

## 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, 2024.

### Economic Overview:

After facing substantial challengers in 2023, Pakistan's economy showed signs of recovery in the year 2024. Market confidence has been restored by efforts of the federal government who have developed and implemented prudent policies in order to stabilize the economy. The agriculture sector has shown considerable growth and decreased inflationary pressure on the overall economy. Current account deficit has improved and GDP growth accelerated to 2.4 % in FY 2024.

Following a significant decline in inflation since February 2024 the SBP to decrease the policy rate first by 150 bps in June 2024 and then by another 100 bps bringing the policy rate to 19.50% by the end of July 2024. Stock exchange showed strong growth and foreign exchange reserves rose to \$14 billion in June 2024 versus \$9 billion in June 2023. Consequently, PKR stabilized further supported by the successful completion of a \$3 billion Stand-By Arrangement (SBA) program with the IMF,

### 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, 2024 are as follows:

Particular's	June 30, 2024	December 31, 2023	%
	Un-audited	Audited	Change
Advances - Net of Provisions	6,638,782,531	6,590,855,560	1%
Deposits and other accounts	24,774,835,097	22,449,764,944	10%
Particular's	June 30, 2024	June 30, 2023	%
	Un-audited	Un-audited	Change
Mark-up/Return/Interest Earned	1,488,009,764	1,244,987,214	20%
Mark-up/Return/Interest Expensed	1,974,794,836	1,123,733,091	76%
Administrative expenses	1,090,878,698	1,090,116,434	0%
Loss for the period	1,540,534,549	2,099,707,755	-27%

The Bank recorded loss for the period PKR. 1,541 million in the current period as compared to loss for the period PKR 2,100 million in comparative period. As a result, the loss per share was recorded at PKR 3.59 for the current reporting period (June: 2023 loss per share PKR. 4.89). The Bank's equity (net of losses) stood at negative (-) PKR. 8,181 million as against the statutory requirement prescribed by State Bank of Pakistan (SBP) while the Capital Adequacy Ratio (CAR) of the Bank also stood at negative.

The Bank recorded provision expense of PKR 83 million against a gross loan portfolio of PKR 11,746 million in current period. Whereas, the provision of PKR 1,209 million was recorded against the portfolio of PKR 11,721 million in corresponding period.

Non-performing loans were PKR. 4,983 million on June 30, 2024 as against PKR. 4,776 million on December 31, 2023. The Bank's gross NPL ratio (Gross non-performing loans to Gross Advances) as of June 30, 2024 stood at 42.42% as against 41.12% on December 31, 2023. At the period end, the Bank's gross advances to deposits ratio stands at 47.4% as compared to 51.7% on December 31, 2023.

The deposits of the Bank settled at PKR 24,775 million whereas with increased from the year end 2023, advances-net of provision stood at PKR 6,638 million. Investments were stood at PKR. 1,727 million.

As at June 30, 2024, the Bank has deferred tax assets (net) of PKR. 1,700 million. As at June 30, 2024, the Bank has not recognized further deferred tax assets (net).

The Bank's administrative expenses remained well-contained as compared to the previous period, recorded at PKR. 1,091 million during first half of 2024.

### **Future Outlook**

The Bank has incurred loss for the period amounting to PKR. 1,541 million (June 30, 2023: PKR. 2,100 million) and as at period end, its accumulated loss was PKR. 12,513 million (December 31, 2023: PKR. 10,973 million). This has resulted in negative net assets of PKR. 8,181 million (December 31, 2023: PKR. 6,641 million). The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management has devised and is executing a comprehensive, multi-faceted plan to tackle the financial and operational challenges facing the Bank. This plan is viable and its implementation will effectively mitigate the adverse factors impacting the Bank. Key elements of the plan include:

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

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

- **Increasing Secured Advances Portfolio:**

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

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

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

- **Reducing Cost of Deposits:**

The management is proactively implementing strategies to attract a higher volume of corporate customer deposits into current accounts, offering competitive incentives and introducing innovative products. This approach is expected to yield a significant increase in low / zero cost current deposits with the Bank. As a

result, of expected reduction in the overall cost of deposits, leading to a positive impact on the Bank's overall financial performance and profitability will improve.

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

The Bank is implementing strategic measures to optimize its branch operations, including the closure of non-productive and non-strategic branches, to effectively control costs. As a result, the number of branches has been reduced from 105 to 91 as at June 2024, yielding significant cost savings, which will be reflected in the future periods. Additionally, the management is focused on streamlining administrative expenses without compromising the Bank's operational efficiency. These initiatives are expected to have a positive impact on the Bank's financial performance, enhancing its overall profitability.

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

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

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

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

The Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.2 to the condensed interim financial statements for the half year ended June 30, 2024, is not in compliance with the requirements of Prudential Regulation for MFB's. However, the sponsors are committed to filling the CAR shortage soon.

#### **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, 2024 via an emphasis of matter paragraph. Attention is drawn towards the huge accumulated losses and negative net assets figure, as a result of which the Bank is MCR and CAR noncompliant. These events and conditions along with other matters set forth in the above-mentioned note indicate a material uncertainty that may cast significant doubt in the Bank's ability to continue as a going concern. Further, realization of deferred tax of Rs. 1,700 million also depends on the Bank's ability to continue as a going concern.

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

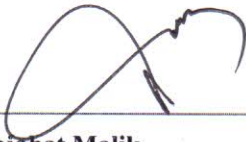
#### **Credit Rating**

The long-term rating of the Bank is "BBB-" (Triple B negative) and the short-term rating is "A4" (A Four) with a "Negative" future outlook as determined by The Pakistan Credit Rating Agency Ltd. (PACRA) in their statement issued on July 26<sup>th</sup>, 2024.

### **Acknowledgement**

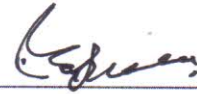
We would also like to express our gratitude to the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX) for their continued guidance and support. We especially offer our sincere appreciation to the management of the State Bank of Pakistan for the co-operation extended to the Bank during this demanding phase. We duly acknowledge that SBP's constant support and enlightened guidelines that provided us with a reason to rethink about the future of this potential organization.

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



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

Date: August 30, 2024  
Lahore



**Muhammad Asghar**  
**Director**



RSM Avasi Hyder Liaquat Nauman  
Chartered Accountants

Avasi Chambers, 1/C-5  
Sikander Malhi Road, Canal Park  
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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, 2024 and the related condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement, and selected explanatory notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

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

## Conclusion

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

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## 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. 1,541 million (June 30, 2023: Rs. 2,100 million) and as at the period end, its accumulated loss was Rs. 12,513 million (December 31, 2023: Rs. 10,973 million). This has resulted in negative net assets of Rs. 8,181 million (December 31, 2023: Rs. 6,641 million). The Bank is facing problems in recovery of unsecured non-performing advances. These events and conditions, along with other matters as set forth in the said note, indicate a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. The Bank's ability to continue as a going concern is subject to successful implementation of the plan as disclosed in the said note and support from the sponsors. Realization of deferred tax asset of Rs. 1,700 million also depends on the Bank's ability to continue as a going concern. Our opinion is not modified with respect to these matters.

## Other Matter

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2024 and 2023 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended.

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:

A handwritten signature in black ink, appearing to read 'RSM', is located in the lower right quadrant of the page.

**APNA MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM BALANCE SHEET**  
**AS AT JUNE 30, 2024**

	Note	Un-audited	Audited
		June 30, 2024	December 31, 2023
		Rupees	Rupees

**ASSETS**

Cash and balances with SBP and NBP	3	1,645,149,439	2,003,589,450
Balances with other banks/NBFIs/MFBs		2,785,890,435	2,388,034,342
Investments - net of provisions	4	1,727,076,955	1,253,744,740
Advances - net of provisions	5	6,638,782,531	6,590,855,560
Operating fixed assets	6	767,983,088	809,093,371
Right of use assets		226,250,247	404,201,211
Other assets		2,046,068,693	1,870,083,936
Deferred tax asset		1,700,000,000	1,700,000,000
<b>Total Assets</b>		<b>17,537,201,388</b>	<b>17,019,602,610</b>

**LIABILITIES**

Deposits and other accounts		24,774,835,097	22,449,764,944
Lease liabilities		344,598,586	510,706,239
Other liabilities		599,104,309	699,933,482
<b>Total Liabilities</b>		<b>25,718,537,992</b>	<b>23,660,404,665</b>

**NET ASSETS**

	<b>(8,181,336,604)</b>	<b>(6,640,802,055)</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		1,350,390,279	1,350,390,279
Statutory reserve		22,078,496	22,078,496
Depositors' protection fund		5,519,624	5,519,624
Revenue reserve			
Accumulated loss		(12,513,210,792)	(10,972,676,243)
<b>Total capital</b>		<b>(8,181,336,604)</b>	<b>(6,640,802,055)</b>

**MEMORANDUM / OFF- BALANCE SHEET ITEMS**

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

  
 President / CEO

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director

**APNA MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Note	Un-audited			
		Six month period ended June 30,		Three month period ended June 30,	
		2024	2023	2024	2023
		Rupees	Rupees	Rupees	Rupees
Mark-up/Return/Interest Earned	8	1,488,009,764	1,244,987,214	778,480,681	632,737,215
Mark-up/Return/Interest Expensed		(1,974,794,836)	(1,123,733,091)	(1,025,959,737)	(635,257,817)
Net mark-up/Interest (loss)/ income		(486,785,072)	121,254,123	(247,479,056)	(2,520,602)
Provision against non-performing-loans and advances	5.2.2	(82,727,695)	(1,208,851,207)	(41,701,477)	(69,207,777)
Recovery against bad debts written off		2,655,582	-	2,655,582	-
Net mark-up/Interest Expense		(80,072,113)	(1,208,851,207)	(39,045,895)	(69,207,777)
		(566,857,185)	(1,087,597,084)	(286,524,951)	(71,728,379)
<b>NON MARK-UP/NON INTEREST INCOME</b>					
Fee, Commission and Brokerage Income		96,474,705	68,352,640	54,977,169	38,499,378
Other Income		40,532,685	26,069,871	25,562,441	12,767,175
Total non mark-up/non interest Income		137,007,390	94,422,511	80,539,610	51,266,553
		(429,849,795)	(93,174,573)	(205,985,341)	(20,461,826)
<b>NON MARK-UP/NON INTEREST EXPENSES</b>					
Administrative expenses		(1,090,878,698)	(1,090,116,434)	(546,404,609)	(557,120,896)
Other expense- minimum tax levy under section 113	12.2	(19,806,056)	(16,416,748)	(10,418,223)	(8,390,457)
Loss for the period before taxation		(1,110,684,754)	(1,106,533,182)	(556,822,832)	(565,511,353)
		(1,540,534,549)	(2,099,707,755)	(762,808,173)	(585,973,179)
Provision for taxation	12.2	-	-	-	-
- Current		-	-	-	-
- Deferred		-	-	-	-
Loss for the period		(1,540,534,549)	(2,099,707,755)	(762,808,173)	(585,973,179)
Accumulated loss brought forward		(10,972,676,243)	(7,378,859,482)	(11,750,402,619)	(8,892,594,058)
Total Accumulated loss		(12,513,210,792)	(9,478,567,237)	(12,513,210,792)	(9,478,567,237)
<b>APPROPRIATIONS OF PROFIT:</b>					
Transfer to:					
Statutory Reserve		-	-	-	-
Contribution Depositor's Protection Fund		-	-	-	-
Accumulated loss carried forward		(12,513,210,792)	(9,478,567,237)	(12,513,210,792)	(9,478,567,237)
<b>Loss per share - Basic and Diluted</b>		(3.59)	(4.89)	(1.78)	(1.37)

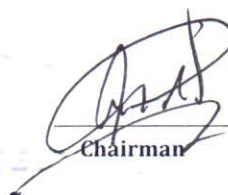
The annexed notes form an integral part of these condensed interim financial information.



President / CEO



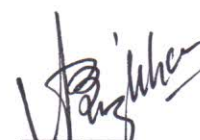
Chief Financial Officer



Chairman



Director



Director

**APNA MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2024	2023	2024	2023
	Rupees	Rupees	Rupees	Rupees
Loss for the period	(1,540,534,549)	(2,099,707,755)	(762,808,173)	(585,973,179)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(1,540,534,549)</u>	<u>(2,099,707,755)</u>	<u>(762,808,173)</u>	<u>(585,973,179)</u>

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

  
 \_\_\_\_\_  
 President / CEO

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

**APNA MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Note	Un-audited	
		Six month period ended June 30,	
		2024 Rupees	2023 Rupees

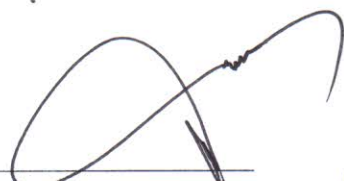
**A) CASH FLOW FROM OPERATING ACTIVITIES**

Profit / (loss) before taxation	(1,540,534,549)	(2,099,707,755)
Adjustments for non-cash charges		
Depreciation of operating fixed assets	42,681,746	46,961,626
Amortization of intangibles	4,563,739	4,424,493
Depreciation on right of use assets	129,875,516	93,338,662
Provision against non-performing advances	82,727,695	1,208,851,207
Other expenses	19,806,056	16,416,748
Gain/ (loss) on disposal of fixed asset	198,446	(1,653,356)
	279,853,198	1,368,339,380
Operating cash flow before working capital changes	(1,260,681,351)	(731,368,375)
Changes in working capital		
(Increase)/Decrease in operating assets		
Advances	(130,654,666)	347,444,967
Other assets	(138,750,435)	(132,484,893)
	(269,405,101)	214,960,074
Increase / (Decrease) in operating liabilities		
Deposits	2,325,070,153	2,019,479,020
Other liabilities	(100,829,173)	130,651,901
	2,224,240,980	2,150,130,921
Income tax paid	(67,437,141)	(51,029,744)
Net cash flow from operating activities	626,717,387	1,582,692,876

**B) CASH FLOW FROM INVESTING ACTIVITIES**

Net investments in held to maturity securities	(473,332,215)	986,101,928
Repayment of lease liabilities	(108,112,388)	(95,022,167)
Investments in operating fixed assets	(6,135,202)	(651,494)
Sale proceeds from disposal of operating fixed assets	278,500	2,980,000
Net cash flow from investing activities	(587,301,305)	893,408,267
Increase cash and cash equivalents during the year (A + B)	39,416,082	2,476,101,143
Cash and cash equivalents at the beginning of the period	4,391,623,792	3,957,085,847
Cash and cash equivalents at the end of the period	4,431,039,874	6,433,186,990


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

  
 President / CEO

  
 Chief Financial Officer

  
 Chairman


  
 Director

  
 Director


**APNA MICROFINANCE BANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

	Share Capital	Discount on Issue of Shares	Share Deposit Money	Capital Reserves		Subtotal	Revenue Reserve	Total
				Statutory Reserve	Depositors' Protection Fund		Accumulated Loss	
----- Rupees -----								
Balance as at January 01, 2023 - audited	4,289,849,620	(1,335,963,831)	350,390,276	22,078,496	5,519,624	(957,975,435)	(7,378,859,482)	(4,046,985,297)
Total comprehensive (loss) / income for the period								
Loss for the period	-	-	-	-	-	-	(2,099,707,755)	(2,099,707,755)
Other comprehensive income	-	-	-	-	-	-	(2,099,707,755)	(2,099,707,755)
Balance as at June 30, 2023 - un-audited	<u>4,289,849,620</u>	<u>(1,335,963,831)</u>	<u>350,390,276</u>	<u>22,078,496</u>	<u>5,519,624</u>	<u>(957,975,435)</u>	<u>(9,478,567,237)</u>	<u>(6,146,693,052)</u>
Balance as at January 01, 2024 - Audited	4,289,849,620	(1,335,963,831)	1,350,390,279	22,078,496	5,519,624	42,024,568	(10,972,676,243)	(6,640,802,055)
Total comprehensive (loss) / income for the period								
Loss for the period	-	-	-	-	-	-	(1,540,534,549)	(1,540,534,549)
Other comprehensive income	-	-	-	-	-	-	(1,540,534,549)	(1,540,534,549)
Balance as at June 30, 2024 - Un-audited	<u>4,289,849,620</u>	<u>(1,335,963,831)</u>	<u>1,350,390,279</u>	<u>22,078,496</u>	<u>5,519,624</u>	<u>42,024,568</u>	<u>(12,513,210,792)</u>	<u>(8,181,336,604)</u>

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

  
 \_\_\_\_\_  
 President / CEO

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



**1 STATUS AND NATURE OF BUSINESS**

- 1.1** Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Bank under the repealed Companies Ordinance, 1984 now the "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 92 business locations comprising of 91 branches and 1 service centers (December 31, 2023: 106 business locations comprising of 105 branches and 1 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. 1,541 million (June 30, 2023: Rs. 2,100 million) and as at period end, its accumulated loss was Rs. 12,513 million (December 31, 2023: Rs. 10,973 million.) This has resulted in negative net assets of Rs. 8,181 million (December 31, 2023: Rs. 6,641 million). The Bank was non-compliant with Minimum Capital Requirements (MCR) and Capital Adequacy Ratio (CAR) requirements of Prudential Regulations for Microfinance Banks, 2014. There has been material uncertainty related to events and conditions which may cast significant doubt about the Bank's ability to continue as a going concern and, therefore the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management has devised and is executing a comprehensive, multi-faceted plan to tackle the financial and operational challenges facing the Bank. This plan is viable and its implementation will effectively mitigate the adverse factors impacting the Bank. Key elements of the plan include:

**a. Commitment by the Sponsors and Injection of Further Equity:**

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

**b. Increasing Secured Advances Portfolio:**

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

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

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

**d. Reducing Cost of Deposits:**

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

**e. Optimization of Operations and Reduction of Costs:**

The Bank is implementing strategic measures to optimize its branch operations, including the closure of non-productive and non-strategic branches, to effectively control costs. As a result, the number of branches has been reduced from 105 to 91 as at June 2024, yielding significant cost savings, which will be reflected in the future periods. Additionally, the management is focused on streamlining administrative expenses without compromising the Bank's operational efficiency. These initiatives are expected to have a positive impact on the Bank's financial performance, enhancing its overall profitability.

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

**2 MATERIAL ACCOUNTING POLICY INFORMATION**

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, 2023.

**2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

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

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

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

**2.1.2** These condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of Companies Act, 2017 and should be read in conjunction with the annual audited financial statements of the Bank for the year ended December 31, 2023.

**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, 2023.

**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, 2023.

**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

3 CASH AND BALANCES WITH SBP AND NBP	Note	Un-audited	Audited
		June 30, 2024	December 31, 2023
		Rupees	Rupees
Cash in hand - local currency		678,230,151	824,441,042
Balance with State Bank of Pakistan	3.1	915,359,560	1,118,619,880
Balance with National Bank of Pakistan in:			
Current Account	3.1	51,559,193	60,513,105
Deposit Account	3.2	535	15,423
		<u>1,645,149,439</u>	<u>2,003,589,450</u>

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

**3.2** This carries mark-up rate at 20.50% per annum (December 31, 2023: 20.50%).

4 INVESTMENTS - NET OF PROVISIONS	Note	Un-audited	Audited
		June 30, 2024	December 31, 2023
		Rupees	Rupees
Federal Govt. Securities:			
- Market Treasury Bills - (Held to maturity)	4.1	1,627,156,955	1,153,824,740
Others			
- Term Finance Certificate (TFC's) - (Held to maturity)	4.2	99,920,000	99,920,000
		<u>1,727,076,955</u>	<u>1,253,744,740</u>

**4.1** This represents T-Bills issued for periods of three to six months. These carry yields ranging from 20.70% to 21.60% per annum (December 31, 2023: 15.60% to 23.00% per annum). These securities have an aggregate face value of Rs. 1,700 million. (December 31, 2023: Rs. 1,180 million).

**4.2** This represents investment in 20,000 units in TFC's issued by Silk Bank Limited. The investment will mature on August 10, 2025. It carries mark-up at the rate of 6 months KIBOR plus 1.85% per annum (December 31, 2023: 6 months KIBOR plus 1.85% per annum).

5 ADVANCES - NET OF PROVISIONS	Note	June 30, 2024 - Unaudited		December 31, 2023 - Audited	
		No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
Micro credits					
- Secured			6,562,147,732		6,301,502,661
- Unsecured			5,184,635,374		5,314,625,779
	5.1	99,361	11,746,783,106	101,713	11,616,128,440
Less: Provision held:					
- Specific	5.2.2	63,342	4,940,441,827	61,347	4,857,714,132
- General	5.2.2		167,558,748		167,558,748
			5,108,000,575		5,025,272,880
Advances - net of provisions			<u>6,638,782,531</u>		<u>6,590,855,560</u>

**5.1** Advances are secured by personal guarantees and advances amounting to Rs. 4,733.320 million (December 31, 2023: Rs. 4,329.453 million) are further secured against gold.

**5.2 Particulars of non-performing advances**

	Note	Un-audited	Audited
		June 30, 2024	December 31, 2023
		Rupees	Rupees
Specific non-performing advances		1,865,357,032	1,566,525,274
Other non-performing advances		3,117,896,318	3,210,130,534
	5.2.1	<u>4,983,253,350</u>	<u>4,776,655,808</u>

**5.2.1 Particulars of non-performing advances**

Category of Classification	June 30, 2024 - Unaudited			December 31, 2023 - Audited		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	----- Un-audited -----			----- Audited -----		
OAEM	16,951,066	-	-	11,583,946	-	-
Sub-standard	11,130,126	2,782,532	2,782,532	11,366,357	2,841,589	2,841,589
Doubtful	34,978,968	17,466,105	17,466,105	35,119,202	17,559,601	17,559,601
Loss	4,920,193,190	4,920,193,190	4,920,193,190	4,718,586,303	4,718,586,303	4,837,312,942
	<u>4,983,253,350</u>	<u>4,940,441,827</u>	<u>4,940,441,827</u>	<u>4,776,655,808</u>	<u>4,738,987,493</u>	<u>4,857,714,132</u>

**APNA MICROFINANCE BANK LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2024**

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

	June 30, 2024 - Unaudited			December 31, 2023 - Audited		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
	----- Un-audited -----			----- Audited -----		
Opening balance	4,857,714,132	167,558,748	5,025,272,880	3,546,133,055	167,558,748	3,713,691,803
Charge for the period	82,727,695	-	82,727,695	1,311,581,077	-	1,311,581,077
Closing balance	<u>4,940,441,827</u>	<u>167,558,748</u>	<u>5,108,000,575</u>	<u>4,857,714,132</u>	<u>167,558,748</u>	<u>5,025,272,880</u>

6 OPERATING FIXED ASSETS	Un-audited	Audited
	June 30, 2024	December 31, 2023
	Rupees	Rupees
Property and equipment	603,098,496	639,645,049
Intangible assets	152,909,303	157,473,033
Advances to suppliers / contractors	11,975,289	11,975,289
	<u>767,983,088</u>	<u>809,093,371</u>

**6.1 Acquisition of operating assets - At cost**

Bank Premises - Owned	2,572,725	-
Leasehold improvements	-	6,011,205
Furniture and fixtures	252,141	1,095,066
Electrical and office equipment	2,138,481	982,078
Computer hardware and peripheral	1,230,450	1,590,979
	<u>6,193,797</u>	<u>9,679,328</u>

**6.2 Disposal of operating assets - At cost**

Electrical and office equipment	(30,000)	(130,000)
Motor vehicles	-	(3,028,250)
Furniture and fixtures	(48,500)	-
Computer hardware and peripheral	(200,526)	-
	<u>(279,026)</u>	<u>(3,158,250)</u>

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

There is 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, 2023.

8 MARK-UP/RETURN/INTEREST EARNED	Un-audited			
	Six month period ended June 30,		Three month period ended June 30,	
	2024	2023	2024	2023
	Rupees	Rupees	Rupees	Rupees
Mark-Up on Loans and Advances	1,100,767,213	909,497,704	573,098,143	446,756,916
Mark-Up on Deposit Accounts	222,905,736	116,022,698	122,297,955	67,314,796
Mark-Up on Investments in Government Securities	164,336,815	219,466,812	83,084,583	118,665,503
	<u>1,488,009,764</u>	<u>1,244,987,214</u>	<u>778,480,681</u>	<u>632,737,215</u>

9 CASH AND CASH EQUIVALENTS	Un-audited	Audited
	June 30, 2024	December 31, 2023
	Rupees	Rupees
Cash and Balances with SBP and NBP	1,645,149,439	2,003,589,450
Balances With Other Banks/NBFIs/MFBs	2,785,890,435	2,388,034,342
	<u>4,431,039,874</u>	<u>4,391,623,792</u>

**10 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, 2024	December 31, 2023
		Rupees	Rupees

**Balances at period end:**

Associated company	Deposits	344,748,523	121,233,821
	Share deposit money	1,301,086,470	1,301,086,470
Key management personnel	Deposits	5,348,909	1,916,850
	Deposits	292,459,543	2,053,793
Directors / sponsors / shareholders	Share deposit money	49,303,809	49,303,809

Un-audited	
Six month period ended June 30,	
2024	2023
Rupees	Rupees

**Transactions during the period:**

Associated company	Deposits received	3,960,028,150	3,080,810,352
	Withdrawals	3,743,819,908	3,056,100,590
	Mark-up paid on deposits	7,491,924	3,215,418
Key management personnel	Deposits received	67,192,046	21,955,187
	Withdrawals	65,466,376	20,196,048
	Mark-up on deposit paid	-	1,772
Directors / sponsors / shareholders	Deposits received	296,165,978	88,516,535
	Withdrawals	224,023,322	88,130,815
	Mark-up paid on deposits	19,806,557	21,622
Staff Provident Fund	Contribution made during the period	10,993,804	11,958,285

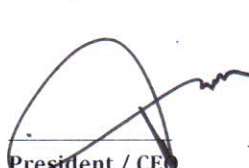
**11 DATE OF AUTHORIZATION FOR ISSUE**


**30 AUG 2024**

This condensed interim financial statements were approved and authorised for issue on \_\_\_\_\_ by the Board of Directors of the Bank.

**12 GENERAL**

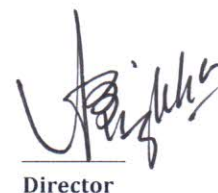
- 12.1 There is no unusual item included in these condensed interim financial statements related to assets, equity, liabilities, loss, total comprehensive loss or cash flows of the Bank.
- 12.2 No provision for taxation has been made in these condensed interim financial statements as there is no income chargeable to normal income tax. Minimum tax charged under section 113 of the income tax ordinance, 2001, has been accounted for a levy in accordance with the application guidance on accounting for minimum taxes and final taxes issued by ICAP. Prior period figure has been rearranged accordingly.
- 12.3 Figures have been rounded off to the nearest Rupees unless otherwise stated.

  
President / CEO

  
Chief Financial Officer

  
Chairman

  
Director

  
Director