

Directors' Reviews

The Directors of the Apna Microfinance Bank Limited (hereinafter referred to as 'the Bank') are pleased to present the Un-audited Condensed Interim Financial Statements of the Bank for the half year ended June 30, 2023.

Economic Overview:

The global economy continued to struggle on the back drop of high inflation, supply chain disruptions and monetary tightening by central banks which contributed to a sharp deceleration in global economic activity.

On the domestic front, multiple challenges such as soaring inflation, rapid currency devaluation and import restrictions led to a low down of economic activity within the country. In 2023, Pakistan experienced an unprecedented inflation rate of 29.7% (YoY), driven mainly by the surge in prices of food, gas, electricity and fuel. Record breaking inflation combined with the after shocks of last year's floods have plunged the lower middle classes into further poverty and directly impacted their repayment capacity.

Citing persistent inflationary pressures, the SBP raised its policy rate to an all-time high of 22% in June 2023. The benchmark interest rate has been steeply raised by 600 basis points (from 16.00% to 22.00%) during the year 2023, with the aim of combating high inflation and unlocking IMF funding. Continuous monetary tightening has led to a further slowdown in economic activity.

The past year saw PKR depreciate rapidly against the USD closing at PKR 282 at the end of December 2023. The weak balance of payment situation and political instability in the country remained the primary reason behind this depreciation.

During 2023, socio-economic turmoil within the country exacerbated economic conditions which continued to pose significant challenges for all sectors, including the Microfinance industry. Political instability and dwindling foreign exchange reserves contributed to a difficult environment. Despite these substantial challenges, the future economic outlook is optimistic. During the first half of FY24, the Current Account posted a deficit of USD 831 million for the first half of FY24 against a deficit of USD 3.6 billion last year. Likewise, exports increased by 7.5% and were recorded at USD 15.3 billion. The ongoing year also noted a decline in inflation, however, SBP has cited that, while inflation has eased, the pace of decline is slower than previously anticipated due to substantial hikes in energy tariffs.

Principal Activity, Developments and Financial Performance

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

The highlights of the financial results for the half year ended June 30, 2023 are as follows:

Particular's	June 30, 2023	December 31, 2022	%
	Un-audited	Audited	Change
Advances - Net of Provisions	6,797,969,868	8,354,266,042	-19%
Deposits and other accounts	24,625,823,570	22,606,344,550	9%
Particular's	June 30, 2023	June 30, 2022	%
	Un-audited	Un-audited	Change
Mark-up/Return/Interest Earned	1,244,987,214	1,377,533,215	-10%
Mark-up/Return/Interest Expensed	1,123,733,091	756,924,623	48%
Administrative expenses	1,090,116,434	1,095,362,283	0%
Loss after taxation	2,099,707,755	1,407,605,370	49%

The Bank recorded loss before tax PKR. 2,083 million and loss after tax PKR 2,099 million in the current period as compared to loss before tax PKR 1,797 million and loss after tax PKR. 1,408 million in comparative period. As a result, the loss per share was recorded at PKR 4.89 for the current reporting period (June: 2022 loss per share PKR. 3.28). The Bank's equity (net of losses) stood at negative (-) PKR. 6,147 million as against the statutory requirement prescribed by State Bank of Pakistan (SBP) while the Capital Adequacy Ratio (CAR) of the Bank also stood at negative.

The Bank has made fresh lending of approx. PKR 2,920 million to 12,618 new customers during the current period. The Bank recorded the additional provision expense of PKR 1,209 million against a gross loan portfolio of PKR 11,721 million in current period. Whereas, the provision of PKR 1,399 million was recorded against the portfolio of PKR 11,915 million in corresponding period.

Non-performing loans were PKR. 4,686 million on June 30, 2023 as against PKR. 4,641 million on December 31, 2022. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of June 30, 2023 stood at 39.98% as against 38.45% on December 31, 2022. At the period end, the Bank's gross advances to deposits ratio stands at 47.6% as compared to 53.4% on December 31, 2022.

The deposits of the Bank settled at PKR 24,626 million whereas with increased from the year end 2022, advances-net of provision stood at PKR 6,797 million. Investments were stood at PKR. 1,480 million.

As at June 30, 2023, the Bank has deferred tax assets (net) of PKR. 1,700 million. As at June 30, 2023, the Bank has not recognized further deferred tax assets (net).

The Bank's administrative expenses remained well-contained as compared to the previous period, recorded at PKR. 1,090 million during first half of 2023.

Future Outlook

The Bank has incurred loss for the period amounting to PKR. 2,100 million (June 30, 2022: PKR. 1,408 million) and as at year end, its accumulated loss was PKR. 9,479 million (December 31, 2022: PKR. 7,379 million). This has resulted in negative net assets of PKR. 6,147 million (December 31, 2022: PKR. 4,047 million). The Bank is facing problems in recovery of unsecured non-performing advances. 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 devised and is executing a comprehensive, multi-faceted plan to tackle the financial and operational challenges facing the Bank. This plan is viable and its implementation will effectively mitigate the adverse factors impacting the Bank. Key elements of the plan include:

- **Commitment by the Sponsors and Injection of Further Equity:**

The Sponsors have demonstrated their unwavering commitment to rescuing the Bank from its current difficulties. In December 2023, they injected an additional Rs. 1 billion, building on their previous investment of PKR. 350 million in share deposit money. Furthermore, they have issued a formal letter of support to the Bank's management, pledging to provide additional funding in the coming years. This incremental funding will not only enable the Bank to meet its maturing commitments but also empower it to expand its advances portfolio, leading to increased markup income and improved financial position.

- **Increasing Secured Advances Portfolio:**

Following the additional equity injection by the sponsors, the Bank is prioritizing the expansion of its secured advances portfolio. Significant growth in our advance's portfolio will enable the Bank to

significantly increase its markup income, covering markup costs and other expenses, and ultimately improving financial position of the Bank.

- **Recovery of Non-Performing Advances:**

The non-performing advances were largely a consequence of the unprecedented economic downturn following the Covid-19 pandemic, which was beyond the borrowers' control. The Bank has already made substantial provisions to date, and therefore, significant additional provisions are not anticipated in future periods. Management is optimistic about the recoverability of these non-performing advances and is proactively pursuing their recovery. Notably, the Bank has successfully recovered Rs. 368.88 million subsequently. These recoveries will not only enhance the Bank's financial results through the reversal of related provisions but will also enable the Bank to further expand its secured advances portfolio by utilizing these recovered funds.

- **Reducing Cost of Deposits:**

The management is proactively implementing strategies to attract a higher volume of corporate customer deposits into current accounts, offering competitive incentives and introducing innovative products. This approach is expected to yield a significant increase in current accounts with the Bank. As a result, the management anticipates a reduction in the cost of deposits, leading to a positive impact on the Bank's overall financial performance and profitability.

- **Optimization of Operations and Reduction of Costs:**

The Bank is implementing strategic measures to optimize its branch operations, including the closure of non-productive and non-strategic branches, to effectively control costs. As a result, the number of branches has been reduced from 111 to 91 subsequently, yielding significant cost savings, which will be reflected in the future periods. Additionally, the management is focused on streamlining administrative expenses without compromising the Bank's operational efficiency. These initiatives are expected to have a positive impact on the Bank's financial performance, enhancing its overall profitability.

The management believes the all-adverse elements have fully impacted the Bank resulting in negative net assets and non-compliance with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) and from now onward, the results of the measures being taken by the management will start reflecting their positive impact in the years to come. The management is confident that with the implementation of its plan, it will be able to overcome all adverse financial and operational factors and the Bank will be able to continue as a going concern.

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

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

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

The Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.2 to the condensed interim financial statements for the half year ended June 30, 2023, is not in compliance with the requirements of Prudential Regulation for MFB's. However, the sponsors are committed to filling the CAR shortage soon.

Audit Observations

The external auditors have drawn attention towards Note 1.2 of the condensed interim financial statements for the half year ended June 30, 2023 via an emphasis of matter paragraph. Attention is drawn towards the huge accumulated losses and Non-performing loan figure as a result of which the Bank is MCR and CAR noncompliant. These events and conditions along with other matters set forth in the above-mentioned note indicate a material uncertainty that may cast significant doubt in the Bank's ability to continue as a going concern. Further, realization of deferred tax of Rs. 1,700 million also depends on the Bank's ability to continue as a going concern.

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

Credit Rating

The long-term rating of the Bank is "BBB-" (Triple B negative) and the short-term rating is "A4" (A Four) with a "Negative" future outlook as determined by The Pakistan Credit Rating Agency Ltd. (PACRA) in their statement issued on July 27th, 2023.

Acknowledgement

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,



Wajahat Malik
President/CEO

Date: May 29, 2024
Lahore



Muhammad Asghar
Director

**APNA MICROFINANCE BANK LIMITED
INDEPENDENT REVIEW REPORT AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2023**



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF APNA MICROFINANCE BANK LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Apna Microfinance Bank Limited (the Bank) as at June 30, 2023 and the related condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement, and selected explanatory notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2023 and 2022 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended.

Conclusion

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

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RSM

Emphasis of Matters

We draw attention to Note 1.2 to the condensed interim financial statements which states that the Bank has incurred loss for the period amounting to Rs. 2,100 million (2022: Rs. 1,408 million) and as at the period end, its accumulated loss was Rs. 9,479 million (December 31, 2022: 7,379 million). This has resulted in negative net assets of Rs. 6,147 million (December 31, 2022: Rs. 4,047 million). The Bank is facing problems in recovery of unsecured non-performing advances. 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. The Bank's ability to continue as a going concern is subject to successful implementation of the plan as disclosed in the said note and support from the sponsors. Realization of deferred tax asset of Rs. 1,700 million also depends on the Bank's ability to continue as a going concern. Our opinion is not modified with respect to these matters.

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



RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place : Lahore

Date :

UDIN : RR202310239pNuf1ET7C

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2023

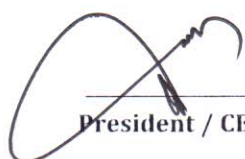

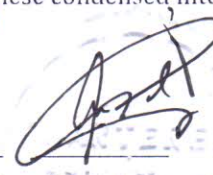
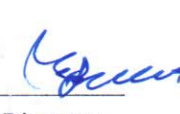
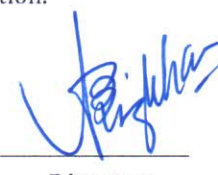
	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
ASSETS			
Cash and Balances with SBP and NBP	3	4,402,373,982	1,720,318,818
Balances with other banks / NBFIs / MFBs	4	2,030,813,008	2,236,767,029
Investments	5	1,480,141,318	2,466,243,246
Advances - net of provisions	6	6,797,969,868	8,354,266,042
Operating fixed assets	7	853,827,064	905,888,333
Right of use assets		444,593,163	478,513,372
Other assets		1,892,577,591	1,725,479,702
Deferred tax asset	8	1,700,000,000	1,700,000,000
Total Assets		19,602,295,994	19,587,476,542
LIABILITIES			
Deposits and other accounts		24,625,823,570	22,606,344,550
Lease liabilities		507,542,099	543,145,813
Other liabilities		615,623,377	484,971,476
Total Liabilities		25,748,989,046	23,634,461,839
NET ASSETS		(6,146,693,052)	(4,046,985,297)

REPRESENTED BY:

Share capital	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	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	(9,478,567,237)	(7,378,859,482)
Total Capital	(6,146,693,052)	(4,046,985,297)

MEMORANDUM / OFF- BALANCE SHEET ITEM: 9

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

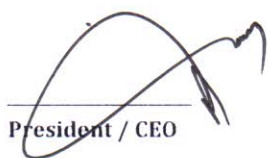






President / CEO **Financial Officer** **Chairman** **Director** **Director**

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

	Note	Un-audited			
		Six month period ended June 30,		Three month period ended June 30,	
		2023	2022	2023	2022
		Rupees	Rupees	Rupees	Rupees
Mark-up / Return / Interest Earned	10	1,244,987,214	1,377,533,215	632,737,215	586,890,871
Mark-up / Return / Interest Expensed		(1,123,733,091)	(756,924,623)	(635,257,817)	(382,934,887)
Net Mark-up / Return / Interest Income		121,254,123	620,608,592	(2,520,602)	203,955,984
Provision against non-performing loans and advances	6.2.2	(1,208,851,207)	(1,399,303,747)	(69,207,777)	(906,181,498)
Recovery of bad debts		-	30,356	-	26,566
		(1,208,851,207)	(1,399,273,391)	(69,207,777)	(906,154,932)
Net Mark-up / Interest Expense		(1,087,597,084)	(778,664,799)	(71,728,379)	(702,198,948)
NON MARK-UP / NON INTEREST INCOME					
Fee, Commission and Brokerage Income		68,352,640	56,826,709	38,499,378	28,792,908
Other Income		26,069,871	20,200,628	12,767,175	10,487,173
Total non mark-up / non interest income		94,422,511	77,027,337	51,266,553	39,280,081
		(993,174,573)	(701,637,462)	(20,461,826)	(662,918,867)
NON MARK-UP / NON INTEREST EXPENSES					
Administrative expenses		(1,090,116,434)	(1,095,362,283)	(557,120,896)	(600,689,807)
Loss for the period before taxation		(2,083,291,007)	(1,796,999,745)	(577,582,722)	(1,263,608,674)
Provision for taxation					
- Current		(16,416,748)	(27,123,691)	(8,390,457)	(16,890,239)
- Deferred	8	-	416,518,066	-	251,389,823
		(16,416,748)	389,394,375	(8,390,457)	234,499,584
Loss for the period		(2,099,707,755)	(1,407,605,370)	(585,973,179)	(1,029,109,090)
Accumulated loss brought forward		(7,378,859,482)	(2,889,495,579)	(8,892,594,058)	(3,267,991,859)
Total Accumulated Loss		(9,478,567,237)	(4,297,100,949)	(9,478,567,237)	(4,297,100,949)
APPROPRIATIONS OF PROFIT:					
Transfer to:					
Statutory reserve		-	-	-	-
Contribution to Depositors' Protection Fund		-	-	-	-
		-	-	-	-
Accumulated loss carried forward		(9,478,567,237)	(4,297,100,949)	(9,478,567,237)	(4,297,100,949)
Loss per share - Basic and diluted		(4.89)	(3.28)	(1.37)	(2.40)

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


President / CEO


Chief Financial Officer


Chairman



Director


Director

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2023	2022	2023	2022
	Rupees	Rupees	Rupees	Rupees
Loss for the period	(2,099,707,755)	(1,407,605,370)	(585,973,179)	(1,029,109,090)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	<u>(2,099,707,755)</u>	<u>(1,407,605,370)</u>	<u>(585,973,179)</u>	<u>(1,029,109,090)</u>

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




 President / CEO



 Chief Financial Officer



 Chairman



 Director





 Director

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

	Note	Un-audited	
		Six month period ended June 30,	
		2023	2022
		Rupees	Rupees
A) CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period before taxation		(2,083,291,007)	(1,796,999,745)
Adjustments for non-cash charges			
Depreciation of operating fixed assets		46,961,626	33,090,459
Amortization of intangibles		4,424,493	2,839,900
Depreciation on right of use assets		93,338,662	90,943,946
Provision against non-performing advances		1,208,851,207	1,399,303,747
Loss on disposal of fixed asset		(1,653,356)	-
		1,351,922,632	1,526,178,052
Operating cash flow before working capital changes		(731,368,375)	(270,821,693)
Changes in working capital			
(Increase)/Decrease in operating assets			
Advances		347,444,967	82,592,831
Other assets		(132,484,893)	(221,364,432)
		214,960,074	(138,771,601)
Increase / (Decrease) in operating liabilities			
Deposits		2,019,479,020	864,077,359
Other liabilities		130,651,901	176,357,579
		2,150,130,921	1,040,434,938
Income tax paid		(51,029,744)	(27,649,531)
Net cash flow from operating activities		1,582,692,876	603,192,113
B) CASH FLOW FROM INVESTING ACTIVITIES			
Net investments/(divestment) in held to maturity securities		986,101,928	(183,994,245)
Repayment of lease liabilities		(95,022,167)	(91,701,078)
Investments in operating fixed assets		(651,494)	(17,160,369)
Proceeds from disposal of operating fixed assets		2,980,000	-
Net cash flow / (used in) from investing activities		893,408,267	(292,855,692)
C) CASH FLOW FROM FINANCING ACTIVITIES			
Re-payment of demand finance		-	(472,722)
Net cash flow used in financing activities		-	(472,722)
Increase in cash and			
cash equivalents during the year (A + B + C)		2,476,101,143	309,863,699
Cash and cash equivalents at the beginning of the year		3,957,085,847	5,871,386,567
Cash and cash equivalents at the end of the year	11	6,433,186,990	6,181,250,266

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


 President / CEO


 Chief Financial Officer


 Chairman



 Director


 Director

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

	Share Capital	Discount On Issue Of Shares	Capital Reserves		Depositors' Protection Fund	Revenue Reserve Unappropriated Loss	Total
			Share Deposit Money	Statutory Reserve			
----- Rupees -----							
Balance as at January 01, 2022 - audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(2,889,495,579)	442,378,606
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(1,407,605,370)	(1,407,605,370)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(1,407,605,370)	(1,407,605,370)
Balance as at June 30, 2022 - un-audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(4,297,100,949)	(965,226,764)
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(3,081,758,533)	(3,081,758,533)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(3,081,758,533)	(3,081,758,533)
Balance as at December 31, 2022 - audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(7,378,859,482)	(4,046,985,297)
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(2,099,707,755)	(2,099,707,755)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(2,099,707,755)	(2,099,707,755)
Balance as at June 30, 2023 - un-audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(9,478,567,237)	(6,146,693,052)

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



 President / CEO



 Chief Financial Officer



 Chairman



 Director



 Director

1 STATUS AND NATURE OF BUSINESS

- 1.1** Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Company under the repealed Companies Ordinance, 1984 updated by "Companies Act, 2017" (the Companies Act). The Bank was granted certificate of commencement of business on December 28, 2004 and started its operations on January 01, 2005. Its shares are listed on Pakistan Stock Exchange Limited. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank has been operating at national level in Pakistan. The Bank has 113 business locations comprising of 111 branches and 2 service centers (2022: 113 business locations comprising of 111 branches and 2 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the Province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab.
- 1.2** The Bank has incurred loss for the period amounting to Rs. 2,100 million (June 30, 2022: Rs. 1,408 million) and as at year end, its accumulated loss was Rs. 9,479 million (December 31, 2022: Rs. 7,379 million). This has resulted in negative net assets of Rs. 6,147 million (December 31, 2022: Rs. 4,047 million). The Bank is facing problems in recovery of unsecured non performing advances. 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 devised and is executing a comprehensive, multi-faceted plan to tackle the financial and operational challenges facing the Bank. This plan is viable and its implementation will effectively mitigate the adverse factors impacting the Bank. Key elements of the plan include:

a. Commitment by the Sponsors and Injection of Further Equity

The Sponsors have demonstrated their unwavering commitment to rescuing the Bank from its current difficulties. In December 2023, they injected an additional Rs. 1 billion, building on their previous investment of Rs. 350 million in share deposit money. Furthermore, they have issued a formal letter of support to the Bank's management, pledging to provide additional funding in the coming years. This incremental funding will not only enable the Bank to meet its maturing commitments but also empower it to expand its advances portfolio, leading to increased markup income and improved financial position.

b. Increasing Secured Advances Portfolio

Following the additional equity injection by the sponsors, the Bank is prioritizing the expansion of its secured advances portfolio. Significant growth in our advance's portfolio will enable the Bank to significantly increase its markup income, covering markup costs and other expenses, and ultimately improving financial position of the Bank.

c. Recovery of Non-Performing Advances

The non-performing advances were largely a consequence of the unprecedented economic downturn following the Covid-19 pandemic, which was beyond the borrowers' control. The Bank has already made substantial provisions to date, and therefore, significant additional provisions are not anticipated in future periods. Management is optimistic about the recoverability of these non-performing advances and is proactively pursuing their recovery. Notably, the Bank has successfully recovered Rs. 368.88 million subsequently. These recoveries will not only enhance the Bank's financial results through the reversal of related provisions but will also enable the Bank to further expand its secured advances portfolio by utilizing these recovered funds.

d. Reducing Cost of Deposits

The management is proactively implementing strategies to attract a higher volume of corporate customer deposits into current accounts, offering competitive incentives and introducing innovative products. This approach is expected to yield a significant increase in current accounts with the Bank. As a result, the management anticipates a reduction in the cost of deposits, leading to a positive impact on the Bank's overall financial performance and profitability.

e. Optimization of Operations and Reduction of Costs

The Bank is implementing strategic measures to optimize its branch operations, including the closure of non-productive and non-strategic branches, to effectively control costs. As a result, the number of branches has been reduced from 111 to 91 subsequently, yielding significant cost savings, which will be reflected in the future periods. Additionally, the management is focused on streamlining administrative expenses without compromising the Bank's operational efficiency. These initiatives are expected to have a positive impact on the Bank's financial performance, enhancing its overall profitability.

The management believes the all-adverse elements have fully impacted the Bank resulting in negative net assets and non-compliance with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) and from now onward, the results of the measures being taken by the management will start reflecting their positive impact in the years to come. The management is confident that with the implementation of its plan, it will be able to overcome all adverse financial and operational factors and the Bank will be able to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 2022.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

2.1.2 These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with the annual audited financial statements of the Bank for the year ended December 31, 2022.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments effective in current period

- 2.4.1** There are certain amendments to standards that became effective during the period and are mandatory for accounting periods of the Bank beginning on or after January 01, 2022 but are considered not to be relevant to the Bank's operations and are, therefore, not disclosed in these condensed interim financial statements.
- 2.4.2** There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Bank's operations, therefore, not disclosed in these condensed interim financial statements.
- 2.4.3** The State Bank of Pakistan (SBP), vide BPRD circular no. 7, dated April 13, 2023, 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 been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 2022.

2.6 FINANCIAL RISK MANAGEMENT

Financial risk management policies and procedures are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended December 31, 2022.

APNA MICROFINANCE BANK LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

3	CASH AND BALANCES WITH SBP AND NBP	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
	Cash in hand - local currency		647,779,734	733,700,930
	Balance with State Bank of Pakistan (SBP)	3.1	743,370,363	983,829,309
	Balance with National Bank of Pakistan (NBP) in:			
	- Current Account	3.1	2,978,036,952	2,788,579
	- Deposit Account	3.2	33,186,933	-
			4,402,373,982	1,720,318,818

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

3.2 This carries mark-up at the rate of 18.50% per annum (December 31, 2022: 14.50% per annum).

4	BALANCES WITH OTHER BANKS/NBFIs/MFBs	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
	In Pakistan			
	- In current accounts		33,918,687	33,165,647
	- In deposit accounts	4.1	1,496,894,321	1,703,601,382
	- Certificates of deposits	4.2	500,000,000	500,000,000
			2,030,813,008	2,236,767,029

4.1 These carry mark-up rates ranging from 17.40% to 22% per annum (December 31, 2022: 14.50% to 17.40% per annum).

4.2 This represent placement with different financial institution carrying mark-up ranging from 17% per annum (December 31, 2022: 17% per annum). The certificate is due to mature within one year (December 31, 2022: within one year) from the date of placement.

5	INVESTMENTS	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
	Federal Govt. Securities:			
	- Market Treasury Bills - (Held to maturity)	5.1	1,380,221,318	2,366,323,246
	Others			
	Term Finance Certificate (TFC's) - (Held to maturity)	5.2	99,920,000	99,920,000
			1,480,141,318	2,466,243,246

5.1 This represents T-Bills issued for periods of three to six months. These carry yields ranging from 15.60% to 21.95% per annum (December 31, 2022: 15.60% to 16.93% per annum). These securities have an aggregate face value of Rs. 1,400 million. (December 31, 2022: Rs. 2,420 million).

5.2 This represents investment in 20,000 units in TFC's issued by Silk Bank Limited. The investment will mature on August 10, 2025. It carries mark-up at the rate of 6 months KIBOR plus 1.85% per annum (December 31, 2022: 6 months KIBOR plus 1.85% per annum).

APNA MICROFINANCE BANK LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

6	ADVANCES - NET OF PROVISIONS	Note	June 30, 2023 - Unaudited		December 31, 2022 - Audited	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
	Micro credits					
	Secured			6,233,772,397		6,401,229,070
	Unsecured			5,486,740,481		5,666,728,775
		6.1	104,844	11,720,512,878	109,616	12,067,957,845
	Less: Provision held:					
	- Specific	6.2.2	58,816	4,754,984,262	46,545	3,546,133,055
	- General	6.2.2		167,558,748		167,558,748
				4,922,543,010		3,713,691,803
	Advances - Net of provisions			6,797,969,868		8,354,266,042

6.1 Advances are secured by personal guarantees and advances amounting to Rs. 4,049.303 million (December 31, 2022: Rs. 3,927.319 million) are further secured against gold.

6.2 Particulars of non-performing advances

	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
Specific non-performing advances		1,343,375,247	1,163,226,086
Other non-performing advances		3,342,240,536	3,477,414,293
	6.2.1	4,685,615,783	4,640,640,379

6.2.1 Non-performing advances

Category of Classification	June 30, 2023 - Unaudited			December 31, 2022 - Audited		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
OAEM	29,163,846	-	-	21,056,590	-	-
Sub-standard	21,629,733	5,407,433	5,407,433	16,583,885	4,145,971	4,145,971
Doubtful	41,221,609	20,610,805	20,610,805	55,739,229	27,869,615	27,869,615
Loss	4,593,600,595	4,593,457,002	4,728,966,024	4,547,260,675	4,547,117,084	3,514,117,469
	4,685,615,783	4,619,475,240	4,754,984,262	4,640,640,379	4,579,132,670	3,546,133,055

6.2.2 Particulars of provision against non-performing advances

	June 30, 2023 - Unaudited			December 31, 2022 - Audited		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
Opening balance	3,546,133,055	167,558,748	3,713,691,803	324,528,039	167,558,748	492,086,787
Charge for the period	1,208,851,207	-	1,208,851,207	3,221,605,016	-	3,221,605,016
Closing balance	4,754,984,262	167,558,748	4,922,543,010	3,546,133,055	167,558,748	3,713,691,803

7 OPERATING FIXED ASSETS

	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
Property and equipment	676,236,602	722,096,878
Intangible assets	162,526,673	166,951,166
Advances to suppliers / contractors	15,063,789	16,840,289
	853,827,064	905,888,333

APNA MICROFINANCE BANK LIMITED
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2023

	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
7.1 Acquisition of operating assets - At cost		
Leasehold improvements	2,250,000	22,924,015
Furniture and fixtures	-	986,408
Electrical and office equipment	-	6,051,888
Computer hardware and peripheral	178,000	3,372,128
Motor vehicles	-	4,798,000
Intangible assets	-	5,566,255

7.2 Disposal of operating assets - At cost		
Furniture and fixtures	-	(139,112)
Electrical and office equipment	-	(1,145,995)
Computer hardware and peripheral	-	(842,736)
Motor vehicles	(3,028,250)	(2,043,050)

8 DEFERRED TAX ASSET	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
Opening balance		1,700,000,000	1,283,481,934
Recognized in profit and loss account		-	416,518,066
Closing balance	8.1	<u>1,700,000,000</u>	<u>1,700,000,000</u>

8.1 As a matter of prudence, the management has recognized deferred tax assets of Rs. 1,700 million (December 31, 2022: Rs. 1,700 million) out of total deferred tax assets of Rs. 1,746 million (December 31, 2022: 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;

	Note	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
Taxable temporary differences in respect of;			
Accelerated tax depreciation		(61,910,514)	(64,275,078)
Deductible temporary differences in respect of;			
Leases liabilities		18,255,191	18,743,408
Provision against advances		1,427,537,473	1,076,970,623
Carry forwardable tax losses		236,477,791	1,464,375,162
Minimum tax credits		126,100,030	139,356,554
		<u>1,746,459,971</u>	<u>2,635,170,669</u>

8.2 Deferred tax assets and liabilities on temporary differences are measured at tax rate of 29% (2022: 29%).

9 MEMORANDUM / OFF- BALANCE SHEET ITEMS

There are no significant changes in the contingencies and commitments as reported in the published annual audited financial statements of the Bank for the year ended December 31, 2022.

10 MARK-UP / RETURN / INTEREST EARNED	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2023 Rupees	2022 Rupees	2023 Rupees	2022 Rupees
Mark up on loans and advances	909,497,704	1,171,453,576	446,756,916	476,099,735
Mark up on deposit accounts	116,022,698	144,785,029	67,314,796	75,946,513
Mark up on investments in Government securities	219,466,812	61,294,610	118,665,503	34,844,623
	<u>1,244,987,214</u>	<u>1,377,533,215</u>	<u>632,737,215</u>	<u>586,890,871</u>

11 CASH AND CASH EQUIVALENTS	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
Cash and Balances with SBP and NBP	4,402,373,982	1,720,318,818
Balances with other banks / NBFIs / MFBs	2,030,813,008	2,236,767,029
	<u>6,433,186,990</u>	<u>3,957,085,847</u>

12 TRANSACTION AND BALANCES WITH RELATED PARTIES

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

Nature of Relationship	Nature of Transactions	Un-audited June 30, 2023 Rupees	Audited December 31, 2022 Rupees
------------------------	------------------------	---------------------------------------	--

Balances at period end:

Associated company	Deposits	151,220,467	123,295,288
	Share deposit money	350,390,276	350,390,276
	Insurance Claim Receivable	4,881,415	4,881,415
Key management personnel	Deposits	1,861,987	216,326
Directors / sponsors / shareholders	Deposits	2,225,278	1,817,937

Transactions during the period:

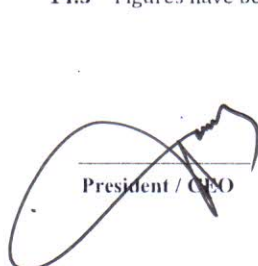
		Un-audited Six month period ended June 30, 2023 Rupees		2022 Rupees	
Associated company	Deposits received	3,080,810,352	2,794,257,182		
	Withdrawals	3,056,100,590	2,949,959,891		
	Mark-up paid on deposits	3,215,418	14,451,980		
Key management personnel	Deposits received	21,955,187	54,538,391		
	Withdrawals	20,196,048	51,322,808		
	Mark-up on deposit paid	1,772	5,124		
Directors / sponsors / shareholders	Deposits received	88,516,535	45,907,515		
	Withdrawals	88,130,815	49,543,951		
	Mark-up paid on deposits	21,622	16,665		
Staff Provident Fund	Contribution made during the period	11,958,285	11,177,409		

13 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue on May 29, 2024 by the Board of Directors of the Bank.

14 GENERAL

- 14.1** There is no unusual item included in these condensed interim financial statements which are affecting assets, equity, liabilities, loss, total comprehensive loss or cash flows of the Bank.
- 14.2** The provision for taxation made in these condensed interim financial statements is subject to adjustment in annual financial statements.
- 14.3** Figures have been rounded off to the nearest Rupees unless otherwise stated.



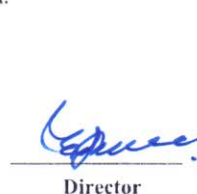
President / CEO



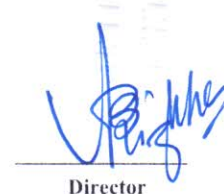
Chief Financial Officer



Chairman



Director



Director