

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 nine months ended September 30, 2023.

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 nine months ended September 30, 2023 are as follows:

Particular's	September 30, 2023	December 31, 2022	%
	Un-audited (PKR)	Audited (PKR)	Change
Advances - Net Of Provisions	6,727,408,383	8,354,266,042	-19.5%
Deposits and other accounts	20,835,669,689	22,606,344,550	-7.8%

Particular's	September 30, 2023	September 30, 2022	%
	Un-audited (PKR)	Un-audited (PKR)	Change
Mark-up/Return/Interest Earned	1,893,986,957	1,959,435,523	-3.3%
Mark-up/Return/Interest Expensed	1,887,065,987	1,169,295,526	61.4%
Administrative expenses	1,644,643,024	1,645,874,712	-0.1%
Loss after taxation	2,762,067,617	3,307,236,699	-16.5%

The Bank recorded loss before tax PKR. 2,737 million and loss after tax PKR 2,762 million in the current period as compared to loss before tax PKR 3,689 million and loss after tax PKR. 3,307 million in comparative period. As a result, the loss per share was recorded at PKR 6.43 for the current reporting period (September: 2022 PKR. 7.71). The Bank's equity (net of losses) stood at negative (-) PKR. 6,809 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 4,037 million to 17,183 new customers during the current period. The Bank recorded the provision expense of PKR 1,251 million against a gross loan portfolio of PKR 11,692 million in current period. Whereas, the provision of PKR 2,950 million was recorded against the portfolio of PKR 11,860 million in corresponding period.

Non-performing loans were PKR. 4,673 million on September 30, 2023 as against PKR. 4,640 million on December 31, 2022. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of September 30, 2023 stood at 40.0% as against 38.50% on December 31, 2022. At the period end, the Bank's gross advances to deposits ratio stands at 56.10% as compared to 53.40% on December 31, 2022.

The deposits of the Bank settled at PKR 20,835 million with a decrease of the 7.80 % from December 2022. Advances-net of provision stood at PKR 6,727 million whereas investments were stood at PKR. 1,335 million.

As at September 30, 2023, the Bank has deferred tax assets (net) of PKR. 1,700 million. In current year the Bank has not recognized further deferred tax asset.

Future Outlook

The Bank has incurred loss for the period amounting to PKR. 2,762 million (September 30, 2022: PKR. 3,307 million) and as at period end, its accumulated loss was PKR. 10,140 million (December 31, 2022: PKR. 7,379 million).

million). This has resulted in negative net assets of PKR. 6,809 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 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.

- **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 PKR. 240.414 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 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 Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.2 to the condensed interim financial statements for the nine months ended September 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.

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 27, 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



Muhammad Asghar
Director

Date: May 29, 2024
Lahore



**APNA MICROFINANCE BANK LIMITED
23-A SUNDAR DASS ROAD
NEAR ZAMAN PARK LAHORE.**

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30TH SEPTEMBER 2023**



APNA MICROFINANCE BANK LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2023

	Note	September 30, 2023	December 31, 2022
		Rupees	Rupees
		Un-audited	Audited
ASSETS			
Cash and Balances with SBP and NBP	3	1,427,322,012	1,720,318,818
Balances With Other Banks/NBFIs/MFBs	4	787,612,371	2,236,767,029
Lending to financial Institutions		-	-
Investments - Net Of Provisions	5	1,335,058,833	2,466,243,246
Advances - Net Of Provisions	6	6,727,408,383	8,354,266,042
Operating Fixed Assets		832,001,616	905,888,333
Right of use assets		338,505,379	478,513,372
Other Assets	7	1,776,846,877	1,725,479,702
Deferred Tax Asset	8	1,700,000,000	1,700,000,000
Total Assets		14,924,755,471	19,587,476,542
LIABILITIES			
Deposits and other accounts	9	20,835,669,689	22,606,344,550
Borrowings	10	-	-
Lease Liabilities	10	403,137,820	543,145,813
Subordinated Debt		-	-
Other Liabilities		495,000,876	484,971,476
Deferred Tax Liabilities		-	-
Total Liabilities		21,733,808,385	23,634,461,839
NET ASSETS		(6,809,052,914)	(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			
Unappropriated Profit/(loss)		(10,140,927,099)	(7,378,859,482)
Total Capital		(6,809,052,914)	(4,046,985,297)

MEMORANDUM / OFF- BALANCE SHEET ITEMS

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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
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2023

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		Rupees	Rupees	Rupees	Rupees
Mark-up/Return/Interest Earned	12	1,893,986,957	1,959,435,523	648,999,743	581,902,308
Mark-up/Return/Interest Expensed		(1,887,065,987)	(1,169,295,526)	(763,332,896)	(412,370,903)
Net mark-up/Interest Income		6,920,970	790,139,997	(114,333,153)	169,531,405
Provision against non-performing loans and advances		(1,251,212,727)	(2,950,054,044)	(42,361,520)	(1,550,750,297)
Provision for diminution in the value of investments		-	-	-	-
Recovery against bad debts written off		-	30,356	-	-
Bad debts written off directly		-	-	-	-
Net mark-up/Interest Income / (loss) after provisions		(1,244,291,757)	(2,159,883,691)	(156,694,673)	(1,381,218,892)
NON MARK-UP/NON INTEREST INCOME					
Fee, Commission and Brokerage Income		110,306,721	86,052,639	41,954,081	29,225,930
Dividend Income		-	-	-	-
Other Income		41,623,165	30,713,793	15,553,294	10,513,165
Total non mark-up/non interest Income		151,929,886	116,766,432	57,507,375	39,739,095
		(1,092,361,871)	(2,043,117,259)	(99,187,298)	(1,341,479,797)
NON MARK-UP/NON INTEREST EXPENSES					
Administrative expenses		(1,644,643,024)	(1,645,874,712)	(554,526,590)	(550,512,429)
Other provisions/write offs/adjustment		-	-	-	-
Other charges		-	-	-	-
Total non mark-up/non interest expenses		(1,644,643,024)	(1,645,874,712)	(554,526,590)	(550,512,429)
		(2,737,004,895)	(3,688,991,971)	(653,713,888)	(1,891,992,226)
Extra ordinary/unusual items		-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION		(2,737,004,895)	(3,688,991,971)	(653,713,888)	(1,891,992,226)
Taxation		(25,062,722)	(34,762,794)	(8,645,974)	(7,639,103)
- Current		-	-	-	-
- Prior years		-	-	-	-
- Deferred		-	416,518,066	-	-
		(25,062,722)	381,755,272	(8,645,974)	(7,639,103)
PROFIT/(LOSS) AFTER TAXATION		(2,762,067,617)	(3,307,236,699)	(662,359,862)	(1,899,631,329)
Unappropriated loss brought forward		(2,099,707,755)	(2,889,495,579)	(4,199,415,510)	(4,297,100,949)
Profit available for appropriation / (loss)		(4,861,775,372)	(6,196,732,278)	(4,861,775,372)	(6,196,732,278)
APPROPRIATIONS:					
Transfer to:					
Statutory Reserve		-	-	-	-
Capital Reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue Reserve		-	-	-	-
Proposed Cash dividend Rs. Nil per share (2022: Rs.Nil per share)		-	-	-	-
Others		-	-	-	-
Unappropriated loss carried forward		(4,861,775,372)	(6,196,732,278)	(4,861,775,372)	(6,196,732,278)
(Loss) per share - Basic and diluted		(6.439)	(7.709)	(1.544)	(4.428)

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
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED SEPTEMBER 30, 2023

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		Rupees	Rupees	Rupees	Rupees
(LOSS)/PROFIT AFTER TAXATION		(2,762,067,617)	(3,307,236,699)	(662,359,862)	(1,899,631,329)
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit and loss account		-	-	-	-
Items that may subsequently be reclassified to profit and loss account		-	-	-	-
Comprehensive (loss)/income transferred to equity		(2,762,067,617)	(3,307,236,699)	(662,359,862)	(1,899,631,329)
Components of comprehensive (loss)/income not reflected in equity:					
Net change in fair value of available-for-sale investments		-	-	-	-
Total comprehensive (loss)/income for the period		(2,762,067,617)	(3,307,236,699)	(662,359,862)	(1,899,631,329)

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



 President / CEO



 Chief Financial Officer



 Chairman



 Director

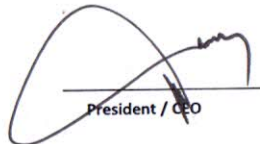


 Director

APNA MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2023

	Share Capital	Capital Reserves			Revenue Reserve	Total	
		Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Accumulated (Loss)		
Rupees							
Balance as at January 01, 2022	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(2,889,495,579)	442,378,606
	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(2,889,495,579)	442,378,606
Comprehensive income / (loss) for the period							
Loss after taxation	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)
Transactions with owners directly recorded in equity							
Share deposit money received during the period	-	-	-	-	-	-	-
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Balance as at September 30, 2022 - Un-Audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(6,196,732,278)	(2,864,858,093)
Comprehensive income / (loss) for the period							
Loss after taxation	-	-	-	-	-	(1,182,127,204)	(1,182,127,204)
Transfer to statutory reserves	-	-	-	-	-	-	-
Transfer to depositors protection fund	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(1,182,127,204)	(1,182,127,204)
Transactions with owners directly recorded in equity							
Share deposit money received	-	-	-	-	-	-	-
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
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)
Comprehensive income/(loss) for the period							
Loss after taxation	-	-	-	-	-	(2,762,067,617)	(2,762,067,617)
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(2,762,067,617)	(2,762,067,617)
Transactions with owners directly recorded in equity							
Share deposit money received during the period	-	-	-	-	-	-	-
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Balance as at September 30, 2023 - Un-Audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(10,140,927,099)	(6,809,052,914)

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


 President / CEO


 Chief Financial Officer


 Chairman

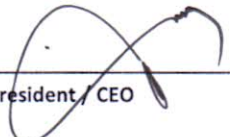

 Director


 Director

APNA MICROFINANCE BANK LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED SEPTEMBER 30, 2023

	Note	Un-audited	
		September 30, 2023	September 30, 2022
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
(loss)/Profit before taxation		(2,737,004,895)	(3,688,991,971)
Adjustments for non-cash charges			
Depreciation		74,248,037	72,677,746
Depreciation on right of use assets		140,007,993	136,415,919
Amortization of intangibles		1,279,533	6,389,786
Amortization of deferred grants		-	-
Provision against non-performing advances		1,251,212,727	2,950,054,044
(Gain) / Loss on disposal of fixed asset		-	-
		<u>1,466,748,290</u>	<u>3,165,537,495</u>
Operating cash flow before working capital changes		(1,270,256,605)	(523,454,476)
Changes in working capital			
(Increase)/Decrease in operating assets			
Advances		375,644,932	(108,958,425)
Other assets		(76,429,897)	163,298,032
		<u>299,215,035</u>	<u>54,339,607</u>
Increase/(Decrease) in operating liabilities			
Deposits		(1,770,674,861)	(1,259,262,979)
Other Liabilities		10,029,400	(87,584,405)
		<u>(1,760,645,461)</u>	<u>(1,346,847,384)</u>
Income tax paid		-	(48,943,643)
Net cash flow from operating activities		(2,731,687,031)	(1,864,905,896)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in held to maturity securities		1,131,184,413	(578,677,475)
Investments in operating fixed assets		(1,640,853)	(19,783,260)
Repayment of lease liabilities		(140,007,993)	(136,079,367)
Sale proceeds from disposal of operating fixed assets		-	-
Net cash used in investing activities		989,535,567	(734,540,102)
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in Share deposit money		-	-
Borrowings-net		-	(472,722)
Net cash flow from financing activities		-	(472,722)
Increase/(decreases) in cash and cash equivalents		<u>(1,742,151,464)</u>	<u>(2,599,918,720)</u>
Cash and cash equivalents at the beginning of the period		3,957,085,847	5,871,386,567
Cash and cash equivalents at the end of the period	13	<u>2,214,934,383</u>	<u>3,271,467,847</u>

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. 2,762 million (September 30, 2022: Rs. 3,307 million) and as at period end, its accumulated loss was Rs. 10,140 million (December 31, 2022: Rs. 7,379 million). This has resulted in negative net assets of Rs. 6,809 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. 240.414 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.

2.2.2 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. 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 have not been made applicable for banks. Accordingly, the requirements of these standards have not have considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issues by the SBP.

2.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

3	CASH AND BALANCES WITH SBP AND NBP	Note	September 30,	December 31,
			2023	2022
			Rupees	Rupees
			Un-audited	Audited
	Cash in hand - local currency		653,163,643	733,700,930
	Balance with State Bank of Pakistan	3.1	706,592,546	983,829,309
	Balance with National Bank of Pakistan in:			
	Current Account		31,574,975	2,788,579
	Deposit Account	3.2	35,990,848	-
			<u>1,427,322,012</u>	<u>1,720,318,818</u>

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

3.2 This carries mark-up rate at 20.50% per annum (2022: 14.50%).

4	BALANCES WITH OTHER BANKS/NBFIs/MFBs	Note	September 30,	December 31,
			2023	2022
			Rupees	Rupees
			Un-audited	Audited
	In Pakistan			
	- In current accounts		42,163,687	33,165,647
	- In deposit accounts	4.1	745,448,684	1,703,601,382
	- Certificates of deposits	4.2	-	500,000,000
			<u>787,612,371</u>	<u>2,236,767,029</u>

4.1 These carry mark-up rates ranging from 20.50% to 22.75% per annum (2022: 14.50% to 17.40% per annum).

4.2 This represents placement with a financial institution (2022: different financial institutions) carrying mark-up at the rate of 17% per annum (2022: 17.00% per annum). The certificate is due to mature within one year (2022: One month to one year) from the date of placement.

5	INVESTMENTS - NET OF PROVISIONS	Note	September 30,	December 31,
			2023	2022
			Rupees	Rupees
			Un-audited	Audited
	Federal Govt. Securities:			
	- Market Treasury Bills - (Held to maturity)	5.1	1,235,138,833	2,366,323,246
	Silk Bank Limited - Term Finance Certificate (TFC's) - (Held to maturity)	5.2	99,920,000	99,920,000
			<u>1,335,058,833</u>	<u>2,466,243,246</u>

5.1 This represents T-Bills issued for periods of three to six months. These carry yields ranging from 22.15% to 23.00% per annum (2022: 15.60% to 16.93% per annum). These securities have an aggregate face value of Rs. 1,250 million (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 (2022: 6 months KIBOR plus 1.85% per annum).

6	ADVANCES - NET OF PROVISIONS	Note	September 30, 2023		December 31, 2022	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
			-----Un-audited-----		-----Audited-----	

	Micro credits					
	- Secured		6,283,100,203			6,401,229,070
	- Unsecured		5,409,153,326			5,666,728,775
		6.1	103,637	11,692,253,529	109,616	12,067,957,845
	Less: Provision held:					
	- Specific	6.2.1		4,797,286,398	46,545	3,546,133,055
	- General			167,558,748		167,558,748
				4,964,845,146		3,713,691,803
	Advances - Net Of Provisions			<u>6,727,408,383</u>		<u>8,354,266,042</u>

6.1 Advances are secured by personal guarantees and advances amounting to Rs. 4,220.988 million (2022: Rs. 3,927.319 million) are further secured against gold.

6.2	Particulars of non-performing advances	Note	September 30,	December 31,
			2023	2022
			Rupees	Rupees
			Un-audited	Audited
	Specific non-performing advances		1,385,364,808	1,163,226,086
	Other non-performing advances		3,287,883,197	3,477,414,293
		6.2.1	<u>4,673,248,005</u>	<u>4,640,640,379</u>

6.2.1 Particulars of non-performing advances

Advances include Rs. 4,673.248 million (2022: Rs. 4,640.640 million) which have been placed under non performing status as detailed below:

Category of Classification	September 30, 2023			December 31, 2022		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	-----Un-audited-----			----- Audited-----		
OAEM	24,709,065	-	-	21,056,590	-	-
Sub-standard	17,789,510	4,447,377	4,447,377	16,583,885	4,145,971	4,145,971
Doubtful	54,594,869	27,297,434	27,297,434	55,739,229	27,869,615	27,869,615
Loss	4,576,154,561	4,576,010,970	4,765,541,587	4,547,260,675	4,547,117,084	3,514,117,469
	<u>4,673,248,005</u>	<u>4,607,755,781</u>	<u>4,797,286,398</u>	<u>4,640,640,379</u>	<u>4,579,132,670</u>	<u>3,546,133,055</u>

7 OTHER ASSETS	Note	September 30,	December 31,
		2023	2022
		Rupees	Rupees
		Un-audited	Audited
Income / Mark-up Accrued		-	-
Advances to Staff		1,097,618,591	1,018,617,624
Advances and Prepayments		131,649,637	142,242,463
Advance Income Tax - Net of Provision		212,838,225	238,193,147
Security Deposits		298,798,504	234,129,475
Inter Banks ATM Settlement account		35,941,920	35,941,920
Insurance Claim's Receivable		-	51,473,658
		-	4,881,415
		<u>1,776,846,877</u>	<u>1,725,479,702</u>

8 DEFERRED TAX ASSET	Note	September 30,	December 31,
		2023	2022
		Rupees	Rupees
		Un-audited	Audited
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 out of total deferred tax assets of Rs. 3,423 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of;

9	DEPOSITS AND OTHER ACCOUNTS	Note	September 30, 2023		December 31, 2022	
			No. of accounts	Rupees	No. of accounts	Rupees
			-----Un-audited-----		-----Audited-----	
	Time liabilities					
	Fixed Deposits (Deals)	9.1	7,724	8,993,167,640	5,841	6,976,267,093
	Demand liabilities					
	Saving Deposits	9.2	31,659	7,853,587,464	29,449	10,531,850,607
	Current Deposits		374,408	3,988,914,585	363,054	5,098,226,850
			406,067	11,842,502,049	392,503	15,630,077,457
		9.3	413,791	20,835,669,689	398,344	22,606,344,550

9.1 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 24.75% per annum (2022: 5.60% to 18.00% per annum).

9.2 These carry interest rates ranging from 3% to 24.00% per annum (2022: 3% to 16.50% per annum).

9.3	Particulars of deposits by ownership	September 30, 2023		December 31, 2022	
		No. of accounts	Rupees	No. of accounts	Rupees
		-----Un-audited-----		-----Audited-----	
	Individual Depositors	411,131	18,263,098,278	396,730	16,518,367,113
	Institutional Depositors				
	- Corporation / Firm	2,647	2,546,259,486	1,601	6,055,996,992
	- Banks & Financial Institutions	13	26,311,925	13	31,980,445
		2,660	2,572,571,411	1,614	6,087,977,437
		413,791	20,835,669,689	398,344	22,606,344,550

10	LEASE LIABILITIES	Note	September 30,	December 31, 2022
			2023	
			Rupees	Rupees
			Un-audited	Audited
	Lease Liabilities		403,137,820	543,145,813

11 MEMORANDUM / OFF- BALANCE SHEET ITEMS

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

12	MARK-UP/RETURN/INTEREST EARNED	Nine Months Ended		Quarter Ended	
		September 30,	September 30,	September 30,	September 30, 2022
		2023	2022	2023	
		Rupees	Rupees	Rupees	Rupees
		-----Un-audited-----			
	Mark-Up on Loans and Advances	1,438,164,415	1,579,376,296	528,666,711	407,922,720
	Mark-Up on Deposit Accounts	169,641,765	262,862,827	53,619,067	118,077,798
	Mark-Up on Investments in Government Securities	286,180,777	117,196,400	66,713,965	55,901,790
		1,893,986,957	1,959,435,523	648,999,743	581,902,308

13	CASH AND CASH EQUIVALENTS	Note	September 30,	September 30, 2022
			2023	
			Rupees	Rupees
			Un-audited	Un-audited
	Cash and Balances with SBP and NBP		1,427,322,012	1,452,118,075
	Balances With Other Banks/NBFIs/MFBs		787,612,371	1,819,349,772
			2,214,934,383	3,271,467,847

14 TRANSACTION AND BALANCES WITH RELATED PARTIES

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

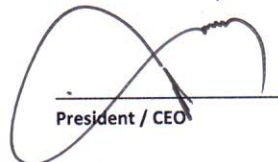
Nature of Relationship	Nature of Transactions	September 30, 2023	December 31, 2022
		Rupees Un-audited	Rupees Audited
Balances at period end:			
Associated company	Deposits	172,924,261	123,295,288
	Share deposit money	350,390,276	350,390,276
	Insurance Claim Receivable	-	4,881,415
Key management personnel	Deposits	2,072,270	216,326
Directors / sponsors / shareholders	Deposits	4,340,723	1,817,937
		September 30, 2023	September 30, 2022
		Rupees Un-audited	Rupees Un-audited
Transactions during the period:			
Associated company	Deposits received	5,092,153,370	4,040,823,311
	Withdrawals	5,046,294,953	4,214,508,428
	Mark-up paid on deposits	3,770,557	13,036,259
Key management personnel	Deposits received	33,110,957	64,808,238
	Withdrawals	31,141,534	66,185,775
	Mark-up on deposit paid	1,772	12,052
Directors / sponsors / shareholders	Deposits received	109,707,137	91,105,013
	Withdrawals	107,214,890	93,839,164
	Mark-up paid on deposits	30,541	31,303
Staff Provident Fund	Contribution made during the period	18,055,992	16,623,147

15 DATE OF AUTHORIZATION FOR ISSUE

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

16 GENERAL

- 16.1 No significant reclassification / rearrangement of the corresponding figures has been made.
- 16.2 Figures have been rounded off to the nearest rupee unless otherwise stated.



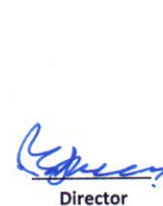
 President / CEO



 Chief Financial Officer



 Chairman



 Director



 Director