

## 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, 2024.

### Economic Overview:

Global economy is showing signs of stabilizing after a period of slowdown. Pakistan's economy showed signs of recovery in the year 2024. The country entered into a new IMF Extended fund facility resulting in the immediate release of USD 1 Billion. Market confidence has been restored by efforts of the federal government who have developed and implemented prudent policies in order to stabilize the economy. The Current account position has improved significantly with the deficit narrowing USD 665 million.

Following a significant decline in inflation since February 2024 the SBP decreased the policy rate by 450 bps during the ongoing year bringing the policy rate to 17.50% in September 2024. Additionally, yields on government securities have sharply declined indicating improved inflation outlook and enhanced government liquidity. Stock exchange showed strong growth and foreign exchange reserves rose to \$10.7 billion in September 2024 versus \$8.2 billion in December 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, 2024 are as follows:

Particular's	September 30, 2024	December 31, 2023	%
	Un-audited (PKR)	Audited (PKR)	Change
Advances - Net of Provisions	6,967,154,457	6,590,855,560	5.7%
Deposits and other accounts	24,875,360,737	22,449,764,944	10.8%

Particular's	September 30, 2024	September 30, 2023	%
	Un-audited (PKR)	Un-audited (PKR)	Change
Mark-up/Return/Interest Earned	2,282,150,542	1,893,986,957	20.5%
Mark-up/Return/Interest Expensed	2,981,626,551	1,887,065,987	58.0%
Administrative expenses	1,660,028,795	1,644,643,024	0.9%
Loss after taxation	2,286,633,575	2,762,067,617	-17.2%

The Bank recorded loss after tax PKR 2,287 million in the current period as compared loss after tax PKR. 2,762 million in comparative period. As a result, the loss per share was recorded at PKR 5.330 for the current reporting period (September: 2023 PKR. 6.439). The Bank's equity (net of losses) stood at negative:(-) PKR. 8,557 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 recorded the provision expense of PKR 107 million against a gross loan portfolio of PKR 12,099 million in current period. Whereas, the provision of PKR 1,251 million was recorded against the portfolio of PKR 11,692 million in corresponding period.

Non-performing loans were PKR. 4,996 million on September 30, 2024 as against PKR. 4,777 million on December 31, 2023. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of September 30, 2024 stood at 41.3% as against 41.1% on December 31, 2023. At the period end, the Bank's gross advances to deposits ratio stands at 48.60% as compared to 51.7% on December 31, 2023.

The deposits of the Bank settled at PKR 24,875 million with an increase of the 10.8 % from December 2023. Advances-net of provision stood at PKR 6,967 million whereas investments were stood at PKR. 1,857 million.

As at September 30, 2024, 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. 2,287 million (September 30, 2023: PKR. 2,762 million) and as at period end, its accumulated loss was PKR. 13,259 million (December 31, 2023: PKR. 10,973 million). This has resulted in negative net assets of PKR. 8,557 million (December 31, 2023: PKR. 6,641 million). The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management 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, the sponsor injected PKR. 1 billion, whereas an additional amount of PKR. 500 million after half year end of 2024 (note no. 16.1), to build 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. 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 79 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, 2024, 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 26, 2024.

#### **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,**

  
\_\_\_\_\_  
**Mansoor Ahmad**  
Acting President/CEO

  
\_\_\_\_\_  
**Muhammad Asghar**  
Director

Date: October 29, 2024  
Lahore



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

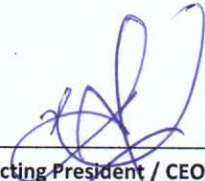

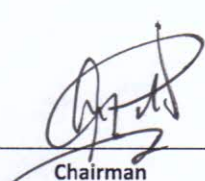

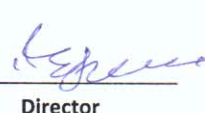
**INTERIM CONDENSED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2024**



**APNA MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2024**

	Note	September 30, 2024	December 31, 2023
		Rupees	Rupees
		Un-audited	Audited
<b>ASSETS</b>			
Cash and Balances with SBP and NBP	8	1,546,980,055	2,003,589,450
Balances With Other Banks/NBFIs/MFBs	9	2,167,710,558	2,388,034,342
Lending to financial Institutions		-	-
Investments - Net Of Provisions	10	1,857,164,932	1,253,744,740
Advances - Net Of Provisions	11	6,967,154,457	6,590,855,560
Operating Fixed Assets		739,490,950	809,093,371
Right of use assets		226,250,247	404,201,211
Other Assets	12	2,081,429,971	1,870,083,936
Deferred Tax Asset	13	1,700,000,000	1,700,000,000
<b>Total Assets</b>		<b>17,286,181,170</b>	<b>17,019,602,610</b>
<b>LIABILITIES</b>			
Deposits and other accounts	14	24,875,360,737	22,449,764,944
Lease Liabilities	15	349,598,586	510,706,239
Subordinated Debt		-	-
Other Liabilities		618,657,477	699,933,482
Deferred Tax Liabilities		-	-
<b>Total Liabilities</b>		<b>25,843,616,800</b>	<b>23,660,404,665</b>
<b>NET ASSETS</b>		<b>(8,557,435,630)</b>	<b>(6,640,802,055)</b>
<b>REPRESENTED BY:</b>			
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	16	1,720,390,279	1,350,390,279
Statutory reserve		22,078,496	22,078,496
Depositors' protection fund		5,519,624	5,519,624
Revenue reserve			
Unappropriated Profit/(loss)		(13,259,309,818)	(10,972,676,243)
<b>Total Capital</b>		<b>(8,557,435,630)</b>	<b>(6,640,802,055)</b>
<b>MEMORANDUM / OFF- BALANCE SHEET ITEMS</b>	17		


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

				
Acting President / CEO	Chief Financial Officer	Chairman	Director	Director

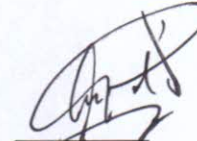
**APNA MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
		Rupees	Rupees	Rupees	Rupees
Mark-up/Return/Interest Earned	18	2,282,150,542	1,893,986,957	794,140,778	648,999,743
Mark-up/Return/Interest Expensed		(2,981,626,551)	(1,887,065,987)	(1,006,831,715)	(763,332,896)
Net mark-up/Interest Income		(699,476,009)	6,920,970	(212,690,937)	(114,333,153)
Provision against non-performing loans and advances		(107,272,408)	(1,251,212,727)	(24,544,713)	(42,361,520)
Provision for diminution in the value of investments		-	-	-	-
Recovery against bad debts written off		4,922,134	-	2,266,552	-
Bad debts written off directly		-	-	-	-
Net mark-up/Interest Income / (loss) after provisions		(102,350,274)	(1,251,212,727)	(22,278,161)	(42,361,520)
<b>NON MARK-UP/NON INTEREST INCOME</b>					
Fee, Commission and Brokerage Income		155,792,070	110,306,721	59,317,365	41,954,081
Dividend Income		-	-	-	-
Other Income		49,903,716	41,623,165	9,371,031	15,553,294
Total non mark-up/non interest Income		205,695,786	151,929,886	68,688,396	57,507,375
		(596,130,497)	(1,092,361,871)	(166,280,702)	(99,187,298)
<b>NON MARK-UP/NON INTEREST EXPENSES</b>					
Administrative expenses		(1,660,028,795)	(1,644,643,024)	(569,150,097)	(554,526,590)
Other provisions/write offs/adjustment		-	-	-	-
Other charges		-	-	-	-
Minimum tax levy under section 113	22.2	(30,474,283)	(25,062,722)	(10,668,227)	(8,645,974)
Total non mark-up/non interest expenses		(1,690,503,078)	(1,669,705,746)	(579,818,324)	(563,172,564)
		(2,286,633,575)	(2,762,067,617)	(746,099,026)	(662,359,862)
Extra ordinary/unusual items		-	-	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(2,286,633,575)	(2,762,067,617)	(746,099,026)	(662,359,862)
Taxation	22.2				
- Current		-	-	-	-
- Prior years		-	-	-	-
- Deferred		-	-	-	-
		-	-	-	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(2,286,633,575)	(2,762,067,617)	(746,099,026)	(662,359,862)
Unappropriated loss brought forward		(1,540,534,549)	(2,099,707,755)	(3,081,069,098)	(4,199,415,510)
Profit available for appropriation / (loss)		(3,827,168,124)	(4,861,775,372)	(3,827,168,124)	(4,861,775,372)
<b>APPROPRIATIONS:</b>					
Transfer to:					
Statutory Reserve		-	-	-	-
Capital Reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue Reserve		-	-	-	-
Proposed Cash dividend Rs. Nil per share (2023: Rs.Nil per share)		-	-	-	-
Others		-	-	-	-
		-	-	-	-
Unappropriated loss carried forward		(3,827,168,124)	(4,861,775,372)	(3,827,168,124)	(4,861,775,372)
<b>(Loss) per share - Basic and diluted</b>		(5.330)	(6.439)	(1.739)	(1.544)

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

  
Acting President / CEO

  
Chief Financial Officer

  
Chairman


  
Director

  
Director

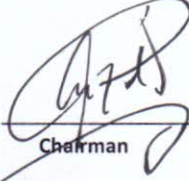
**APNA MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
		Rupees	Rupees	Rupees	Rupees
Loss for the period		(2,286,633,575)	(2,762,067,617)	(746,099,026)	(662,359,862)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(2,286,633,575)</b>	<b>(2,762,067,617)</b>	<b>(746,099,026)</b>	<b>(662,359,862)</b>

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

  
 Acting President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director

**APNA MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Capital Reserves					Revenue Reserve		Total
	Share Capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Accumulated (loss)		
	Rupees							
<b>Balance as at January 01, 2023</b>	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(7,378,859,482)	(4,046,905,307)	
Comprehensive Income / (loss) for the period	-	-	-	-	-	(2,762,067,617)	(2,762,067,617)	
Loss after taxation	-	-	-	-	-	-	-	
Other comprehensive income / (loss)	-	-	-	-	-	(2,762,067,617)	(2,762,067,617)	
Total comprehensive income for the period	-	-	-	-	-	(2,762,067,617)	(2,762,067,617)	
<b>Transactions with owners directly recorded in equity</b>	-	-	-	-	-	-	-	
Share deposit money received during the period	-	-	-	-	-	-	-	
Share issued against share deposit money	-	-	-	-	-	-	-	
Discount on issue of share	-	-	-	-	-	-	-	
<b>Balance as at September 30, 2023 - Un-Audited</b>	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(10,140,927,099)	(6,809,032,914)	
Comprehensive Income / (loss) for the period	-	-	-	-	-	(831,749,144)	(831,749,144)	
Loss after taxation	-	-	-	-	-	-	-	
Transfer to statutory reserves	-	-	-	-	-	-	-	
Transfer to depositors protection fund	-	-	-	-	-	-	-	
Other comprehensive income / (loss)	-	-	-	-	-	(831,749,144)	(831,749,144)	
Total comprehensive loss for the period	-	-	-	-	-	(831,749,144)	(831,749,144)	
<b>Transactions with owners directly recorded in equity</b>	-	-	-	-	-	-	-	
Share deposit money received	-	-	1,000,000,003	-	-	-	1,000,000,003	
Share issued against share deposit money	-	-	-	-	-	-	-	
Discount on issue of share	-	-	-	-	-	-	-	
<b>Balance as at December 31, 2023 - Audited</b>	4,289,849,620	(1,335,963,831)	1,350,390,279	22,078,496	5,519,624	(10,972,676,243)	(6,640,802,059)	
Comprehensive Income/(loss) for the period	-	-	1,000,000,003	-	-	-	1,000,000,003	
Loss after taxation	-	-	-	-	-	-	-	
Other comprehensive income / (loss)	-	-	-	-	-	(2,286,633,575)	(2,286,633,575)	
Total comprehensive income for the period	-	-	-	-	-	(2,286,633,575)	(2,286,633,575)	
<b>Transactions with owners directly recorded in equity</b>	-	-	-	-	-	-	-	
Share deposit money received during the period	-	-	370,000,000	-	-	-	370,000,000	
Share issued against share deposit money	-	-	-	-	-	-	-	
Discount on issue of share	-	-	-	-	-	-	-	
<b>Balance as at September 30, 2024 - Un-Audited</b>	4,289,849,620	(1,335,963,831)	1,720,390,279	22,078,496	5,519,624	(13,259,309,818)	(8,557,433,630)	

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

  
 Acting President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director


  
 Director



**APNA MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2024**

	Note	Un-audited	
		September 30, 2024	September 30, 2023
		Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(loss)/Profit before taxation		(2,286,633,575)	(2,737,004,895)
<b>Adjustments for non-cash charges</b>			
Depreciation		63,201,852	74,248,037
Depreciation on right of use assets		129,875,516	140,007,993
Amortization of intangibles		6,845,609	1,279,533
Markup on lease liabilities		12,482,230	40,095,404
Other expenses		30,474,283	25,062,722
Provision against non-performing advances		107,272,408	1,251,212,727
(Gain) / Loss on disposal of fixed asset		(4,147,600)	-
		346,004,298	1,531,906,416
<b>Operating cash flow before working capital changes</b>		(1,940,629,277)	(1,205,098,479)
<b>Changes in working capital</b>			
<b>(Increase)/Decrease in operating assets</b>			
Advances		(483,571,305)	375,644,932
Other assets		(135,120,631)	(11,760,868)
		(618,691,936)	363,884,064
<b>Increase/(Decrease) in operating liabilities</b>			
Deposits		2,425,595,793	(1,770,674,861)
Other Liabilities		(81,276,005)	10,029,400
		2,344,319,788	(1,760,645,461)
Income tax paid		(106,699,687)	(89,731,751)
<b>Net cash flow from operating activities</b>		(321,701,112)	(2,691,591,627)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in held to maturity securities		(603,420,192)	1,131,184,413
Investments in operating fixed assets		(6,447,723)	(1,640,853)
Repayment of lease liabilities		(125,514,435)	(180,103,397)
Sale proceeds from disposal of operating fixed assets		10,150,283	-
<b>Net cash used in investing activities</b>		(725,232,067)	949,440,163
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share deposit money		370,000,000	-
<b>Net cash flow from financing activities</b>		370,000,000	-
Increase/(decreases) in cash and cash equivalents		(676,933,179)	(1,742,151,464)
<b>Cash and cash equivalents at the beginning of the period</b>		4,391,623,792	3,957,085,847
<b>Cash and cash equivalents at the end of the period</b>	19	3,714,690,613	2,214,934,383

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

  
 Acting 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 95 business locations comprising of 79 branches and 16 service centers (2023: 106 business locations comprising 105 branches and 1 service center). 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. 2,287 million (September 30, 2023: Rs. 2,762 million) and as at period end, its accumulated loss was Rs. 13,259 million (December 31, 2023: Rs. 10,973 million.) This has resulted in negative net assets of Rs. 8,557 million (December 31, 2023: Rs. 6,641 million). The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management 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, the sponsor injected Rs. 1 billion, whereas an additional amount of Rs. 500 million after half year end of 2024 (note no. 16.1), to build 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. 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 79 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 BASIS OF PRESENTATION**

These financial statements have been prepared in compliance with the format as prescribed under the Banking Surveillance Department (BSD) Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

**3 STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) (including Prudential Regulations of Microfinance Banks) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP differ with the requirements of IFRS, the provisions of and directives issued under the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, the Prudential Regulations of Microfinance Banks and the directives issued by the SBP and SECP shall prevail.

**3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39 – 'Financial Instruments: Recognition and Measurement' and IAS 40 – 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of IAS 40 – 'Investment Property' and IFRS 7 – 'Financial Instruments: Disclosures' through its notification S.R.O 633(I)2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in preparation of these financial statements. However, investment have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**3.3** State Bank of Pakistan (SBP) via circular no. 3 of 2022 dated 05 July 2022, decided to extend the implementation of IFRS 9 from January 01, 2022 to January 01, 2024 for Microfinance Banks (MFBs). Further, the SBP via its BPRD Circular Letter No. 16, of 2024 dated July 29, 2024 has also allowed an extension up to December 31, 2024 for developing the requisite model for calculating Exposure at Default (EAD) for revolving products beyond the contractual date. As the Bank's major portfolio is in revolving products therefore, extended time line stipulated in the said circular are applicable. The Bank has also formally applied for an extension with regulator for adaptation of IFRS 9 till December 31, 2024.

- 3.4** These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at December 31, 2023, which have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan for financial reporting comprises of: 'International Financial Reporting Standards (IFRS); issued by International Accounting Standards Board (IASB).as are notified under the Companies Act, 2017; provisions of and Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP), wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017, or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of Microfinance Institution Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

#### **4 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended December 31, 2023

##### **4.1 STANDARDS, INTERPRETATIONS OF THE AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR**

There are certain amendments to existing accounting and reporting standards that have become applicable to the bank for accounting periods beginning on or after January 01, 2024. These are either considered not to be relevant or do not have any significant impact, and accordingly have not been detailed in these condensed interim financial statements.

##### **4.2 STANDARDS, INTERPRETATIONS OF THE AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2025. These are considered either not to be relevant or not to have any significant effect on the Bank's condensed interim financial statements.

#### **5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for accounting estimates adopted in the preparation of this condensed interim financial information is the same as that applied in the preparation of the financial statements for the year ended December 31, 2023.

#### **6 FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited published financial statements for the year ended December 31, 2023.

#### **7 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.

8	CASH AND BALANCES WITH SBP AND NBP	Note	September 30,	December 31,		
			2024	2023		
			Rupees	Rupees		
			Un-audited	Audited		
	Cash in hand - local currency		491,332,356	824,441,042		
	Balance with State Bank of Pakistan	8.1	1,021,958,378	1,118,619,880		
	Balance with National Bank of Pakistan in:					
	Current Account		33,666,546	60,513,105		
	Deposit Account	8.2	22,775	15,423		
			<u>1,546,980,055</u>	<u>2,003,589,450</u>		
8.1	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.					
8.2	This carries mark-up rate at 18.00% per annum (2023: 20.50%).					
9	BALANCES WITH OTHER BANKS/NBFIs/MFBs	Note	September 30,	December 31,		
			2024	2023		
			Rupees	Rupees		
			Un-audited	Audited		
	In Pakistan					
	- In current accounts		38,104,121	39,697,501		
	- In deposit accounts	9.1	2,129,606,437	2,348,336,841		
			<u>2,167,710,558</u>	<u>2,388,034,342</u>		
9.1	These carry mark-up rates ranging from 17.50% to 18.25% per annum (2023: 17.40% to 23.50% per annum).					
10	INVESTMENTS - NET OF PROVISIONS	Note	September 30,	December 31,		
			2024	2023		
			Rupees	Rupees		
			Un-audited	Audited		
	Federal Govt. Securities:					
	- Market Treasury Bills - (Held to maturity)	10.1	1,757,244,932	1,153,824,740		
	Silk Bank Limited - Term Finance Certificate (TFC's) - (Held to maturity)	10.2	99,920,000	99,920,000		
			<u>1,857,164,932</u>	<u>1,253,744,740</u>		
10.1	This represents T-Bills issued for periods of three to six months. These carry yields ranging from 15.70% to 21.00% per annum (2023: 15.60% to 23.00% per annum). These securities have an aggregate face value of Rs. 1,800 million (2023: Rs. 1,180 million).					
10.2	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 (2023: 6 months KIBOR plus 1.85% per annum).					
11	ADVANCES - NET OF PROVISIONS	Note	September 30, 2024		December 31, 2023	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
			-----Un-audited-----		-----Audited-----	
	Micro credits					
	- Secured		6,983,857,737		6,301,502,661	
	- Unsecured		5,115,383,730		5,314,625,779	
		11.1	98,936	12,099,241,467	101,713	11,616,128,440
	Less: Provision held:					
	- Specific	11.2.1	63,979	4,964,528,262	61,347	4,857,714,132
	- General			167,558,748		167,558,748
				5,132,087,010		5,025,272,880
	Advances - Net Of Provisions			<u>6,967,154,457</u>		<u>6,590,855,560</u>
11.1	Advances are secured by personal guarantees and advances amounting to Rs. 5,165.766 million (2023: Rs. 4,329.453 million) are further secured against gold.					
11.2	Particulars of non-performing advances	Note	September 30,	December 31,		
			2024	2023		
			Rupees	Rupees		
			Un-audited	Audited		
	Specific non-performing advances		1,918,212,716	1,566,525,274		
	Other non-performing advances		3,078,150,005	3,210,130,534		
		11.2.1	<u>4,996,362,721</u>	<u>4,776,655,808</u>		

**11.2.1 Particulars of non-performing advances**

Advances include Rs. 4,996.362 million (2023: Rs. 4,776.655 million) which have been placed under non performing status as detailed below:

Category of Classification	September 30, 2024			December 31, 2023		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	----- Un-audited -----			----- Audited -----		
OAEM	13,237,724	-	-	11,583,946	-	-
Sub-standard	8,737,649	2,184,412	2,184,412	11,366,357	2,841,589	2,841,589
Doubtful	24,086,996	12,043,498	12,043,498	35,119,202	17,559,601	17,559,601
Loss	4,950,300,352	4,950,300,352	4,950,300,352	4,718,586,303	4,718,586,303	4,837,312,942
	<b>4,996,362,721</b>	<b>4,964,528,262</b>	<b>4,964,528,262</b>	<b>4,776,655,808</b>	<b>4,738,987,493</b>	<b>4,857,714,132</b>

12 OTHER ASSETS	Note	September 30,	December 31,
		2024	2023
		Rupees	Rupees
		Un-audited	Audited
Income / Mark-up Accrued		1,280,852,089	1,085,187,980
Advances to Staff		104,415,267	137,900,309
Advances and Prepayments		278,951,553	232,560,493
Advance Income Tax - Net of Provision		386,139,986	309,914,582
Security Deposits		31,071,076	34,878,920
Inter Banks ATM Settlement account		-	69,641,652
		<b>2,081,429,971</b>	<b>1,870,083,936</b>

13 DEFERRED TAX ASSET	Note	September 30,	December 31,
		2024	2023
		Rupees	Rupees
		Un-audited	Audited
Opening balance		1,700,000,000	1,700,000,000
Recognized in profit and loss account		-	-
Closing balance	13.1	<b>1,700,000,000</b>	<b>1,700,000,000</b>

**13.1** 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. 3,369 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized.

14 DEPOSITS AND OTHER ACCOUNTS	Note	September 30, 2024		December 31, 2023	
		No. of accounts	Rupees	No. of accounts	Rupees
		-----Un-audited-----		-----Audited-----	
Time liabilities					
Fixed Deposits (Deals)	14.1	6,679	10,737,727,146	7,962	9,344,864,685
Demand liabilities					
Saving Deposits	14.2	34,698	10,641,422,383	32,609	9,319,334,742
Current Deposits		388,422	3,496,211,208	377,494	3,785,565,517
		423,120	14,137,633,591	410,103	13,104,900,259
	14.3	429,799	24,875,360,737	418,065	22,449,764,944
14.1	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 25.00% per annum (2023: 5.60% to 25.00% per annum).				
14.2	These carry interest rates ranging from 3% to 22.00% per annum (2023: 3% to 25.00% per annum).				
14.3	Particulars of deposits by ownership	September 30, 2024		December 31, 2023	
		No. of accounts	Rupees	No. of accounts	Rupees
		-----Un-audited-----		-----Audited-----	
	Individual Depositors	426,844	21,315,010,489	415,170	17,717,719,407
	Institutional Depositors				
	- Corporation / Firm	2,944	3,533,829,888	2,883	4,705,991,609
	- Banks & Financial Institutions	11	26,520,360	12	26,053,928
		2,955	3,560,350,248	2,895	4,732,045,537
		429,799	24,875,360,737	418,065	22,449,764,944
15	LEASE LIABILITIES	Note	September 30, 2024	December 31, 2023	
			Rupees	Rupees	
			Un-audited	Audited	
	Lease Liabilities		349,598,586	510,706,239	
16	SHARE DEPOSIT MONEY	Note	September 30, 2024	December 31, 2023	
			Rupees	Rupees	
			Un-audited	Audited	
	Share deposit money		1,720,390,279	1,350,390,279	
16.1	During the period the Bank has received further share deposit money Rs. 370 million till September 30, 2024 and Rs. 130 million subsequent to the reporting period.				
17	MEMORANDUM / OFF- BALANCE SHEET ITEMS				
17.1	Contingencies:				
	There are no significant changes in contingencies as reported in the annual audited published financial statements of the Bank for the year ended December 31, 2023.				
17.2	Commitments:				
	Bank Guarantees		4,563,105	-	
	This represent Bank guarantees issued by the Bank ranging between Rs. 460,500 to Rs. 1,606,605. These guarantees are secured against 100% liquid securities.				
18	MARK-UP/RETURN/INTEREST EARNED	Nine Months Ended		Quarter Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
		Rupees	Rupees	Rupees	Rupees
		-----Un-audited-----			
	Mark-Up on Loans and Advances	1,709,485,303	1,438,164,415	608,718,090	528,666,711
	Mark-Up on Deposit Accounts	322,486,947	169,641,765	99,581,211	53,619,067
	Mark-Up on Investments in Government Securities	250,178,292	286,180,777	85,841,477	66,713,965
		2,282,150,542	1,893,986,957	794,140,778	648,999,743
19	CASH AND CASH EQUIVALENTS	Note	September 30, 2024	September 30, 2023	
			Rupees	Rupees	
			Un-audited	Un-audited	
	Cash and Balances with SBP and NBP		1,546,980,055	1,427,322,012	
	Balances With Other Banks/NBFIs/MFBs		2,167,710,558	787,612,371	
			3,714,690,613	2,214,934,383	

**20 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,	December 31,
		2024 Rupees Un-audited	2023 Rupees Audited
<b>Balances at period end:</b>			
Associated company	Deposits	161,731,635	121,233,821
	Share deposit money	1,671,086,470	1,301,086,470
Key management personnel	Deposits	10,233,059	1,916,850
Directors / sponsors / shareholders	Deposits	433,195,410	2,053,793
	Share deposit money	49,303,809	49,303,809


Nature of Relationship	Nature of Transactions	September 30,	September 30,
		2024 Rupees Un-audited	2023 Rupees Un-audited
<b>Transactions during the period:</b>			
Associated company	Deposits received	5,405,111,965	5,092,153,370
	Withdrawals	5,375,129,517	5,046,294,953
	Mark-up paid on deposits	10,700,829	3,770,557
	Share deposit money received	370,000,000	-
Key management personnel	Deposits received	134,171,859	33,110,957
	Withdrawals	128,081,168	31,141,534
	Mark-up on deposit paid	124,252	1,772
Directors / sponsors / shareholders	Deposits received	462,414,567	109,707,137
	Withdrawals	263,980,717	107,214,890
	Mark-up paid on deposits	34,251,231	30,541
Staff Provident Fund	Contribution made during the period	16,297,292	18,055,992

**21 DATE OF AUTHORIZATION FOR ISSUE**

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

**22 GENERAL**

- 22.1 No significant reclassification / rearrangement of the corresponding figures has been made.
- 22.2 No provision for taxation has been made in these condensed interim financial statements as there is no income chargeable to normal income tax. Minimum tax charged under section 113 of the income tax ordinance, 2001, has been accounted for a levy in accordance with the application guidance on accounting for minimum taxes and final taxes issued by ICAP. Prior period figure has been rearranged accordingly.
- 22.3 Figures have been rounded off to the nearest rupee unless otherwise stated.

  
 Acting President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director