing arrangements of the Bank are listed below:

Sr. No	Name of Service Provider	Name of Service	Estimated Cost
			Rupees
1	Track Security Systems (Pvt.) Limited	Security guards services	45,424,823
2	Homeland Security (Pvt.) Limited	Security guards services	30,305,163

37 COMPLAINTS MANAGEMENT MECHANISM

Apna Micro Finance Bank Limited believes in fair treatment of customers and for this the Bank has an effective Consumer Grievance Handling Mechanism in place. The bank provides a secure channel through which customers of the Bank may lodge their complaints about their grievances. The Bank ensure the resolution of the customers' complaints as per the banking practices and within turnaround time (TAT) and for which proper escalation matrix is in place. Customers are fairly treated and updated throughout the process till final resolution of their complaint. During the year 720 (2021: 542) complaints were received and average time to resolve a complaint is 11.5 days (2021: 9.5 days).

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorised for issue on **June 10, 2023** by the Board of Directors of the Bank.

39 GENERAL

39.1 The corresponding figures have been rearranged / reclassified, wherever necessary, for better presentation. However, no material reclassifications have been made.

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



President / CEO



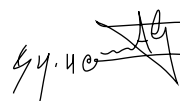
Chief Financial Officer



Chairman



Director



Director

NOTICE FOR THE TWENTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Wednesday July 5, 2023, at 12:00 noon, at Head Office, K-4/3 & 4/4, Ch. Khaliq-uz-Zaman road, Gizri, Karachi to transact the following business:

AGENDA

1. To read and confirm the minutes of the Annual General Meeting held on September 10, 2022.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2022 together with Directors' and Auditors' Reports thereon.
3. To review, consider and appointment of RSM Avais Hyder Liaquat Nauman, Chartered Accountant as auditors of the bank for the year ending December 31, 2023 as proposed by the Board of Directors and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board



Rafat Abbas
Company Secretary

June 10, 2023
Karachi

NOTES:

1. A member of the Bank entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her proxies in order to be effective must receive by the Bank not less than 48 hours before the meeting.

Central Depository Company of Pakistan Limited (CDC) account holders will further have the following under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

For Attending Meeting:

Considering the safety and well-being of the Shareholders. It has been decided to hold the AGM electronically at the above given date and time. The members can send their comments/ suggestions related to the agenda items of the meeting through following means.

WhatsApp	Email
03178222038	agm@apnabank.com.pk

The members who are willing to attend and participate in the AGM can do so through video-link via smart phones, computers, tablets etc. To attend the AGM through video- link, members are requested to get their following particulars registered by sending an email of WhatsApp at the number/ address given above, at least 48 hours before the date/ time of the AGM i.e. latest by July 3, 2023 and download video-link from Zoom.

Name	Folio/CDC Account No.	CNIC No.	Email
------	-----------------------	----------	-------

Upon receipt of requests, the video-link login credentials will be shared with the interested shareholders on their email address or WhatsApp message. Feedback/queries received from shareholders would be discussed in the meeting and be made a part of minutes.

The Company will follow the best practices and comply with the instructions of the Government and SECP to ensure protective measures are in place for well-being of its members.

2. Members are requested to immediately notify the change of their address, if any.
3. The Share Transfer Book of the company will remain closed from June 29, 2023 to July 5, 2023 (both days inclusive). The share transfer office is situated at F.D. Registrar Services (SMC-Pvt.) Ltd, Office no. 1705, 17th floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. (Phone No. 021-32271905, 32271906- Fax 021-32621233- fdregistrar@yahoo.com- www.fdregistrar.com). Transfer received at the share registrar office at the close of business on June 28, 2023 will be treated in time.

For Apna Microfinance Bank Ltd.










Rafat Abbas
Company Secretary










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FORM OF PROXY

I/We _____ of _____ a member/ members of the company/ merged companies, do hereby appoint Mr./ Ms. _____ of _____ a member of the company, or failing him/ her Mr./ Ms. _____ of _____ who is also a member of the company, as my/ our proxy to attend, speak and vote for me/ us and on my/ our behalf at the Annual General Meeting of the company to be held on July 5, 2023 at 12:00 noon at Head Office, 4/3 & 4/4, Ch. Khaliq-uz Zaman road, Gizri, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2023.

Witness: (1)

Signature _____
Name _____
Address _____
CNIC _____

Please affix
Revenue
Stamp

Witness: (2)

Signature _____
Name _____
Address _____
CNIC _____

Signature: _____
(The signature should agree with the Specimen
Registered with the Company)

Folio No. _____
CDC A/c No. _____
No. of shares held _____
Distinctive Numbers _____

IMPORTANT:

1. The proxy Form must be deposited at the registrar office of the company, at F.D. Registrar Services (SMC-Pvt.) Ltd, Office no. 1705, 17th floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. (Phone No. 021-32271905, 32271906- Fax 021-32621233- fdregistrar@yahoo.com- www.fdregistrar.com). as soon as possible but not later than 48 hours before the time of holding the meeting and default Proxy form will not be treated as valid.
2. No person shall act as proxy unless he/ she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.
3. The proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. The proxy shall produce his/ her original CNIC or original passport and bring Folio number at the time of the meeting.
6. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted along with proxy form to the Company (if not provided earlier).

STAMP

Company Secretary

K-4/3 & 4/4,
Ch. Khaliq-uz-Zaman Road,
Gizri, Karachi-Pakistan

bank
Limited

خواہوں سے خوشحالی تک

اپنا بینک

Head Office:

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

Tel : +92 42-36362475-76

UAN : +92 42 111-771-772

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