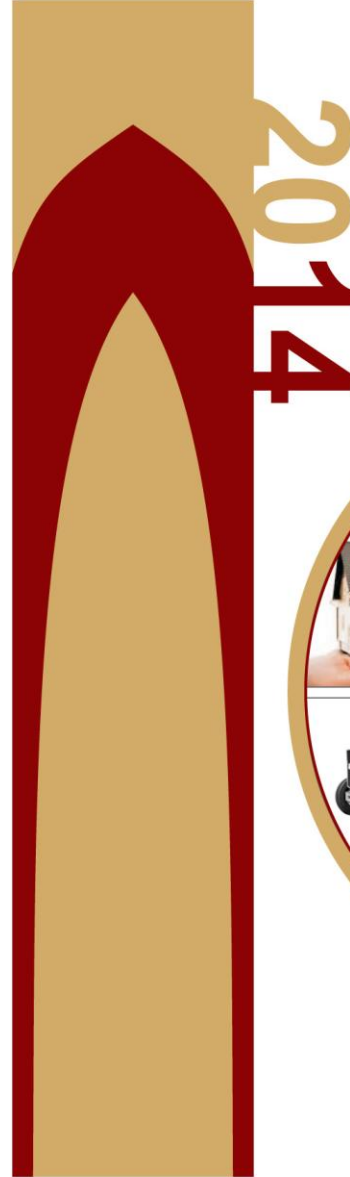


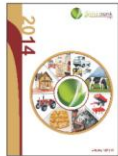


Head Office
K-4/3 & 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi.
Ph: 021-35865352-55, Fax: 021-35865017,
Email: info@apnabank.com.pk,
www.apnabank.com.pk

Concept & Design by: Subhan Ahmad 0331 1473000



ANNUAL REPORT



On the Cover:
The apna bank provides a wide range of products and services to individual, SME and Agro micro entrepreneur through dynamic personnel.

Why go online?

www.apnabank.com.pk/annual-reports

Many shareholders are now benefiting from more accessible information and helping the environment too. If you haven't already tried it, visit our online Annual Report or just scan the QR code opposite with your smart phone and go direct. You may need to download a QR code reader for your phone.

Welcome to apna bank



What CSR-Based Management Means at Apna Bank



Apna Bank Constantly Monitors its Banking Activities from a CSR Perspective



What's Inside...

Contents

Overview

Our Chairman introduces the 2014 annual report and we explain who we are. You will also find a table of the headline figures for 2014 that summarises our performance during the year.

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Business review

Our Chief Executive outlines how we performed as per our strategy to deliver value. We introduce our board and the operating and financial reviews outline of our performance in 2014. We also give an overview of the markets in which we operate and of the risks facing the business and what we are doing to mitigate them.

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We explain why a strong sense of governance and compliance is imperative in every area of our operations.

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CHAIRMAN'S MESSAGE



Pakistan's Microfinance sector stands currently at a gross loan portfolio of PKR 52.1 billion with 2.8 million active borrowers. The sector has grown by at least twenty times since 2003, where the gross loan portfolio stood at only PKR 2.6 billion and active borrowers were estimated to be about 0.33 million.

Majority of our fellow Pakistanis are occupied in the agricultural or micro enterprise sector which is also the primary target of microfinance institutions. More than 80 percent of the population is still unbanked, mainly because of a lack of knowledge and the fact that banks have not penetrated rural and semi urban areas deeply. This provides a ready-to-cater market for microfinance institutions which larger banks find expensive and harder to penetrate (quoted from PMN Microfinance Connect).

Apna Microfinance Bank Ltd grown from Karachi District level Bank to Sindh Province Level Bank on July 11, 2014 and now catering different district of Sindh penetrating rural and semi urban areas. Financing for micro-agriculture and micro-entrepreneurs by their products i.e. Apni Sawari, Apna Maal, Apna Karobar, Apna beej, Apna Zan Karza, etc.

We are committed to raise the status of the Bank to the Nationwide Bank by the mid of 2015. In this regard the necessary required formalities are in process.

I extend my sincere appreciation and gratitude to our customers for their confidence in Apna Microfinance Bank as well as my recognition to the Directors, Management and Staff for their restless efforts in the development of the Bank, building strong base in the community of Microfinance Banks in Pakistan.

I am gratified to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange, Central Depository Company, other Regulators for their auxiliary support and guidance.

Qamar uz Zaman
Chairman

VICE CHAIRMAN'S MESSAGE



I am proud to inform the members that the Bank has attained the status of a Provincial level (Sindh) Microfinance Bank during the year with increase in its Paid Up Capital from Rs. 0.300 billion to Rs. 1.100 billion.

Likewise, the Bank's branch network has also expanded from 11 to 17 branches in both urban as well as semi-rural areas of Sindh.

The Bank as a family member of I-Link connected / accessed with more than 15000 ATMs throughout the country and improved its own ATM network from 3 ATMs in Karachi to 5 ATMs in Sindh.

The Sponsors are committed to raise the Bank's status to that of a Nationwide Microfinance Bank for which requisite approvals are already in process with the respective regulators. The Management is keen to launch the Bank's products throughout the country so as to ensure that economic benefits reach the masses across all regions.

The Bank has started its enterprise product for the small borrowers (particularly small farmers) as well as improved its micro products so that more and more clients could be benefitted.

I am deeply thankful to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange, Central Depository Company, other Regulators for their auxiliary support and guidance.

M. A. Shahid
Vice Chairman

ABOUT AMBL



Apna Microfinance Bank is managed by group of highly experienced bankers. We are committed to provide specialized financial services to the less privileged and marginally poor. We Support economic empowerment to **WOMEN & micro-entrepreneurs** in the Agri and Micro enterprises in rural-some urban areas of Pakistan. It is presently licensed by the State Bank of Pakistan under the Microfinance Ordinance 2001 to operate its operation in the Province of Sindh, however the Bank intends to expand its operation nation-wide after completing the necessary regulatory requirements.

Our main focus is to provide personalized services to the poor segment of the society through our dedicated products aimed at changing their life-style by entering them in micro-entrepreneurship at a lowest mark-up rate in the market.

We aim to arrange capacity building of under served masses by improving attitudes, skill, knowledge and ability to initiate and manage economically viable projects.

We aim to provide finances, advances and other credit facilities for the development of agriculture and rural market sector including production, marketing and house finance facilities.

To mobilize savings by accepting deposits in savings and other specialized deposit products.

We aim to combine the knowledge base with the modern management methodology, latest technology, sophisticated financial instruments, universal micro-banking concepts and current corporate sciences.

We aim to create and perpetuate a culture of balanced approach for the development of market related competitive and innovative financial services. Introducing a culture of innovation and excellence with a view to find acceptable solutions to real and conceived impediments for promoting a true microfinancial regime.

OUR VISION MISSION & CORE VALUES

VISION

"SELF RELIANCE THROUGH SELF GENERATION"

To strive and play our role in eradicating poverty by providing customers opportunity to make their lives better on sustainable long term basis, through inculcating sense of participation, vision, prioritization, and justified use of available resources and providing required financial support and technical assistance.

MISSION

To promote socio - economic conditions of the customers, by women empowerment professional advices, which have a lasting positive impact on their standards of living, their financial sustainability and growth in their income generation.

CORE VALUES

The Bank is aimed to inculcate a nurturing and invigorating corporate culture based on providing a safe and healthy professional environment, where the employees are valued, respected and able to deliver their full potential through proposed business models.

We pride ourselves with the following core values which will ensure our success and the achievement of our vision:

Service

To provide the best quality services and ensuring our customers an enriching experience. Honoring our commitments to the community and adding value to the society.

Creativity

To come up with the best products that best suits the requirements of our customers by providing flexible and tailor made solutions.

Honesty and Transparency

To support and encourage accountability within the ranks of our hierarchy and to ensure the achievement of our values.

Equal Opportunities

Work to ensure that everyone irrespective of sex, age, color, class, religion, creed and cast is provided an equal opportunity and growth options.

Reciprocity

To provide an environment and build up a team of professional entrepreneurs where we, as a team, work together for the collective interests of the company and the society.

Best Performance



Customer Expectations



Invest for value



Drive operational



Excellence Ensure our future



Build a winning organisation

BANKS' PHILOSOPHY

"It is far better to help a poor person by teaching him how to catch a fish instead of buying him a fish."

"ALLAH HELPS THOSE WHO HELP THEMSELVES"

Microfinance may not be posed a significant impact on the overall poverty scenario but it will certainly change the life of the Micro Entrepreneurs.

BOARD OF DIRECTORS



Qamar-uz-Zaman
Chairman



Mian M. A. Shahid
Vice Chairman



Mohammad Azam Cheema
Director



Shahida Bilquis
Director



Imad Mohammad Tahir
Director

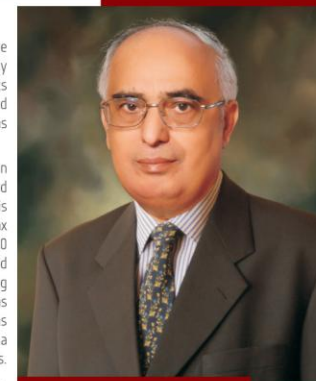


Muhammad Farooq Abid Tung
Director



Muhammad Saleem Shaikh
President / CEO

PRESIDENT / CEO'S MESSAGE



Since acquisition of Apna Micro Finance Bank by the existing Sponsors in 2012, the Bank is growing steadily registering continues growth in all areas of its operations. As a result the bank has been granted Provincial Level License in July, 2014 and now it has presence in the major cities of Sindh Province.

The Bank under the guidance of the Board has been pursuing a cautious but aggressive policy and resultantly the Bank has witnessed a turn around this year in its operational results by registering a pre-tax profit of Rs. 8.72 (m) as compared to loss of Rs. 52.120 (m) last year. The Total Assets of the bank have reached to Rs. 1.758 (billion) from Rs. 1.313 (billion) showing growth of 34% over last year. The advances portfolio has shown a healthy growth increasing to Rs. 798.73 (m) as compared to Rs. 341.84 (m) as of 31.12.2013 registering a rise of 134%. The Bank's liquidity remained strong at Rs. 787.246 (m) constituting 44.76% of Bank's Total Assets.


The Bank has maintained its long terms and short term Credit Rating at "BBB" (Triple B) and "A3" (A Three) respectively with a positive Future Outlook representing adequate capacity for timely payment of financial commitments. The bank is presently operating with a network of (17) branches with additional (12) sites in hand to be opened shortly in Karachi / Sindh with the approval of the State Bank.

The Bank is now poised to become a National Level Bank, towards this end the Board has already approved issuance of 100% Right Share at a discount of 50% to raise the paid-up Capital required for the National Level Bank. The process of Regulatory approvals for Right issue is under active process. This will also pave way for opening of our branches in the province of Punjab, KPK and Baluchistan.

The Management is making relentless efforts to further strengthen the bank, bringing improvement in infrastructure, quality of service and all facets of its operations. In this context the professional staff strength has been increased to 308 from 150 in 2012 (209 in 2013). The Bank has also embarked upon new technology enabled services of Mobile Banking and SMS Alert services.

I am deeply thankful to the Board for their continued support and guidance, and to my entire team and staff for their meaningful support in achieving the mile stones and goals set forth transforming Apna Microfinance Bank into a fast growing Bank among its peers.

My sincere gratitude goes to State Bank of Pakistan, Securities & Exchange of Pakistan and Karachi Stock Exchange of Pakistan for their continued support and Guidance.


Muhammad Saleem Shaikh
President / CEO

THE MANAGEMENT



Mr. Muhammad Farooq Abid Tung, Mr. Muhammad Saleem Shaikh, Syed Ishtiaq Ali, Mr. Tahir Saeed Effendi
Mr. Sharique Ulmer Farooqi, Mr. Rafat Abbas, Mr. Imtiaz Hussain Mughal, Mr. Asif Azeem, Mr. Abdul Rasheed Khan,
Mr. Ikhtlaq Ahmed Khan, Mr. Ashok Kumar, Syed Arif Ali Shah

MEETINGS



CORPORATE INFORMATION

Board of Directors

Chairman	Mr. Qamar-uz-Zaman
Directors	Mr. Muhammad Akram Shahid
	Mr. Muhammad Azam Cheema
	Ms. Shahida Bilquis
	Mr. Muhammad Farooq Abid Tung
	Mr. Muhammad Saleem Shaikh
	Mr. Imad Mohammad Tahir

President / Chief Executive	Mr. Muhammad Saleem Shaikh
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Company Secretary	Mr. Rafat Abbas
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Chief Financial Officer	Mr. Tahir Saeed Effendi
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Audit Committee of the Board

Chairman	Ms. Shahida Bilquis
Members	Mian M. A. Shahid
	Mr. Muhammad Azam Cheema
Secretary	Internal Auditor

Executive Committee of the Board

Chairman	Mr. Muhammad Akram Shahid
Members	Mr. Muhammad Azam Cheema
	Mr. Qamar-uz-Zaman
	Mr. Muhammad Saleem Shaikh
	Mr. Muhammad Farooq Abid Tung
Secretary	Company Secretary

Risk Management Committee of the Board

Chairman	Mr. Muhammad Azam Cheema
Members	Mr. Muhammad Farooq Abid Tung
	Ms. Shahida Bilquis
	Mr. Muhammad Saleem Shaikh
	Mr. Imad Mohammad Tahir
Secretary	Head Risk Management

Continue ➡

CORPORATE INFORMATION

Human Resource & Remuneration Committee of the Board

Chairman	Mr. Muhammad Farooq Abid Tung
Members	Mr. M. A. Shahid
	Ms. Shahida Bilquis
	Mr. Muhammad Azam Cheema
	Mr. Qamar uz Zaman
	Mr. Muhammad Saleem Shaikh
Secretary	Group Head HR

Auditors	Riaz Ahmed & Co. Chartered Accountants
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Tax/ Legal Advisor	Baker Tilly Mehmood Idrees Qamar Chartered Accountants Agha Law Associates
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Bankers	Sindh Bank Ltd Bank Al-Falah Ltd Silk Bank Ltd Summit Bank Ltd Dubai Islamic Bank Faisal Bank Ltd National Bank of Pakistan
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Registered & Head Office	K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road, Gizri Karachi. PABX Tel: +92 21 35865352-55 Fax: +92 21 35865017 Website: www.apnabank.com.pk
--------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Share Registrar	Technology Trade (Pvt.) Ltd. Dagja House, 241-C, Block-2, P.E.C.H.S. Off. Shahrah-e-Quaideen, Karachi. Phone: 021-34391316 - 17 Fax: 021-34391318
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BRANCHES INFORMATION

KARACHI

I.I. Chundrigar Road Branch

Shop No. 1 G Floor, Sheet RY-9, Survey No. 11/9/A,
Railway Quarter, I.I Chundrigar Road, Karachi.
Tel: 021-32623667-70

Liaqatabad Service Centre

Shop No. 5 Plot No. 1/9, Main Road,
Liaqatabad, Karachi.
Tel: 021-34911540, 32010602, 34297437

Ibrahim Haidery Service Centre

Plot No. 022, Syed Muhallah, Near Sindh Govt. Hospital,
Ibrahim Hyderi, Karachi.

Shahrah-e-Faisal Branch

Adjoining Shop No. 2 & Arika 80's 25-B, S.M.C.H.S.,
Shahrah-e-Faisal, Karachi.
Tel: 021-34324657-58

Orangi Town Branch

LS-5 Sector 1/A, Street No. 9, Qazi Chowk,
Orangi Town Karachi.
021-36652095-103

Shah Faisal Colony Branch

H-26/4, Shah Faisal Colony No. 4, Karachi.
Tel: 021-34601749-50

North Karachi Branch

LS-8, Street 11-K, North, Karachi.
Tel: 021-36961067-68

Taiser Town Service Centre

Shop No. 05 Sector No. 35-C, Taiser Town, SCH-45,
Layari Taiser Town, Karachi.
Cell: 0308-8886140

Bhens Colony Branch

Plot No. 42/B Commercial Area, Road No. 08,
Bhens Colony, Karachi.
Tel: 021-35081282-85

Korangi Industrial Area Branch

Plot no. D-6, Future Colony, Landi, Karachi.
Tel: 021-35013400-3

Napier Road Branch

NPR 8/1 Napier Road, Juana Market, Karachi.
Tel: 021-32527041-3

Model Branch Gizri

K-4/3 & 4/4 Ch. Kaliq-uz-Zaman Road, Gizri, Karachi.
Tel: 021-35865022-4

Liaquat Market, Malir Branch

Plot No. 161, block B-3 Indus Mehran Society,
Saudabad Malir, Karachi.
Tel: 021-34113782-84

Mehmoodabad Branch

Plot No. 169 Sheet No. M.A.C. Mehmoodabad No. 2
Jamshed Town, Karachi.
Tel: 021-35319240-3

Azam Town Service Centre

Commercial Shop No. 1 Plot No. 229 Street No. 4,
Azam Town Near UBL Bank, Karachi.
Cell: 0308-8886184

Gulshan Hadeed Branch

A-2483 Phase Gulshan-e-Hadeed Bin Qasim, Karachi.
Tel: 021-34717820-3

INTERIOR SINDH

Larkana Branch

Old Anaj Mandi Larkana Gujan Pur Chowk,
District Larkana, Sindh.
Tel: 074-4055347-50

Suigas Branch

Sui Gas Kumb Road Khairpur Mirs, Sindh.
Tel: 024-3614440-5

Khairpur Mirs Kachery Road Branch

D/ 270 Mohalla Ali Murad New Gohth, Deh & Taluka
Khairpur Mirs, Sindh.
Tel: 024-3715330-5

Risala Road Hyderabad Branch

City Survey No. F 73-74 Commercial, Risala Road
Saddar, Hyderabad, Sindh.
Tel: 022-2731282

Tando Allahyar Branch

Plot No. 5/c Main Hyderabad Road Tando Allah Yar
Opposite: Soneri Bank Hyderabad, Sindh.
Tel: 022-3890449, 3890450-8

BRANCHES INFORMATION



WORKING HIGHLIGHTS



AWARDS & WORKING PROJECTS



PRODUCTS

EXISTING PRODUCTS

Presently, below mentioned product are available, to our customers. Response of the general public towards our products is excellent. Up till now around 11,700 clients availed financing facilities from our bank amounting to Rs. 615 million. The current portfolio of our Bank is 382 million with 9,500 clients.

Apna Hunner

Apna Sawari

Apna Maal

Apna Karobar

Apna Ghar

Apna Group

Apna Tube-Well

Apna Bijli Ghar

Apna Tractor

Apna Gold

Apna Farm

Apna Beej Apni Khaad

Apna Pani

Apna Mustaqbil

Apna Paisa Apnay Pass

Apna Karobar (Enterprise)

Apna Farm (Enterprise)

Composite Insurance Apna Microfinance Bank will be distinguished among other banks through providing composite Insurance to all its borrowers and depositors with another distinction to insure their loans in addition to their livestock.

Main Features of the Loans:

Loan Amount Rs. 10,000 to 500,000

Repayment Period 1 Month to 3 Years

Repayment Monthly or as agreed with the customer
Markup payable at Minimum Markup Rate

Loan Sanctioning Requirements:

CNIC copy with 2 Photos

Copies of latest utility Bills

Two Personal guarantee from reputed account holders

Facilities:

ATM Card (optional)

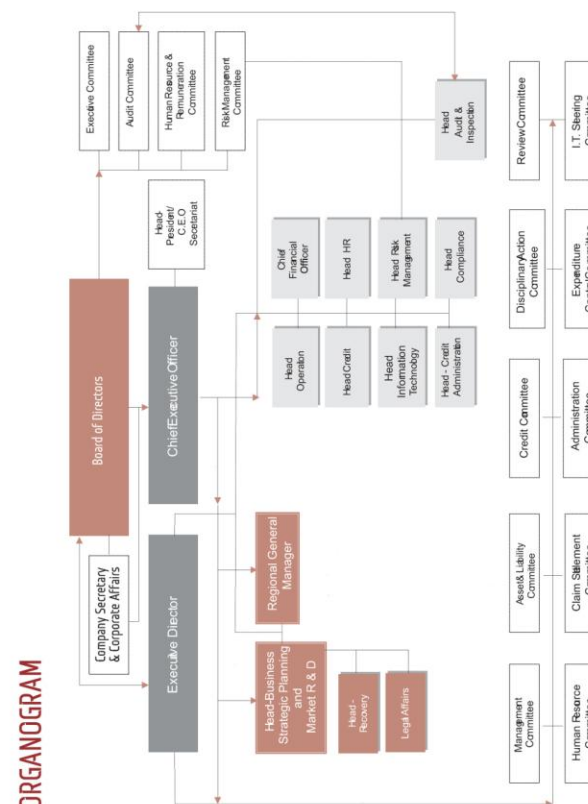
Full range of Banking Services

Imbedded Life & Assets Insurance Cover

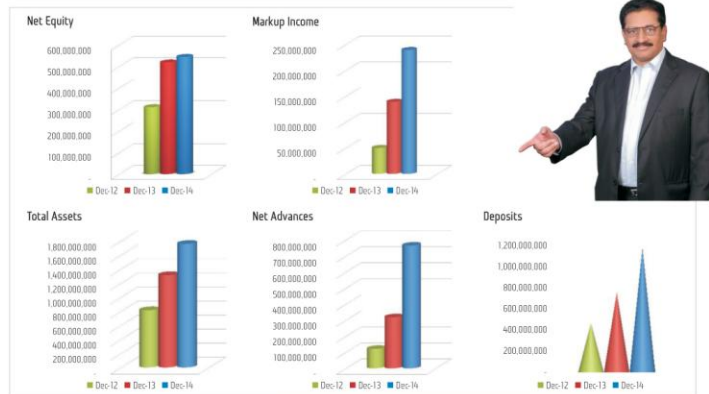
Minimum loan processing time



ORGANOGRAM



KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	Position for the Year Ended				
	% Rise 2014 Vs 2013	Dec-14 Rupees	% Rise 2013 Vs 2012	Dec-13 Rupees	Dec-12 Rupees
Financial Data					
Total Assets	33.93%	1,758,954,506	61.19%	1,313,382,730	814,817,866
Advances-net of provisions	140.16%	766,138,548	161.94%	319,016,883	121,788,004
Deposits	56.62%	1,193,506,624	62.82%	762,025,569	468,024,864
Share Capital	266.67%	1,100,000,000	0.00%	300,000,000	300,000,000
Share Deposit money	-100.00%	-	100.00%	403,300,000	-
Net Equity	56.41%	1,100,000,000	134.43%	703,300,000	300,000,000
Accumulated Loss	-2.34%	(192,270,001)	37.14%	(196,880,895)	(143,559,503)
Operating Data					
Mark-up / return / interest earned	71.84%	239,418,864	177.63%	139,325,686	50,188,635
Mark-up / return / interest expensed	50.82%	(78,963,877)	212.16%	(52,354,812)	(16,771,663)
Administrative expenses	33.00%	(165,664,970)	46.97%	(124,559,804)	(84,753,436)
Profit / (Loss) before taxation	-116.73%	8,721,335	6.78%	(52,120,573)	(48,812,717)
Profit / (Loss) after taxation	-111.53%	6,147,859	8.12%	(53,321,392)	(49,314,623)
EPS	-105.13%	0.08	-4.88%	(1.56)	(1.64)

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the audited Financial Statements of the Bank for the year ended December 31, 2014.

Operational and Financial Review

It is informed that the bank has shown all round growth in all areas of operations. The profit & loss account of the Bank has shown profit before tax in the current year amounting to PKR 8.721 million as compared to loss of PKR 52.120 million in the year 2013.

The total assets of the Bank stood at PKR 1,758.954 million showing growth of 34% over last year figure of PKR 1,313.382 million.

Furthermore, the earning per share for the year ended December 31, 2014 is PKR 0.08 as compared to loss per share of PKR 1.56 in 2013.

During the year 2014, different committees were reconstituted, TORs and Bank policies revised to meet the bank requirements and to comply with the SBP Regulations. Furthermore, professional people were hired to further strengthen the team to bring efficiency in the Internal Control over system & procedures.

As per Bank's plan to increase lending in the year 2014 and as expected, the advances portfolio has shown a healthy growth and has increased to PKR 798.673 million in comparison to December 31, 2013 figure of PKR 341.837 million registering a rise of 134%. The bank's liquidity profile remains strong at PKR 787.246 million in liquid assets which is approximately 44.76% of our Total Assets.

Bank is advancing towards the horizons of technology enabled service which will not only improve our Banking operations but will also help for the retention and satisfaction of our valued customers. The new services which were introduced during the year are:

i) SMS Alerts

The Bank introduced SMS Alerts, now the account holders remain updated about their transactions and receive real time Debit & Credit alerts including other activity like cheque bouncing, cheque book issue etc. The Bank has received overwhelming appreciation from its customers. This service has also resulted in increase of other income of the Bank.

ii) Agro Based Products

We are pleased to inform that the Bank has introduced enterprise loans upto a maximum limit of PKR 0.5 million which provides short term and medium terms loans with soft terms & conditions to Farmers, Fishermen and Horticulturists. This finance will help the population of rural areas to earn their livelihood in respectable manners by investing in crop cultivation, livestock, poultry, fisheries and forestry.

iii) Grants from SBP

State Bank of Pakistan reposed its confidence on AMBL by allocating funds during the period under review for institutional capacity building and for the improvement in channels of financial access. Following two grants were received during the year for the fulfillment of following objectives:

Institutional Capacity Building (ISF project Rs. 36.078 million)

Improvement of channels of financial access (FICF project Rs. 34.000 million)

The grants will foster innovations to test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unattended demand for financial services.

Future Outlook

State Bank of Pakistan granted Provincial Level license to the Bank during the current year, accordingly 6 new branches were opened in Sindh. In order to obtain National Level license, the Board approved issuance of 100% Right Shares at a discounted price

DIRECTORS' REPORT

of PKR 5/- each. The process of seeking regulatory approvals before announcing the Right Issue is under active process. The management is of the view that the MCR of PKR 1 billion (net of losses) will be met by the end of the 2nd Quarter 2015. Upon receiving National Level license, branches in Punjab & KPK will also be opened. The management has entered into agreement for introducing Mobile Banking to its customers very soon.

Credit Rating

The Pakistan Credit Rating Agency (Pvt) Ltd. has maintained the long term and short term ratings for the Bank to "BBB" (Triple B) and "A3" (A Three) respectively, with a "Positive future Outlook". The 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 fairly the state of affairs of the bank, the results of its operations, cash flow statement and statement of changes in equity.
- Proper books of account of the bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied in 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 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 charges.

Employees Benefit Scheme

The bank operates a funded provident fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2014 is PKR 3,152 million (2013: PKR 4,925 million-Audited).

Transfer Pricing

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

Audit Observations

The external auditors have modified their report on the following significant matters:

- (a) regularizing the rescheduled/ restructured loans out of non-performing categories without complying with the requirements of Prudential Regulations;
- (b) the management did not assess and accounted for impairment in respect of fixed capital expenditure incurred in previous years on renovation of office at Lahore as the Bank could not obtain national level license so far. Further, the assets available for use have not been identified to capitalize and charge depreciation;
- (c) certain accounting adjustments of Rupees 10.106 million have been made in different account heads to reconcile the automated information system with the underlying records for which no satisfactory basis have been provided to them.

Continue ➔

DIRECTORS' REPORT

Auditors

Our auditors M/s Riaz Ahmad & Company Chartered Accountants have retired after completing the term of three (3) years. The Board of Directors recommended M/s Avas Hyder Liaquat Nauman & Company Chartered Accountants as auditors of the Bank for the year ended December 31, 2015.

Pattern of Shareholding

The pattern of shareholding is annexed to the annual report.

Acknowledgment

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: February 27th, 2015

On behalf of the Board


Muhammad Saleem Shaikh
President and CEO



STATEMENT SHOWING ATTENDANCE OF BOARD MEETINGS

From January 1, 2014 to December 31, 2014

Six (6) Board meetings were held during the year 2014 and attended as follows:

NAME OF DIRECTORS	MEETINGS DUE	MEETINGS ATTENDED
Mr. Qamaruz Zaman	6	5
Mr. Muhammad Azam Cheema	6	4
Mr. Muhammad Akram Shahid	6	6
Ms. Shahida Bilquis	6	3
Mr. Imad Mohammad Tahir	6	2
Mr. Muhammad Farooq Abid Tung	6	6
Mr. Muhammad Saleem Shaikh	6	6

STATEMENT SHOWING ATTENDANCE OF BOARD'S AUDIT COMMITTEE MEETINGS

From January 1, 2014 to December 31, 2014

Four (4) Board Audit Committee meeting were held during the year 2014 and attended as follows:

NAME OF DIRECTORS	MEETINGS DUE	MEETINGS ATTENDED
Mr. Qamaruz Zaman	2	2
Mr. Muhammad Akram Shahid	2	2
Ms. Shahida Bilquis	4	2
Mr. Muhammad Azam Cheema	4	2

ETHICS AND BUSINESS PRACTICES

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

Laws and Rules

- All the employees are required to comply with all the laws, rules and regulations governing AMBL, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security 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 directives 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 team 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 demeaning 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 unauthorized absences.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic 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, or serves as a client's personal representative.
- No employee shall bring political or other outside pressure/ influence to bear on the authorities/superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
- Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource & Recruitment Department. Employees with financial or other interest in any family 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 who has a relationship with the Bank except on market terms and conditions from financial institutions. 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 activity 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 including 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.

ETHICS AND BUSINESS PRACTICES

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 property.
- 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 server or computer, or cell phones.
- Employees are prohibited to use, exchange, or sell intoxicants or drugs in the work place or come to work under their influence.
- Employees are required to maintain proper dress code, appear well groomed and presentable at all the time. Livery staff should be in their proper uniform. High standards of behavior and tidy work 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 illegal 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 or 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 Email and 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, including 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, consulting 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 any 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 inside 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 social information, including any material that may pose reputational risk to the Bank. Secrecy of passwords must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet and email is deemed inappropriate in the workplace. Private telephone conversations must be kept at a minimum during office hours.
- Only officially designated spokesperson, as provided under the Bank's Media Policy, may provide comments about the Bank to the media.

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ETHICS AND BUSINESS PRACTICES

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

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards 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 anything of value from any current or prospective Apna bank customers or vendors or any person who has 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, wedding, 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 based on relationship existing independent of the business of the Bank and reported to the Human Resource & Recruitment Department.
- Benefits available to the general public e.g. advertising or promotional materials, and discount 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 common stocks or otherwise benefitting from sharing inside information, whether obtained through workplace or outside sources.
- AMBL fully supports the intended drive against serious crime and is committed to assisting the 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.

Chairman

Date: February 27, 2015



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2014

Name of company: **Apna Microfinance Bank Limited.**

Year ending: December 31, 2014.

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 Exchange 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:

- 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. Qamar-uz-Zaman	Chairman / Non-executive director
Mr. Muhammad Azam Cheema	Non-executive director
Mr. Muhammad Akram Shahid	Non-executive director
Mr. Muhammad Farooq Abid Tung	Executive director
Ms. Shahida Bilquis	Non-executive director (Independent)
Mr. Muhammad Saleem Shaikh	President & CEO / Executive director
Mr. Imad Mohammad Tahir	Non-executive director (Independent)

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

- 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).
- 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.
- No casual vacancy occurred in the Board during the current year.
- 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.
- 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.
- 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.
- 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.
- Directors are well conversant with the listing regulations, legal requirement and operational imperatives of the Bank, and as such are fully aware of their duties and responsibilities. The Board arranged training programs for its directors during the year; Mian M. A. Shahid, Mr. Qamar-uz-Zaman, Ms. Shahida Bilquis, Mr. Muhammad Azam Cheema, Mr. Muhammad Farooq Abid Tung and Mr. Saleem Shaikh attended the training programs.

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2014

- The board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- 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.
- The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
- 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.
- The Bank has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed Human Resource and Remuneration Committee comprises of non-executive directors and the duties have been assigned as per Code.
- The Board has formed an audit committee. It comprises three members, who are non-executive directors including the chairman of the committee. The Chairman of the Committee is an independent director.
- 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.
- The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
- 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.
- 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.
- 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.
- Material/ price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange Ltd.
- We confirm that all other material principles enshrined in the CCG have been complied.

For Apna Microfinance Bank Ltd.

Chairman

Date: February 27, 2015

Karachi

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of APNA MICROFINANCE BANK LIMITED ("the Bank") for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the 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 of Directors' 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.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

Based on our review, 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 as applicable to the Bank for the year ended 31 December 2014.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Muhammad Kamran Nasir

Date: February 27, 2015

KARACHI

PATTERN OF SHAREHOLDING

As at 31 December 2014

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 31-DEC-14

No. of Share Holders	Shareholdings		Total Shares Held
218	Shareholding From 1	To 100	1,912
77	Shareholding From 101	To 500	32,565
50	Shareholding From 501	To 1000	48,610
75	Shareholding From 1001	To 5000	205,949
10	Shareholding From 5001	To 10000	71,334
3	Shareholding From 10001	To 15000	36,166
6	Shareholding From 15001	To 20000	110,338
1	Shareholding From 20001	To 25000	25,000
4	Shareholding From 25001	To 30000	112,608
3	Shareholding From 35001	To 40000	118,166
1	Shareholding From 40001	To 45000	43,500
1	Shareholding From 55001	To 60000	60,000
1	Shareholding From 65001	To 70000	68,166
1	Shareholding From 70001	To 75000	73,500
2	Shareholding From 210001	To 215000	423,833
1	Shareholding From 420001	To 425000	425,000
2	Shareholding From 495001	To 500000	1,000,000
1	Shareholding From 595001	To 600000	600,000
1	Shareholding From 870001	To 875000	874,711
1	Shareholding From 1700001	To 1705000	1,703,396
1	Shareholding From 5700001	To 5705000	5,703,561
1	Shareholding From 5995001	To 6000000	5,998,445
2	Shareholding From 7010001	To 7015000	14,021,617
1	Shareholding From 19995001	To 20000000	20,000,000
1	Shareholding From 24295001	To 24300000	24,295,785
1	Shareholding From 33945001	To 33950000	33,945,838
466			110,000,000

CATEGORIES OF SHAREHOLDERS

As at 31 December 2014

Directors, Chief Executive Officer And Their Spouse and Minor Children	Shares Held	Percentage
QAMAR UZ ZAMAN	24,295,785	
MUHAMMAD AKRAM SHAHID	5,998,445	
MUHAMMAD FAROOQ ABID TUNG	1,703,396	
MR. IMAD MOHAMMAD TAHIR	20,000,000	
SHAHIDA BILQUIS	5,703,561	
MUHAMMAD AZAM CHEEMA	7,010,799	
JAMSHED IQBAL	7,010,818	
Sub-Totals:	71,722,804	65.20%

ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.

THE UNITED INSURANCE COMPANY OF PAKISTAN	33,945,838	
UNITED INSURANCE COMPANY OF PAKISTAN LIM	2,000	
THE UNITED INSURANCE COMPANY OF PAK.LTD.	73,500	
Sub-Totals:	34,021,338	30.93%

MODARABAS AND MUTUAL FUNDS.

MCBFSL - TRUSTEE NAMCO BALANCED FUND	425,000	
Sub-Totals:	425,000	0.39%

OTHERS

PEARL SECURITIES LIMITED - MF	20,000	
DARSON SECURITIES (PVT) LIMITED	4,789	
SALIM SOZER SECURITIES (PVT.)LTD.	30,000	
ACE SECURITIES (PVT.) LIMITED	133	
UNITED TRACK SYSTEM (PVT) LIMITED	212,000	
KARACHI STOCK EXCHANGE LIMITED	59	
TIME SECURITIES (PVT.)LTD.	114	
FIRST NATIONAL EQUITIES LIMITED	1	
Sub-Totals:	267,096	0.24%

Individual

Local - individual	3,563,762	
Sub-Totals:	3,563,762	3.24%
Grand Totals:	110,000,000	100%

LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES 5.00% AND ABOVE

For the year ended 31 December 2014

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	5,998,445
2	CDC-03525-079255IIA	MUHAMMAD AZAM CHEEMA MUHAMMAD KHAN AURIGA GROUP,33 KM,MULTAN ROAD LAHORE	7,010,799
3	CDC-03525-079256IIA	JAMSHED IQBAL CHEEMA MUHAMMAD HAJI AURIGA GROUP,33 KM,MULTAN ROAD LAHORE	7,010,818
4	CDC-03525-079285IIA	QAMAR UZ ZAMAN MAHR MUHAMMAD ASHRAF 481-Z, PHASE III,DHA,LAHORE	24,295,785
5	CDC-03277-057265CIA	THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED SUITE # 204, 2nd FLOOR, MADINA CITY MALL ABDULLAH HAROON ROAD,KARACHI.	34,021,338
6	CDC-03525-079254IIA	SHAHIDA BILQUIS MUHAMMAD SAEED AKHTAR 128-E-II, MODEL TOWN,LAHORE	5,703,561
Total Shares			844,040,746

FINANCIAL STATEMENTS

For the year ended December 31, 2014

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of APNA MICROFINANCE BANK LIMITED ("the Bank") as at 31 December 2014, 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) during the year, the Bank rescheduled / restructured around 2,068 loan cases having outstanding principal and mark-up aggregating to Rupees 106.358 million. The Bank did not fully comply with the requirements of Prudential Regulations for Microfinance Banks. Loans were rescheduled / restructured by recovering only the mark up amounts while 40 percent of the outstanding principal was not recovered before regularizing the loans. Moreover, in some cases loans have been rescheduled / restructured more than once resulting improvement in classified categories. Due to limitations of the Bank's information system, exact amount of provision required to be accounted for against such loans could not be determined;
- (b) the Bank incurred fixed capital expenditure of Rupees 14.934 million (Note 11.1) during the previous years on renovation of office at Lahore, obtained on rent in view of its planned expansion to national level operations. However, the Bank could not obtain license of national level operations so far. Further, no rent has been accrued or paid in respect of aforesaid office since July 2013. Despite these indicators, the management of the Bank has not determined and accounted for impairment loss on such fixed capital expenditure, if any. Moreover, the aforesaid capital expenditure is still kept in capital work-in-progress although no further work is being carried out which will result in understatement of depreciation expense on the assets which may be available for use;
- (c) the Bank recorded certain accounting adjustments of Rupees 10,106 million in different account heads to reconcile the automated information system with the underlying records for which no satisfactory basis have been provided to us;

Except for the effects of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matters stated in the preceding paragraphs (a) to (c) we report that:

- (e) 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;
- (f) 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

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AUDITORS' REPORT TO THE MEMBERS

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;

- (g) 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 31 December 2014, and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

- (h) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to note 1.2 to the financial statements which explains that the Bank has achieved status of provincial level microfinance bank by complying with the prescribed minimum capital requirements and efforts are being made for achieving the national level status. Our opinion is not further qualified in respect of this matter.



RIAZ AHMAD & COMPANY

Chartered Accountants

Name of the engagement partner:

Muhammad Kamran Nasir

Date: February 27, 2015

KARACHI

BALANCE SHEET

As at 31 December 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Cash and balances with SBP	7	58,432,090	62,801,414
Balances with other banks/MFBs	8	538,046,669	504,774,790
Lending to financial institutions		-	-
Investments	9	190,767,143	291,102,058
Advances-net of provisions	10	766,138,548	319,016,883
Operating fixed assets	11	93,725,598	81,355,350
Other assets	12	111,844,458	54,332,235
Deferred tax asset		-	-
Total assets		1,758,954,506	1,313,382,730
LIABILITIES			
Deposits and other accounts	13	1,193,506,624	762,025,569
Borrowings		-	-
Subordinated debt		-	-
Other liabilities	14	22,839,032	34,303,309
Deferred tax liabilities		-	-
Total liabilities		1,216,345,656	796,328,878
NET ASSETS		542,608,850	517,053,852
REPRESENTED BY:			
Share capital	15	1,100,000,000	300,000,000
Discount on issue of shares		(400,000,000)	-
Statutory reserve		1,279,583	50,011
Depositors' protection fund		319,896	12,503
Accumulated loss		(192,270,001)	(196,880,895)
		509,329,478	103,181,619
Surplus / (deficit) on revaluation of assets		1,740,937	(1,448,030)
Deferred grants	16	31,538,435	12,020,263
Share deposit money		-	403,300,000
		542,608,850	517,053,852

MEMORANDUM/OFF BALANCE SHEET ITEMS

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The annexed notes 1 to 32 form an integral part of these financial statements.


President & Chief Executive Officer


Chairman


Director


Director

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	2014 Rupees	2013 Rupees
Mark-up/return/interest earned	18	239,418,864	139,325,686
Mark-up/return/interest expensed		(78,963,877)	(52,354,812)
Net mark-up/interest income		160,454,987	86,970,874
Provision against non-performing loans and advances	10.3	(25,549,731)	(30,606,859)
Provision for diminution in the value of investments		-	-
Recovery against bad debts written off		5,973,069	1,062,032
Bad debts written off directly		-	-
		(19,576,662)	(29,544,827)
Net mark-up/interest income after provisions		140,878,325	57,426,047
Non mark-up/non interest income			
Fee, commission and brokerage income		9,423,475	5,228,727
Dividend income		-	-
Other income	19	24,084,505	9,784,457
Total non mark-up/non interest income		33,507,980	15,013,184
		174,386,305	72,439,231
Non mark-up/non interest expenses			
Administrative expenses	20	(165,664,970)	(124,559,804)
Other provisions/write offs		-	-
Other charges		-	-
Total non mark-up/non interest expenses		(165,664,970)	(124,559,804)
		8,721,335	(52,120,573)
Extra ordinary/unusual items		-	-
Profit/(loss) before taxation		8,721,335	(52,120,573)
Taxation - Current	21	(2,548,154)	(1,439,198)
Prior year		(25,322)	238,379
Deferred		-	-
		(2,573,476)	(1,200,819)
Profit/(loss) after taxation		6,147,859	(53,321,392)
Accumulated loss brought forward		(196,880,895)	(143,559,503)
		(190,733,036)	(196,880,895)
Appropriations			
Transfer to			
Statutory reserve		(1,229,572)	-
Capital reserve		-	-
Contribution to MSDF/DPF/RMF		(307,393)	-
Revenue reserve		-	-
Proposed cash dividend Rupee Nil per share (2013: Rupee Nil per share)		-	-
Others		-	-
		(1,536,965)	-
Accumulated loss carried forward		(192,270,001)	(196,880,895)
Earnings/(loss) per share - basic and diluted (2013: restated)	22	0.08	(1.56)

annexed notes 1 to 32 form an integral part of these financial statements.


President & Chief Executive Officer


Chairman


Director


Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 Rupees	2013 Rupees
Profit / (loss) after taxation	6,147,859	(53,321,392)
Other comprehensive income		
Items that will not be reclassified to profit and loss account	-	-
Items that may subsequently be reclassified to profit and loss account	-	-
Comprehensive income / (loss) transferred to equity	6,147,859	(53,321,392)
Components of comprehensive income not reflected in equity		
Net change in fair value of available-for-sale investments	3,188,967	(1,397,154)
Total comprehensive income / (loss) for the year	9,336,826	(54,718,546)

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 BSO Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan.

The annexed notes 1 to 32 form an integral part of these financial statements.


President & Chief Executive Officer


Chairman


Director


Director

CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		8,721,335	(52,120,573)
Adjustments for non-cash items			
Depreciation		9,404,402	6,049,950
Amortization of intangibles		9,033,866	7,428,186
Amortization of deferred grants		(15,304,616)	(6,000,000)
Amortization of premium on PIBs		1,048,039	(1,696,690)
Amortization of discount on TFCs		(599,892)	-
Provision against non-performing advances		25,549,731	30,606,859
Fair value adjustment on held for trading investment		(263,505)	(1,217,064)
Loss on outright sale of PIBs		1,000,584	-
Gain on disposal of fixed assets - net		(1,274,013)	(669,853)
		28,594,596	34,501,388
Operating cash flow before working capital changes		37,315,931	(17,619,185)
Changes in working capital			
Increase in operating assets			
Advances		(472,671,396)	(227,835,738)
Other assets		(64,544,937)	(20,962,031)
		(537,216,333)	(248,797,769)
Increase / (decrease) in operating liabilities			
Deposits		431,481,055	294,000,705
Other liabilities		(11,443,159)	(3,058,676)
		420,037,896	290,942,029
CASH FLOW FROM OPERATIONS		(79,862,506)	24,525,075
Income tax paid		(4,536,558)	(366,695)
Net cash (used in) / flow from operating activities		(84,399,064)	24,158,380
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		72,824,074	(139,400,114)
Net investments in held for trading securities		39,625,000	(375,000)
Net investments in held to maturity securities		(10,135,740)	-
Investments in operating fixed assets		(28,497,696)	(17,749,144)
Investments in intangible assets		(3,333,547)	(7,758,934)
Sale proceeds of operating fixed assets disposed of		2,296,740	2,537,250
Net cash flow from / (used in) investing activities		72,778,831	(162,745,942)
CASH FLOW FROM FINANCING ACTIVITIES			
Share deposit money-net		(3,300,000)	250,300,000
Grant received from SBP		43,822,788	9,020,263
Net cash flow from financing activities		40,522,788	259,320,263
Increase in cash and cash equivalents during the year		28,902,555	120,732,701
Cash and cash equivalents at the beginning of the year		567,576,204	446,843,503
Cash and cash equivalents at the end of the year	23	596,478,759	567,576,204

The annexed notes 1 to 32 form an integral part of these financial statements.


President & Chief Executive Officer


Chairman


Director


Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share Capital Rupees	Discount on Issue of Shares Rupees	Statutory Reserve Rupees	Depositors' Protection Fund Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at 31 December 2012	300,000,000	-	50,011	12,503	(143,559,503)	156,503,011
Comprehensive loss for the year						
Loss after taxation	-	-	-	-	(53,321,392)	(53,321,392)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(53,321,392)	(53,321,392)
Balance as at 31 December 2013	300,000,000	-	50,011	12,503	(196,880,895)	103,181,619
Issue of right shares	800,000,000	(400,000,000)	-	-	-	400,000,000
Comprehensive Income for the year						
Profit after taxation	-	-	-	-	6,147,859	6,147,859
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,147,859	6,147,859
Transfer to Statutory Reserve*	-	-	1,229,572	-	(1,229,572)	-
Transfer to depositors' Protection Fund (DPF)**	-	-	-	307,393	(307,393)	-
Balance as at 31 December 2014	1,100,000,000	(400,000,000)	1,279,583	319,896	(192,270,001)	509,329,478

* The Prudential Regulations for microfinance banks require the microfinance banks to create a statutory reserve to which shall be credited an amount equal to at least 20% of its annual Profits after taxes till such time the reserve fund equals to Paid-up Capital of Microfinance bank and thereafter, an amount no less than 5% of its annual Profit after taxes.

**The Microfinance Institutions Ordinance, 2001 requires microfinance banks to maintain Depositors' Protection Fund (DPF) 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.

The annexed notes 1 to 32 form an integral part of these financial statements.


President & Chief Executive Officer


Chairman


Director


Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. STATUS AND NATURE OF BUSINESS

1.1 Apna Microfinance Bank Limited ("the Bank") was incorporated on 08 May 2003 as a public limited Bank under the Companies Ordinance, 1984. The Bank was granted a certificate of commencement of business on 28 December 2004 and its operations started from 01 January 2005. Its shares are listed on Karachi Stock Exchange Limited. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. During the year the Bank has been licensed to operate in Province of Sindh, Pakistan. As at the reporting date, the Bank operates 17 branches (2013: 11 branches) and its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi.

1.2 During the year, the bank has achieved the status of provincial level microfinance bank pursuant to license issued by state Bank of Pakistan and its equity (free of losses) as at the balance sheet date meets the minimum capital requirements (MCR) of Rupees 500 million as stipulated in Prudential Regulations for Microfinance Banks.

The management is proactively making efforts to raise the paid up share capital of the Bank to Rupees 1,000 million for achieving the status of national level microfinance bank in the ensuing year.

2. BASIS OF PRESENTATION

These financial statements have been presented in accordance with BSD Circular No.11 dated 30 December 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 shall prevail.

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 26 August 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 41(1) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

3.2 Standards, amendments and interpretations to published approved accounting standards that are effective in the current year.

The Securities Exchange Commission of Pakistan (SECP) has notified Islamic Financing Standard (IFAS) 3, 'Profit & Loss on Sharing Deposits' issued by Institute of Chartered Accountants of Pakistan (ICAP). IFAS shall be followed with effect from the financial periods beginning from 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing' on Deposits' as defined by said standard.

There are certain new and amended standards, interpretations and amendments that are mandatory for the bank's accounting periods beginning on or after 01 January 2014 but are considered not to be relevant or do not have any significant effect on Bank's operations and therefore not detailed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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, 2015.

	Effective date (accounting periods beginning on or after)
- IAS 27 Separate financial statements (Amendments)	January 01, 2015
- IFRS 10 Consolidated Financial statements (Amendment)	January 01, 2015
- IFRS 11 Joint Arrangements	January 01, 2015
- IFRS 12 Disclosure of interest in other entities (Amendments)	January 01, 2015
- IFRS 13 Fair Value Measurement	January 01, 2015

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

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 disclosed in Note 6.2.

Accrual basis has been used in preparation of these financial statements except for the cash flow statement.

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 adopted and 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 accumulated impairment losses, if any. Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying asset directly attributable cost of bringing the asset to working condition. 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.

Continue ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

Maintenance and repairs are charged against income as and when incurred. Subsequent costs including 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 accumulated impairment losses, 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 taxable income at current rates of taxation after taking into consideration available tax credits and rebates, if any, in accordance with provision of Income Tax Ordinance, 2001. 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.

Continue ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 realized. 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 instruments carried on the statement of financial position include cash and balances with State Bank of Pakistan and other banks, investments, advances and other assets, bills payable, deposits and other liabilities. Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instruments. 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 rewards of the asset. Financial liabilities are derecognized when obligation specified in the contract is discharge, cancelled or expired. Any gain or loss on derecognition of the financial assets and liabilities is recognized in the profit or loss account of the current period.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6.10 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are 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 Pak 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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6.15.2 Geographical segment

The Bank has 17 branches as at 31 December 2014 (2013: 11 branches) and operates only in the Province of Sindh, Pakistan.

6.16 Deferred Grants

Grants are initially recognized at fair value in the balance sheet when there is reasonable assurance that the grants will be received and the Bank will comply with all the attached conditions. Grants that compensate the Bank for expenses incurred are recognized as other income in the profit and loss account on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognized in the profit and loss account as other income on a systematic basis over the useful life of the asset.

	Note	2014 Rupees	2013 Rupees
7. CASH AND BALANCE WITH SBP			
Cash in hand – local currency		26,627,936	19,022,451
Balance with State Bank of Pakistan	7.1	31,804,154	43,778,963
		58,432,090	62,801,414

- 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		19,799,313	4,484
- on deposit account	8.1	236,247,356	354,770,306
- certificates of deposits	8.2	282,000,000	150,000,000
		538,046,669	504,774,790

- 8.1 These carry mark-up rates ranging from 7.5 to 9.5 percent (2013: 7.5 to 9.5 percent) per annum.
- 8.2 These represents placements with KASB Bank Limited, Escorts Investment Bank Limited and Summit Bank Limited carrying mark-up ranging from 10.5 to 14 percent (2013: 9.5 to 10.5 percent). Their maturity ranges from one month to three months from the date of placement.
- 8.3 Placements with KASB Bank Limited amounting to Rupees 144 million were due for maturity on December 2014. However, the same could not be matured due to moratorium status of the Bank for a period of six months effective from 14 November 2014 whereby the payments of certain debts and obligations have been suspended.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Note	2014 Rupees	2013 Rupees
9. INVESTMENTS			
Held-for-trading			
Term Finance Certificate (TFCs)	9.1	38,993,011	58,875,000
Fair value adjustment		263,505	1,217,064
		39,256,516	60,092,064
NAMCO Income Fund - Mutual Fund			
Opening Balance		20,000,000	
Placements made during the year		80,000,000	20,000,000
Redemptions made during the year		(100,000,000)	
Closing Balance		-	20,000,000
Available-for-sale			
Federal Government Securities			
Pakistan Investment Bond (PIB)	9.2	139,633,950	212,458,024
Fair value adjustment		1,740,937	(1,448,030)
		141,374,143	211,009,994
Held-to-maturity			
B R R Guardian Modaraba - Term Finance Certificates (TFCs)	9.3	9,535,848	-
Amortization of discount		599,892	-
		10,135,740	-
		190,767,143	291,102,058

- 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 This represents PIBs issued for a period of five and three years having maturity on 22 July 2015 and 17 July 2017. These carries interest at the rate of 11.50% and 11.25% per annum respectively.
- 9.3 This represents 4000 units of TFCs valuing Rupees 2,894,811 each of B R R Guardian Modaraba. These TFCs were issued for 8.5 years having maturity on 07 December 2016 and carry markup at the rate of 1 Month KIBOR per annum

10. ADVANCES - NET OF PROVISIONS

	Note	2014 No. of loans outstanding	2014 Rupees	2013 No. of loans outstanding	2013 Rupees
Micro credits		11,390	798,673,090	8,606	341,837,539
Provision held:					
- Specific			25,090,505		19,768,105
- General			7,444,037		3,052,551
	10.2		32,534,542		22,820,656
Advance-net of provision		11,390	766,138,548	8,606	319,016,883

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

10.1 Particulars of non-performing advances

Advances include Rupees 101,396,356 (31 December 2013: Rupees 91,782,592) which have been placed under non performing status as detailed below.

	Amount outstanding	2014 Provision required	Provision held	Amount outstanding	2013 Provision required	Provision held
	Rupees					
Category of classification						
OAEW	39,915,242	-	-	45,262,426	-	-
Sub-standard	21,919,887	5,380,007	5,380,007	20,462,761	5,115,690	5,115,690
Doubtful	39,557,132	19,707,003	19,707,003	22,809,985	11,404,993	11,404,993
Loss	3,495	3,495	3,495	3,247,422	3,247,422	3,247,422
	101,396,356	25,090,505	25,090,505	91,782,594	19,768,105	19,768,105

- 10.2 The Bank has taken a forced sale value benefit of Rupees 543,585 on account of collateral against non-performing loans.

10.3 Particulars of provision against non-performing advances

	Specific	2014 General	Total	Specific	2013 General	Total
	Rupees					
Opening balance	19,768,105	3,052,551	22,820,656	2,914,337	1,156,346	4,070,683
Charge for the year	21,158,245	4,391,486	25,549,731	28,710,654	1,896,205	30,606,859
Amount written off	(15,835,845)	-	(15,835,845)	(11,856,886)	-	(11,856,886)
Closing balance	25,090,505	7,444,037	32,534,542	19,768,105	3,052,551	22,820,656

10.4 Particulars of write offs:

	2014 Rupees	2013 Rupees
Against provision	15,835,845	11,856,886

11 OPERATING FIXED ASSETS

Capital work in progress	11.1	15,533,663	16,631,322
Property and equipment	11.2	60,915,756	41,747,530
Intangible assets	11.3	17,276,179	22,976,498
		93,725,598	81,355,350
11.1 Capital work in progress			
Renovation of office building		15,533,663	16,631,322

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11.2 Property and equipment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

PARTICULARS	2014			2013		
	COST		Rate %	COST		Rate %
	As at 01 January 2014	Additions/ (Deletions) 31 December 2014		As at 31 December 2013	Additions/ (Deletions) 31 December 2013	
Leasehold improvements	17,769,966	3,320,885	5	21,090,851	17,769,966	5
Furniture and fixtures	11,122,476	2,814,570	10	13,916,136	11,122,476	10
Electricity and office equipment	9,758,082	6,570,404	20	15,090,418	9,758,082	20
Computer hardware & peripheral	14,392,473	9,328,056	30	22,940,252	14,392,473	30
Motor Vehicles	11,718,266	7,561,440	20	15,626,710	11,718,266	20
Total	64,761,263	29,595,355		88,664,367	64,761,263	
		(3,652,996)			(3,652,996)	
		23,013,733			23,013,733	
		9,404,402			9,404,402	
		(4,669,524)			(4,669,524)	
		27,748,611			27,748,611	
		60,915,756			60,915,756	
		18,469,947			18,469,947	
		4,131,197			4,131,197	
		5,585,276			5,585,276	
		9,420,633			9,420,633	
		5,990,601			5,990,601	
		9,036,109			9,036,109	
		22,916,498			22,916,498	
		17,276,179			17,276,179	
		16,944,460			16,944,460	
		9,033,866			9,033,866	
		7,428,186			7,428,186	
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		9,033,866			9,033,866	
		7,428,186			7,428,186	
		25,978,326			25,978,326	
		17,276,179			17,276,179	
		16,944,460			16,944,460	
		9,033,866			9,033,866	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12 OTHER ASSETS

	Note	2014 Rupees	2013 Rupees
Income/ mark-up accrued		40,584,078	30,538,487
Advances, deposits, advance rent and other prepayments	12.1	66,989,313	9,500,672
Advance income tax - net of provision		1,967,286	-
Security deposits		893,100	907,702
Inter banks ATM settlement account		1,410,681	873,613
Inter branch current account		-	3,511,761
Institutional Strengthening Fund grant receivable		-	9,000,000
		111,844,458	54,332,235

12.1 This includes a disbursed loan of Rupees 8 million out of loan of Rupees 16 million sanctioned to one of the executive director of the Bank during the year.

13 DEPOSITS AND OTHER ACCOUNTS

	2014		2013	
	Numbers	Rupees	Numbers	Rupees
Fixed deposits	1,865	693,879,253	1,315	383,102,300
Saving deposits	4,378	229,586,147	3,614	201,874,993
Current deposits	37,289	270,041,224	26,883	177,048,276
	43,532	1,193,506,624	31,812	762,025,569

13.1 Particulars of deposits by ownership

	2014		2013	
	Numbers	Rupees	Numbers	Rupees
Individual depositors	43,402	1,062,916,009	31,656	739,523,216
Institutional depositors				
- Corporation / firm	119	53,047,099	145	7,540,180
- Banks and financial institutions	11	77,543,516	11	14,962,173
	43,532	1,193,506,624	31,812	762,025,569

14 OTHER LIABILITIES

	Note	2014 Rupees	2013 Rupees
Mark-up/ return/ interest payable		6,472,356	4,897,157
Bills payable		12,620,951	11,110,797
Accrued expenses		2,144,126	1,660,941
Provident fund payable		-	14,957
EOBI contribution		-	107,827
Provision for taxation (net of advance tax)		-	21,118
Payable against capital expenditure		-	14,830,474
Others		1,601,599	1,660,038
		22,839,032	34,303,309

Continue ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	2014 Number of shares	2013 Rupees	2014 Rupees	2013 Rupees
15 SHARE CAPITAL				
15.1 Authorized capital				
Ordinary shares of Rupees 10 each	150,000,000	150,000,000	1,500,000,000	1,500,000,000
15.2 Issued, subscribed and paid-up capital				
Ordinary shares of Rupees 10 each				
fully paid in cash	110,000,000	30,000,000	1,100,000,000	300,000,000
15.2 Reconciliation of issued, subscribed and paid-up capital				
Share capital in issue as at 01 January	30,000,000	30,000,000	300,000,000	300,000,000
Add: Shares issued during the year on discount	80,000,000	-	800,000,000	-
Share capital in issue as at 31 December	110,000,000	30,000,000	1,100,000,000	300,000,000

16 DEFERRED GRANTS

	Note	2014 Rupees	2013 Rupees
Institutional Strengthening Fund (ISF)	16.1	16,903,539	12,020,263
Financial Innovation Challenge Fund (FICF)	16.2	14,634,896	-
		31,538,435	12,020,263

16.1 INSTITUTIONAL STRENGTHENING FUND

Opening Balance	12,020,263	-
Grant recognized during the year	18,057,788	18,020,263
Less: Amortization of deferred grants	(13,174,512)	(6,000,000)
	16,903,539	12,020,263

16.1.1 During the preceding year, the SBP approved a grant of Rupees 36,078,051 for meeting the project cost to be incurred by the Bank to support its institutional capacity building under the project "Strengthening the Institution via a Business Capacity Building, IT infrastructural Improvement and Human Capital Development". The Bank has recognized the grant amounting to Rupees 18,057,788 against the assets and expenses as prescribed thereby meeting the conditions attached to the grant. Out of this grant amounting to Rupees 27,057,788 was received during the year and Rupees 9,020,263 in preceding year. Amortization of the grant is being made on a systematic basis over the remaining useful life of related asset.

16.2 Financial Innovating Challenge Fund

Opening Balance	-	-
Grant recognized during the year	16,765,000	-
Less: Amortization of deferred grants	(2,130,104)	-
	14,634,896	-

Continue ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

During the year, the SBP approved a grant of Rupees 34,000,000 under the Financial Inclusion Programme (FIP). The main purpose of the FIP is the provision of improved access to financial services for poor and marginalized groups and for micro, small and medium enterprises in Pakistan. The Bank has recognized the grant amounting to Rupees 15,267,058 against assets and expenses as prescribed thereby meeting the conditions attached to the grant. Out of this grant amounting to Rupees 16,765,000 was received during the year. Amortization of the grant is being made on a systematic basis over the remaining useful life of related asset.

17. MEMORANDUM/OFF - BALANCE SHEET ITEMS	Note	2014 Rupees	2013 Rupees
The Bank has provided the guarantees of Rupees 4,950 million for the customers to the Controller Department of Tourist Services. The Bank has issued letter of guarantees which are valid for a period of 1 year from the date of execution and secured against the Customers' Receivables, 10% Cash Margin and Counter Guarantee of United Insurance Company Limited.			
There were no other contingencies and commitments as at 31 December 2014 (2013: Nil).			
18. MARK-UP / RETURN / INTEREST EARNED			
Mark-up on loans and advances		163,101,496	84,764,871
Mark-up on investments in government securities		21,957,118	22,139,490
Mark-up on deposit accounts		54,360,250	32,421,325
		239,418,864	139,325,686
19 OTHER INCOME			
Gain on disposal of fixed assets		1,274,013	669,853
Fair value adjustment on investments classified as held-for-trading		263,505	1,217,064
Amortization of deferred grants	16.1 & 16.2	15,304,616	6,000,000
Others		7,242,371	1,897,540
		24,084,505	9,784,457
20 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		79,991,983	64,469,812
Contribution to defined contribution plan		354,776	360,275
Rent, taxes, insurance, electricity, etc.		18,060,936	20,816,314
Communication		4,687,932	4,509,185
Legal and professional charges		3,137,406	1,425,390
Security charges		3,354,635	2,686,987
Traveling		7,716,892	1,752,439
Fees and subscription		4,136,194	1,362,895
Fueling expense		1,121,946	1,063,305
Repair and maintenance		9,145,834	5,101,445
Stationery and printing		3,972,715	2,271,014
Advertisement and publicity		1,006,042	660,534
Auditors' remuneration	20.1	627,000	611,097
Depreciation	11.2	9,404,402	6,049,950
Amortization of intangibles	11.3	9,033,866	7,428,186
Entertainment		1,564,184	2,509,378
Credit verification expenses		890,701	518,532
Others		7,457,526	963,066
		165,664,970	124,559,804

Continue. ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

Note	2014 Rupees	2013 Rupees
20.1 Auditors' Remuneration		
Audit fee	300,000	300,000
Half yearly review and other certifications	110,000	110,000
Other certifications fee	57,000	50,000
Out-of-pocket expenses	160,000	151,097
	627,000	611,097

21. TAXATION

21.1 CURRENT TAX

The Bank has carried forward tax losses of Rupees 92,608,376 as at reporting date due to which no taxable income arises during the period. 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 Rupees 2,548,154 (2013 Rupees 1,439,198) has been made.

21.2 DEFERRED TAX

Deferred tax asset amounting to Rupees 30,560,764 has not been accounted for in these financial statements. The management expects that it is not probable that taxable profits / taxable temporary differences would be available in near future against which the deferred tax asset can be utilized.

22. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	2014	2013
Profit / (Loss) after taxation for the year	(Rupees) 6,147,859	(53,321,392)
Weighted average number of ordinary shares outstanding during the year	Numbers 76,468,494	34,200,000
Basic and diluted profit / (loss) per share	(Rupees) 0.08	(1.56)

23. CASH AND CASH EQUIVALENTS

	2014 Rupees	2013 Rupees
Cash and balances with SBP	58,432,090	62,801,414
Balances with other banks/MFBs	538,046,669	504,774,790
	596,478,759	567,576,204

24. NUMBER OF EMPLOYEES

	2014			2013		
	Credit/ sales staff	Banking / Support	Total	Credit/ sales staff	Banking / Support	Total
	Numbers			Numbers		
Permanent	13	42	55	7	18	25
Contractual	78	175	253	80	104	184
Daily wages	-	-	-	-	-	-
	91	217	308	87	122	209

Continue. ➡

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. 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 Officer		Executive	
	2014	2013	2014	2013
	----- (Rupees) -----		----- (Rupees) -----	
Managerial remuneration	2,800,000	3,400,000	10,184,727	17,755,186
Rent and house maintenance	-	-	4,073,890	463,110
Utilities	-	-	1,018,473	115,780
Medical	-	-	1,018,473	60,300
Contribution to provident fund	-	-	-	-
Bonus and other benefits	-	-	-	345,122
	2,800,000	3,400,000	16,295,563	18,739,498
Number of persons	1	2	22	37

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

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

26. MATURITIES OF ASSETS AND LIABILITIES

	2014				
	Total	Upto one month	Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
	----- (Rupees) -----				
Assets					
Cash and balances with SBP	58,432,090	-	58,432,090	-	-
Balances with other banks/MFBs	538,046,669	256,046,669	282,000,000	-	-
Investments	190,767,143	-	-	141,065,121	49,702,022
Advances	766,138,548	20,956,584	240,633,018	396,273,204	108,275,742
Operating fixed assets	93,725,598	-	-	-	93,725,598
Other assets	111,844,458	111,844,458	-	-	-
	1,758,954,506	388,847,711	581,065,108	537,338,325	251,703,362
Liabilities					
Deposits and other accounts	1,193,506,624	506,752,371	73,160,000	569,034,253	44,560,000
Other liabilities	22,839,032	22,839,032	-	-	-
	1,216,345,656	529,591,403	73,160,000	569,034,253	44,560,000
Net assets	542,608,850	(140,743,692)	507,905,108	(31,695,928)	207,143,362
Represented by:					
Share capital	1,100,000,000				
Discount on issue of shares	(400,000,000)				
Statutory reserve	1,279,583				
Depositors' Protection Fund	319,896				
Accumulated loss	(192,270,001)				
	509,329,478				
Surplus/(deficit) on revaluation of assets	1,740,937				
Deferred grants	31,538,436				
Share deposit money	-				
	542,608,850				

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Total	2013			
		Upto one month	Over one month upto 6 months	Over 6 months upto 1 year	Over one Year upto 5 years
		----- (Rupees) -----			
Assets					
Cash and balances with SBP	62,801,414	-	62,801,414	-	-
Balances with other banks/MFBs	504,774,790	454,774,790	50,000,000	-	-
Investments	291,102,058	20,000,000	9,812,500	9,812,500	251,477,058
Advances	319,016,883	3,671,097	27,644,185	110,689,370	177,012,231
Operating fixed assets	81,355,350	-	-	-	81,355,350
Other assets	54,332,235	54,332,235	-	-	-
	1,313,382,730	532,778,122	150,258,099	120,501,870	509,844,639

Liabilities

Deposits and other accounts	762,025,569	187,048,276	400,000	346,947,300	277,629,993
Other liabilities (2012: restated)	34,303,309	34,303,309	-	-	-
	796,328,878	221,351,585	400,000	346,947,300	277,629,993

Net assets	517,053,852	311,426,537	149,858,099	(226,445,430)	282,214,646
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Represented by:

Share capital	300,000,000
Discount on issue of shares	-
Statutory reserve	50,011
Depositors' Protection Fund	12,503
Accumulated loss	(196,880,895)
	103,181,619
Surplus/(deficit) on revaluation of assets	(1,448,030)
Deferred grants	12,020,263
Share deposit money	403,300,000
	517,053,852

27. FINANCIAL RISK MANAGEMENT

27.1 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014					
	Exposed to yield/ interest risk					
	Effective yield/ interest	Total	Upto one month	One month to six months	Over six months to one year	Over one year to five years
		Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Balances with other banks/MFBs	8-10	538,046,669	256,046,669	282,000,000	-	-
Investments	9.5-12	190,767,143	-	-	141,065,121	49,702,022
Advances	19-41	766,138,548	20,956,584	240,633,018	396,273,204	108,275,742
		1,494,952,360	277,003,253	522,633,018	537,338,325	157,977,764
Liabilities						
Deposits	7-14.5	1,193,506,624	506,752,371	73,160,000	569,034,253	44,560,000
		301,445,736	(229,749,118)	(449,473,018)	(31,695,928)	113,417,764

	2013					
	Exposed to yield/ interest risk					
	Effective yield/ interest rate %	Total	Upto one month	One month to six months	Over six months to one year	Over one year to five years
		Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Balances with other banks/MFBs	8-10	504,774,790	454,774,790	50,000,000	-	-
Investments	9.5-12	291,102,058	20,000,000	9,812,500	9,812,500	251,477,058
Advances	22-39	319,016,883	3,671,097	27,644,185	110,689,370	177,012,231
		1,114,893,731	478,445,887	87,456,685	120,501,870	428,489,289
Liabilities						
Deposits	7-13.5	762,025,569	187,048,276	400,000	346,947,300	227,629,993
		352,868,162	291,397,611	87,056,685	(226,445,430)	200,859,296

27.2 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 1,494,352 million (2013: 1,114,894 million).

27.3 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.

27.4 Fair value of financial instruments

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

Continue ➞

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Investment in Government Securities	Retail Banking	Micro Finance Banking	Total
	Rupees	Rupees	Rupees	Rupees
Year ended 31 December 2014				
Total income	21,957,118	71,026,096	185,916,699	278,899,913
Total expenses	-	120,380,119	152,371,935	272,752,054
Net income/(loss)	21,957,118	(49,354,023)	33,544,764	6,147,859
Year ended 31 December 2014				
Segment assets (gross)	141,374,887	596,478,759	1,053,035,510	1,790,889,156
Segment non performing loans	-	-	101,396,356	101,396,356
Segment provision required	-	-	32,534,542	32,534,542
Segment liabilities	-	1,212,599,931	3,745,725	1,216,345,656
Year ended 31 December 2013				
Total income	22,139,490	39,547,592	93,713,820	155,400,902
Total expenses	-	83,494,763	125,227,531	208,722,294
Net income/(loss)	22,139,490	(43,947,171)	(31,513,711)	(53,321,392)
Year ended 31 December 2013				
Segment assets (gross)	211,009,994	567,576,204	557,617,188	1,336,203,386
Segment non - performing loans	-	-	91,782,594	91,782,594
Segment provision required	-	-	22,820,656	22,820,656
Segment liabilities	-	778,033,523	18,307,858	796,341,381

Continue ➞

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. TRANSACTION AND BALANCES WITH RELATED PARTIES

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 and balances with related parties other than those disclosed elsewhere in these financial statements are as under:

	2014 Rupees	2013 Rupees
Balances at year end:		
Associated company:		
Deposits	1,872,288	3,944,951
Key management personnel:		
Deposits	3,368,434	447,347
From directors/ sponsors:		
Deposits	1,983,753	12,370,072
Share deposit money	-	403,300,000
Transactions during the year:		
Associated company:		
Deposits received	283,634,948	69,451,574
Withdrawals	283,538,740	68,647,389
Insurance expense	1,822,688	311,111
Other related parties		
Contribution to Staff Provident Fund	354,776	360,275
Key management personnel:		
Deposits		
Deposits received	57,218,080	45,600,132
Withdrawals	56,604,756	53,722,738
Mark-up on deposit paid	303,235	2,652,030
From Directors/Sponsors:		
Deposits received	117,653,199	55,506,028
Share deposit money received	67,993,790	-
Share deposit money repaid	70,993,790	-
Withdrawals	129,245,096	46,234,633
Loan to executive director	8,000,000	-

30. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on audited financial statements of the provident fund for the year ended 31 December 2013 and unaudited financial statements for the year ended 31 December 2014.

	2014 Rupees un-audited	2013 Rupees audited
Size of the funds- Total assets	3,152,213	4,925,172
Cost of investments	3,064,774	3,735,500
Percentage of investments made	97.23%	75.85%
Fair value of investments	3,064,774	3,735,500

Continue ➔

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30.1 The break-up cost of investments is as follows:

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
Deposits	100.00%	100.00%	3,064,774	3,735,500
	100.00%	100.00%	3,064,774	3,735,500

30.2 The above investment / placement of funds has been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 27 February, 2015 by the Board of Directors of the Bank.

32. GENERAL

32.1 Where there are no balances or amounts 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, format 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.

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

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


President & Chief Executive Officer


Chairman


Director


Director

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Monday, March 30, 2015 at 11:30 a.m. at its Institute of Chartered Accountants, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

AGENDA

1. To read and confirm the minutes of the Extraordinary General Meeting held on October 28, 2014.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2014 together with Directors' and Auditors' Reports thereon.
3. To review, consider and appoint Avais Hyder Liaquat Nauman, Chartered Accountants as auditors of the bank for the year ending December 31, 2015 as proposed by the Board of Directors and to fix their remuneration.
4. **SPECIAL RESOLUTION**
To pass the Special Resolution in Annual General Meeting for replacing Clause 3(V) respectively in Article & Memorandum of Association and to approve the following resolution by the members:
3(V) The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees two billion five hundred million only) divided into 250,000,000 (Two hundred and fifty Million) Ordinary shares of Rs. 10/- each. The Company shall have power to increase, reduce or reorganize the capital of the Company and divide shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984."
5. To transact any other business with the permission of the chair.

March 10, 2015
Karachi

By Order of the Board



Rafat Abbas
Company Secretary

Statement under section 160(1) (b) of the company's ordinance 1984. This statement set out the material facts covering the special Business to be transacted at the Annual General Meeting of the company

- 1- Special Resolution "AMENDMENT IN ARTICLES & MEMORANDUM OF ASSOCIATION"
At present the Authorized Capital of the Bank is Rs. 2.5 (b) divided in to 250 (m) Shares of Rs. 10/- each. The paid-up Capital of the bank is Rs 1.10 (b) divided into 110 million shares of Rs. 10/- each.
The Member in Extraordinary General Meeting held on October 28, 2014 resolved to enhance the Authorized Capital of the bank from 1.5 (b) to Rs. 2.5 (b) accordingly the Articles and Memorandum of Association of the Bank are to be amended to comply with the regulations. The Board in its meeting held on February 27, 2015 approve the resolution for the same as under.
3(V) The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees two billion five hundred million only) divided into 250,000,000 (Two hundred and fifty Million) Ordinary shares of Rs. 10/- each. The Company shall have power to increase, reduce or reorganize the capital of the Company and divide shares in the capital for the time being into several classes in accordance with the provisions of the Companies Ordinance, 1984."
The matter is therefore placed before the shareholders to approve the replacement of amended clause as above with the existing one.

NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

NOTES:

1. A member of the Bank entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must receive by the Bank not less than 48 hours before the meeting.
Central Depository Company of Pakistan Limited (CDC) account holders will further have 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 Regulations, 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 with specimen signature of the nominee shall be produced (unless it has been provided earlier) 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 regulations, shall submit the proxy form as per the above requirement.
 - ii) Two persons whose names, addresses and CNIC numbers shall be mentioned on the form shall witness the proxy.
 - iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished 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 with 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 24, 2015 to March 30, 2015 (both days inclusive). The share transfer office is situated at Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi. (Phone No. 3439-1316 & 3439-1317). Transfer received at the registered office at the close of business on March 23, 2015 will be treated in time.

For Apna Microfinance Bank Ltd.



Rafat Abbas
Company Secretary

Continue. ➡

NOTES

FORM OF PROXY

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 member 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, 2015 at _____ a.m. at Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2015.

Witness: (1)

Signature _____
Name _____
Address _____
CNIC _____

Please affix
Revenue
Stamp

Witness: (2)

Signature _____
Name _____
Address _____
CNIC _____

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. off. 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 member 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 or 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 Revenue
Stamp

Company Secretary
K-4/3 & 4/4,
Ch. Khaliq-uz-Zaman Road,
Gizri, Karachi-Pakistan

