



Micro Finance  
**apna bank**  
Limited

# Un-Audited Condensed Interim FINANCIAL STATEMENTS

For The Quarter Ended March 31, 2021



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Muhammad Akram Shahid  
*Chairman*

Mr. Imad Mohammad Tahir  
*Director*

Mr. Muhammad Asghar  
*Director*

Mr. Muhammad Saleem Shaikh  
*Director*

Syed Rahat Ali Shah  
*Director*

Mr. Abdul Aziz Khan  
*Director*

Mr. Javaid Sadiq  
*Director*

Ms. Parveen Akhter Malik  
*Director*

## PRESIDENT / CHIEF EXECUTIVE OFFICER

Mr. Muhammad Gulistan Malik

## COMPANY SECRETARY

Mr. Rafat Abbas

## CHIEF FINANCIAL OFFICER

Mr. Ali Murtza

## CHIEF INTERNAL AUDITOR

Mr. Latif Ahmad Saqi

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr. Abdul Aziz Khan  
*Chairman*

Mr. Muhammad Asghar  
*Member*

Mr. Imad Mohammad Tahir  
*Member*

Mr. Muhammad Saleem Shaikh  
*Member*

Syed Rahat Ali Shah  
*Member*

## EXECUTIVE COMMITTEE

Mr. Muhammad Akram Shahid  
*Chairman*

Mr. Imad Mohammad Tahir  
*Member*

Mr. Abdul Aziz Khan  
*Member*

Mr. Muhammad Asghar  
*Member*

Mr. Muhammad Saleem Shaikh  
*Member*

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Aziz Khan  
*Chairman*

Mr. Javaid Sadiq  
*Member*

Mr. Imad Mohammad Tahir  
*Member*

Syed Rahat Ali Shah  
*Member*

Mr. Muhammad Saleem Shaikh  
*Member*

## RISK MANAGEMENT & COMPLIANCE COMMITTEE

Mr. Muhammad Asghar  
*Chairman*

Mr. Muhammad Akram Shahid  
*Member*

Mr. Javaid Sadiq  
*Member*

Syed Rahat Ali Shah  
*Member*

Mr. Abdul Aziz Khan  
*Member*

## MONITORING COMMITTEE

Mr. Muhammad Asghar  
*Chairman*

Mr. Muhammad Saleem Shaikh  
*Member*

Mr. Javaid Sadiq  
*Member*

Mr. Muhammad Akram Shahid  
*Member*

Syed Rahat Ali Shah  
*Member*

## AUDITORS

Ilyas Saeed & Co.  
*Chartered Accountants*

## LEGAL ADVISOR

Mumtaz Najam Law Chambers  
*Advocates & Corporate Consultants Lahore*

## Tax Consultant

Grant Thornton Anjum Rahman  
*Chartered Accountants*

## BANKERS

United Bank Limited  
Sindh Bank Limited  
First Microfinance Bank Limited  
Bank AlHabib Limited  
Bank Al-Falah Limited  
Summit Bank Limited  
Zarai Taraqiati Bank Limited  
JS Bank Limited  
Silk Bank Limited  
Allied Bank Limited  
Dubai Islamic Bank Limited  
Soneri Bank Limited  
khushhali Microfinance Bank Limited  
Telenor Microfinance Bank Limited  
FINCA Microfinance Bank Limited  
NRSP Microfinance Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
U Microfinance Bank Limited  
Mobilink Microfinance Bank Limited

## REGISTERED OFFICE

K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road,  
Gizri Karachi.  
PABX Tel: +92 21 35865352-55  
Fax: +92 21 35865017  
Website: [www.apnabank.com.pk](http://www.apnabank.com.pk)

## HEAD OFFICE

23-A, Sundar Das Road,  
Zaman Park Lahore.  
PABX Tel: +92 42 36306730  
UAN: +92 42 111-771-772  
Website: [www.apnabank.com.pk](http://www.apnabank.com.pk)

## SHARE REGISTRAR

F.D. Registrar Services (SMC-Pvt.) Ltd  
Office No. 1705, 17<sup>th</sup> Floor, Saima Trade  
Tower-A. I.I. Chundrigar Road, Karachi.  
Phone: 021-32271905 & 32271906  
Fax: 021-3261233  
Email: [fdregistrar@yahoo.com](mailto:fdregistrar@yahoo.com)

## DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Apna Microfinance Bank Limited (hereinafter referred to as 'the Bank') are pleased to present the Un-audited Condensed Interim Financial Information of the Bank for the quarter end March 31st, 2021.

### Economic Overview:

The global economy has been hit by an unprecedented economic shock as a result of the COVID-19 outbreak. The corona virus has infected millions of people around the world, threatening to plunge the world into the worst global recession in decades. COVID-19 is expected to have a significant effect on consumption, development, and trade flows, raising concerns in Pakistan. The Microfinance industry is likely to be impacted by this highly unprecedented backdrop, but the Bank's management is able to take all appropriate steps to minimize those risks.

In order to dampen the effects of the pandemic, the government has undertaken a host of receptive measures on both the social and economic front. These include imposing lock downs in major parts of the country, encouraging social distancing and introducing financial relief packages for major industries. However, the overall situation remained challenging as the fear of the third wave continued to loom over the economy.

The State Bank of Pakistan (SBP) in its latest monetary policy statement, announced in March 2021, has maintained the policy rate at 7%. There has been no change in the policy rate since June 2020.

### Principal Activity 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 financial performance of the Bank during the quarter end March 31st, 2021 is as follows;

	March 31, 2021 Un-audited	December 31, 2020 Audited	% Change
Advances net of provision	<b>10,508,240,662</b>	10,119,919,747	4%
Deposits and other accounts	<b>19,650,292,753</b>	26,178,886,970	-25%

	March 31, 2021 Un-audited	March 31, 2020 Un-audited	% Change
Mark -up/return/interest earned	<b>847,984,083</b>	802,362,739	6%
Mark -up/return/interest expenses	<b>(322,181,469)</b>	(355,358,228)	-9%
Administrative expenses	<b>(514,257,672)</b>	(480,189,534)	7%
Profit after taxation	<b>7,444,734</b>	14,509,965	-49%

The Bank posted a profit after tax in the current period amounting to PKR 7.44 million as compared to a profit of PKR 14.51 million in corresponding period. The equity (net of losses) of the Bank has grown to PKR 2,416.63 million and the total assets stood at PKR 22,526.88 million as at March 31st, 2021. The earnings per share for the period ended March 31st, 2021 is PKR 0.022 as compared to earnings per share of PKR 0.042 in the corresponding period.

The deposits settled at PKR 19,650.29 million whereas with a slight increase from the year end 2020, advances-net of provision stood at PKR 10,508.24 million. Investments were at PKR 1,139.39 million.

The Bank has made fresh lending of approx. PKR 1,164.87 million to 7,056 new customers during the current quarter. The Bank recorded the additional provision expense of PKR 31.47 million against a gross loan portfolio of PKR 10,924.37 million in current quarter. Whereas, the provision of PKR 34.06 million was recorded against the portfolio of PKR 10,504.57 million in corresponding period.

## DIRECTORS' REPORT TO THE MEMBERS

During the period the sponsors have injected fresh capital/share deposit money of PKR 150 million. As a result, the equity net of losses of the Bank has increased by over PKR 157.44 million from year 2020. These figures are a sign of improved investor confidence in the Bank's operations translating in successful future prospects.

### Future Outlook

In the first quarter of current year, all global economies including Pakistan are facing third wave of COVID-19, which seemed to be more powerful and viral than first two waves. The Government of Pakistan is utilizing all of its resources like smart lockdowns and strict adherence to SOPs to limit the impact from outbreak of this pandemic. If the present situation does not improve, the government will be forced to shut down major economic operations in major cities. Consequently, if the present situation prolongs we expect increased deterioration to the advance's portfolio, reduced profitability and distortions to normal business operations. However, the management is committed and taking all necessary steps to manage and mitigate these challenges.

The management also realizes the importance of digital banking services amid the COVID-19 pandemic. Over the past years the Bank had established internet banking and mobile banking to increase its outreach and cater for the unbanked population. The first phase of this digitization process has already been completed. The next phase of our digital transformation will include the following after complying with regulatory requirements;

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

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

The Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.2 to the condensed interim financial statements for the quarter end March 31st, 2021, 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 as “BBB+” (Triple B plus) and the short-term rating is “A3” (A Three) with a “Stable” future outlook determined by the Pakistan Credit Rating Agency Ltd. (PACRA).

### Acknowledgment

We would 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 throughout these tumultuous times. We would also like to thank our valued customers, shareholders and business partners for their continued patronage and confidence as well as staff members for their commitment and devotion.

**For and on behalf of Board of Directors,  
The Apna Microfinance Bank Limited**



**Muhammad Gulistan Malik**  
President/CEO

Date: April 30, 2021  
Lahore



**Syed Rahat Ali Shah**  
Director

# FINANCIAL STATEMENTS

APNA MICRO FINANCE BANK LIMITED

APNA MICROFINANCE BANK LIMITED  
 CONDENSED INTERIM BALANCE SHEET  
 AS AT MARCH 31, 2021

	Note	March 31, 2021 Rupees	December 31, 2020 Rupees
		<b>Un-audited</b>	Audited
<b>ASSETS</b>			
Cash and Balances with SBP and NBP	6	<b>1,346,061,788</b>	2,394,744,268
Balances With Other Banks/NBFs/MFBs	7	<b>4,154,049,378</b>	9,505,025,520
Lending to financial Institutions		-	-
Investments - Net Of Provisions	8	<b>1,139,392,632</b>	1,704,020,909
Advances - Net Of Provisions	9	<b>10,508,240,662</b>	10,119,919,747
Operating Fixed Assets		<b>983,737,843</b>	985,452,512
Other Assets	10	<b>3,857,711,046</b>	3,592,473,029
Deferred Tax Asset		<b>537,684,460</b>	529,751,497
<b>Total Assets</b>		<b>22,526,877,809</b>	28,831,387,482
<b>LIABILITIES</b>			
Deposits and other accounts	11	<b>19,650,292,753</b>	26,178,886,970
Borrowings	12	<b>2,601,888</b>	3,466,749
Subordinated Debt		-	-
Other Liabilities		<b>457,352,523</b>	389,785,806
Deferred Tax Liabilities		-	-
<b>Total Liabilities</b>		<b>20,110,247,164</b>	26,572,139,525
<b>NET ASSETS</b>		<b>2,416,630,645</b>	2,259,247,957
<b>REPRESENTED BY:</b>			
Share capital		<b>3,439,849,620</b>	3,439,849,620
Discount on issue of shares		<b>(1,335,963,831)</b>	(1,335,963,831)
Share deposit money		<b>1,196,215,185</b>	1,046,215,185
Statutory reserve		<b>30,080,706</b>	30,080,706
Depositors' protection fund		<b>7,520,177</b>	7,520,177
Unappropriated loss		<b>(921,071,212)</b>	(928,515,946)
		<b>2,416,630,645</b>	2,259,185,911
Surplus/(Deficit) on Revaluation of Assets		-	-
Deferred Grants		-	62,046
<b>Total Capital</b>		<b>2,416,630,645</b>	2,259,247,957
<b>MEMORANDUM / OFF- BALANCE SHEET ITEMS</b>	13	-	-

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



President / CEO



Chief Financial Officer



Chairman



Director



Director

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2021

	Note	March 31, 2021 Rupees	March 31, 2020 Rupees
Mark-up/Return/Interest Earned	14	847,984,083	802,362,739
Mark-up/Return/Interest Expensed		(322,181,469)	(355,358,228)
Net mark-up/Interest Income		525,802,614	447,004,511
Provision against non-performing loans and advances	9.3	(31,471,238)	(34,060,992)
Provision for diminution in the value of investments		-	-
Recovery against bad debts written off		-	68,000
Bad debts written off directly		-	-
		(31,471,238)	(33,992,992)
Net mark-up/Interest Income after provisions		494,331,376	413,011,519
<b>NON MARK-UP/NON INTEREST INCOME</b>			
Fee, Commission and Brokerage Income		21,986,657	30,454,192
Dividend Income		-	-
Other Income		10,500,971	64,314,312
Total non mark-up/non interest income		32,487,628	94,768,504
		526,819,004	507,780,023
<b>NON MARK-UP/NON INTEREST EXPENSES</b>			
Administrative expenses		(514,257,672)	(480,189,534)
Other provisions/write offs/adjustment		-	-
Other charges		-	-
Total non mark-up/non interest expenses		(514,257,672)	(480,189,534)
Extra ordinary/unusual items		-	27,590,489
		12,561,332	-
<b>PROFIT BEFORE TAXATION</b>		12,561,332	27,590,489
Taxation		(13,049,561)	(12,492,254)
- Current		-	-
- Prior years		-	-
- Deferred		7,932,963	(588,270)
		(5,116,598)	(13,080,524)
<b>PROFIT AFTER TAXATION</b>		7,444,734	14,509,965
Unappropriated Loss brought forward		(928,515,946)	(956,430,276)
Profit available for appropriation / (loss)		(921,071,212)	(941,920,311)
<b>APPROPRIATIONS:</b>			
Transfer to:			
Statutory Reserve		-	-
Capital Reserve		-	-
Contribution to MSDF/ DPF/ RMF		-	-
Revenue Reserve		-	-
Proposed Cash dividend Rs. Nil per share (2020: Rs. Nil per share)		-	-
Others		-	-
		-	-
<b>Unappropriated Loss carried forward</b>		(921,071,212)	(941,920,311)
<b>Earnings per share-Basic &amp; Diluted</b>		0.022	0.042

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



President / CEO



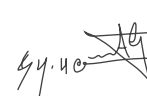
Chief Financial Officer



Chairman



Director



Director

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM STATEMENT OF **COMPREHENSIVE INCOME** (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2021

	March 31, 2021 Rupees	March 31, 2020 Rupees
<b>PROFIT AFTER TAXATION</b>	<b>7,444,734</b>	14,509,965
<b>Other comprehensive income / (loss):</b>		
Items that will not be reclassified to the profit and loss account	-	-
Items that may subsequently be reclassified to the profit and loss account	-	-
	-	-
<b>Comprehensive income/(loss) transferred to equity</b>	<b>7,444,734</b>	14,509,965
<b>Components of comprehensive income / (loss) not reflected in equity:</b>		
Net change in fair value of available-for-sale investments	-	-
<b>Total comprehensive income for the period</b>	<b>7,444,734</b>	14,509,965

*The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.*



President / CEO



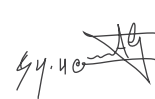
Chief Financial Officer



Chairman



Director



Director

APNA MICROFINANCE BANK LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2021

	Note	March 31, 2021 Rupees	March 31, 2020 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		12,561,332	27,590,489
<b>Adjustments for non-cash charges</b>			
Depreciation		17,850,101	16,714,869
Amortization of intangibles		2,457,982	772,952
Amortization of deferred grants		(62,046)	(269,706)
Provision against non-performing advances		31,471,238	34,060,992
		51,717,275	51,279,107
<b>Operating cash flow before working capital changes</b>		<b>64,278,607</b>	78,869,596
<b>Changes in working capital</b>			
<b>(Increase)/Decrease in operating assets</b>			
Advances		(419,792,153)	(431,233,105)
Other assets		(278,287,578)	(391,628,175)
		(698,079,731)	(822,861,280)
<b>Increase / (Decrease) in operating liabilities</b>			
Deposits		(6,528,594,217)	(437,314,947)
Other Liabilities		67,566,717	(130,873,066)
		(6,461,027,500)	(568,188,013)
<b>Net cash flow used in operating activities</b>		<b>(7,094,828,624)</b>	(1,312,179,697)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in held to maturity securities		564,628,277	9,255,903
Investments in operating fixed assets		(18,593,414)	(23,655,632)
<b>Net cash flow from / used in investing activities</b>		<b>546,034,863</b>	(14,399,729)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share deposit money		150,000,000	150,000,000
Borrowings-net		(864,861)	(493,701)
<b>Net cash flow from financing activities</b>		<b>149,135,139</b>	149,506,299
Decrease in cash and cash equivalents		(6,399,658,622)	(1,177,073,127)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>11,899,769,788</b>	6,806,251,851
<b>Cash and cash equivalents at the end of the period</b>	15	<b>5,500,111,166</b>	5,629,178,724

The annexed notes from 1 to 18 form an integral part of this 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 QUARTER ENDED MARCH 31, 2021

	Share Capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Unappropriated Loss	Total
<b>Balance as at January 01, 2020</b>	3,439,849,620	(1,335,963,831)	696,215,185	22,636,885	5,659,222	(956,430,276)	1,871,966,805
<b>Comprehensive income / (loss) for the period</b>							
Profit after taxation	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-
<b>Transactions with owners directly recorded in equity</b>							
Share deposit money received during the period	-	-	150,000,000	-	-	-	150,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
<b>Balance as at March 31, 2020</b>	3,439,849,620	(1,335,963,831)	846,215,185	22,636,885	5,659,222	(941,920,311)	2,036,476,770
<b>Comprehensive income / (loss) for the period</b>							
Profit after taxation	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	7,443,821	-	-	22,709,141
Transfer to depositors protection fund	-	-	-	-	1,860,955	-	(7,443,821)
Other comprehensive income / (loss)	-	-	-	-	-	-	(1,860,955)
Total comprehensive income / (loss) for the period	-	-	-	7,443,821	1,860,955	-	22,709,141
<b>Transactions with owners directly recorded in equity</b>							
Share deposit money received	-	-	200,000,000	-	-	-	200,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
<b>Balance as at December 31, 2020 - Audited</b>	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
<b>Comprehensive income / (loss) for the period</b>							
Profit after taxation	-	-	-	-	-	-	-
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-
<b>Transactions with owners directly recorded in equity</b>							
Share deposit money received during the period	-	-	150,000,000	-	-	-	150,000,000
Share issued against share deposit money	-	-	-	-	-	-	-
Discount on issue of share	-	-	-	-	-	-	-
<b>Balance as at March 31, 2021 - Un-audited</b>	3,439,849,620	(1,335,963,831)	1,196,215,185	30,080,706	7,520,177	(921,071,212)	2,416,630,645

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



President / CEO



Chief Financial Officer



Chairman



Director



Director

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED MARCH 31, 2021

### 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 121 business locations comprising of 116 branches and 5 service centers (2020: 123 business locations comprising of 116 branches and 7 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 As at March 31, 2021 the Bank could not meet the regulatory requirements of "Prudential Regulations for Micro Finance Banks" issued by the State Bank of Pakistan (SBP), mentioned as under;  
Regulation R-5 ©: Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) (equivalent to at least 15% of their risk weighted assets) shall be eligible to undertake micro enterprise lending.

The Capital Adequacy Ratio of the Bank fell below the minimum ratio required as at March 31, 2021 and the Bank is hopeful of bringing its CAR upto the required limit in near future.

### 2 BASIS OF PRESENTATION

This condensed interim financial information is prepared in accordance with BSD Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP) and IAS – 34 'Interim Financial Reporting' and hence do not include all the information required in the annual audited published financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2020. This condensed interim financial information is presented in Pak Rupees, which is the Bank's functional and presentation currency.

### BUSINESS AND ECONOMIC ENVIRONMENT

The coronavirus pandemic (COVID-19) has been evolving as a major strain to the global economy including Pakistan, causing major disruption to the financial activities. Covid-19, is expected to cast a significant impact on the entire microfinance sector. The Microfinance institutions offer loans and other services to low-income customers who lack easy access to commercial Banks. However, as household incomes have collapsed with the imposition of lockdowns, our borrowers' ability to repay loans has been diminished as well.

This inability of the borrower to repay their loans has direct consequences for Microfinance Banks, on a number of fronts. These include increased credit risk pertaining to the loans and advances portfolio, reduced income and continuity of normal business operations. If the present scenario continues in the upcoming months there is a risk that the resulting slowdown will have severe ramifications on Banks' outstanding portfolio as well as fresh lending, recovery activities, core business operations and future financial results of the overall Microfinance industry.

### 3 STATEMENT OF COMPLIANCE

- 3.1 This condensed interim financial information of the Bank for the quarter ended March 31, 2021 has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions and the directives

SELECTED NOTES TO THE CONDENSED INTERIM **FINANCIAL INFORMATION**  
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issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where the requirements differ, the provisions of Companies Act, 2017, the Microfinance Institution Ordinance 2001, the Prudential Regulations of Microfinance Banks/Institutions or the requirements of the said directives have been followed.

- 3.2 SBP has deferred the applicability of International Accounting Standards (IAS) 39 'Financial Instruments Recognition and Measurement' and International Accounting Standards (IAS) 40 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, the Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" through its notification S.R.O 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Bank for the year ended December 31, 2020.

#### 5 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and the methods of computation adopted in preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited published financial statements for the year ended December 31, 2020.

	Note	March 31, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
<b>6 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand - local currency		<b>503,989,549</b>	517,224,946
Balance with State Bank of Pakistan	6.1	<b>672,117,718</b>	1,765,367,577
Balance with National Bank of Pakistan in:			
- Current Account		<b>155,731,499</b>	92,258,987
- Deposit Account	6.2	<b>14,223,022</b>	19,892,758
		<b>1,346,061,788</b>	2,394,744,268

- 6.1 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 3 of the Prudential Regulations.
- 6.2 This carries mark-up rate at 6.00% per annum (2020: 5.50% per annum).

SELECTED NOTES TO THE CONDENSED INTERIM **FINANCIAL INFORMATION**  
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	Note	March 31, 2021 Rupees	December 31, 2020 Rupees
<b>7</b>	<b>BALANCES WITH OTHER BANKS/NBFIs/MFBs</b>	<b>Un-audited</b>	Audited
In Pakistan			
- In current accounts		<b>18,905,701</b>	31,032,785
- In deposit accounts	7.1	<b>2,535,143,677</b>	3,273,992,735
- Certificates of deposits	7.2	<b>1,600,000,000</b>	6,200,000,000
		<b>4,154,049,378</b>	<b>9,505,025,520</b>

7.1 These carry mark-up rates ranging from 6.00% to 8.50% per annum (2020: 5.50% to 8.50% per annum).

7.2 These represent placement with different financial institutions carrying mark-up ranging from 7% to 12% per annum (2020: 8.25% to 14.50% per annum). Their maturity ranges from three months to one year from the date of placement.

	Note	March 31, 2021 Rupees	December 31, 2020 Rupees
<b>8</b>	<b>INVESTMENTS - NET OF PROVISIONS</b>	<b>Un-audited</b>	Audited
<b>Held-to-maturity</b>			
Treasury Bills	8.1	<b>1,039,462,632</b>	1,604,080,909
Term Finance Certificate (TFC's)	8.2	<b>99,930,000</b>	99,940,000
		<b>1,139,392,632</b>	<b>1,704,020,909</b>

8.1 This represents T-Bills issued for periods of three to twelve months having maturities ranging from April 02, 2021 to June 15, 2021. These carry yields ranging from 7.12% to 7.45% per annum (2020: 7.10% to 7.15% per annum). These securities have an aggregate face value of Rs. 1,050 million. (2020: Rs. 1,627 million).

8.2 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 (2020: 6 months KIBOR plus 1.85% per annum).

9	ADVANCES - NET OF PROVISIONS	Note	March 31, 2021		December 31, 2020	
			No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
			-----Un-audited-----		-----Audited-----	
	Micro credits	9.1	118,448	<b>10,924,365,669</b>	117,973	10,504,573,516
	Less: Provision held:					
	- Specific	9.2		<b>248,566,259</b>		217,095,021
	- General	9.3		<b>167,558,748</b>		167,558,748
				<b>416,125,007</b>		384,653,769
	Advances - Net Of Provisions			<b>10,508,240,662</b>		<b>10,119,919,747</b>

9.1 All advances are secured by personal guarantees including gold loans amounting to Rs. 1,689.87 million (2020: Rs. 1,272.63 million).

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9.2 **Particulars of non-performing advances**

Advances include Rs. 497.64 million (2020: Rs. 486.04 million) which have been placed under non performing status as detailed below:

Category of Classification	March 31, 2021			December 31, 2020		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	----- Rupees -----			----- Rupees -----		
	-----Un-audited-----			----- Audited-----		
OAEM	137,333,511	-	-	206,014,916	-	-
Sub-standard	73,506,213	18,292,155	18,292,155	7,413,485	1,841,864	1,841,864
Doubtful	94,775,643	47,102,633	47,102,633	93,656,255	46,700,788	46,700,788
Loss	192,025,200	183,171,471	183,171,471	178,958,827	168,552,369	168,552,369
	<b>497,640,567</b>	<b>248,566,259</b>	<b>248,566,259</b>	<b>486,043,483</b>	<b>217,095,021</b>	<b>217,095,021</b>

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

	March 31, 2021			December 31, 2020		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----			----- Rupees -----		
	-----Un-audited-----			----- Audited-----		
Opening balance	217,095,021	167,558,748	384,653,769	125,104,748	167,558,748	292,663,496
Charge/ (reversal) for the period	31,471,238	-	31,471,238	91,990,273	-	91,990,273
Closing balance	<b>248,566,259</b>	<b>167,558,748</b>	<b>416,125,007</b>	<b>217,095,021</b>	<b>167,558,748</b>	<b>384,653,769</b>

	Note	March 31, 2021 Rupees Un-audited	December 31, 2020 Rupees Audited
<b>10 OTHER ASSETS</b>			
Income / Mark-up Accrued		2,816,647,885	2,606,732,804
Advances to Staff		167,660,614	145,409,984
Advances and Prepayments		252,771,926	256,200,704
Advance Income Tax - Net of Provision		127,427,819	101,537,521
Security Deposits		37,131,920	37,761,920
Inter Banks ATM Settlement account		13,698,493	2,457,707
Insurance Claims Receivable	10.1	442,372,389	442,372,389
		<b>3,857,711,046</b>	<b>3,592,473,029</b>

10.1 This represents insurance claims receivable from The United Insurance Company of Pakistan Limited, which is a related party of the Bank.

SELECTED NOTES TO THE CONDENSED INTERIM **FINANCIAL INFORMATION**

FOR THE QUARTER ENDED MARCH 31, 2021

11 DEPOSITS AND OTHER ACCOUNTS	Note	March 31, 2021		December 31, 2020	
		No. of accounts	Rupees	No. of accounts	Rupees
		-----Un-audited-----		-----Audited-----	
Time liabilities					
Fixed Deposits (Deals)	11.1	7,027	5,398,986,284	7,350	6,141,735,917
Demand liabilities					
Saving Deposits	11.2	29,062	11,547,819,392	28,445	12,744,083,910
Current Deposits		370,160	2,703,487,077	360,796	7,293,067,143
		399,222	14,251,306,469	389,241	20,037,151,053
	11.3	406,249	19,650,292,753	396,591	26,178,886,970

11.1 These represent deposits received from customers ranging from 1 month to 5 years. These carry interest rates ranging from 4.75% to 15.5% per annum (2020: 4.75% to 15.5% per annum).

11.2 These carry interest rates ranging from 3% to 7.5% per annum (2020: 3% to 7.75% per annum).

11.3 Particulars of deposits by ownership	March 31, 2021		December 31, 2020	
	No. of accounts	Rupees	No. of accounts	Rupees
	-----Un-audited-----		-----Audited-----	
Individual Depositors	405,423	14,388,760,608	395,863	19,917,821,549
Institutional Depositors				
- Corporations Firm	813	4,966,602,399	713	5,871,825,004
- Banks & Financial Institutions	13	294,929,746	15	389,240,417
	826	5,261,532,145	728	6,261,065,421
	406,249	19,650,292,753	396,591	26,178,886,970

12 BORROWINGS	Note	March 31, 2021		December 31, 2020	
		Rupees		Rupees	
		-----Un-audited-----		-----Audited-----	
Borrowings from Banks/Financial Institutions in Pakistan					
Demand Finance	12.1	2,601,888		3,466,749	
		2,601,888		3,466,749	

12.1 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.

13 MEMORANDUM / OFF- BALANCE SHEET ITEMS

13.1 Contingencies:

- a) Proceedings for Financial Years (FY) 2016, 2017, and 2018 were initiated by Additional Commissioner (Enforcement-IV) of Punjab Revenue Authority [‘PRA’] regarding alleged inadmissible input tax credit claimed without apportionment a same between taxable and non-taxable service. The Bank responded to the notices as per the Bank contention. The said commissioner passed impugned orders for relevant financial years by raising unjustified demand in respect of disallowed input tax. Being aggrieved from the said orders, the Bank filed appeal against the orders in Commissioner (Appeals) of PRA. The hearing is still pending before Commissioner Appeal.
- b) Proceedings, as per provisions of Punjab Sales Tax on Services (Withholding) Rules, 2015 for tax period January to December, 2016 for non-deduction of Punjab Sales Tax, were initiated by The Additional Commissioner, Enforcement-II, PRA. Recovery notice was issued from the same office indicating that order had been passed by the Commissioner HQ, PRA wherein the impugned demand was raised on account of alleged default of withholding of Punjab Sales Tax on Services against which the bank filed appeal in Honorable Appellate Tribunal. The said tribunal grant a stay against the recovery till the disposal of the appeal.
- c) A show cause notice was issued to bank by Assistant Commissioner (Unit-09) of Sindh Revenue Board [‘SRB’] in which the bank was confronted that it has claimed inadmissible input tax credit during the tax periods from January 2012 to December 2015 in terms applicable Sindh Sales Tax Act 2011. Further, it is also alleged that the Bank has short deducted / not deducted of sales tax on services. The proceedings are held from time to time during the year but not finalized so far.

SELECTED NOTES TO THE CONDENSED INTERIM **FINANCIAL INFORMATION**

FOR THE QUARTER ENDED MARCH 31, 2021

- d) Proceedings, under Rule 44(4) of the Income Tax Rules, 2002 for the FY 2014, 2015 and 2018 were initiated by the Assistant Commissioner Inland Revenue (ACIR), Large Taxpayer Unit, Karachi. For FY 2014 and FY 2015, the Bank had complied the aforesaid proceedings by submitting all the required reconciliations. There has been no further correspondence till date. For FY 2018, compliance of the proceeding is in progress and required reconciliations are submitted from time to time.
- e) The tax audit proceedings under Section 177 of the Income Tax Ordinance, 2001 for FY 2014 were initiated by the Deputy Commissioner Inland Revenue (DCIR), Audit Unit-3, Large Taxpayer Unit, Karachi. The Bank had complied the proceedings by providing all the required data/ information along with supporting documents etc. There has been no further correspondence till date in this regard.

In respect of above tax cases, based upon advise of its tax consultants, management expects favorable outcomes and is confident that significant outflow of economic resources will not be required, as a result of final decisions. Except as stated above, there is no other significant matter required to be disclosed.

13.2 **Commitments:**

There are no known material commitments as at 31st March 2021 (2020: Nil).

	<b>March 31, 2021</b> <b>Rupees</b>	March 31, 2020 Rupees
	<b>Un-audited</b>	Un-audited
<b>14 MARK-UP/RETURN/INTEREST EARNED</b>		
Mark-Up on Loans and Advances	<b>674,564,330</b>	600,722,478
Mark-Up on Deposit Accounts	<b>147,803,595</b>	170,925,531
Mark-Up on Investments in Government Securities	<b>25,616,158</b>	30,714,730
	<b>847,984,083</b>	802,362,739

	<b>Note</b>	<b>March 31, 2021</b> <b>Rupees</b>	March 31, 2020 Rupees
		<b>Un-audited</b>	Un-audited
<b>15 CASH AND CASH EQUIVALENTS</b>			
Cash and Balances with SBP and NBP	6	<b>1,346,061,788</b>	1,025,248,839
Balances With Other Banks/NBFIs/MFBs	7	<b>4,154,049,378</b>	4,603,929,885
		<b>5,500,111,166</b>	5,629,178,724

**16 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 statements are as under:

Nature of Relationship	Nature of Transactions	<b>March 31, 2021</b>	December 31, 2020
		<b>Rupees</b>	Rupees
		<b>Un-audited</b>	Audited
<b>Balances at period end:</b>			
Associated company	Deposits	<b>110,261,386</b>	146,393,251
	Share deposit money	<b>1,113,015,274</b>	963,015,274
	Insurance Claims Receivable	<b>442,372,389</b>	442,372,389
Key management personnel	Deposits	<b>1,204,708</b>	3,651,525
Directors / Sponsors / Shareholders	Deposits	<b>2,652,719</b>	1,873,015
	Share deposit money	<b>83,199,911</b>	83,199,911

SELECTED NOTES TO THE CONDENSED INTERIM **FINANCIAL INFORMATION**  
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Nature of Relationship	Nature of Transactions	March 31, 2021	March 31, 2020
		Rupees	Rupees
		Un-audited	Un-audited
<b>Transactions during the period:</b>			
Associated company	Deposits received	959,603,457	181,204,320
	Withdrawals	998,820,917	199,842,310
	Mark-up paid on deposits	3,085,595	1,421,422
	Share deposit money received	150,000,000	150,000,000
Key management personnel	Deposits received	31,725,506	30,492,615
	Withdrawals	34,167,545	30,381,199
	Mark-up paid on deposit	15,585	8,027
Directors / Sponsors / Shareholders	Deposits received	15,865,053	805,336
	Withdrawals	15,107,205	428,452
	Mark-up paid on deposits	21,858	24,396
Staff Provident Fund	Contribution made during the period	5,697,968	5,078,892

**17 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was approved and authorised for issue by the Board of Directors on **..April.30,2021....**

**18 GENERAL**

18.1 No significant reclassification / rearrangement of the corresponding figures has been made.

18.2 Figures have been rounded off to the nearest rupee unless otherwise stated.



President / CEO



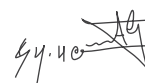
Chief Financial Officer



Chairman



Director



Director



Micro Finance  
**apna bank**  
Limited

Head Office:  
23 - A, Sunderdas Road,  
(Thandi Sarak) Zaman Park, Lahore.  
Tel : +92 42-36362475-76  
UAN : +92 42 111-771-772  
Email : [info@apnabank.com.pk](mailto:info@apnabank.com.pk)

[www.apnabank.com.pk](http://www.apnabank.com.pk)

