

**APNA MICROFINANCE BANK LIMITED**

Un-audited Condensed Interim Financial Statements

For The Period Ended September 30, 2022

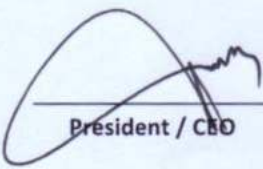
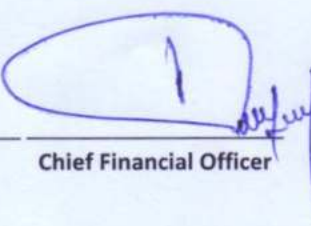
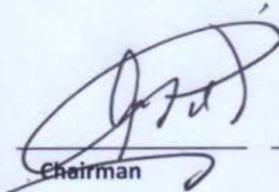

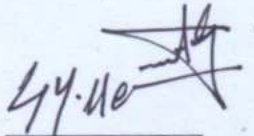
**APNA MICROFINANCE BANK LIMITED**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2022**

	Note	September 30,	December 31,
		2022	2021
		Rupees	Rupees
		Un-audited	Audited
<b>ASSETS</b>			
Cash and Balances with SBP and NBP	3	1,452,118,075	1,586,619,423
Balances With Other Banks/NBFIs/MFBs	4	1,819,349,772	4,284,767,144
Lending to financial Institutions		-	-
Investments - Net Of Provisions	5	1,838,536,734	1,259,859,259
Advances - Net Of Provisions	6	8,664,611,100	11,505,706,719
Operating Fixed Assets		916,935,710	976,219,982
Right of use assets		563,038,695	699,454,614
Other Assets	7	2,031,492,298	2,180,609,481
Deferred Tax Asset	8	1,700,000,000	1,283,481,934
<b>Total Assets</b>		<b>18,986,082,384</b>	<b>23,776,718,556</b>
<b>LIABILITIES</b>			
Deposits and other accounts	9	20,824,454,270	22,083,717,249
Borrowings	10	-	472,722
Lease Liabilities	11	629,948,086	766,027,453
Subordinated Debt		-	-
Other Liabilities		396,538,121	484,122,526
Deferred Tax Liabilities		-	-
<b>Total Liabilities</b>		<b>21,850,940,477</b>	<b>23,334,339,950</b>
<b>NET ASSETS</b>		<b>(2,864,858,093)</b>	<b>442,378,606</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		350,390,276	350,390,276
Statutory reserve		22,078,496	22,078,496
Depositors' protection fund		5,519,624	5,519,624
Revenue reserve			
Unappropriated Profit/(loss)		(6,196,732,278)	(2,889,495,579)
<b>Total Capital</b>		<b>(2,864,858,093)</b>	<b>442,378,606</b>

**MEMORANDUM / OFF- BALANCE SHEET ITEMS**

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The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

President / CEO      Chief Financial Officer      Chairman      Director      Director

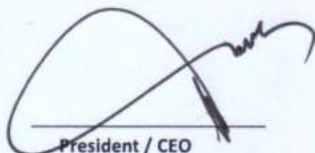


**APNA MICROFINANCE BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2022**

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		Rupees	Rupees	Rupees	Rupees
			*(Restated)		*(Restated)
Mark-up/Return/Interest Earned	13	1,959,435,523	2,500,532,223	581,902,308	841,262,843
Mark-up/Return/Interest Expensed		(1,169,295,526)	(1,078,107,109)	(412,370,903)	(367,430,608)
Net mark-up/Interest Income		790,139,997	1,422,425,114	169,531,405	473,832,235
Provision against non-performing loans and advances		(2,950,054,044)	(59,997,850)	(1,550,750,297)	(13,956,269)
Provision for diminution in the value of investments		-	-	-	-
Recovery against bad debts written off		30,356	21,347,629	-	8,888,498
Bad debts written off directly		-	-	-	-
Net mark-up/Interest Income / (loss) after provisions		(2,159,883,691)	1,383,774,893	(1,381,218,892)	468,764,464
<b>NON MARK-UP/NON INTEREST INCOME</b>					
Fee, Commission and Brokerage Income		86,052,639	69,695,678	29,225,930	28,217,319
Dividend Income		-	-	-	-
Other Income		30,713,793	33,248,328	10,513,165	11,994,957
Total non mark-up/non interest Income		116,766,432	102,944,006	39,739,095	40,212,276
		(2,043,117,259)	1,486,718,899	(1,341,479,797)	508,976,740
<b>NON MARK-UP/NON INTEREST EXPENSES</b>					
Administrative expenses		(1,645,874,712)	(1,487,572,999)	(550,512,429)	(508,360,357)
Other provisions/write offs/adjustment		-	-	-	-
Other charges		-	-	-	-
Total non mark-up/non interest expenses		(1,645,874,712)	(1,487,572,999)	(550,512,429)	(508,360,357)
		(3,688,991,971)	(854,100)	(1,891,992,226)	616,383
Extra ordinary/unusual items		-	-	-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(3,688,991,971)	(854,100)	(1,891,992,226)	616,383
Taxation		(34,762,794)	(32,127,849)	(7,639,103)	(6,616,633)
- Current		-	-	-	-
- Prior years		416,518,066	28,499,170	-	7,442,042
- Deferred		381,755,272	(3,628,679)	(7,639,103)	825,409
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(3,307,236,699)	(4,482,779)	(1,899,631,329)	1,441,792
Unappropriated loss brought forward		(2,889,495,579)	(958,524,235)	(4,297,100,949)	(964,448,806)
Profit available for appropriation / (loss)		(6,196,732,278)	(963,007,014)	(6,196,732,278)	(963,007,014)
<b>APPROPRIATIONS:</b>					
Transfer to:					
Statutory Reserve		-	-	-	-
Capital Reserve		-	-	-	-
Contribution to MSDF/ DPF/ RMF		-	-	-	-
Revenue Reserve		-	-	-	-
Proposed Cash dividend Rs.Nil per share (2021: Rs.Nil per share)		-	-	-	-
Others		-	-	-	-
Unappropriated loss carried forward		(6,196,732,278)	(963,007,014)	(6,196,732,278)	(963,007,014)
(Loss) per share - Basic and diluted		(7.709)	(0.010)	(4.428)	0.003

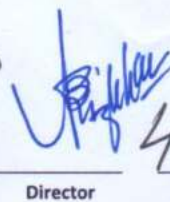
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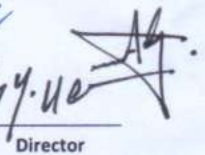
\*Restatement relates to recognition of right of use assets and related lease liabilities (Refer Note 15.4 to Annual aAudited Financial Statements (AAFS))

  
 President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director

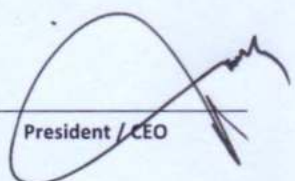

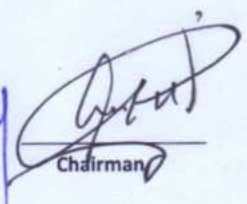
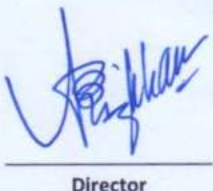
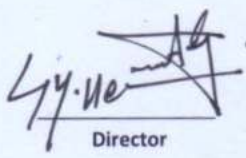
  
 Director

APNA MICROFINANCE BANK LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Note	Un-audited			
		Nine months ended		Quarter Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		Rupees	Rupees	Rupees	Rupees
(LOSS)/PROFIT AFTER TAXATION		(3,307,236,699)	(4,482,779)	(1,899,631,329)	1,441,792
<b>Other comprehensive (loss)/income:</b>					
Items that will not be reclassified to profit and loss account		-	-	-	-
Items that may subsequently be reclassified to profit and loss account		-	-	-	-
<b>Comprehensive (loss)/income transferred to equity</b>		<b>(3,307,236,699)</b>	<b>(4,482,779)</b>	<b>(1,899,631,329)</b>	<b>1,441,792</b>
<b>Components of comprehensive (loss)/income not reflected in equity:</b>					
Net change in fair value of available-for-sale investments		-	-	-	-
<b>Total comprehensive (loss)/income for the period</b>		<b>(3,307,236,699)</b>	<b>(4,482,779)</b>	<b>(1,899,631,329)</b>	<b>1,441,792</b>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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

 President / CEO  
 Chief Financial Officer  
 Chairman  
 Director  
 Director

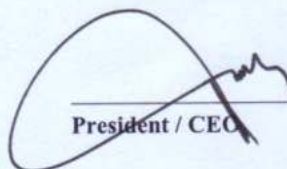

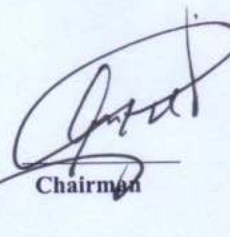

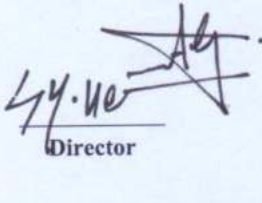


**APNA MICROFINANCE BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2022**

	Note	Un-audited	
		September 30, 2022	September 30, 2021
		Rupees	Rupees
			*(Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(loss)/Profit before taxation		(3,688,991,971)	18,612,714
<b>Adjustments for non-cash charges</b>			
Depreciation		72,677,746	47,389,193
Depreciation on right of use assets		136,415,919	143,174,997
Amortization of intangibles		6,389,786	2,682,292
Amortization of deferred grants		-	(62,046)
Provision against non-performing advances		2,950,054,044	59,997,850
(Gain) / Loss on disposal of fixed asset		-	(1,435,970)
		<u>3,165,537,495</u>	<u>251,746,316</u>
<b>Operating cash flow before working capital changes</b>		<u>(523,454,476)</u>	<u>270,359,030</u>
<b>Changes in working capital</b>			
<b>(Increase)/Decrease in operating assets</b>			
Advances		(108,958,425)	(619,427,667)
Other assets		163,298,032	(711,371,008)
		<u>54,339,607</u>	<u>(1,330,798,675)</u>
<b>Increase/(Decrease) in operating liabilities</b>			
Deposits		(1,259,262,979)	(4,107,724,324)
Other Liabilities		(87,584,405)	(126,830,779)
		<u>(1,346,847,384)</u>	<u>(4,234,555,103)</u>
Income tax paid		<u>(48,943,643)</u>	<u>(119,893,209)</u>
<b>Net cash flow from operating activities</b>		<u>(1,864,905,896)</u>	<u>(5,414,887,957)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in held to maturity securities		(578,677,475)	328,414,239
Investments in operating fixed assets		(19,783,260)	(81,815,892)
Repayment of lease liabilities		(136,079,367)	(123,708,183)
Sale proceeds from disposal of operating fixed assets		-	9,417,945
<b>Net cash used in investing activities</b>		<u>(734,540,102)</u>	<u>132,308,109</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net increase in Share deposit money		-	154,175,100
Borrowings-net		(472,722)	(2,813,531)
<b>Net cash flow from financing activities</b>		<u>(472,722)</u>	<u>151,361,569</u>
Increase/(decreases) in cash and cash equivalents		<u>(2,599,918,720)</u>	<u>(5,131,218,279)</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>5,871,386,567</u>	<u>11,899,769,788</u>
<b>Cash and cash equivalents at the end of the period</b>	14	<u><u>3,271,467,847</u></u>	<u><u>6,768,551,509</u></u>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

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

President / CEO      Chief Financial Officer      Chairman      Director      Director



APNA MICROFINANCE BANK LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED SEPTEMBER 30, 2022

	Capital Reserves						Revenue Reserve Accumulated (Loss)	Total
	Share Capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund			
Balance as at December 31, 2020 - 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 AFS)	-	-	-	(8,002,210)	(2,000,553)	(30,008,289)	(40,011,052)	
Balance as at December 31, 2020 - 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	
<b>Comprehensive income / (loss) for the period</b>	-	-	-	-	-	(4,482,779)	(4,482,779)	
Loss after taxation	-	-	-	-	-	(4,482,779)	(4,482,779)	
Other comprehensive income / (loss)	-	-	-	-	-	(4,482,779)	(4,482,779)	
Total comprehensive income for the period	-	-	-	-	-	(4,482,779)	(4,482,779)	
<b>Transactions with owners directly recorded in equity</b>	-	-	-	-	-	-	-	
Share deposit money received during the period	-	-	154,175,091	-	-	-	154,175,091	
Share issued against share deposit money	850,000,000	-	(850,000,000)	-	-	-	-	
Discount on issue of share	-	-	(695,824,909)	-	-	-	(695,824,909)	
Balance as at September 30, 2021 - Un-Audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(963,007,014)	2,368,867,171	
<b>Comprehensive income / (loss) for the period</b>	-	-	-	-	-	(1,926,488,565)	(1,926,488,565)	
Loss after taxation	-	-	-	-	-	(1,926,488,565)	(1,926,488,565)	
Transfer to statutory reserves	-	-	-	-	-	-	-	
Transfer to depositors protection fund	-	-	-	-	-	-	-	
Other comprehensive income / (loss)	-	-	-	-	-	-	-	
Total comprehensive loss for the period	-	-	-	-	-	(1,926,488,565)	(1,926,488,565)	
<b>Transactions with owners directly recorded in equity</b>	-	-	-	-	-	-	-	
Share deposit money received	-	-	-	-	-	-	-	
Share issued against share deposit money	-	-	-	-	-	-	-	
Discount on issue of share	-	-	-	-	-	-	-	
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	
<b>Comprehensive income/(loss) for the period</b>	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)	
Loss after taxation	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)	
Other comprehensive income / (loss)	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)	
Total comprehensive income for the period	-	-	-	-	-	(3,307,236,699)	(3,307,236,699)	
<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	-	-	-	-	-	-	-	
Balance as at September 30, 2022 - Un-Audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(6,196,732,278)	(2,864,858,093)	

The opened notes from 1 to 17 form an integral part of this condensed interim financial information.

President / CEO

Chief Financial Officer

Chairman

Director

Director



**1 STATUS AND NATURE OF BUSINESS**

**1.1** Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Company under the repealed Companies Ordinance, 1984 updated by 'Companies Act, 2017' (the Companies Act). The Bank was granted certificate of commencement of business on December 28, 2004 and started its operations on January 01, 2005. Its shares are listed on Pakistan Stock Exchange Limited. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank has been operating at national level in Pakistan. The Bank has 113 business locations comprising of 111 branches and 2 service centers (2021: 118 business locations comprising of 116 branches and 2 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the Province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab.

**1.2** The Bank has incurred loss for the period amounting to Rs. 3,307.236 million (September 30, 2021: Rs. 4.482 million) as at period end, and its accumulated loss was Rs. 6,196.732 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. 1,113.990 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. 284 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.



#### 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 have considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issues by the SBP.

#### 2.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 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	September 30,	December 31,
			2022	2021
			Rupees	Rupees
			Un-audited	Audited
	Cash in hand - local currency		497,772,477	623,895,818
	Balance with State Bank of Pakistan	3.1	787,057,322	701,257,484
	Balance with National Bank of Pakistan in:			
	Current Account		137,909,332	216,031,224
	Deposit Account	3.2	29,378,944	45,434,897
			<u>1,452,118,075</u>	<u>1,586,619,423</u>

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

3.2 This carries mark-up rate at 12.25% per annum (2021: 7.25%).

4	BALANCES WITH OTHER BANKS/NBFIs/MFBs	Note	September 30,	December 31,
			2022	2021
			Rupees	Rupees
			Un-audited	Audited
	In Pakistan			
	- In current accounts		27,366,747	37,016,276
	- In deposit accounts	4.1	1,191,983,025	3,847,750,868
	- Certificates of deposits	4.2	600,000,000	400,000,000
			<u>1,819,349,772</u>	<u>4,284,767,144</u>

4.1 These carry mark-up rates ranging from 12.25% to 16.50% per annum (2021: 7.25% to 11.50% per annum).

4.2 These represent placement with different financial institutions carrying mark-up ranging from 16.75% to 17.00% per annum (2021: 7.90% to 11.75% per annum). Their maturity ranges from six months to one year from the date of placement.

5	INVESTMENTS - NET OF PROVISIONS	Note	September 30,	December 31,
			2022	2021
			Rupees	Rupees
			Un-audited	Audited
	Federal Govt. Securities:			
	- Market Treasury Bills - (Held to maturity)	5.1	1,738,616,734	1,159,939,259
	Silk Bank Limited - Term Finance Certificate (TFC's) - (Held to maturity)	5.2	99,920,000	99,920,000
			<u>1,838,536,734</u>	<u>1,259,859,259</u>

5.1 This represents T-Bills issued for periods of three to six months. These carry yields ranging from 15.05% to 15.85% per annum (2021: 7.38% to 10.33% per annum). These securities have an aggregate face value of Rs. 1,780 million. (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 (2021: 6 months KIBOR plus 1.85% per annum).

6	ADVANCES - NET OF PROVISIONS	Note	September 30, 2022		December 31, 2021	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
			-----Un-audited-----		-----Audited-----	
	Micro credits	6.1				
	- Secured		6,093,233,835		5,797,887,370	
	- Unsecured		5,767,698,850		6,199,906,136	
			112,552	11,860,932,685	118,474	11,997,793,506
	Less: Provision held:					
	- Specific	6.2.1		2,994,820,431	9,867	324,528,039
	- General			201,501,154		167,558,748
				3,196,321,585		492,086,787
	Advances - Net Of Provisions			<u>8,664,611,100</u>		<u>11,505,706,719</u>

6.1 Advances are secured by personal guarantees and advances amounting to Rs. 3,567.527 million (2021: Rs. 3,059.47 million) are further secured against gold.

6.2	Particulars of non-performing advances	Note	September 30,	December 31,
			2022	2021
			Rupees	Rupees
			Un-audited	Audited
	Specific non-performing advances	6.2.1	3,168,949,469	639,732,919
	Other non-performing advances	6.2.2	1,113,990,197	3,459,183,047
			<u>4,282,939,666</u>	<u>4,098,915,966</u>

6.2.1 Particulars of non-performing advances

Advances include Rs. 4,282.939 million (2021: Rs. 639.732 million) which have been placed under non performing status as detailed below:



Category of Classification	September 30, 2022			December 31, 2021		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	----- Un-audited -----			----- Audited -----		
OAEM	79,325,780	-	-	167,846,037	-	-
Sub-standard	38,254,648	9,563,662	9,563,662	82,276,228	20,488,184	20,488,184
Doubtful	132,224,544	66,112,272	66,112,272	167,872,331	83,526,401	83,526,401
Loss	2,919,144,497	2,919,144,497	2,919,144,497	221,738,323	220,513,454	220,513,454
	<u>3,168,949,469</u>	<u>2,994,820,431</u>	<u>2,994,820,431</u>	<u>639,732,919</u>	<u>324,528,039</u>	<u>324,528,039</u>

6.2.2 These advances have been classified as non performing advances against which provision is being made in a phased manner as per regulatory instructions. These advances became overdue mainly owing to the adverse economic conditions since outbreak of Covid 19. Non performing advances of Rs. 284 million have been recovered during the period.

7 OTHER ASSETS	Note	September 30,	December 31,
		2022	2021
		Rupees	Rupees
		Un-audited	Audited
Income / Mark-up Accrued		1,383,664,662	990,053,921
Advances to Staff		183,370,100	185,062,677
Advances and Prepayments		169,469,621	324,906,545
Advance Income Tax - Net of Provision		203,483,730	189,302,881
Security Deposits		37,131,920	37,131,920
Inter Banks ATM Settlement account		49,490,850	11,779,148
Insurance Claim's Receivable		4,881,415	442,372,389
		<u>2,031,492,298</u>	<u>2,180,609,481</u>

8 DEFERRED TAX ASSET	Note	September 30,	December 31,
		2022	2021
		Rupees	Rupees
		Un-audited	Audited
Opening balance		1,283,481,934	546,094,039
Recognized in profit and loss account		416,518,066	737,387,895
	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. 2,387.911 million considering the probability of availability of future taxable profits against which deductible temporary differences will be utilized.



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

9	DEPOSITS AND OTHER ACCOUNTS	Note	September 30, 2022		December 31, 2021	
			No. of accounts	Rupees	No. of accounts	Rupees
			-----Un-audited-----		-----Audited-----	
	Time liabilities					
	Fixed Deposits (Deals)	9.1	5,764	6,454,552,695	7,297	7,267,908,020
	Demand liabilities					
	Saving Deposits	9.2	31,693	9,885,814,540	31,005	11,564,405,616
	Current Deposits		411,119	4,484,087,035	399,347	3,251,403,613
			442,812	14,369,901,575	430,352	14,815,809,229
		9.3	448,576	20,824,454,270	437,649	22,083,717,249

9.1 These represent deposits received from customers ranging from 1 month to 5 years. These carry interest rates ranging from 5.6% to 17.25% per annum (2021: 4.75% to 15.5% per annum).

9.2 These carry interest rates ranging from 3% to 16% per annum (2021: 3% to 5.75% per annum).

9.3	Particulars of deposits by ownership	September 30, 2022		December 31, 2021	
		No. of accounts	Rupees	No. of accounts	Rupees
		-----Un-audited-----		-----Audited-----	
	Individual Depositors	447,200	15,654,471,073	436,629	16,765,080,170
	Institutional Depositors				
	- Corporation / Firm	1,362	5,138,111,752	1,007	5,224,560,997
	- Banks & Financial Institutions	14	31,871,445	13	94,076,082
		1,376	5,169,983,197	1,020	5,318,637,079
		448,576	20,824,454,270	437,649	22,083,717,249

10	BORROWINGS	Note	September 30,	December 31,
			2022	2021
			Rupees	Rupees
	Borrowings from Banks/Financial Institutions in Pakistan		Un-audited	Audited
	Demand Finance	10.1	-	472,722
			-	472,722

10.1 The demand finance facility was obtained to purchase brand new locally manufactured vehicles with a maximum limit of Rs. 100 million for the business of the Bank. The facility is secured against hypothecation charge over the financed vehicles under hire purchase agreement, against corporate guarantee of the Bank. Each demand finance (for each vehicle) is repayable in 60 monthly installments commenced from the date of the respective disbursement. It is subject to mark-up at the rate of 1 year KIBOR plus 1.50% per annum payable on a monthly basis.

11	LEASE LIABILITIES	Note	September 30,	December 31,
			2022	2021
			Rupees	Rupees
	Lease Liabilities		Un-audited	Audited
			629,948,086	766,027,453

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

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

13	MARK-UP/RETURN/INTEREST EARNED	Nine Months Ended		Quarter Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		Rupees	Rupees	Rupees	Rupees
		-----Un-audited-----			
	Mark-Up on Loans and Advances	1,579,376,296	2,102,206,973	407,922,720	718,350,504
	Mark-Up on Deposit Accounts	262,862,827	330,613,969	118,077,798	100,156,991
	Mark-Up on Investments in Government Securities	117,196,400	67,711,281	55,901,790	22,755,348
		1,959,435,523	2,500,532,223	581,902,308	841,262,843

14	CASH AND CASH EQUIVALENTS	Note	September 30,	September 30,
			2022	2021
			Rupees	Rupees
			Un-audited	Un-audited
	Cash and Balances with SBP and NBP		1,452,118,075	1,567,897,139
	Balances With Other Banks/NBFIs/MFBs		1,819,349,772	5,200,654,370
			3,271,467,847	6,768,551,509



15 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:

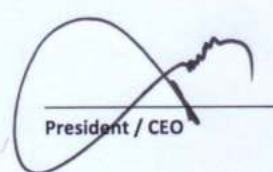



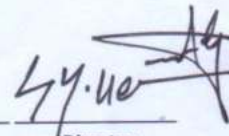
Nature of Relationship	Nature of Transactions	September 30, 2022	December 31, 2021
		Rupees Un-audited	Rupees Audited
<b>Balances at period end:</b>			
Associated company	Deposits	94,532,468	253,725,829
	Share deposit money	350,390,276	350,390,276
	Insurance Claim Receivable	4,881,415	442,372,389
Key management personnel	Deposits	463,329	2,280,077
Directors / sponsors / shareholders	Deposits	2,741,532	5,433,003
	Share deposit money	-	-
<b>Transactions during the period:</b>			
Associated company	Deposits received	4,040,823,311	3,841,369,412
	Withdrawals	4,214,508,428	3,752,402,200
	Mark-up paid on deposits	13,036,259	3,938,120
	Share deposits money received	-	150,000,000
	Share issued against share deposit money	-	762,624,990
Key management personnel	Deposits received	64,808,238	78,722,976
	Withdrawals	66,185,775	80,442,382
	Mark-up on deposit paid	12,052	28,534
Directors / sponsors / shareholders	Deposits received	91,105,013	84,369,553
	Withdrawals	93,839,164	84,713,387
	Mark-up paid on deposits	31,303	42,886
	Share issued against share deposit money	-	87,375,010
Staff Provident Fund	Contribution made during the period	16,623,147	18,031,220

16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue by the Board of Directors on 15-12-2022

17 GENERAL

- 17.1 No significant reclassification / rearrangement of the corresponding figures has been made.
- 17.2 Figures have been rounded off to the nearest rupee 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 nine months ended September 30, 2022.

### Economic Overview:

As we near the end of 2022 the global economy is suffering from slower growth and higher inflation. Pakistan's economic situation remained under high stress at the close of the year's third quarter as well. The already sluggish national economy was severely impacted by the recent floods in most parts of the country, which damaged livelihood of a substantial segment of the population. The damage caused by floods has put further pressure on both inflation and balance of payment.

The economic situation also remained fragile due to the internal political conflict which is adding to the uncertainty and exacerbating the economic environment. As the country struggled to secure external financing for FY'23, Moody's downgraded the Government of Pakistan's local and foreign currency issuer and senior unsecured debt ratings to Caa1 from B3 with outlook to remain negative on October 6, 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. Inflation levels remained at historic high with CPI for September 2022 measured at 23.2% against 9.0% in September 2021. Rising food inflation and high energy costs continue to slowdown economic activity and impact GDP growth.

The State Bank of Pakistan (SBP) in its recent monetary policy meeting held on November 25, 2022, raise the policy rate by 100 basis points to 16%. The KSE-100 index also remained impacted by the current economic environment and closed at 41,129 points as at Sep'22, declining by 8% since December 2021.

### 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, 2022 are as follows:

Particulars	September 30, 2022	December 31, 2021	%
	Un-audited	Audited	Change
Advances net of provision	8,664,611,100	11,505,706,719	-24.7%
Deposits and other accounts	20,824,454,270	22,083,717,249	-5.7%

Particulars	September 30, 2022	September 30, 2021	%
	Un-audited	Un-audited Restated	Change
Mark-up/return/interest earned	1,959,435,523	2,500,532,223	-21.6%
Mark-up/return/interest expenses	(1,169,295,526)	(1,078,107,109)	8.5%
Administrative expenses	(1,645,874,712)	(1,487,572,999)	10.6%
Loss after taxation	(3,307,236,699)	(4,482,779)	73676%



The Bank recorded loss before tax PKR. 3,688 million and loss after tax PKR 3,307 million in the current period as compared to loss before tax PKR 0.854 million and loss after tax PKR. 4.482 million in comparative period. As a result, the loss per share was recorded at PKR 7.7 for the current reporting period (September: 2021 PKR. 0.01). The Bank's equity (net of losses) stood at negative (-) PKR. 2,865 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 3,447 million to 17,856 new customers during the current period. The Bank recorded the additional provision expense of PKR 2,950 million against a gross loan portfolio of PKR 11,861 million in current period. Whereas, the provision of PKR 60 million was recorded against the portfolio of PKR 11,124 million in corresponding period. The Bank has recorded provision of PKR. 2,069 million during the period on advances portfolio affected due to COVID 19 (*Ref. Note no. 6 of the condensed interim financial statements*).

Non-performing loans were PKR. 4,283 million on September 30, 2022 as against PKR. 4,099 million on December 31, 2021. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of September 30, 2022 stood at 36.11% as against 34.16% on December 31, 2021. At the period end, the Bank's gross advances to deposits ratio stands at 56.96% as compared to 54.33% on December 31, 2021.

The deposits of the Bank settled at PKR 20,824 million with a decrease of the 5.70% from December 2021. Advances-net of provision stood at PKR 8,665 million whereas investments were at PKR. 1,839 million.

As at September 30, 2022, the Bank has deferred tax assets (net) of PKR. 1,700 million. In current year the Bank has recognized further deferred tax assets (net) of PKR. 417 million due to the effects of heavy losses sustained by the Bank.

### **Future Outlook**

The unprecedented devastation caused by recent floods has affected farmers and low-income households of the community. Since these households are the main customer base the Microfinance Institutions, the situation will have negative repercussions not only for the Bank but other similar microlending institutions across the country. Going forward a challenge of large-scale repayment constraints/ default is expected for the Microfinance Sector. The management is abreast of the situation and has strategized plans such as restructuring of loans and strengthened recovery efforts, to recuperate the portfolio of flood effected areas.

The bank has incurred loss for the period amounting to PKR. 3,307 million with accumulated losses as at September 30, 2022 of PKR. 6,197 million. The Bank is facing problems in recovery of unsecured non-performing advances which includes non-performing advances of PKR. 1,114 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 million (2021: PKR 350 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. 284 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 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, 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.

### **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.

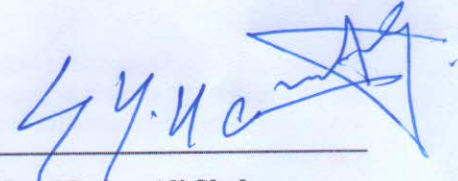
**For and on behalf of Board of Directors,**



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**Wajahat Malik**  
**President/CEO**

Date: December 15<sup>th</sup>, 2022  
Lahore



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