

**APNA MICROFINANCE BANK LIMITED**  
**Independent Auditors' Report and**  
**Reviewed Financial Statements**  
**For the Year Half Ended June 30, 2022**



RSM Avais Hyder Liaquat Nauman  
Chartered Accountants

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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, 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, 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 condensed interim statement of comprehensive income for the quarters ended June 30, 2022 and 2021 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.

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING

Other Offices at:  
Karachi : 92 (21) 3565 5975-6  
Faisalabad : 92 (41) 854 1165/ 854 1965  
Islamabad : 92 (51) 234 0490 & 93  
Peshawar : 92 (91) 527 8310/ 527 7205  
Kabul : 93 (799) 058 155

## 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. 1,407.61 million (2021: Rs. 7.62 million) and as at the period end, its accumulated loss was Rs. 4,297.10 million (December 31, 2021: Rs.2,889.50 million). The Bank is facing problems in recovery of unsecured non performing advances which include non-performing advances against which provision is being made in a phased manner as explained in Note 6.2.3. These events and conditions, along with other matters as set forth in Note 1.2, indicate a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Realization of deferred tax asset of Rs. 1,700.00 million (December 31, 2021: Rs. 1,283.48 million) also depends on the Bank's ability to continue as a going concern. Our conclusion is not modified with respect to these matters.

## Other Matter

The condensed interim financial statements of the Bank for the period of six month ended June 30, 2021 were reviewed by another firm of chartered accountants who have expressed a qualified conclusion in their report dated August 30, 2021.

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: RR202210239FO69PSdVz



**APNA MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2022**

	Note	Un-audited	Audited
		June 30, 2022	December 31, 2021
		Rupees	Rupees

**ASSETS**

Cash and Balances with SBP and NBP	3	2,468,143,319	1,586,619,423
Balances with other banks / NBFIs / MFBs	4	3,713,106,947	4,284,767,144
Investments	5	1,443,853,504	1,259,859,259
Advances - Net of provisions	6	10,023,810,141	11,505,706,719
Operating fixed assets	7	957,449,992	976,219,982
Right of use assets		608,510,668	699,454,614
Other assets		2,402,499,753	2,180,609,481
Deferred tax asset	8	1,700,000,000	1,283,481,934
<b>Total Assets</b>		<b>23,317,374,324</b>	<b>23,776,718,556</b>

**LIABILITIES**

Deposits and other accounts	22,947,794,608	22,083,717,249
Borrowings	-	472,722
Lease liabilities	674,326,375	766,027,453
Other liabilities	660,480,105	484,122,526
<b>Total Liabilities</b>	<b>24,282,601,088</b>	<b>23,334,339,950</b>

**NET ASSETS**

	<b>(965,226,764)</b>	<b>442,378,606</b>
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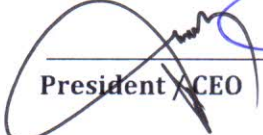



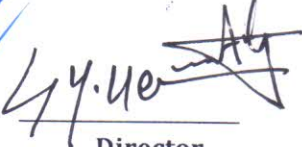
**REPRESENTED BY:**

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	(4,297,100,949)	(2,889,495,579)
<b>Total Capital</b>	<b>(965,226,764)</b>	<b>442,378,606</b>

**MEMORANDUM / OFF- BALANCE SHEET ITEMS**

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

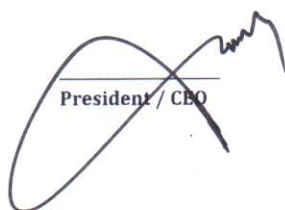
**President/CEO**      **Chief Financial Officer**      **Chairman**      **Director**      **Director**

**APNA MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

	Note	Un-audited				
		Six month period ended June 30,		Three month period ended June 30,		
		2022	2021	2022	2021	
		Rupees	Rupees	Rupees	Rupees	
		*(Restated)		*(Restated)		
Mark-up / Return / Interest Earned	10	1,377,533,215	1,659,269,380	586,890,871	811,285,297	
Mark-up / Return / Interest Expensed		(756,924,623)	(691,048,698)	(382,934,887)	(349,239,426)	
Net Mark-up / Return / Interest Income		620,608,592	968,220,682	203,955,984	462,045,871	
Provision against non-performing loans and advances	6	(1,399,303,747)	(46,041,581)	(906,181,498)	(14,570,343)	
Recovery of bad debts		30,356	12,459,131	26,566	12,459,131	
		(1,399,273,391)	(33,582,450)	(906,154,932)	(2,111,212)	
Net Mark-up / Interest (Expense)/Income after provisions		(778,664,799)	934,638,232	(702,198,948)	459,934,659	
<b>NON MARK-UP / NON INTEREST INCOME</b>						
Fee, commission and brokerage income		56,826,709	41,478,359	28,792,908	19,491,702	
Other Income		20,200,628	21,253,371	10,487,173	10,752,400	
Total non mark-up / non interest income		77,027,337	62,731,730	39,280,081	30,244,102	
		(701,637,462)	997,369,962	(662,918,867)	490,178,761	
<b>NON MARK-UP / NON INTEREST EXPENSES</b>						
Administrative expenses		(1,095,362,283)	(991,403,020)	(600,689,807)	(538,957,699)	
(Loss)/profit for the period before taxation		(1,796,999,745)	5,966,942	(1,263,608,674)	(48,778,938)	
Provision for taxation						
- Current		(27,123,691)	(25,511,216)	(16,890,239)	(12,461,655)	
- Deferred	8	416,518,066	11,923,229	251,389,823	4,979,389	
		389,394,375	(13,587,987)	234,499,584	(7,482,266)	
(Loss) for the period		(1,407,605,370)	(7,621,045)	(1,029,109,090)	(56,261,204)	
Accumulated loss brought forward		(2,889,495,579)	(958,524,235)	(3,267,991,859)	(909,884,076)	
Total Accumulated (Loss)		(4,297,100,949)	(966,145,280)	(4,297,100,949)	(966,145,280)	
<b>APPROPRIATIONS OF PROFIT:</b>						
Transfer to:						
Statutory reserve		-	-	-	-	
Contribution to Depositors' Protection Fund		-	-	-	-	
		-	-	-	-	
Accumulated loss carried forward		(4,297,100,949)	(966,145,280)	(4,297,100,949)	(966,145,280)	
(Loss) per share - Basic and diluted		(3.28)	(0.02)	(2.40)	(0.16)	

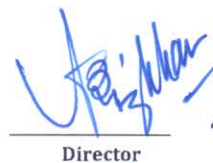
The annexed notes form an integral part of these condensed interim financial statements.

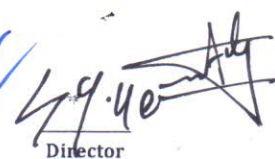
\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to Annual Audited Financial Statements(AAFS)).

  
 President / CFO

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director

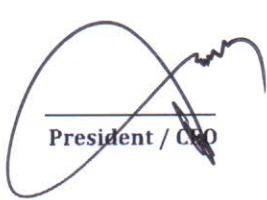


**APNA MICROFINANCE BANK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

	Note	Un-audited			
		Six month period ended June 30,		Three month period ended June 30,	
		2022	2021	2022	2021
		Rupees	Rupees	Rupees	Rupees
		*(Restated)		*(Restated)	
(Loss) for the period		(1,407,605,370)	(7,621,045)	(1,029,109,090)	(56,261,204)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) for the period		<u>(1,407,605,370)</u>	<u>(7,621,045)</u>	<u>(1,029,109,090)</u>	<u>(56,261,204)</u>

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

\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to AAFS).

  
 President / CEO

  
 Chief Financial Officer

  
 Chairman

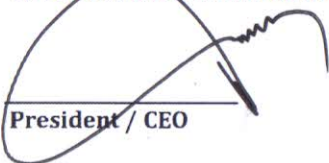
  
 Director

  
 Director

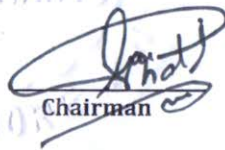
**APNA MICROFINANCE BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

	Share Capital	Capital Reserves				Revenue Reserve	Total
		Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Accumulated (Loss)	
----- Rupees -----							
Balance as at January 01, 2021 - as previously reported	3,439,849,620	(1,335,963,831)	1,046,215,185	30,080,706	7,520,177	(928,515,946)	2,259,185,911
Effect of correction error (Refer Note 15.4 to AAFS)	-	-	-	(8,002,210)	(2,000,553)	(30,008,289)	(40,011,052)
Balance as at January 01, 2021 - restated	3,439,849,620	(1,335,963,831)	1,046,215,185	22,078,496	5,519,624	(958,524,235)	2,219,174,859
Total comprehensive loss for the period - restated							
Profit for the period	-	-	-	-	-	(7,621,045)	(7,621,045)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(7,621,045)	(7,621,045)
Transactions with owners:							
Share deposit money received during the period	-	-	150,000,000	-	-	-	150,000,000
Balance as at June 30, 2021 - restated	3,439,849,620	(1,335,963,831)	1,196,215,185	22,078,496	5,519,624	(966,145,280)	2,361,553,814
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(1,923,350,299)	(1,923,350,299)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	-	-	-	(1,923,350,299)	(1,923,350,299)
Transactions with owners:							
Share deposit money received during the period	-	-	4,175,091	-	-	-	4,175,091
Shares issued during the period	850,000,000	-	(850,000,000)	-	-	-	-
	850,000,000	-	(845,824,909)	-	-	-	4,175,091
Balance as at December 31, 2021 - 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	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(4,297,100,949)	(965,226,764)

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

  
 President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director



**APNA MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

	Note	Un-audited	
		Six month period ended June 30,	
		2022	2021
		Rupees	Rupees

\*(Restated)

**A) CASH FLOW FROM OPERATING ACTIVITIES**

(Loss)/profit for the period before taxation	(1,796,999,745)	5,966,942
Adjustments for non-cash charges		
Depreciation of operating fixed assets	33,090,459	33,500,887
Depreciation on right of use assets	90,943,946	95,449,998
Amortization of intangible assets	2,839,900	2,145,822
Amortization of deferred grants	-	(62,046)
Provision against non-performing advances	1,399,303,747	46,041,581
Gain on disposal of operating fixed assets	-	(710,000)
	1,526,178,052	176,366,242
Operating cash flow before working capital changes	(270,821,693)	182,333,184
Changes in working capital		
(Increase) / Decrease in operating assets		
Advances	82,592,831	(517,663,907)
Other assets	(221,364,432)	(303,656,905)
	(138,771,601)	(821,320,812)
Increase / (Decrease) in operating liabilities		
Deposits	864,077,359	(3,994,338,552)
Other liabilities	176,357,579	(32,671,338)
	1,040,434,938	(4,027,009,890)
Income tax paid	(27,649,531)	(75,638,214)
Net cash flow from operating activities	603,192,113	(4,741,635,732)

**B) CASH FLOW FROM INVESTING ACTIVITIES**

Net investments/(disvestment) in held to maturity securities	(183,994,245)	381,249,432
Investments in operating fixed assets	(17,160,369)	(40,107,197)
Repayment of lease liabilities	(91,701,078)	(83,420,609)
Proceeds from disposal of operating fixed assets	-	710,000
Net cash flow from investing activities	(292,855,692)	258,431,626

**C) CASH FLOW FROM FINANCING ACTIVITIES**

Share deposit money received	-	150,000,000
Re-payment of demand finance	(472,722)	(1,758,007)
Net cash flow from financing activities	(472,722)	148,241,993
(Decrease)/increase in cash and cash equivalents during the year (A + B + C)	309,863,699	(4,334,962,113)
Cash and cash equivalents at the beginning of the year	5,871,386,567	11,899,769,788
Cash and cash equivalents at the end of the year	6,181,250,266	7,564,807,675


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

\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to AAFS).

  
 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 118 business locations comprising of 116 branches and 2 service centers (2020: 121 business locations comprising of 116 branches and 5 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the Province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab. Detail of business location of the Bank is given in Note 35.

**1.2** The Bank has incurred loss for the period amounting to Rs. 1,407.61 million (June 30, 2021: Rs. 7.62 million) and as at period end, its accumulated loss was Rs. 4,297.10 million (December 31, 2021: Rs. 2,889.50 million). The Bank is facing problems in recovery of unsecured non performing advances which includes non-performing advances of Rs. 2,150.04 million (December 31, 2021: Rs. 3,459.18 million) against which provision will be made in a phased manner (Refer Note 6.2). 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 of the Bank, however, developed a multi-faceted plan and is implementing the same to overcome the financial and operational difficulties faced by the Bank. The plan is feasible and its implementation will result in addressing the adverse factors being faced by the Bank in due course. These are discussed below:

- a. The Sponsors are injecting capital and will inject further capital in the ensuing years. The bank has issued right shares of Rs. 850 million during the last year and has share deposit money of Rs. 350.39 million (December 31, 2021: Rs. 350.39 million) against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors (with whom negotiations are already in process) subject to approval of State Bank of Pakistan (SBP). Injection of further capital will help address the issue of compliance with MCR and CAR. The sponsors have undertaken to continue their support to the Bank.
- b. The Bank is putting efforts to recover the non-performing advances and is hopeful that these advances will be recovered substantially. The delay in recovery of non-performing advances is owing to the adverse economic conditions post Covid-19 which are beyond the control of the borrowers. Non-performing advances of Rs. 613 million have been recovered during the last year and non-performing advances of Rs. 236 million have been recovered by the Bank during the current period. Recovery of the classified portfolio will result in improvement of the financial position of the Bank in the future.
- c. The Bank is converting its advances portfolio from unsecured to secured portfolio. The Bank is utilising the proceeds of further issue of capital and recovery of non-performing advances to enhance its secured portfolio by advancing more secured advances to increase its income and profitability.



- d. The Bank is maintaining adequate liquidity to ensure uninterrupted services to deposit holders and will take measures to enhance deposits which will be utilized in secured advances to increase its revenue and profitability.
- e. The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.

The management believes that the above mentioned plans / efforts will help the Bank to overcome its financial and operational problems and will result in improvement in the financial position and results of the Bank in ensuing years and is confident that the Bank will be able to continue as a going concern.

## **2 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, 2021.

### **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, 2021.

### **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.



**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

**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 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, 2021.

**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, 2021.

3	CASH AND BALANCES WITH SBP AND NBP	Note	Un-audited	Audited
			June 30, 2022	December 31, 2021
			Rupees	Rupees
	Cash in hand - local currency		542,435,091	623,895,818
	Balance with State Bank of Pakistan (SBP)	3.1	781,214,285	701,257,484
	Balance with National Bank of Pakistan (NBP) in:			
	- Current Account	3.1	1,112,284,868	216,031,224
	- Deposit Account	3.2	32,209,075	45,434,897
			<u>2,468,143,319</u>	<u>1,586,619,423</u>



**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

**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 12.25% per annum (December 31, 2021: 7.25% per annum).

4	BALANCES WITH OTHER BANKS / NBFIS / MFBS	Note	Un-audited	Audited
			June 30, 2022	December 31, 2021
			Rupees	Rupees

In Pakistan

- In current accounts		16,967,947	37,016,276
- In deposit accounts	4.1	3,196,139,000	3,847,750,868
- Certificates of deposits	4.2	500,000,000	400,000,000
		<u>3,713,106,947</u>	<u>4,284,767,144</u>

**4.1** These carry mark-up rates ranging from 12.25% to 17% per annum (December 31, 2021: 7.25% to 11.50% per annum).

**4.2** These represent placement with different financial institutions carrying mark-up ranging from 7.90% to 16.75 % per annum (December 31, 2021: 7.90% to 11.75% per annum). Their maturity ranges from three months to one year from the date of placement.

5	INVESTMENTS	Note	Un-audited	Audited
			June 30, 2022	December 31, 2021
			Rupees	Rupees

Federal Govt. Securities:

- Market Treasury Bills - (Held to maturity) 5.1 1,343,933,504 1,159,939,259

Others

Term Finance Certificate (TFC's) - (Held to maturity) 5.2 99,920,000 99,920,000

1,443,853,504 1,259,859,259

**5.1** This represents T-Bills issued for periods of three to six months. These carry yields ranging from 10.56% to 15.15% per annum (December 31, 2021: 7.38% to 10.33% per annum). These securities have an aggregate face value of Rs. 1,370 million. (December 31, 2021: Rs. 1,170 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.



**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

6	ADVANCES - NET OF PROVISIONS	Note	June 30, 2022 - Unaudited		December 31, 2021 - Audited	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
	Micro credits					
	Secured			6,031,403,294		5,797,887,370
	Unsecured			5,883,797,381		6,199,906,136
		6.1	113,103	11,915,200,675	118,474	11,997,793,506
	Less: Provision held:					
	- Specific	6.2.1	25,803	1,723,831,786	9,867	324,528,039
	- General	6.2.2		167,558,748		167,558,748
				1,891,390,534		492,086,787
	Advances - Net of provisions			10,023,810,141		11,505,706,719

**6.1** Advances are secured by personal guarantees and advances amounting to Rs. 3,418.485 million (December 31, 2021: Rs. 3,059.47 million) are further secured against gold.

**6.2** Particulars of non-performing advances

	Note	Un-audited	Audited
		June 30, 2022	December 31, 2021
		Rupees	Rupees
Specific non-performing advances	6.2.1	2,078,019,553	639,732,919
Other non-performing advances	6.2.3	2,150,036,464	3,459,183,047
		<u>4,228,056,017</u>	<u>4,098,915,966</u>

**6.2.1** Specific non-performing advances

Category of Classification	June 30, 2022 - Unaudited			December 31, 2021 - Audited		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
OAEM	122,060,279	-	-	167,846,037	-	-
Sub-standard	102,679,669	25,442,484	25,442,484	82,276,228	20,488,184	20,488,184
Doubtful	211,400,060	102,557,574	102,557,574	167,872,331	83,526,401	83,526,401
Loss	1,641,879,545	1,595,831,728	1,595,831,728	221,738,323	220,513,454	220,513,454
	<u>2,078,019,553</u>	<u>1,723,831,786</u>	<u>1,723,831,786</u>	<u>639,732,919</u>	<u>324,528,039</u>	<u>324,528,039</u>

**6.2.2** Particulars of provision against non-performing advances

	June 30, 2022 - Unaudited			December 31, 2021 - Audited		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
Opening balance	324,528,039	167,558,748	492,086,787	217,095,021	167,558,748	384,653,769
Charge for the year	1,399,303,747	-	1,399,303,747	107,433,018	-	107,433,018
Closing balance	<u>1,723,831,786</u>	<u>167,558,748</u>	<u>1,891,390,534</u>	<u>324,528,039</u>	<u>167,558,748</u>	<u>492,086,787</u>

**6.2.3** Advances of Rs. 3,459.18 million were classified as non performing advances, on as December 31, 2021, against which provision is being made in a phased manner as per regulatory instructions and are accordingly transferred to specific non performing advances to the extent of provision being made. These advances became overdue mainly owing to the adverse economic conditions since outbreak of Covid 19. Non performing advances of Rs. 236 million were recovered during the period.

7	OPERATING FIXED ASSETS	Note	Un-audited	Audited
			June 30, 2022	December 31, 2021
			Rupees	Rupees
	Property and equipment		771,685,360	782,512,208
	Intangible assets		167,558,308	169,968,839
	Advances to suppliers / contractors		18,206,324	23,738,935
			<u>957,449,992</u>	<u>976,219,982</u>



**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022**

	Un-audited	Audited
	June 30, 2022	December 31, 2021
	Rupees	Rupees
<b>7.1 Acquisition of operating assets - At cost</b>		
Leasehold improvements	9,578,529	47,949,567
Furniture and fixtures	970,908	4,434,828
Electrical and office equipment	4,202,041	10,150,737
Computer hardware and peripheral	1,979,521	16,114,670
Motor vehicles	-	8,000,645
Intangible assets	429,370	48,228,001

<b>7.2 Disposal of operating assets - At cost</b>		
Motor vehicles	-	(25,799,209)

<b>8 DEFERRED TAX ASSET</b>	Note	Un-audited	Audited
		June 30, 2022	December 31, 2021
		Rupees	Rupees
Opening balance		1,283,481,934	546,094,039
Recognized in profit and loss account		416,518,066	737,387,895
Closing balance	8.1	<u>1,700,000,000</u>	<u>1,283,481,934</u>

**8.1** As a matter of prudence, the management has recognized deferred tax asset of Rs. 1,700 million out of total deferred tax asset of Rs. 1,849 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of:

	Un-audited	Audited
	June 30, 2022	December 31, 2021
	Rupees	Rupees
Taxable temporary differences in respect of; Accelerated tax depreciation	(68,293,711)	(64,495,868)
Deductible temporary differences in respect of; Leases liabilities	19,086,555	19,306,123
Provision against advances	548,503,255	143,104,100
Carry forwardable tax losses	1,213,220,374	1,076,112,937
Minimum tax credits	136,578,333	109,454,642
	<u>1,849,094,806</u>	<u>1,283,481,934</u>

**9 MEMORANDUM / OFF- BALANCE SHEET ITEMS**

There are no significant changes in the contingencies and commitments as reported in the annual audited financial statements of the Bank for the year ended December 31, 2021.

<b>10 MARK-UP / RETURN / INTEREST EARNED</b>	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2022	2021	2022	2021
	Rupees	Rupees	Rupees	Rupees
Mark up on loans and advances	1,171,453,576	1,383,856,469	476,099,735	709,292,139
Mark up on deposit accounts	144,785,029	230,456,978	75,946,513	82,653,383
Mark up on investments in Government securities	61,294,610	44,955,933	34,844,623	19,339,775
	<u>1,377,533,215</u>	<u>1,659,269,380</u>	<u>586,890,871</u>	<u>811,285,297</u>

<b>11 CASH AND CASH EQUIVALENTS</b>	Un-audited	Un-audited
	June 30, 2022	June 30, 2021
	Rupees	Rupees
Cash and Balances with SBP and NBP	2,468,143,319	2,000,000,973
Balances With Other Banks/NBFIs/MFBs	3,713,106,947	5,564,806,702
	<u>6,181,250,266</u>	<u>7,564,807,675</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	Audited
		June 30, 2022	December 31, 2021
		Rupees	Rupees

**Balances at period / year end:**

Associated company	Deposits	113,434,369	253,725,829
	Share deposit money	350,390,276	350,390,276
	Insurance Claim Receivable	442,372,389	442,372,389
Key management personnel	Deposits	5,049,522	2,280,077
Directors / sponsors / shareholders	Deposits	1,824,609	5,433,003

**Transactions during the period:**




		Un-audited	
		Six month period ended June 30, 2022	2021
		Rupees	Rupees
Associated company	Deposits received	2,794,257,182	2,470,035,357
	Withdrawals	2,949,959,891	2,372,701,017
	Mark-up paid on deposits	14,451,980	3,073,982
	Share deposits money received	-	150,000,000
Key management personnel	Deposits received	54,538,391	56,601,366
	Withdrawals	51,322,808	57,067,744
	Mark-up on deposit paid	5,124	15,246
Directors / sponsors / shareholders	Deposits received	45,907,515	31,063,228
	Withdrawals	49,543,951	28,599,061
	Mark-up paid on deposits	16,665	21,376
Staff Provident Fund	Contribution made during the period	11,177,409	11,944,842

**13 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were approved and authorised for issue on October 31, 2022 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, liabilities, loss, total comprehensive loss, equity 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

## 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, 2022.

### Economic Overview:

Pakistan's economy remained under severe stress during the first half of 2022. The USD/PKR parity depreciated significantly during the first six months of the current calendar year, while domestic food prices and fuel and energy prices increased sharply. The KSE-100 index was also impacted by the current economic crisis but remained relatively resilient and closed at 41,541 points as of 30 June 2022, as against 44,596 on 31 December 2021.

The geographical uncertainty, arising out of the Russia-Ukraine conflict, has amplified macroeconomic imbalance and global commodity prices have increased substantially. For Pakistan's economy, the main impact will be on Current Account Deficit (CAD) and inflation. These geopolitical tensions along with domestic political conditions can hamper the positive outlook for Pakistan's economy and may also aggravate the macroeconomic imbalances. This led the State Bank of Pakistan to raise the policy rate to 15% as part of monetary tightening which has been underway since September 2021 to tame the rising inflation.

In year 2022, Pakistan is underwater after heavy monsoon rains burst the banks of some of its rivers. The flood has killed and affected many people and caused widespread agriculture devastation. This incident will collapse the economic growth as well as rising the inflation and a near doubling of public spending from the government's target. The banking industry will also face the threat of a wave of non-performing loans in near future as the natural disaster undermines Pakistan's financial fundamentals.

### 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, 2022 are as follows:

Particulars	June 30, 2022	Dec 31, 2021	%
	Un-audited	Audited	Change
Advances net of provision	10,023,810,141	11,505,706,719	-13%
Deposits and other accounts	22,947,794,608	22,083,717,249	4%

Particulars	June 30, 2022	June 30, 2021	%
	Un-audited	Un-audited Restated	Change
Mark-up/return/interest earned	1,377,533,215	1,659,269,380	-17%
Mark-up/return/interest expenses	(756,924,623)	(691,048,698)	10%
Administrative expenses	(1,095,362,283)	(991,403,020)	10%
Loss after taxation	(1,407,605,370)	(7,621,045)	18370%



The Bank recorded loss before tax PKR. 1,796.99 million and loss after tax PKR 1,407.605 million in the current period as compared to profit before tax PKR 5.996 million and loss after tax PKR. 7.621 million in comparative period. As a result, the loss per share was recorded at PKR 3.28 for the current reporting period (June: 2021 loss per share PKR. 0.02). The Bank's equity (net of losses) stood at negative (-) PKR. 965.226 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 2,311.505 million to 11,986 new customers during the current period. The Bank recorded the additional provision expense of PKR 1,399.303 million against a gross loan portfolio of PKR 11,915.200 million in current period. Whereas, the provision of PKR 46.041 million was recorded against the portfolio of PKR 11,022.237 million in corresponding period. The Bank has recorded provision of PKR. 1,035 million in current period on advances portfolio affected due to COVID 19 (*Ref. Note no. 6 of the condensed interim financial statements*).

Non-performing loans were PKR. 2,078.019 million on June 30, 2022 as against PKR. 639.732 million on December 31, 2021. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of June 30, 2022 stood at 17.44% as against 5.33% on December 31, 2021. At the period end, the Bank's gross advances to deposits ratio stands at 51.92% as compared to 54.33% on December 31, 2021.

The deposits of the Bank settled at PKR 22,947.794 million whereas with a slight decrease from the year end 2021, advances-net of provision stood at PKR 10,023.810 million. Investments were at PKR. 1,443.853 million.

As at June 30, 2022, the Bank has deferred tax assets (net) of PKR. 1,700.00 million. As at June 30, 2022, the Bank has recognized further deferred tax assets (net) of PKR. 416.518 million mainly due to the effect of heavy losses sustained by the Bank.

The Bank's operating expenses remained well-contained as they increased by 10% compared to the previous period, recorded at PKR. 1,095.362 million during first half of 2022.

## **Future Outlook**

The bank has incurred loss for the period amounting to PKR. 1,407.605 million and its accumulated loss was stood at PKR.4,297.100 million. The Bank is facing problems in recovery of unsecured non-performing advances which includes non-performing advances of PKR. 2,150.036 million against which provision will be made in a phased manner.

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 of the Bank, however, developed a multi-faceted plan and is implementing the same to overcome the financial and operational difficulties faced by the Bank. The plan is feasible and its implementation will result in addressing the adverse factors being faced by the Bank. These are discussed below:

- The Sponsors are injecting capital and will inject further capital in the ensuing years. The bank has share deposit money of PKR. 350.39 million (2021: PKR 350.39 million) against which shares will be issued in due course. Further capital will be injected by current sponsors / potential sponsors (with whom negotiations are already in process) subject to approval of State Bank of Pakistan (SBP). Injection of further capital will help address the issue of compliance with MCR and CAR. The sponsors have undertaken to continue their support to the Bank.
- The Bank is putting efforts to recover the non-performing advances and is hopeful that these advances will be recovered substantially. The delay in recovery of non-performing advances is owing to the adverse

economic conditions post Covid-19 which are beyond the control of the borrowers. Non-performing advances of PKR. 613 million have been recovered during the previous year and non-performing of PKR. 236 million have been recovered by the Bank during the current period. Recovery of the classified portfolio will result in improvement of the financial position of the Bank in the ensuing years.

- The Bank is converting its advances portfolio from unsecured to secured portfolio. The Bank is utilizing the proceeds of further issue of capital and recovery of non-performing advances to enhance its secured portfolio by advancing more secured advances to increase its income and profitability.
- The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.

The management believes that the above-mentioned plans / efforts will help the Bank to overcome its financial and operational problems and will result in improvement in the financial position and results of the Bank in ensuing years and is confident that the Bank will be able to continue as a going concern.

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, 2022, 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, 2022 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. 1,700.00 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**

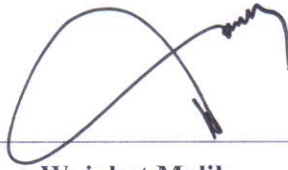
The long-term rating of the Bank is “BBB+” (Triple B plus) and the short-term rating is “A3” (A Three) with a “Negative” future outlook as determined by The Pakistan Credit Rating Agency Ltd. (PACRA) in their statement issued on April 30, 2022.



## Acknowledgement

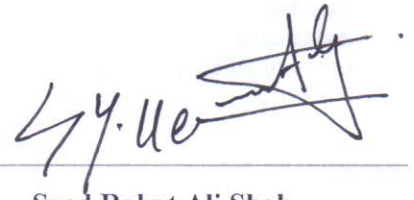
We would also like to express our gratitude to the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX) for their continued guidance and support. We especially offer our sincere appreciation to the management of the State Bank of 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: October 31<sup>st</sup>, 2022  
**Lahore**



**Syed Rahat Ali Shah**  
**Director**