



Micro Finance
apna bank

Limited

formerly Network Microfinance Bank Limited

Annual Report 2012

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Vision

‘SELF RELIANCE THROUGH SELF GENERATION’

- 1 To strive and play our role in eradicating poverty by providing them opportunity to make t better on sustainable long term basis, through inculcating sense of participation, vision, prior and justified use of available resources; and providing required & justified financial ass
- 1 To proactively participate in socio-economic uplift of Micro Entrepreneurs.

Mission

- 1 Alleviating poverty by providing financial services and professional advice which have a lasting impact on our customers’ standard of living, their financial sustainability and growth in the generation.

Core Values

- 1 The Bank is aimed to inculcate a nurturing and invigorating corporate culture based on provi and healthy professional environment, where the employees are valued, respected, and able t their full potential.
- 1 The Bank expects its staff to be honest, truthful, straightforward, committed, and dedicated to and discharge their duties in a highly professional manner.
- 1 The following are the core values of the Bank, which will endeavor to, pursue the achievement short and long term goals / objectives.

Service

We care our valued customer

Creativity

We are Creative, Innovative, and Quality conscious

Honesty

We are Honest, Integrated, and Trustful

Growth

We provides equal opportunity and growth

Transparency

We are responsible, trustworthy and law abiding in all that we do

Reciprocity

We believe in building a top notch professional team

Corporate Information

Board of Directors

Chairman
Directors

Mr. Mian M. A. Shahid
Mr. Mohammad Azam Cheema
Mr. Shoaib Ahmed Butt
Ms. Shahida Bilquis
Mr. Qamar-uz-Zaman
Mr. Ejaz Ahmed Khan
Mr. Jamshed Iqbal Cheema
(Resigned on February 20, 2013)

President / Chief Executive

Mr. Ejaz Ahmed Khan

Company Secretary

Mr. Rafat Abbas

Chief Financial Officer

Mr. Abid Saghir Farooqui

Audit Committee of the Board

Chairman
Members

Mr. Shoaib Ahmed Butt
Mr. Qamar-uz-Zaman
Ms. Shahida Bilquis
Internal Auditor

Secretary

Executive Committee of the Board

Chairman
Members

Mr. Mohammad Azam Cheema
Mr. Shoaib Ahmed Butt
Mr. Mian M. A. Shahid
Mr. Qamar-uz-Zaman
Mr. Ejaz Ahmed Khan
Company Secretary

Member/ Secretary

Risk Management Committee of the Board

Chairman
Members
Member
Member/ Secretary

Mr. Qamar-uz-Zaman
Mr. Mohammad Azam Cheema
Mr. Ejaz Ahmed Khan
Head Risk Management

Human Resource & Remuneration
Committee of the Board

Chairman
Members

Mr. Mian M. A. Shahid
Mr. Mohammad Azam Cheema
Mr. Ejaz Ahmed Khan
Country Head HR

Member/ Secretary

Auditors

Riaz Ahmad & Co.
Chartered Accountants

Tax/ Legal Advisor

Ernst & Young Ford Rhodes Sidat Hyder
Agha Law Associates

Bankers

Bank Al-Falah Ltd
KASB Bank Ltd

	<p>Oman International Bank S.A.O.G. Silk Bank Ltd Summit Bank Ltd Tameer Microfinance Bank Ltd</p>
Registered & Head Office	<p>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</p>
Share Registrar	<p>Technology Trade (Pvt.) Ltd. Dagia House, 241-C, Block-2, P.E.C.H.S. Off. Shahrah-e-Quaideen, Karachi. Phone 021-34391316 - 17 Fax 021-34391318</p>
Branches	
Model Branch Gizri	<p>K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road, Gizri Karachi. Tel: 021-35865021-24</p>
Shahrah-e-Faisal, Branch	<p>2, Arika 80's 25-B, S.M.C.H.S., Shahrah-e-Faisal, Karachi Tel: 021-34324656-59</p>
II Chundrigar Branch	<p>1. Ground Floor, Sheet RY-9, Servey No. 11/9/A Railway Quarter II Chundrigar Road, Karachi. Tel: 021-32623667-68-69-70</p>
Bhens Colony Branch	<p>42/B Commercial Area, Road No. 8 Bhens Colony Karachi. Tel: 021-35081281-82-85.</p>
Napier Road Branch	<p>NPR 8/1 Napier Road, Juna Market, Karachi. Tel: 021-32527041-44</p>
Korangi Industrial Area Branch	<p>D/6 Future Colony, Korangi Industrial Area, Karachi. Tel: 021-35013400-02</p>
Liaquat Market, Malir Branch	<p>106-108 Liaquat Market Malir Colony Karachi. Tel: 021-34113781-83</p>
Mehmoodabad Branch	<p>169 Sheet No. M.A.C Mehmoodabad No. 2, Jamshed Town, Karachi. Tel: 021-35319240-41-42</p>
Shah Faisal Colony Branch	<p>H-26/4, Shah Faisal Colony No. 4, Karachi. Tel: 021-34601749-50</p>
North Karachi Branch	<p>LS-8, Street 11-K, North Karachi, Karachi. Tel: 021-36961067-68-71</p>
Orangi Town Branch	<p>LS-5 Sector 1/A, Street No. 9, Qazfi Chowk Orangi Town Karachi. Tel: 021-36652095-103</p>



Chairman's Message

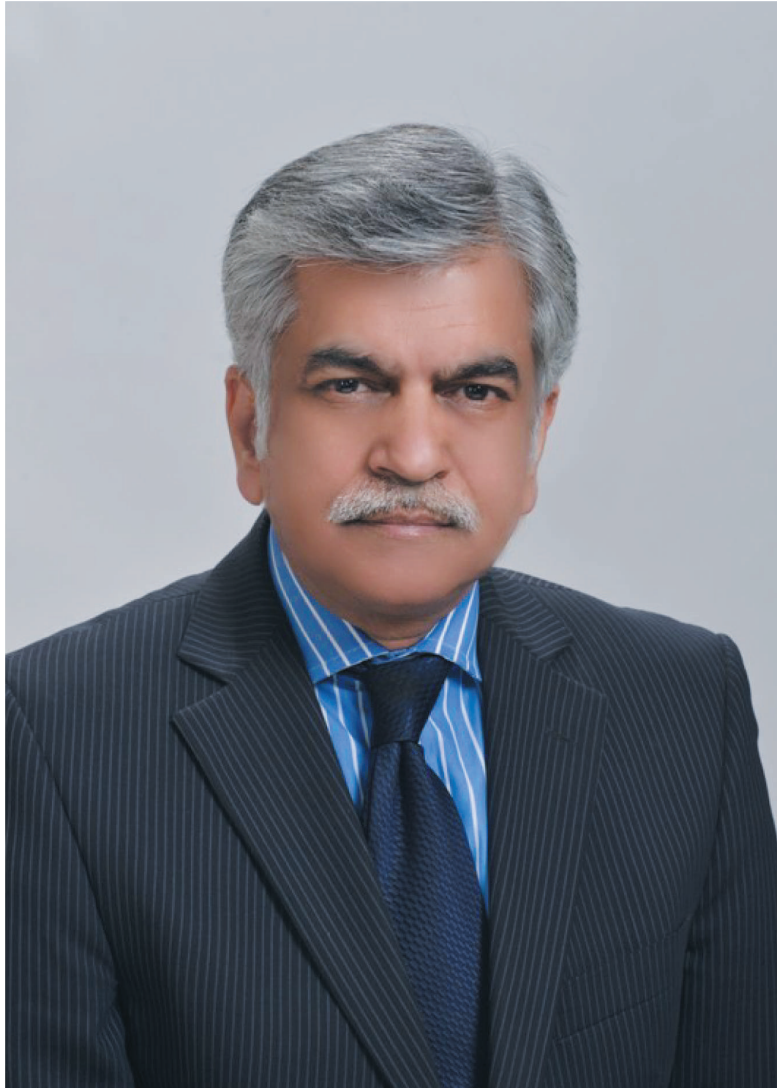
Apna Microfinance Bank (formerly Network Microfinance Bank) was acquired by us from Jahangir & Company Ltd and KASB Bank on January 24, 2012.

To become exemplary Microfinance Bank of the country through most moderate and best practices, unmatched services to our clients, timely and accurate information and assistance to the very devoted and dedicated efforts of all employees played a commendable role.

I extend my gratitude to the Directors, Management and staff for their untiring efforts and achievement. I further praise and thanks the State Bank of Pakistan, Securities & Exchange Commission Pakistan and Karachi Stock Exchange for their kind support and guideline.

Sincerely

Mian M. A. Shahid
Chairman



President / CEO's Message

By the grace of Allah, we have completed our first year of operations. The year 2012 has been a year for us as we have successfully revamped the Apna Microfinance Bank Ltd.

We have an ambitious vision. Our aim is to alleviate the poverty by serving the low income, underbanked segment of the society to up lift their socio-economic conditions by providing unmatched affordable diversified full range of financial products & services.

My appreciation and gratitude goes to my team for their dedication and untiring hard work, with the name of Apna Bank on the horizon of Microfinance industry in a very short span of time as a viable, customer friendly and a modern bank.

My sincere gratitude to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange for their continuous support and guidance. Last but not the least to our customers for their patronage.

Let us work together for the prosperity of all the stake holders.

Sincerely

Ejaz Ahmed Khan
President / CEO

Board of Directors



Mian M.A. Shahid



M. Azam Cheema



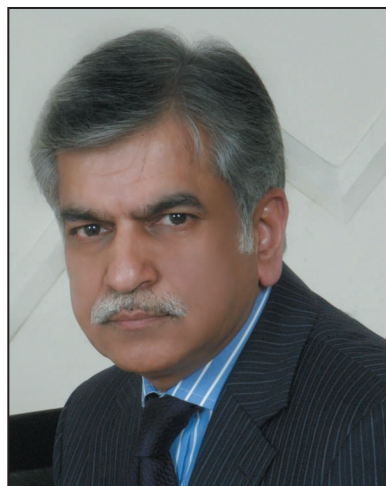
Shoaib Ahmad Butt



Shahida Bilquis



Qamar uz Zaman



Ejaz Ahmed Khan

Management



Jaffar Khaneni, Abid Saghir, Ejaz Ahmed Khan, Rafat Abbas, Chaudhary Iqbal Habib, Zaheer Ahmed Paracha (from Left to right)

Key Financial and Operational Data at a Glance

	2012	2011	2010	2009	2008	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial Data							
Total Assets	800,380,366	219,406,764	251,858,520	351,410,595	193,118,316	202,334,652	114,293,238
Advances and micro leases - net of provisions	121,788,004	2,916,117	49,400,681	87,892,252	62,891,194	41,962,359	48,008,642
Borrowings	-	-	-	-	-	9,385,750	29,701,750
Deposits	468,024,864	11,428,169	29,026,551	110,905,847	101,255,112	83,338,321	3,726,894
Share Capital	300,000,000	300,000,000	300,000,000	300,000,000	150,000,000	100,000,000	100,000,000
Share Deposit money	153,000,000	-	-	-	-	-	-
Accumulated Loss	(139,997,003)	(92,244,880)	(79,926,144)	(61,462,696)	(61,650,237)	(45,715,794)	(25,440,773)
Operating Data							
Mark-up / return / interest earned	50,188,635	33,342,367	48,870,597	49,855,431	29,822,541	16,861,437	17,115,940
Mark-up / return / interest expensed	16,771,663	967,339	3,563,414	4,409,739	4,483,783	1,320,045	1,707,413
Pre-operating and preliminary expenses	-	-	-	-	-	-	-
Administrative expenses	81,190,936	38,699,931	50,496,759	45,137,615	38,289,291	35,081,170	24,976,732
Profit / (Loss) before taxation	(45,250,237)	(13,985,312)	(17,968,250)	510,218	(15,970,648)	(20,190,714)	(7,184,979)
Profit / (Loss) after taxation	(45,752,123)	(14,318,736)	(18,463,448)	250,055	(15,934,443)	(20,275,021)	(7,306,235)
EPS	(1.53)	(0.48)	(0.62)	0.01	(1.06)	(2.03)	(0.73)

Directors' Report

On behalf of the Board of Directors, I am pleased to present the audited Financial Statements for the year ended December 31, 2012.

Change in the Composition of the Board of Directors and Change of Management

On January 24, 2012 a Group of Investors (GOI) acquired 70.82% shareholding of the Bank from Siddiqui Company Limited (JSCL), 11.20% from KASB Bank (KASB) and 9% via a public offer raising the combined shareholding of the GOI to 91%. Consequently, the Board of the Bank was reconstituted on January 24, 2012 and the management of the Bank was transferred to the GOI.

On March 06, 2012 the name of the Bank was changed from Network Microfinance Bank Limited to Microfinance Bank Limited.

Operational and Financial Review

The Bank posted a loss before taxes of PKR 45.25 million during the year ended 2012 as compared to a loss of PKR 13.98 million in the corresponding period last year. The increase in losses during the year was mainly due to one time expense of PKR 3 million relating to increase in authorized capital of the Bank, settlement expense relating to the previous management of PKR 1 million and general increased Human Resource Cost of the Bank since the new management has undertaken restructuring of the Bank in order to gear up the Bank for national level operations and make the Bank a viable institution. During the year the bank has incurred capital expenditure of PKR 14.62 million on operating fixed assets, PKR 8.5 million for up-gradation of software system and Rs.33.28 million for renovation of new branches. The loss for the year ended December 31, 2012 was Rs.152 (Year Ended December 31, 2011: Rs. 0.48).

During the year 2012, different committees were reconstituted, TORs and Bank policies revised to meet the bank requirements and to comply SBP Regulations. Furthermore, morale of the bank employees was improved by selectively revising their compensation package.

As per Bank's plan to increase lending in the year 2012 and as expected, the advances portfolio has shown a healthy growth and has increased to PKR126.62 million in comparison to December 31, 2011 of PKR 100 million. The bank's liquidity profile remains strong at PKR 596.43 million in liquid assets which is approximately 74.50% of our total assets.

The Bank has also upgraded the core banking application of the Bank in order to enhance the competitiveness of the Bank and reach national level scale of operations.

Future Outlook

The Bank plans to enhance its capital to PKR1 billion and acquire a National Level License from the State Bank of Pakistan, which would enable the Bank to expand its operations at National Level, and enhance the Bank's image as a commercially viable Microfinance Bank. As a first step to acquiring the National Level License from the State Bank of Pakistan, on February 14, 2012 the Bank held its Extra Ordinary General Meeting wherein it enhanced the authorized capital of the Bank from the present level of PKR500 million to PKR 1500 million. During the year, approval from SBP has been obtained to open six more branches in Karachi to increase our out reach to poor and un-served segment of the society. All the branches have been successfully completed and are fully operational which has increased its reach in the Microfinance sector. Furthermore, the bank has renovated and relocated its existing branches at more appropriate locations to enhance the business and serve the people at their door steps. The increase in branches has helped in raising awareness about Apna Microfinance Bank, and now the Bank is well known in the community and

As a result of hard work and dedication shown by the management, the State Bank of Pakistan has granted a grant of PKR 36.081 million under Institutional Strengthening Fund (IFS) for Advancement of Software and Human Resource Development. The disbursement of grant is expected after completing all formalities.

At the year end the bank has setup its own ATM facility after completing all formalities from Issuer Identification Number to installation of ATM. All the necessary testing by 1 Link for encrypted data connectivity has been tested and confirmed. Finally it is expected that by the end of first quarter the ATM facility will be available for its employees and customers.

Credit Rating

The Pakistan Credit Rating Agency (Pvt) Ltd. has maintained the long term and short term rating of the Bank to "BBB" (Triple B) and "A3" (A Three) respectively, with a "Positive future Outlook". These ratings denote an adequate capacity for timely payment of financial commitments.

Corporate Governance

As required under the Code of Corporate Governance, the Board of Directors states that:

- The Financial Statements have been prepared by the management of the Bank and present a true and fair view of the state of affairs of the bank, the results of its operations, cash flow statement and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied. In the preparation of the financial statements, accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applied in Pakistan have been followed in the preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the ability of the Bank to continue as a going concern.
- No payment has been remained outstanding on account of any taxes, duties, levies and other statutory obligations.

Employees Benefit Scheme

The bank operates a funded provident fund scheme covering all its permanent employees. The unutilized balance of the fund as at December 31, 2012 was PKR 3,326,544/-

Transfer Pricing

All transactions with related parties undertaken during the financial year were at arm length and comparable controlled price method, as admissible in the best interest of the Bank.

Matter of Emphasis

- a) Reference to the note 1.5 to the financial statement for minimum capital requirement, we have requested the State Bank of Pakistan for an extension of time from December 31, 2012. We have received an amount of Rs. 153 million from our directors against share money to complete the short fall in capital requirement and accordingly intimated to State Bank of Pakistan on December 21, 2012. The right share procedure will be completed in due course.

- b) We have hired a Chartered Accountant firm for the reconciliation of head office and branch. They have completed their job and adjusting entries have been ready for recording in the head office & branches. After recording of adjustments our inter-branch balances will be re-minimum amount. The amount showing in inter-branch balances are being adjusted systematically within 30 days.

Auditors

Our ex-auditors M/S Ford Rhodes Sidat Haider & Co., Chartered Accountants retire after completing fifth annual audit of the Bank. M/S. Riaz Ahmad & Co., Chartered Accountants being eligible to audit of the Bank have provided their consent for appointment as Auditors of the Bank. They recommended their appointment for the year ending December 31, 2013.

Pattern of Shareholding

The pattern of shareholding is annexed to the annual report.

Acknowledgement

We would like to take this opportunity to thank our valued clients, shareholders and other stakeholders for their patronage and confidence and our management and employees for their dedication and hard work.

We would also like to express our gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Karachi Stock Exchange for their continued guidance and support.

Karachi: March 1st, 2013

On behalf of the Board



Ejaz Ahmed Khan
President and CEO

STATEMENT SHOWING ATTENDANCE OF BOARD MEETINGS FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

Seven (7) Board meetings were held during the year 2012 and attended as follows

Name of Directors	Meetings Due	Meetings Attended
Mr. Khair Mohamed Junejo	1	1
Mr. Nazar Mohammad Shaikh	1	1
Mr. Kamal Afsar	1	0
Mr. S. M. Rahmanullah	1	1
Ms. Farah Qureshi	1	1
Mr. Mohammad Siddiq Khokhar	1	1
Mr. Zainul Abidin Memon	1	1
Mr. Jamshed Iqbal Cheema	7	6
Mr. Muhammad Azam Cheema	7	6
Mr. Muhammad Akram Shahid	7	5
Mr. Qamar-uz-Zaman	7	4
Mr. Shoaib Ahmed Butt	7	7
Ms. Shahida Bilquis	7	4
Mr. Ejaz Ahmed Khan	7	7

STATEMENT SHOWING ATTENDANCE OF BOARD AUDIT COMMITTEE MEETINGS FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

Four (4) Board Audit Committee meetings were held during the year 2012 and attended as follows:

Name of Directors	Meetings Due	Meetings Attended
Mr. Qamar-uz-Zaman	4	2
Mr. Shoaib Ahmed Butt	4	4
Ms. Shahida Bilquis	4	4

ETHICS AND BUSINESS PRACTICES

All employees of Apna Microfinance Bank Limited, hereafter called AMBL, are required to follow the Code of Ethics and Business Practices in all areas of professional conduct. They must abide by the Laws and Rules

- All the employees are required to comply with all the laws, rules and regulations governing the Bank including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow the instructions given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non compliance with unethical demands, which is detrimental or detrimental to work performance or the career of any employee in any capacity.
- Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorised absences.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic, religious or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgment in the best interest of the Bank and its clients. The Human Resource & Recruitment Department must be informed in case an employee:
 - Holds an outside directorship; carries on business activity outside; holds majority shares/ interest in a public or private business; takes direct advantage of securities of a public listed company as a client's personal representative.
 - No employee shall bring political or other outside pressure/ influence to bear on the authorities or officers or use the media with intent to induce them to act in a manner inconsistent with the Bank's matter relating to the Bank.
 - Employees are prohibited from any engagement outside the Bank without prior approval of the Human Resource & Recruitment Department. Employees with financial or other interest in an outside business must declare in advance by writing and seek no objection.
 - Employees shall not borrow from or lend personal funds or property to any Client or Vendor or establish a relationship with the Bank except on market terms and conditions from financial institution. Borrowing or lending in personal capacity within the Bank is prohibited.
 - Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activities committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource & Recruitment Department. Receipts of funds can only be issued on prescribed forms.
 - Disciplinary action may be taken in case of misconduct or unsatisfactory performance or breach of above mentioned rules; willful insubordination; breach of confidential material; use of drugs or alcohol; falsification of documents; violation of safety/health rules; insider trading; parallel banking; money laundering and any act detrimental to the Bank's business.

Workplace Environment

- The Bank is committed to creating and maintaining a working, learning and customer care environment which is free from violence and has zero tolerance for violence against any employee or its assets.
- Employees are not allowed to play practical jokes or pranks on each other, indulge in horseplay, or share immoral jokes with other employees or the outside world, through Apna bank email, computer, or cell phones.
- Employees are prohibited to use, exchange, or sell intoxicants or drugs in the work place or work under their influence.
- Employees are required to maintain proper dress code, appear well groomed and presentable at all times. Livery staff should be in their proper uniform. High standards of behavior and discipline in all areas are to be maintained at all times.

Responsibilities towards Employer (AMBL)

- Employees must raise concerns and suspicions, in confidence, about any actual or potential activity or misconduct according to the process in Whistle Blowing Policy and the Anti Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- Guidance must be sought from relevant department in case any employee receives any demand for request for information from outside party including law enforcement agencies.
- Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Internet Usage Policy and Acceptable Use Policy.
- Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise integrity of Bank's record.
- Employees are required to identify all conflicts of interest and declare them immediately, in all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.

Information Management

- All employees shall regard as strictly confidential any information concerning the business of the Bank which is not intended to be made public unless required to do so under the law, consistent with the Human Resource & Recruitment Department in case of ambiguity about a required disclosure. Confidential information must only be shared with employees on a need to know basis consistent with their job assignments as set out in Information Security and Governance Policies.
- All customers' related information should be kept secret, used for intended purpose only and further use should be allowed only after prior consent of the concerned customer.
- Employees should protect the privacy and confidentiality of personnel records, not sharing them internally or outside the Bank except after approval by Human Resource & Recruitment Department.
- Employees should not use Bank's facilities to access, download or distribute personal or confidential information, including any material that may pose reputational risk to the Bank. Secrecy of information must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet or email is deemed inappropriate in the workplace. Private telephone conversations must be kept to a minimum during office hours.
- Only officially designated spokesperson, as provided under the Bank's Media Policy, may speak or make comments about the Bank to the media.

Relationship with and Responsibilities to Customers, Prospects and other External Constituencies

- Employees must always act fairly, equitably and objectively with all customers, prospects, and other external constituencies. Highest degree of integrity, honesty, propriety and loyalty to the interest of the Bank, its customers and regulators is a must.

- Employees are not authorized to accept or agree to accept any gifts or conveyance of a value from any current or prospective Apna bank customers or vendors or any person with a business relationship with the Bank with exception of the following
- Gifts that relate to commonly recognized events or occasions such as a promotion, new job, retirement etc. provided those gifts are of reasonable value.
- Gifts from a person who has a business relationship with the Bank, provided the acceptance is on a relationship existing independent of the business of the Bank and reported to the Human Resources & Recruitment Department.
- Benefits available to the general public e.g. advertising or promotional materials, and discounts or rebates on merchandise or services
- Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.

Other Key Legal/Compliance Rules and Issues

- Employees are strictly prohibited to engage in insider trading, buying or selling Bank's securities or stocks or otherwise benefitting from sharing inside information, whether obtained through work or outside sources.
- AMBL fully supports the intended drive against serious crime and is committed to assist law enforcement authorities to identify money laundering transactions and where appropriate to confiscate the proceeds of crime. Employees must follow the Anti Money Laundering Policy and Procedures.
- Violation of any of the clauses of this 'Code of Ethics' by any employee, may lead to disciplinary proceedings culminating in punishment as per merits of the case.

March 1, 2013

Statement of Compliance with the Code of Corporate Governance for the Year Ended December 31, 2012

Name of company: Apna Microfinance Bank Limited.

Year ending: December 31, 2012.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation no. 35 of the listing Regulations of the Karachi Stock Exchanges Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Names	Category
Mr. Jamshed Iqbal Cheema	Chairman/ Independent/ Non- executive director
Mr. Mohammad Azam Cheema	Independent/ Non- executive director
Mr. Mohammad Akram Shahid	Independent/ Non- executive director
Mr. Qamar- uz- Zaman	Independent/ Non- executive director
Mr. Shoaib Ahmad Butt	Independent/ Non- executive director
Ms. Shahida Bilquis	Independent/ Non- executive director
Mr. Ejaz Ahmed Khan	President& CEO/ Independent/ executive director

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank. (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year. However the Group of investors has acquired the Bank on January 24, 2012 and taken the management control.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors have been taken by the Board/Shareholders. The CEO is working on contract basis.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with listing regulations, legal requirement and operational imperatives of the Bank, and as such are fully aware of their duties and responsibilities. At present, no Director has acquired the formal Directors Training Certificate.
10. The board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employments.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed Human Resource and Remuneration Committee comprises of non-executive directors and the duties has been deputed as per CCG term and conditions
16. The Board has formed an audit committee. It comprises of three members, who are non-executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Karachi Stock Exchange Limited.
22. Material/ price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange Ltd.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following toward which reasonable progress is being made by the Bank to seek compliance by the end of next accounting year.
 - i) Training programs for its directors during the year.



Chairman

Karachi: March 1, 2013

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of APNA MICROFINANCE BANK LIMITED {formerly, Network Microfinance Bank Limited} ("the Bank") to comply with the Listing Regulations of Karachi Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

"Further" the Listing Regulations of Karachi Stock Exchange require the Bank to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The non compliance with the Code with respect to training programs for directors has been mentioned in clause 23 of the Statement of Compliance.

Based on our review, except for the non-compliance referred above, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2012.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Kamran Nasir

Date: March 1, 2013

KARACHI

FORM 34
THE COMPANIES ORDINANCE 1984
(Section 236(l) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number 0045352
2. Name of the Company APNA MICRO FINANCE BANK LTD.
3. Pattern of holding of the shares held by the shareholders as at December 31, 2012

Number of Share holders	Shareholdings	Total Share Held
125	Shareholding From 1 To 100	1,435
83	Shareholding From 101 To 500	34,235
31	Shareholding From 501 To 1000	28,849
34	Shareholding From 1001 To 5000	95,450
7	Shareholding From 5001 To 10000	53,900
3	Shareholding From 10001 To 15000	35,005
2	Shareholding From 15001 To 20000	34,005
3	Shareholding From 20001 To 25000	71,000
1	Shareholding From 25001 To 30000	25,608
1	Shareholding From 65001 To 70000	68,000
1	Shareholding From 80001 To 85000	84,500
1	Shareholding From 230001 To 235000	234,000
1	Shareholding From 325001 To 330000	325,785
1	Shareholding From 450001 To 455000	450,904
1	Shareholding From 680001 To 685000	682,552
1	Shareholding From 1155001 To 1160000	1,155,200
1	Shareholding From 2110001 To 2115000	2,113,773
2	Shareholding From 3275001 To 3280000	6,552,510
2	Shareholding From 5975001 To 5980000	11,954,844
1	Shareholding From 5995001 To 6000000	5,998,445
302		30,000,000

CATEGORIES OF SHAREHOLDERS AS AT DECEMBER 31, 2012

Categories of Shareholders	Shares Held	Percentage
INSURANCE COMPANIES		
UNITED INSURANCE COMPANY OF PAKISTAN LIM	1,155,200	
EAST WEST INSURANCE CO. LTD.	2,250	
Sub-Totals :	1,157,450	3.86
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
Sub-Totals :	0	0.00
OTHERS		
ZHV SECURITIES (PVT) LIMITED	402	
PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	149	
DARSON SECURITIES (PVT) LIMITED	673	
TIME SECURITIES (PVT.) LTD.	114	
FIRST NATIONAL EQUITIES LIMITED	1	
ACE SECURITIES (PVT.) LIMITED	5,900	
FAIR EDGE SECURITIES (PRIVATE) LIMITED	1,000	
Sub-Totals :	8,239	0.03
INDIVIDUAL		
Local - Individuals	28,834,311	
Sub-Totals :	28,834,311	96.11
G-Totals :	30,000,000	100.00

APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES 5.00% AND ABOVE
FOR THE YEAR ENDED DECEMBER 31, 2012

Serial Number	CDC Folio Number	Name, Father/Husband Name & Address of Share Holder(s)	Number of Shares
1	CDC-05264-036702C	MUHAMMAD AKRAM SHAHID CHAUDHRY MUHAMMAD RASHID 70-E, MODEL TOWN, LAHORE 352001-435460-5	5,998,445
2	CDC-03525-079255IIA	MUHAMMAD AZAM CHEEMA MUHAMMAD KHAN AURIGA GROUP, 33 KM MULTAN ROAD LAHORE 35202-5821322-5	5,977,422
3	CDC-03525-079256IIA	JAMSHED IQBAL MUHAMMAD HAJI 33 KM, MULTAN ROAD, AURIGA GROUP LAHORE 35202-8012845-3	5,977,422
4	CDC-03525-079285IIA	QAMAR UZ ZAMAN MAHR MUHAMMAD ASHRAF 481-Z, PHASE III DHA LAHORE 33100-1006566-9	3,276,255
5	CDC-03525-079249IIA	SHOAIB AHMAD BUTT MUHAMMAD HASSAN BUTT 51-E-II, JOHAR TOWN LAHORE 35202-1730007-3	3,276,255
6	CDC-03525-079254IIA	SHAHIDA BILQUIS MUHAMMAD SAEED AKHTAR 128-E-II, MODEL TOWN LAHORE 35202-3026464-8	2,113,773
7	CDC-03525-21477	EJAZ AHMED KHAN CHAUDHARY MUHAMMAD RAMZAN KHAN HOUSE NO. 12-F, SUI NORTHERN OFFICERS CO-OPERATIVE HOUSING SOCIETY, CANTT, LAHORE 33100-0601125-1	682,552
Total Shares			27,302,124

Financial Statements

December 31, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of APNA MICROFINANCE BANK LIMITED (formerly Network Microfinance Bank Limited) ('the Bank') as at December 31, 2012, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001;
- b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and Microfinance Institutions Ordinance, 2001, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at **December 31, 2012**, and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980).

Emphasis of matters

We draw attention to the following matters:

- a) note 1.5 to the financial statements describes the matter relating to shortfall against the minimum capital requirement of the Bank as at December 31, 2012, the extension obtained from State Bank of Pakistan up to December 31, 2012 and the management's endeavors to achieve the compliance through right issue and expected equity injection by potential investors.
- b) note 14 to the financial statements discloses the net credit balance of Rupees 4.751 million pertaining to unadjusted inter-branches current account, which includes transactions beyond 30 days.

Our opinion is not qualified in respect of the above matters.

Other matter

The financial statements of the Bank for the year ended December 31, 2011 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated March 3, 2012.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of the engagement partner:
Muhammad Kamran Nasir

Date: March 1, 2013

KARACHI

APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
BALANCE SHEET
AS AT DECEMBER 31, 2012


	Note	2012 Rupees	2011 Rupees
ASSETS			
Cash and balances with SBP	7	46,166,761	1,861,782
Balances with other banks/MFBs	8	395,535,805	3,296,157
Lending to financial institutions		-	-
Investments	9	154,951,281	201,678,143
Advances-net of provisions	10	121,788,004	2,916,117
Operating fixed assets	11	56,755,305	7,916,554
Other assets	12	25,183,210	1,738,011
Deferred tax assets		-	-
Total assets		800,380,366	219,406,764
LIABILITIES			
Deposits and other accounts	13	468,024,864	11,428,169
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	14	19,353,370	2,173,464
Deferred tax liabilities		-	-
Total liabilities		487,378,234	13,601,633
NET ASSETS		313,002,132	205,805,131
REPRESENTED BY:			
Share capital	15	300,000,000	300,000,000
Statutory and general reserves		50,011	50,011
Accumulated loss		(139,997,003)	(94,244,880)
		160,053,008	205,805,131
Surplus/(deficit) on revaluation of assets		(50,876)	-
Deferred grants		-	-
Share deposit money		153,000,000	-
		313,002,132	205,805,131

MEMORANDUM/OFF BALANCE SHEET ITEMS 16

The annexed notes 1 to 30 form an integral part of these financial statements.


Ejaz Ahmed Khan
 President & CEO


Mian M. A. Shahid
 Chairman


M. Azam Cheema
 Director


Shoaib Ahmad Butt
 Director


APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2012


	Note	2012 Rupees	2011 Rupees
Mark-up/return/interest earned	17	50,188,635	33,342,367
Mark-up/return/interest expensed		(16,771,663)	(967,339)
Net mark-up/interest income		33,416,972	32,375,028
Provision against non-performing loans and advances	10.2	(4,005,726)	(10,079,748)
Provision for diminution in the value of investments		-	-
Recovery against bad debts written off		3,753,488	2,358,110
Bad debts written off directly		-	-
		(252,238)	(7,721,638)
Net mark-up/interest income after provisions		33,164,734	24,653,390
Non mark-up/non interest income			
Fee, commission and brokerage income		1,801,801	-
Dividend income		-	-
Other income	18	974,164	61,229
Total non mark-up/non interest income		2,775,965	61,229
		35,940,699	24,714,619
Non mark-up/non interest expenses			
Administrative expenses	19	(81,190,936)	(38,699,931)
Other provisions/write offs		-	-
Other charges		-	-
Total non mark-up/non interest expenses		(81,190,936)	(38,699,931)
		(45,250,237)	(13,985,312)
Extra ordinary/unusual items		-	-
Loss before taxation		(45,250,237)	(13,985,312)
Taxation - Current	20	(501,886)	(333,424)
Prior year		-	-
Deferred		-	-
		(501,886)	(333,424)
Loss after taxation		(45,752,123)	(14,318,736)
Accumulated loss brought forward		(94,244,880)	(79,926,144)
		(139,997,003)	(94,244,880)
Appropriations			
Transfer to			
Statutory reserve		-	-
Capital reserve		-	-
Contribution to MSDF/ DPF/ RMF		-	-
Revenue reserve		-	-
Proposed cash dividend Rupee Nil per share		-	-
2011: Rupee Nil per share)		-	-
Others		-	-
		-	-
Accumulated loss carried forward		(139,997,003)	(94,244,880)
Loss per share - basic and diluted	22	(1.53)	(0.48)

The annexed notes 1 to 30 form an integral part of these financial statements.


Ejaz Ahmed Khan
President & CEO


Mian M. A. Shahid
Chairman


M. Azam Cheema
Director


Shoaib Ahmad Butt
Director

APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Rupees	2011 Rupees
Loss after taxation	(45,752,123)	(14,318,736)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(45,752,123)</u>	<u>(14,318,736)</u>

Surplus / (deficit) on revaluation of available for sale investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan.

The annexed notes 1 to 30 form an integral part of these financial statements.



Ejaz Ahmed Khan
President & CEO



Mian M. A. Shahid
Chairman



M. Azam Cheema
Director



Shoaib Ahmad Butt
Director


APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012


Note	2012 Rupees	2011 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(45,250,237)	(13,985,312)
Adjustments for non-cash items		
Depreciation	2,656,958	2,121,232
Amortization	786,749	235,548
Provision against non-performing advances	4,005,726	10,079,748
Gain on sale of fixed assets	(263,225)	(18,332)
	7,186,208	12,418,196
	(38,064,029)	(1,567,116)
(Increase) / decrease in operating assets		
Advances	(122,877,613)	36,404,816
Other assets	(23,459,919)	1,673,648
	(146,337,532)	38,078,464
Increase / (decrease) in operating liabilities		
Deposits	456,596,695	(17,598,383)
Other liabilities	17,179,906	(534,637)
	473,776,601	(18,133,020)
	289,375,040	18,378,328
	(487,166)	(128,450)
Net cash inflow from operating activities	288,887,874	18,249,878
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(71,361,220)	126,949,087
Net investments in held for trading securities	(78,500,000)	-
Net investments in held to maturity securities	48,836,296	-
Investments in operating fixed assets	(43,296,234)	(17,110)
Investments in intangible assets	(8,994,999)	-
Sale proceeds of operating fixed assets disposed off	272,000	26,000
Net cash (used in) / flow from investing activities	(153,044,157)	126,957,977
CASH FLOW FROM FINANCING ACTIVITIES		
Share deposit money	153,000,000	-
Net cash flow from financing activities	153,000,000	-
Increase in cash and cash equivalents for the year	145,207,855	-
Cash and cash equivalents at the beginning of the year	157,999,786	12,791,931
Cash and cash equivalents at the end of the year	23 446,843,503	157,999,786

The annexed notes 1 to 30 form an integral part of these financial statements.


Ejaz Ahmed Khan
President & CEO


Mian M. A. Shahid
Chairman


M. Azam Cheema
Director


Shoaib Ahmad Butt
Director

APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital	Statutory Reserve	Accumulated Loss	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at December 31, 2010	300,000,000	50,011	(79,926,144)	220,123,867
Comprehensive loss for the year				
Loss after taxation	-	-	(14,318,736)	(14,318,736)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(14,318,736)	(14,318,736)
Balance as at December 31, 2011	300,000,000	50,011	(94,244,880)	205,805,131
Comprehensive loss for the year				
Loss after taxation	-	-	(45,752,123)	(45,752,123)
Other Comprehensive Income	-	-	-	-
Total comprehensive loss for the year	-	-	(45,752,123)	(45,752,123)
Balance as at December 31, 2012	300,000,000	50,011	(139,997,003)	160,053,008

The annexed notes 1 to 30 form an integral part of these financial statements.



Ejaz Ahmed Khan
President & CEO



Mian M. A. Shahid
Chairman



M. Azam Cheema
Director



Shoaib Ahmad Butt
Director

APNA MICROFINANCE BANK LIMITED (FORMERLY NETWORK MICROFINANCE BANK LIMITED) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1** Apna Microfinance Bank Limited (formerly Network Microfinance Bank Limited) ("the Bank") was incorporated on 08 May 2003 as a public limited company under the Companies Ordinance, 1984. The Bank was granted a certificate of commencement of business on December 28, 2004 and its operations started from January 01, 2005. Its shares are listed on Karachi Stock Exchange. 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 operates 11 branches as at December 31, 2012 (2011: 05 branches) and its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi.
- 1.2** The name of the Bank was changed from Network Microfinance Bank Limited to Apna Microfinance Bank Limited on March 06, 2012.
- 1.3** During the last year, a public announcement was made by a group of investors (GOI) with respect of its intention to acquire 82% of shares of Network Microfinance Bank Limited (NMBL). On September 12, 2011, majority stakeholders of the Bank, Jahangir Siddiqui Company Limited (JSCL) and KASB Bank (KASB) signed a Share Purchase Agreement with the GOI for sale of their entire holding of 70.82% and 11.20% respectively to the GOI. As per the requirements of Regulation 8 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations 2008 the GOI made a Public Offer to acquire 9% capital of the Bank from the remaining shareholders on October 24, 2011. The transaction was completed on January 24, 2012 and 27,302,124 shares which included shares purchased via public offer and the share purchase agreement with JSCL and KASB representing 91% of the issued share capital of the Bank were transferred to the GOI. Consequently, the Board of the Bank has been reconstituted effective from January 24, 2012 and the management of the Bank has been transferred to the GOI during the year.
- 1.4** Authorized share capital of the Bank has been increased from Rupees 500 million to Rupees 1,500 million during the year.
- 1.5** Prudential Regulations for Microfinance Banks (MFBs) prescribe the Minimum Capital Requirements. The Regulation 4 inter alia requires that all MFBs which are licensed to operate in a specified district have to maintain minimum paid up capital of at least Rupees 250 million free of losses. Where MFBs do not meet the aforesaid minimum paid up capital requirement, they were advised to enhance their Capital during three years from the year ended December 31, 2011 to the year ending December 31, 2013.

As at December 31, 2012, minimum capital requirement for the Bank was Rupees 250 million. However, the Bank's capital (free of losses) stood at Rupees 160.053 million as at December 31, 2012. The Bank obtained extension from SBP vide letter No. BSD/BAID/608/ 6180/2012 dated May 18, 2012 to meet the minimum capital requirement up to December 31, 2012. The management is now in the process of applying for further extension in view of its plan to enhance the paid-up capital of the Bank and extending its operations nationwide that was already communicated to SBP.

The sponsor directors of the Bank have deposited an amount of Rupees 153 million with the Bank on December 21, 2012 as Share Deposit Money that was also informed to SBP by the management vide letter No. AMBL/CEO/OSD/646/12 dated December 21, 2012. The share deposit money received from sponsor directors will be converted into paid-up share capital upon issuance of right shares, thereby meeting the prescribed minimum capital requirement. The management of the Bank believes that the amount of Rupees 153 million deposited by the sponsor directors will be considered as equity of the Bank till the date of issuance of shares. The management is, however, proactively negotiating with certain potential investors to raise the equity up to national level operations in accordance with the Prudential Regulations for Microfinance Bank.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with BSD Circular No.11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the directives issued by the SECP and SBP differ with the requirements of the IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the requirements of the said directives take precedence.

- 3.1** 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.

3.2 New and amended standards and interpretations became effective during the year

There were amendments to IFRS-7 and IAS-12 effective for the year which do not have any impact on the financial statements of the Bank. Further, in May 2010, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 3 - Business Combinations
 - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
 - Measurement of non-controlling interests (NCI)
 - Un-replaced and voluntarily replaced share-based payment awards
- IAS 1 - Presentation of Financial Statements
 - Clarification of statement of changes in equity
- IAS 27 - Consolidated and Separate Financial Statements
 - Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements
- IAS 34 - Interim Financial Reporting
 - Significant events and transactions
- IFRIC 13 - Customer Loyalty Programmes
 - Fair value of award credits

Adoption of the above standards, amendments and interpretations will either have no effect on the financial statements of the Bank or would impact only to the extent of certain increased disclosures.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2013:

- Amendments to IAS 1 'Presentation of Financial Statements: Financial statement presentation' regarding other comprehensive income (effective for annual periods beginning on or after July 1, 2012). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment will affect only the presentation of financial statements.

- Amendments to IAS 19 - Employee Benefits (Revised): For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / expense. All other changes in the net defined benefit asset / liability are recognized in other comprehensive income with no subsequent recycling to profit and loss. These amendments have no impact on the financial statements of the Bank.
- Amendments in IAS 28 Investments in Associates: As a consequence of the new IFRS 11 Joint Arrangements, IAS 28 Investments in Associates, has been renamed as IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013. The amendment results in no impact on the Bank's financial statements.
- Amendments in IAS 32 Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014). These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. It is clarified that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. Further clarifying offsetting criteria to settlement systems, the IAS 32 requires the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. These amendments may affect the Bank's financial statements to the extent of presentation and disclosures only.
Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2013
IFRS 10 – Consolidated Financial Statements	January 1, 2013
IFRS 11 – Joint arrangements	January 1, 2013
IFRS 12 – Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13 – Fair Value Measurement	January 1, 2013

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments which are measured as per accounting policy.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with 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. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

- Classification and valuation of investments (Note 6.2)
- Provision against non-performing advances (Note 6.3)
- Residual values and useful lives of assets and methods of depreciation (Note 6.4)
- Recognition of current and deferred taxation (Note 6.5)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

6.1 Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand, balances with State Bank of Pakistan (SBP), National Bank of Pakistan and balances held with other banks in current and investment in treasury bills having maturity of less than three months.

6.2 Investments

The investments of the Bank, upon initial recognition, are classified as held-for-trading, held-to-maturity or available-for-sale, as appropriate.

Investments (other than held-for-trading) are initially measured at fair value plus transaction costs associated with investments. Held-for-trading investments are initially measured at fair value and transaction costs are expensed out in the profit and loss account.

Purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investments.

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists. After initial measurement, such investments are carried at fair value and the surplus / (deficit) arising as a result of revaluation is taken to profit and loss account.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities in respect of which the Bank has the positive intent and ability to hold to maturity. After initial measurement, such investments are carried at amortized cost less impairment, if any.

Available-for-sale

These represent securities, which do not fall under the held-for-trading or held-to-maturity categories. After initial measurement, such investments are measured at fair value. The surplus/ (deficit) arising on revaluation is shown in the balance sheet below equity which is taken to the profit and loss account when actually realized upon disposal.

Premium or discount on securities classified as available-for-sale and held-to-maturity is amortized using effective interest method and taken to the profit and loss account.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations.

6.3 Advances including net investment in micro lease

Advances are stated net of specific and general provisions which are determined on the basis of Prudential Regulations. Advances are written off according to the Prudential Regulations or when there is no realistic prospect of recovery.

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as micro lease. A receivable is recognized at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

6.4 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged against income applying the straight line method using the rates stated in note 11.2 to the financial statements. Depreciation on additions is charged from the month in which the asset is acquired and on disposals till the month in which assets are sold.

Maintenance and repairs are charged against income as and when incurred. Major renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Bank.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are determined by comparing the sale proceeds with the carrying amount of asset and are included in income currently.

The carrying values of tangible fixed assets are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount and an impairment loss is recognized in the profit and loss account. The recoverable amount of property, plant and equipment is greater of fair value less selling costs and value in use.

Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 11.3 to the financial statements.

Amortization on additions is charged from the month in which the assets are put to use while no amortization is charged in the month in which the assets are deleted.

Software and other development costs are only capitalized to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use. These are carried at cost less impairment loss, if any.

6.5 Taxation

Current

Provision for current taxation is based on the expected taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

6.6 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.7 Employee benefits

Defined Contribution plan

The Bank operates approved funded contributory provident fund for all its permanent employees to whom equal monthly contributions are made both by the bank and the employees at the rate of 10% per annum of basic salary. The contributions made by the Bank are recognized as employee benefit expense when they are due.

6.8 Revenue recognition

Mark up/ return/ interest on regular advances is recognized on accrual basis using effective interest rate method. Profit on classified advances is recognized on receipt basis.

Return on investment is recognized on accrual basis using effective interest rate method.

Income on net investment in micro lease is recognized over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified micro lease is recognized on receipt basis in compliance with the Prudential Regulations issued by SBP.

Fee, commission and brokerage income is recognized when earned.

Dividend income from investments is recognized when Bank's right to receive the dividend is established.

Gain and loss on sale of securities is accounted for in the period in which the sale/ settlement occurs.

All exchange differences are recognized in income.

Income on balances with other banks is recognized in profit and loss account as it is earned.

6.9 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

6.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the Bank intends either to settle

the assets and liabilities on a net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

6.11 Related party transactions

Prices for transactions with related parties are determined using the comparable uncontrolled price method except for those transactions which in exceptional circumstances are specifically approved by the Board.

6.12 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.13 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities.

6.14 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange promise / options are valued at forward rates applicable to their respective maturities.

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

6.15 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

6.15.1 Business segments

- | | |
|--------------------------------------|---|
| Investments in Government Securities | - Includes investment in market treasury bills and Pakistan Investment Bonds |
| Retail Banking | - It includes retail deposits and banking services |
| Micro Finance Banking | - Micro finance banking comprises advances provided to customers on Micro Credit and Micro Lease basis. |

6.15.2 Geographical segment

The Bank has 11 branches as at December 31, 2012 (2011: 5 branches) and operates only in the district Karachi, Pakistan.

	Note	2012 Rupees	2011 Rupees
7. CASH AND BALANCE WITH SBP			
Cash in hand – local currency		13,844,703	975,209
Balance with State Bank of Pakistan	7.1	32,322,058	886,573
		<u>46,166,761</u>	<u>1,861,782</u>
7.1	Represents balance maintained in current account with the State Bank of Pakistan to meet the requirements of maintaining a minimum balance equivalent not less than 5% of the Bank's time and demand liabilities in accordance with Regulation 6 of the Prudential Regulations.		
8. BALANCES WITH OTHER BANKS/MFBs in Pakistan			
- on current account	8.1	4,484	4,484
- on deposit account	8.2	95,831,321	3,291,673
- certificates of deposits		299,700,000	-
		<u>395,535,805</u>	<u>3,296,157</u>
8.1	These carry mark-up rates ranging from 8 to 10 percent (2011: 5 to 11 percent) per annum. Includes deposits with related parties amounting to Rupees Nil (2011: Rupees 2,288,591).		
8.2	These carry mark-up rates ranging from 11.5% (2011: Nil). These are placed for a period of one month with Tameer Microfinance bank Limited.		
9. INVESTMENTS			
Held for trading			
- Term Finance Certificate	9.1	78,500,000	-
Held-to-maturity			
Federal Government Securities			
- Market Treasury Bill	9.2	5,140,937	201,678,143
Available for sale			
Federal Government Securities			
- Pakistan Investment Bond (PIB)	9.3	71,361,220	-
Less: Fair value reserve		(50,876)	-
		<u>71,310,344</u>	<u>-</u>
		<u>154,951,281</u>	<u>201,678,143</u>
9.1	These represent Term finance certificates of Jahangir Siddiqui Company Limited. These carry mark-up at the rate of 6 Months KIBOR + 2.4% per annum.		
9.2	As at December 31, 2012 one Treasury Bill was outstanding with face value of Rupees 5.200 million. The effective rate of interest on this T-bill was 11.54% per annum (2011: 11.65% to 13.73 %).		
9.3	This PIB is issued for a period of three years the maturity date is 19 July 2015. This carries interest at the rate of 11.25 percent per annum.		

10. ADVANCES - NET OF PROVISIONS

		2012	2011
	Note	No. of Loans Outstanding Rupees	No. of Loans Outstanding Rupees
Micro credits		3,064	662
Micro lease		125,858,687	5
		<u>125,858,687</u>	<u>4,967,274</u>
Provision held:			
- Specific		2,914,337	2,021,701
- General		1,156,346	29,456
	10.2	<u>4,070,683</u>	<u>2,051,157</u>
Advances - net of provision		<u>3,064</u>	<u>667</u>
		<u>121,788,004</u>	<u>2,916,117</u>

10.1 Particulars of non-performing loan

Advances include rupees 15,554,983/- (December 31, 2011: Rs 3,704,397/-) which have been placed under non performing status as detailed below.

Category of classification	2012			2011		
	Amount outstanding	Provision required	Provision held (Rupees)	Amount outstanding	Provision required	Provision held
OAEM	7,856,113	-	-	527,314	-	-
Sub-standard	4,236,005	1,059,001	1,059,001	558,634	139,659	139,659
Doubtful	3,215,059	1,607,530	1,607,530	1,472,815	736,408	736,408
Loss	247,806	247,806	247,806	1,145,634	1,145,634	1,145,634
	15,554,983	2,914,337	2,914,337	3,704,397	2,021,701	2,021,701

10.2 Particulars of provision against non-performing advances

	2012			2011		
	Specific	General	Total (Rupees)	Specific	General	Total
Opening balance	2,021,701	29,456	2,051,157	11,465,898	752,293	12,218,191
Charge/(reversal) for the period	2,878,836	1,126,890	4,005,726	10,802,585	(722,837)	10,079,748
Amount written off 10.3	(1,986,200)	-	(1,986,200)	(20,246,782)	-	(20,246,782)
Closing balance	2,914,337	1,156,346	4,070,683	2,021,701	29,456	2,051,157

10.3 Particulars of write offs:

	2012 Rupees	2011 Rupees
Against provision	1,986,200	20,246,782

11. OPERATING FIXED ASSETS

Capital work in progress	11.1	28,712,865	-
Property and equipment	11.2	19,834,190	7,916,554
Intangible assets	11.3	8,208,250	-
		56,755,305	7,916,554

11.1 Capital work in progress

Renovation of office buildings	28,712,865	-
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11.2 Property and equipment

2012

	COST				DEPRECIATION			Written down value as at December 31, 2012
	As at January 01, 2012	Additions/ (deletions)	As at December 31, 2012	Rate %	As at January 01, 2012	Charge for the year	As at December 31, 2012	
	(Rupees)				(Rupees)			
Leasehold improvements	3,958,051	2,353,943	6,311,994	5	810,704	247,662	1,058,366	5,253,628
Furniture and fixtures	3,480,267	1,988,042	5,468,309	10	1,547,918	465,195	2,013,113	3,455,196
Electricity and office equipment	2,860,694	3,846,281 (40,500)	6,666,475	20	2,344,031	396,315 (31,725)	2,708,621	3,957,854
Computer hardware and peripheral	3,731,954	2,883,703	6,615,657	30	3,562,585	403,135	3,965,720	2,649,937
Motor vehicles	10,409,117	3,511,400 (370,863)	13,549,654	20	8,258,291	1,144,651 (370,863)	9,032,079	4,517,575
TOTAL	24,440,083	14,583,369 (411,363)	38,612,089		16,523,529	2,656,958 (402,588)	18,777,899	19,834,190

2011

	COST				DEPRECIATION			Written down value as at December 31, 2011
	As at January 01, 2011	Additions/ (deletions)	As at December 31, 2011	Rate %	As at January 01, 2011	Charge for the year	As at December 31, 2011	
	(Rupees)				(Rupees)			
Leasehold improvements	3,958,051	-	3,958,051	5	613,738	196,966	810,704	3,147,347
Furniture and fixtures	3,463,157	17,110	3,480,267	10	1,196,797	351,121	1,547,918	1,932,349
Electricity and office equipment	2,860,694	-	2,860,694	20	2,078,905	265,126	2,344,031	516,663
Computer hardware and peripheral	3,731,954	-	3,731,954	30	3,140,431	422,154	3,562,585	169,369
Motor vehicles	10,455,125	(46,008)	10,409,117	20	7,410,766	885,865 (38,340)	8,258,291	2,150,826
TOTAL	24,468,981	17,110 (46,008)	24,440,083		14,440,637	2,121,232 (38,340)	16,523,529	7,916,554

11.2.1 Property and equipment disposed of during the year

	cost	Accumulated depreciation	Written down value	Sales proceed	Mode of disposal	Particulars of buyers
Motor vehicle Suzuki Mehran	370,863	(370,863)	-	250,000	Insurance Claim	EFU General Insurance, Karachi
Electricity and office equipment Generator	40,500	(31,725)	8,775	22,000	Negotiation	Ali Generator, Karachi
	411,363	(402,588)	8,775	272,000		

11.3 Intangible assets

PARTICULARS	COST				AMORTISATION			Written down value as at December 31, 2012
	As at January 01, 2012	Additions	As at December 31, 2012	Rate %	As at January 01, 2012	Charge for the year	As at December 31, 2012	
	(Rupees)				(Rupees)			
Computer software	2012 5,167,025	8,994,999	14,162,024	25	5,167,025	786,749	5,953,774	8,208,250
	2011 5,167,025	-	5,167,025	25	4,931,477	235,548	5,167,025	-

11.2.1 Intangibles include assets costing Rs. 5,167,025/- (2011: Rs. 5,167,025/-) which are fully amortised and still in use.

	2012 Rupees	2011 Rupees
Income/mark-up accrued	11,953,486	28,482
Advances, deposits, advance rent and other prepayments	11,197,842	460,759
Tax deducted at source (net of provision)	813,006	798,286
Security deposits	1,218,876	450,484
Receivable against sale of fixed asset	-	-
Others	-	-
	25,183,210	1,738,011

13. DEPOSITS AND OTHER ACCOUNTS

	2012		2011	
	Number	Rupees	Number	Rupees
Fixed deposits	375	113,827,000	-	-
Saving deposits	2,993	194,160,659	1,765	8,046,479
Current deposits	18,631	160,037,205	13,467	3,381,690
	21,999	468,024,864	15,232	11,428,169

13.1 Particulars of deposits by ownership

	2012		2011	
	Number	Rupees	Number	Rupees
Individual depositors	21,912	444,411,748	15,162	4,179,499
Institutional depositors				
- Corporation / firm	83	8,033,202	66	1,404,175
- Banks and financial institutions	4	15,579,915	4	5,844,495
	<u>21,999</u>	<u>468,024,865</u>	<u>15,232</u>	<u>11,428,169</u>

13.2 Includes deposits from related parties amounting to Rupees Nil (2011: Rupees 5,840,384).

	2012 Rupees	2011 Rupees
14. OTHER LIABILITIES		
Mark-up / return / interest payable	3,165,460	108,404
Bills payable	2,186,295	746,631
Accrued expenses	1,314,820	1,226,367
Payable to depositors' protection fund	12,503	12,503
Security deposits against micro lease	-	-
Salary payable	23,000	23,167
Provident fund payable	58,706	-
EOBI contribution	11,693	-
Inter branch current account	4,751,486	56,392
Others	7,829,407	-
	<u>19,353,370</u>	<u>2,173,464</u>

14.1 Includes Rupees Nil (2011: Rupees 50,688) payable to related parties.

14.2 As per Prudential Regulations for the Microfinance Banks, the bank is required to establish and maintain Depositors' Protection Fund for the purpose of mitigating risk of its depositors to which shall be credited not less than 5 percent of the annual profit after taxes.

15. SHARE CAPITAL

15.1 Authorized capital

	2012 No. of shares	2011 No. of shares	2012 Rupees	2011 Rupees
Ordinary shares of Rs. 10/- each	<u>150,000,000</u>	<u>50,000,000</u>	<u>1,500,000,000</u>	<u>500,000,000</u>

15.2 Issued, subscribed and paid-up capital

	2012 No. of shares	2011 No. of shares	2012 Rupees	2011 Rupees
Ordinary shares of Rs. 10 each fully paid in cash	<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>

15.3 Authorized share capital has been increased during the year on February 14, 2012.

16. MEMORANDUM /OFF- BALANCE SHEET ITEMS

There were no contingent liabilities as at December 31, 2012 (2011: Nil).

17. MARK-UP/RETURN/INTEREST EARNED

	Note	2012 Rupees	2011 Rupees
Mark-up on loans and advances		11,534,802	7,289,894
Mark-up on investments in government securities		26,431,819	25,514,064
Mark-up on deposit accounts		12,222,014	538,409
		<u>50,188,635</u>	<u>33,342,367</u>

18. OTHER INCOME

Gain on disposal of fixed assets		263,225	18,332
Others		710,939	42,897
		<u>974,164</u>	<u>61,229</u>

19. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		43,261,888	23,753,920
Contribution to defined contribution plan		273,088	474,438
Rent, taxes, insurance, electricity, etc.		12,657,627	4,435,569
IT related expenses		1,288,000	2,038,656
Credit rating fees		275,000	275,000
Legal and professional charges		4,449,354	464,160
Security charges		1,883,876	1,218,352
Travelling		1,873,036	73,642
Fees and subscription		1,823,967	187,863
Communication		942,197	1,075,610
Fueling expenses		610,236	479,581
Repair and maintenance		4,205,057	478,204
Stationary and printing		1,146,736	274,394
Advertisement and publicity		592,580	81,809
Auditors' remuneration	19.1	514,275	499,555
Depreciation	11.2	2,656,958	2,121,232
Amortization	11.3	786,749	235,548
Entertainment		843,671	444,904
Credit verification expenses		154,935	9,499
Others		951,706	77,995
		<u>81,190,936</u>	<u>38,699,931</u>

19.1 Auditors' remuneration

Audit fee		300,000	300,000
Half yearly review and other certifications		110,000	110,000
Out-of-pocket expenses		104,275	89,555
		<u>514,275</u>	<u>499,555</u>

20. Taxation

- 20.1** The income of the Bank is exempt from tax under clause 66 (XVIII) of part I of the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance), for a period of five years starting from first day of July 2007, subject to the condition that the Bank shall not distribute its profits to its shareholders and that profits are utilized for microfinance operations only. However, under section 113 "minimum tax on income of certain persons" of the Income Tax Ordinance, 2001, the Bank is required to make a provision for minimum taxation. Therefore, provision for minimum taxation amounting to Rs. 546,608/- has been made during the year ended December 31, 2012. (2011 : Rs. 333,424/-)

20.2 As of December 31, 2012, the Bank has accumulated tax losses aggregating to Rs. 140,124,875/-. The unrecognized deferred tax on such losses amounts to Rs. 49,043,706/-.

21. NUMBER OF EMPLOYEES

	2012			2011		
	Credit/sales staff	Banking / Supprot	Total	Credit/sales staff	Banking / Supprot	Total
	Numbers			Numbers		
Permanent	9	15	24	10	12	22
Contractual	53	73	126	28	8	36
Daily wages	-	-	-	-	6	6
	62	88	150	38	26	64

22. BASIC AND DILUTED (LOSS) PER SHARE

		2012	2011
Loss after taxation for the year	(Rupees)	(45,752,123)	(14,318,736)
Weighted average number of ordinary shares outstanding during the year	Numbers	30,000,000	30,000,000
Loss per share	(Rupee)	(1.53)	(0.48)

22.1 There was no dilutive effect on the basic loss per share.

23. CASH AND CASH EQUIVALENTS

	2012 Rupees	2011 Rupees
Cash and balances with SBP and NBP	46,166,761	1,861,782
Balances with other banks / NBFIs / MFBs	395,535,805	3,296,157
Market Treasury Bills - having maturities less than 3 months	5,140,937	152,841,847
	446,843,503	157,999,786

24. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to President/ Chief Executive Officer of the Bank was as follows:

	President/ Chief Executive		Executive	
	2012	2011	2012	2011
	(Rupees)		(Rupees)	
Managerial remuneration	6,933,563	4,140,000	10,000,000	1,926,000
Rent and house maintenance	-	-	-	770,400
Utilities	-	318,644	-	253,350
Medical	-	-	-	-
Contribution to provident fund	-	-	-	192,600
Bonus and other benefits	-	-	-	1,421,692
	6,933,563	4,458,644	10,000,000	4,564,042
Number of persons	2	1	6	1

24.1 The President / Chief Executive Officer and Executives are entitled to use company maintained cars and perquisites in accordance with the terms of their employment.

24.2 During the year, no directors meeting fee has been paid.

25. MATURITIES OF ASSETS AND LIABILITIES

	Total	2012			
		Upto one Month	Over one month upto 6 months (Rupees)	Over 6 months upto 1 year	Over one Year upto 5 years
Assets					
Cash and balances with SBP and NBP	46,166,761	46,166,761	-	-	-
Balances with other banks / NBFIs / MFBs	395,535,805	395,535,805	-	-	-
Investments	154,951,281	-	5,140,937	-	149,810,344
Advances	121,788,004	28,001	4,469,230	42,555,058	74,735,715
Operating fixed assets	56,755,305	-	-	-	56,755,305
Other assets	25,183,210	25,183,210	-	-	-
	800,380,366	466,913,777	9,610,167	42,555,058	281,301,364
Liabilities					
Deposits and other accounts	468,024,864	394,884,864	59,790,000	5,100,000	8,250,000
Other liabilities	19,353,370	19,353,370	-	-	-
	487,378,234	414,238,234	59,790,000	5,100,000	8,250,000
Net assets	313,002,132	52,675,543	(50,179,833)	37,455,058	273,051,364
Represented by:					
Share capital	300,000,000				
Statutory and general reserves	50,011				
Depositors' Protection Fund	-				
Accumulated loss	(139,997,003)				
	160,053,008				
Surplus/(deficit) on revaluation of assets	(50,876)				
Deferred grants	-				
Share deposit money	153,000,000				
	313,002,132				

	Total	2011			
		Upto one Month	Over one month upto 6 months (Rupees)	Over 6 months upto 1 year	Over one Year upto 5 years
Assets					
Cash and balances with SBP and NBP	1,861,782	1,861,782	-	-	-
Balances with other banks / NBFIs / MFBs	3,296,157	3,296,157	-	-	-
Investments	201,678,143	114,037,115	46,456,552	41,184,476	-
Advances	2,916,117	968,848	949,069	662,973	335,227
Operating fixed assets	7,916,554	-	-	-	7,916,554
Other assets	1,738,011	28,482	-	-	1,709,529
	219,406,764	120,192,384	47,405,621	41,847,449	9,961,310
Liabilities					
Deposits and other accounts	11,428,169	11,428,169	-	-	-
Other liabilities	2,173,464	2,148,464	-	-	-
	13,601,633	13,576,633	-	-	-
Net assets	205,805,131	106,615,751	47,405,621	41,847,449	9,961,310
Represented by:					
Share capital	300,000,000				
Statutory and general reserves	50,011				
Depositors' Protection Fund	-				
Accumulated loss	(94,244,880)				
	205,805,131				
Surplus/(deficit) on revaluation of assets	-				
Deferred grants	-				
Share deposit money	-				
	205,805,131				

26. FINANCIAL RISK MANAGEMENT

26.1 Interest / mark-up rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

The Bank interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO.

The advances and deposits of the Bank are on periodic basis based on interest rates scenario are as under :

		2012				
		Exposed to yield / interest risk				
Effective yield/ interest rate %		Total	upto one month	One month to six month	Over six month to one year	Over one year to five years
		(Rupees)				
Assets						
Balances with other banks / MFBs	8-11.5	395,535,805	395,535,805	-	-	-
Investment	10.40-12	154,951,281	-	5,140,937	78,500,000	71,310,344
Advances	39.95	121,788,004	28,001	4,469,230	42,555,058	74,735,715
		672,275,090	395,563,806	9,610,167	121,055,058	146,046,059
Liabilities						
Deposits	5.82	468,024,864	394,884,864	59,790,000	5,100,000	8250,000
		204,250,224	678,942	(50,179,833)	115,955,058	137,796,059
		2011				
		Exposed to yield / interest risk				
Effective yield/ interest rate %		Total	upto one month	One month to six month	Over six month to one year	Over one year to five years
		(Rupees)				
Assets						
Balances with other banks / MFBs	5-11	3,296,157	3,296,157	-	-	-
Investment	11.95-13.73	201,678,143	114,037,115	46,456,552	41,184,479	-
Advances	18.6	2,916,117	968,848	949,069	662,973	335,227
		207,890,417	118,302,120	47,405,621	41,847,449	335,227
Liabilities						
Deposits	5.10	11,428,169	11,428,168	-	-	-
		196,462,248	106,873,951	47,405,621	41,847,449	335,227

26.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank's credit risk is primarily attributable to its "advances" balances at banks and investments. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Bank has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers' credit worthiness and identify potential problem loans. A provision for loan losses is maintained as required by the Prudential Regulations. Investments are mainly in the government security or other securities having good credit rating. Maximum amount of financial assets which are subject to credit risk amount to Rupees 621.007 million (2011: Rupees 6.241).

26.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. At present the bank is not exposed to this risk as there is sufficient cash placed with various commercial banks at the year end.

26.4 Fair value of financial Instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

26.5 Capital management

The Prudential Regulations for Microfinance Banks prescribe the Minimum Capital Requirements for Microfinance Banks (MFBs) regulation 4 of the said regulations, inter alia, require all MFBs which are licenced to operate in a specified district to maintain minimum paid up capital of atleast Rupees 250 million free of losses. Furthermore, the aforementioned Regulation also requires MFBs that do not meet the minimum paid up capital requirement above to enhance their capital as per the following transactional arrangement.

<u>Time</u>	<u>Minimum Paid up capital (Free of losses)</u>
December 31, 2011	Rs. 200 Million
December 31, 2012	Rs. 250 Million
December 31, 2013	Rs. 300 Million

As at December 31, 2012, minimum capital requirement for the Bank was Rupees 250 million. However, the Bank's capital (free of losses) stood at Rupees 160.053 million as at December 31, 2012, The Bank obtained extension from SBP vide letter No. BSD/BAID/608/ 6180/2012 dated May 18, 2012 to meet the minimum capital requirement up to December 31, 2012. The management's plan to ensure compliance with the minimum capital requirement prescribed in the Prudential Regulation is disclosed in Note 1.5.

27. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	<u>Investment in Government Securities</u>	<u>Retail Banking</u>	<u>Micro Banking</u>	<u>Total</u>
	<u>Rupees</u>			
December 31, 2012				
Total income	26,473,528	12,180,306	18,064,254	56,718,088
Total expenses	-	38,551,396	63,416,929	101,968,325
Net income / (loss)	26,473,528	(26,371,090)	(45,352,675)	(45,250,237)
Segment assets (gross)	154,951,281	441,702,566	207,797,202	804,451,049
Segment non performing loans	-	-	15,554,983	15,554,983
Segment provision required	-	-	4,070,683	4,070,683
Segment liabilities	-	471,190,324	16,187,910	487,378,234
December 31, 2011				
Total income	25,514,064	538,409	9,709,233	35,761,706
Total expenses	-	10,642,322	39,104,696	49,747,018
Net income / (loss)	25,514,064	(10,103,913)	(29,395,463)	(13,985,312)
Segment assets (gross)	201,678,143	5,157,939	14,621,839	221,457,921
Segment non performing loans	-	-	3,704,397	3,704,397
Segment provision required	-	-	2,021,701	2,021,701
Segment liabilities	-	12,174,801	1,426,832	13,601,633

28. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise group companies, staff retirement benefits fund, key management personnel and major shareholders of the bank. The details of transactions with related parties other than those disclosed elsewhere in these financial statements are as under:

	2012 Rupees	2011 Rupees
Associate:		
Deposits	-	2,288,591
Key management personnel:		
Deposits	20,693,645	547,991
Transaction for the period		
Associate :		
Deposits		
Deposits received	-	11,902,711
Withdrawals	-	16,173,395
Mark-up on deposit paid	-	757,489
Placements		
Placements	1,210,319,179	114,777,765
Repayments	1,158,992,134	118,308,861
Markup on deposits earned	1,655,638	204,781
Other related parties		
Contribution to Staff Provident Fund	273,088	474,438
Key management personnel:		
Deposits		
Deposits received	46,115,696	3,728,858
Withdrawals	45,970,241	3,707,962
Remuneration to Chief Executive Officer	6,933,563	4,458,644
Remuneration to Executives	10,000,000	4,564,042
Mark-up on deposit paid	1,384,477	-

29. DATE OF AUTHORIZATION

These financial statements were approved and authorized for issue on March 01, 2013 by the Board of Directors of the Bank.

30. GENERAL

30.1 Where there are no balances or amount to be disclosed in the account captions as prescribed by BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan, of forms of financial statements for Microfinance Banks/ Institutions, these captions have not been reproduced in these financial statements except for in the balance sheet and profit and loss account.

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

30.3 Corresponding figures have been rearranged, wherever necessary for the purpose of comparison. However, no significant rearrangements have been made during the year.




Ejaz Ahmed Khan
President & CEO



Mian M. A. Shahid
Chairman



M. Azam Cheema
Director



Shoaib Ahmad Butt
Director

NOTICE FOR THE TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Saturday, March 30, 2013 at 11:00 a.m. at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

1. To read and confirm the minutes of the Ninth Annual General Meeting held on March 28, 2012.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2012 together with Directors' and Auditors' Reports thereon.
3. To appoint the auditors of the bank for the year ending December 31, 2013 and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board



Rafat Abbas
Company Secretary

March 7, 2013
Karachi

NOTES:

1. A member of the Bank entitled to attend and vote at this meeting may appoint another member of the Bank as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be submitted to the Bank not less than 48 hours before the meeting.

Central Depository Company of Pakistan Limited (CDC) account holders will further have to follow the following under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A) For Attending Meeting:

- i) In the case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the requirements shall authenticate his identity by showing his original National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii) In the case of Corporate Entity, the Board of Directors' Resolution/ Power of Attorney and specimen signature of the nominee shall be produced (unless it has been provided otherwise) at the time of the meeting.

B) For Appointing Proxies:

- i) In the case of individuals, the account holder or sub-account holder and /or the person whose securities are in-group account and their registration details are uploaded as per the requirements shall submit the proxy form as per the above requirement.
- ii) Two persons whose names, addresses and CNIC numbers shall be mentioned on the proxy form to witness the proxy.
- iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be submitted along with the Proxy Form.

- iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
 - v) In the case of Corporate Entity, the Board of Directors' resolution/ power of attorney/ specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to the Bank.
2. Members are requested to immediately notify the change of their address, if any.
3. The Share Transfer Book of the company will remain closed from March 23, 2013 to March 24, 2013 (both days inclusive). The share transfer office is situated at Dagia House, 241-C, E. P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi. (Phone No. 3439-1316 & 3439-1317). Transfers received at the registered office at the close of business on March 22, 2013 will be treated as valid.

For Apna Microfinance Bank Ltd.



Rafat Abbas
Company Secretary

APNA MICROFINANCE BANK LIMITED
(FORMERLY NETWORK MICROFINANCE BANK LIMITED)

PROXY FORM

I/ We _____ of _____ a member/ members of the company/ merged companies, do hereby appoint Mr./ Ms. _____ of _____ a member of the company, or failing him/ her Mr./ Ms. _____ of _____ who is also a members of the company, as my/ our proxy to attend, speak and vote for me/ us and on my/our behalf at the Annual General Meeting of the bank to be held on March 31, 2013 at 11:00 a.m. at The Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi, Pakistan and at any adjournment thereof.

Signed this _____ day of _____ 2013

Witness 1

Signature _____

Name _____

CNIC No. _____

Address _____

Witness 2

Signature _____

Name _____

CNIC No. _____

Address _____

Please affix
Revenue
Stamp

Signature: _____

(The signature should agree with the Specimen
Registered with the Company)

Folio No. _____

CDC A/c No. _____

No. of Shares held _____

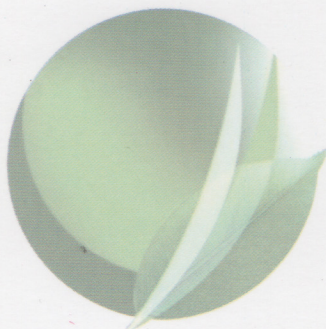
Distinctive Numbers _____

IMPORTANT:

- 1 The proxy Form must be deposited at the registrar office of the company. Technology Trade (Pvt.) Ltd, Dagia House, 241-C, Block-2 P.E.C.H.S. of Shahrah-e-Quaideen, Karachi. as soon as possible but not later than 48 hours before the time of holding the meeting and default Proxy form will not be treated as valid.
- 2 No person shall act as proxy unless he/ she is a member of the company except a corporation being a Members may appoint as its proxy any officer of such corporation whether a member of the company or not.
- 3 The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- 4 Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 5 The proxy shall produce his/ her original CNIC of original passport and bring Folio number at the time of the meeting.
- 6 In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted along with proxy form to the Company (if not provided earlier).

AFFIX
CORRECT
Postage

The Company Sectrtary
APNA MICROFINANCE BANK LIMITED
K-4/3 & 4/4, Ch. Khaliq-uz-Zaman Road,
Gizri, Karachi,
Pakistan.



Micro Finance
apna bank

Limited

formerly Network Microfinance Bank Limited

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Website: www.apnabank.com.pk