Micro Finance apna bank Limited

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
Company Secretary	Mr. Rafat Abbas
Chief Financial Officer	Mr. Tahir Saeed Effendi

Audit Committee of the Board

Chairman	Ms. Shahida Bilquis
Members	Mr. Muhammad Akram 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

Human Resource & Remuneration Committee of the Board

Chairman	Mr. Muhammad Farooq Abid Tung
Members	Mr. Muhammad Akram 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
Tax/ Legal Advisor	Baker Tilly Mehmood Idrees Qamar Chartered Accountants Agha Law Associates
Bankers	KASB Bank Ltd Bank Al-Falah Ltd Tameer Microfinance Bank Ltd Summit Bank Ltd
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. Dagia House, 241-C, Block-2, P.E.C.H.S. Off. Shahrah-e-Quaideen, Karachi. Phone 021-34391316 - 17 Fax 021-34391318

Branches

Model Branch Gizri	Tel: 021-35865021-24
Shahrah-e-Faisal, Branch	Tel: 021-34324656-59
I.I Chundrigar Branch	Tel: 021-32623667-68-69-70
Bhens Colony Branch	Tel: 021-35081281-82-85
Napier Road Branch	Tel: 021-32527041-44
Korangi Industrial Area Branch	Tel: 021-35013400-02
Liaquat Market, Malir Branch	Tel: 021-34113781-83
Mehamoodabad Branch	Tel: 021-35319240-41-42
Shah Faisal Colony Branch	Tel: 021-34601749-50
North Karachi Branch	Tel: 021-36961067-68-71
Orangi Town Branch	Tel: 021-36652095-103

APNA MICROFINANCE BANK LTD.
Key Financial and Operational Data at a Glance

Position for Half Year Ended

	% Rise 2014 Vs 2013	Jun-14 Rupees	% Rise 2013 Vs 2012	Jun-13 Rupees	Jun-12 Rupees
FINANCIAL DATA					
Total Assets	56.45%	1,493,332,871	198.45%	954,522,391	319,827,123
Advances-net of provisions	121.83%	483,076,454	676.36%	217,770,150	28,050,069
Deposits	64.45%	908,178,602	322.40%	552,248,411	130,740,431
Share Capital	0.00%	300,000,000	0.00%	300,000,000	300,000,000
Share Deposit money	58.10%	400,000,000	100.00%	253,000,000	-
	84.33%	700,000,000	84.33%	553,000,000	300,000,000
Net Equity	108.23%	535,666,115	108.23%	387,475,841	186,081,249
Accumulated Loss	53.85%	(188,508,119)	53.85%	(175,343,095)	(113,968,762)
Disbursment	126.35%	644,852,113	806.28%	284,896,761	31,435,800
OPERATING DATA					
Mark-up / return / interest earned	120.38%	106,447,557	264.38%	48,302,388	13,255,959
Mark-up / return / interest expensed	39.87%	(32,730,676)	1391.46%	(23,401,495)	(1,569,034)
Administrative expenses	6.87%	(75,449,503)	110.87%	(70,598,349)	(33,479,987)
Profit / (Loss) before taxation	-123.68%	9,622,776	107.46%	(40,644,935)	(19,591,322)
Profit / (Loss) after taxation	-120.60%	8,372,776	106.07%	(40,644,935)	(19,723,882)
EPS	120.74%	0.28	-104.55%	(1.35)	(0.66)

APNA MICROFINANCE BANK LTD.
Key Financial and Operational Data at a Glance
For the Half Year ending (June 12 To June 14)

Directors' Review

On behalf of the Board of Directors, I am pleased to present the reviewed condensed interim financial information of the Bank for the half year ended June 30, 2014. First of all we congratulate the stake holders that SBP has granted Provincial Level license No. MFI-016 to Apna Microfinance Bank Limited vide their letter no BPRD (R&P-01)/2014-13311 dated July 22, 2014.

During the period under review, the Bank has also obtained permission from SBP for allowing Enterprise Loan upto PKR 0.5 million per customer. The management has issued guidelines to the Branches and hope that it will enhance the business in future.

Operational and Financial Review

The operating results have shown turn around as the Bank has earned operating income before tax of PKR9.62 million for the current six months of 2014 as compared to loss of PKR 28.688 million in the corresponding period last year.

As a result of the management approach to improve its net Markup Income by rationalizing its returns on funds deployed, improving recovery against non performing loans and written off loans, the Net Interest/ Markup Income of PKR 73.717 million during the six months show an increase of PKR 38.045 million (i.e. 106.65%) over the corresponding period last year.

The Bank's Gross Advances have shown a growth of PKR 164.796 million increasing from PKR 341.838 million in December 2013 to PKR 506.634 million registering a rise of 48.20%. The ratio of Non-performing loans to gross loans of the Bank has also shown improvement, the quantum of classified loans as on 31st December 2013 was PKR 91.783 million which was 26.85% of gross loans of PKR 341.838 million, is reduced to PKR 68.753 million i.e. 13.57% of gross loans of PKR 506.634 million as on 30th June 2014.

The Non Markup/ Non Interest income has shown a growth of 630%. in current six months period to PKR 23.039 million from PKR 3.156 million in the corresponding period last year.

The administrative expenses increased to PKR 75.50 million in current period over the figure of PKR 61.649 million in corresponding period 2013. The increase is attributable to investment in training & development amounting to PKR 2.680 million.

During the half year the Customer Deposits have increased to PKR 908.178 registering a rise of PKR 146.153 million over the figure of PKR 762.025 million as on 31st December 2013. Similarly the Net Advances have shown growth of PKR 164.060 million which is 51.43% over the figures of December 31, 2013. The Total Assets of the Bank now stood at PKR 1,493.333 million with a rise of 13.70% over December 2013 figure of PKR 1,313.383 million. The advances to deposit ratio (ADR) stands at 53.19% as on 30 June 2014.

Audit Observations

The external auditors have revised their observations already mentioned in audit report for the year ended December 31, 2013 and report as under;

a) Apni Sawari portfolio comprises total five hundred twenty one (521) rickshaw advances aggregating to Rupees 48.50 million (net of provision as per Prudential Regulations) as at the reporting date. This includes forty nine (49) rickshaw advances given during the last year aggregating to outstanding principal amount of Rupees 4.069 million (net of provision as per Prudential Regulations) {Note 8} against which the Bank could not get the respective vehicles registered in its name as collateral owing to certain irregularities involved in the purchase process. This raises significant doubts on the utilization and recoverability of such advances. The Bank also filed complaint with police against the responsible persons regarding this matter. However, the management of the Bank has not carried out any assessment of loss arising out of this matter and has not determined and accounted for the resultant provision against the aforesaid principal amount.

b) the Bank incurred fixed capital expenditure of Rupees 16.631 million 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 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.

Future Outlook

The management is pleased to inform that State Bank of Pakistan honored Apna Microfinance Bank Limited to be the implementing partner of the project titled "Innovative Rural & Agriculture Finance for promoting Agriculture Finance in Pakistan under "Financial Inclusion Program" (FIP)-Financial Innovation Challenging Fund (FICF). Under this program State Bank of Pakistan will provide grant of Rs. 34 Million during next 6 months.

After obtaining the Provincial Level License the management has applied for license of additional 18 branches to be opened throughout the Sindh rural & urban areas. As soon as the Branches' Licenses are received these branches will be made operational. After opening of these branches the branch network will increase to 29 with 3 service Centers.

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.

Acknowledgement

We would like to take this opportunity to thank our valued customers, 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: 22 August 2014

On behalf of the Board

Muhammad SaleemShaikh
President and CEO

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of APNA MICROFINANCE BANK LIMITED ("the Bank") as at 30 June 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2014 and 30 June 2013 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six-month period ended 30 June 2014.

Scope of Review

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

Basis for Qualified Conclusion

(a) Apni Sawari portfolio comprises total five hundred twenty one (521) rickshaw advances aggregating to Rupees 48.50 million (net of provision as per Prudential Regulations) as at the reporting date. This includes forty nine (49) rickshaw advances given during the last year aggregating to outstanding principal amount of Rupees 4.069 million (net of provision as per Prudential Regulations) {Note 8} against which the Bank could not get the respective vehicles registered in its name as collateral owing to certain irregularities involved in the purchase process. This raises significant doubts on the utilization and recoverability of such advances. The Bank also filed complaint with police against the responsible persons regarding this matter. However, the management of the Bank has not carried out any assessment of loss arising out of this matter and has not determined and accounted for the resultant provision against the aforesaid principal amount.

(b) the Bank incurred fixed capital expenditure of Rupees 16.631 million 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 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.

Qualified Conclusion

Based on our review, except for the matters described in paragraph (a) and (b) above, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six-month period ended 30 June 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 1.2 to the condensed interim financial information which states that subsequent to period end the Bank has issued 80 million right shares of Rupees 10 each at 50% discount amounting to Rupees 400 million (net) and has also obtained the license for provincial level operations, and the management is making endeavors to achieve the status of national level microfinance bank within targeted timelines. Our conclusion is not further qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of the engagement partner:
Muhammad Kamran Nasir

Date: 22 August 2014

KARACHI

Micro Finance apna bank Limited

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2014

	Note	30 June 2014	31 December 2013
		--------- Rupees ---------	
		(Un-audited)	(Audited)
ASSETS			
Cash and balances with SBP	5	**59,740,247**	62,801,414
Balances with other banks / NBFIs / MFBs	6	**485,073,143**	504,774,790
Lending to financial institutions		**-**	-
Investment	7	**312,125,814**	291,102,058
Advances-net of provisions	8	**483,076,455**	319,016,883
Operating fixed assets		**76,238,012**	81,355,350
Other assets		**77,087,200**	54,332,235
Deferred tax assets		**-**	-
Total assets		**1,493,332,871**	1,313,382,730
LIABILITIES			
Deposits and other accounts	9	**908,178,602**	762,025,569
Borrowings	10	**32,303,034**	-
Subordinated debt		**-**	-
Other liabilities		**17,185,120**	34,315,812
Deferred tax liabilities		**-**	-
Total liabilities		**957,666,756**	796,341,381
NET ASSETS		**535,666,115**	517,041,349
REPRESENTED BY:			
Share capital		**300,000,000**	300,000,000
Statutory and general reserves		**50,011**	50,011
Accumulated losses		**(188,508,119)**	(196,880,895)
		111,541,892	103,169,116
Surplus/(deficit) on revaluation of assets		**429,286**	(1,448,030)
Deferred grants	11	**23,694,937**	12,020,263
Share deposit money		**400,000,000**	403,300,000
Total capital		**535,666,115**	517,041,349
MEMORANDUM/OFF BALANCE SHEET ITEMS	12		

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President/Chief Executive Officer	Chairman	Director	Director
Muhammad Saleem Shaikh	Muhammad Akram Shahid	Muhammad Azam Cheema	Imad Muhammad Tahir

Micro Finance apna bank Limited

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2014

	Note	Half year ended 30 June 2014	Half year ended 30 June 2013	Quarter ended 30 June 2014	Quarter ended 30 June 2013
		Rupees			
Mark-up/return/interest earned	13	**106,447,557**	59,072,927	**59,417,289**	32,826,757
Mark-up/return/interest expensed		**(32,730,676)**	(23,401,495)	**(16,866,373)**	(12,679,371)
Net mark-up/interest income		**73,716,881**	35,671,432	**42,550,916**	20,147,386
Provision against non-performing loans and advances	8.2	**(12,820,433)**	(6,317,258)	**(9,429,519)**	(4,478,452)
Provision for diminution in the value of investments		**-**	-	**-**	-
Recovery against written off advances		**1,136,684**	450,308	**385,702**	240,440
Bad debts written off directly		**-**	-	**-**	-
		(11,683,749)	(5,866,950)	**(9,043,817)**	(4,238,012)
Net mark-up/interest income after provisions		**62,033,132**	29,804,482	**33,507,099**	15,909,374
Non mark-up/non interest income					
Fee, commission and brokerage income		**3,946,974**	2,129,903	**2,115,463**	1,149,699
Other income		**19,092,173**	1,026,050	**11,348,408**	662,131
Total non mark-up/non interest expenses		**23,039,147**	3,155,953	**13,463,871**	1,811,830
		85,072,279	32,960,435	**46,970,970**	17,721,204
Non mark-up/non interest expenses					
Administrative expenses		**(75,449,503)**	(60,766,039)	**(32,608,619)**	(32,801,842)
Other provisions/write offs		**-**	-	**-**	-
Other charges		**-**	(882,744)	**-**	(882,744)
Total non mark-up/non interest expenses		**(75,449,503)**	(61,648,783)	**(32,608,619)**	(33,684,586)
		9,622,776	(28,688,348)	**14,362,351**	(15,963,382)
Extra ordinary/unusual items		**-**	-	**-**	-
Profit/Loss before taxation		**9,622,776**	(28,688,348)	**14,362,351**	(15,963,382)
Taxation - Current	14	**(1,250,000)**	(622,289)	**(1,244,827)**	(372,435)
Prior		**-**	-	**-**	-
Deferred		**-**	-	**-**	-
Profit/Loss after taxation		**8,372,776**	(29,310,637)	**13,117,524**	(16,335,817)
Accumulated loss brought forward		**(196,880,895)**	(139,997,003)	**(201,625,643)**	(152,971,823)
Accumulated loss carried forward		**(188,508,119)**	(169,307,640)	**(188,508,119)**	(169,307,640)
Earnings/Loss per share - basic and diluted		**0.28**	(0.98)	**0.44**	(0.54)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President/Chief Executive Officer	Chairman	Director	Director
Muhammad Saleem Shaikh	Muhammad Akram Shahid	Muhammad Azam Cheema	Imad Muhammad Tahir

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Note	Half year ended 30 June 2014	Half year ended 30 June 2013	Quarter ended 30 June 2014	Quarter ended 30 June 2013
		Rupees			
Profit/(loss) after taxation		**8,372,776**	(29,310,637)	**13,117,524**	(16,335,817)
Other comprehensive income					
Items that will not be reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
		-	-	-	-
Total comprehensive profit/(loss) for the period		**8,372,776**	(29,310,637)	**13,117,524**	(16,335,817)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President/Chief Executive Officer	Chairman	Director	Director
Muhammad Saleem Shaikh	Muhammad Akram Shahid	Muhammad Azam Cheema	Imad Muhammad Tahir

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	--------- Rupees ---------	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	**9,622,776**	(28,688,348)
Adjustments for non-cash items		
Depreciation	**4,113,131**	3,316,470
Amortization of intangibles	**4,387,992**	1,384,736
Provision against non-performing advances	**12,820,433**	6,317,258
Amortization of premium on government securities	**907,240**	882,744
Amortization of deferred grants	**(6,383,114)**	-
Fair value adjustment on held for trading investments	**133,820**	-
Gain on sale of fixed assets	**(1,422,242)**	(578,003)
	14,557,260	11,323,205
	24,180,036	(17,365,143)
(Increase) / decrease in operating assets		
Advances	**(176,880,004)**	(101,733,247)
Other assets	**(25,839,239)**	(32,116,112)
	(202,719,243)	(133,849,359)
(Decrease) / increase in operating liabilities		
Deposits		
Borrowing	**146,153,033**	84,223,547
Other liabilities	**32,303,034**	-
	(17,151,810)	(2,947,062)
	161,304,257	81,276,485
	(17,234,950)	(69,938,017)
Income tax paid	**(1,768,638)**	(622,289)
Net cash used in operating activities	**(19,003,588)**	(70,560,306)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	**-**	(142,844,373)
Net investments in held for trading securities	**(20,187,500)**	9,812,500
Investments in operating fixed assets	**(2,676,047)**	(17,493,140)
Investments in intangible assets	**(700,000)**	(7,113,440)
Sale proceeds from disposal of operating fixed assets	**1,456,740**	2,400,217
Net cash used in investing activities	**(22,106,807)**	(155,238,236)
CASH FLOW FROM FINANCING ACTIVITIES		
Share deposit money - net	**(3,300,000)**	100,000,000
Grant received from SBP	**21,647,581**	-
Net cash flow from financing activities	**18,347,581**	100,000,000
(Decrease) / increase in cash and cash equivalents for the period	**(22,762,814)**	(125,798,542)
Cash and cash equivalents at the beginning of the period	**567,576,204**	446,843,503
Cash and cash equivalents at the end of the period	**544,813,390**	321,044,961

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President/Chief Executive Officer	Chairman	Director	Director
Muhammad Saleem Shaikh	Muhammad Akram Shahid	Muhammad Azam Cheema	Imad Muhammad Tahir

APNA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Share capital	Statutory Reserve	Accumulated Losses	Total
	Rupees			
Balance as at 31 December 2012	300,000,000	50,011	(139,997,003)	160,053,008
Comprehensive loss for the period				
Loss after taxation	-	-	(29,310,637)	(29,310,637)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(29,310,637)	(29,310,637)
Balance as at 30 June 2013	300,000,000	50,011	(169,307,640)	130,742,371
Balance as at 31 December 2013	300,000,000	50,011	(196,880,895)	103,169,116
Comprehensive income for the period				
Profit after taxation	-	-	8,372,776	8,372,776
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	8,372,776	8,372,776
Balance as at 30 June 2014	300,000,000	50,011	(188,508,119)	111,541,892

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

President/Chief Executive Officer	Chairman	Director	Director
Muhammad Saleem Shaikh	Muhammad Akram Shahid	Muhammad Azam Cheema	Imad Muhammad Tahir

APNA MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 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 company under the Companies Ordinance, 1984. The Bank was granted a certificate of commencement of business on 28 December 2004. 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. The Bank operates 11 branches as at 30 June 2014 (30 June 2013: 11 branches) and is licensed to operate on district level. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi.

1.2 In view of the plans to enhance the paid-up capital of the Bank and to extend its operations to nation level, the management applied to State Bank of Pakistan (SBP) for grant of approval to enhance its status as a national level microfinance bank in a phased manner. SBP granted the approval vide letter No. BPRD(R&P-01)/2013-17198 dated 21 November 2013. In first phase, the Bank was required to meet minimum capital requirement of Rupees 500 million (free of losses) to obtain license of provincial level operations by 31 December 2013. In second phase, the Bank has to meet minimum capital requirement of Rupees 1,000 million (free of losses) to obtain license for national level operations by the end of December 2014.

Subsequent to period end, the Bank has successfully completed the first phase and issued 80 million right shares of Rupees 10 each at 50% discount amounting to Rupees 400 million (net) on 01 July 2014 after obtaining necessary regulatory approvals, and has also obtained the license for provincial level operations from SBP on 22 July 2014. Now, the management of the Bank is making endeavors to achieve the national level microfinance bank status. In this regard, the management and sponsor directors of the Bank are in the process of identifying potential investors for further equity injection. The management, directors and sponsor shareholders of the Bank are confident that the Bank will achieve the status of national level microfinance bank going forward within the targeted timelines.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial report of the Bank for the half year ended 30 June 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, the Microfinance Institution 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). In case where the requirements differ, the provisions of Companies Ordinance, 1984, the Microfinance Institution Ordinance 2001, the Prudential Regulations of Microfinance Banks/Institutions or the requirements of the said directives have been followed.

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 411(1) / 2008 dated 28 April 2008. Accordingly, the requirments of these standards have not been considered in the preparation of this condensed interim financial information.

2.2 Basis of Presentation

This condensed interim financial information is prepared in accordance with BSD Circular No. 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP) and IAS – 34 'Interim Financial Reporting' and hence do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2013. This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors.

This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Bank for the year ended 31 December 2013.

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and the methods of computation adopted in preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2013.

	Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
		Rupees	
5. CASH AND BALANCE WITH SBP			
Cash in hand – local currency		**28,281,081**	19,022,451
Balance with State Bank of Pakistan	**5.1**	**31,459,166**	43,778,963
		59,740,247	62,801,414

5.1 This represents balance maintained in current account with the State Bank of Pakistan to meet the requirements of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with Regulation 6 of the Prudential Regulation.

6. BALANCES WITH OTHER BANKS / NBFIs / MFBs			
In Pakistan			
- on Current account		**67,998,224**	4,484
- on Deposit account	**6.1**	**92,074,919**	354,770,306
- certificates of deposits	**6.2**	**325,000,000**	150,000,000
		485,073,143	504,774,790

6.1 These carry mark-up rates ranging from 7.5 to 9.5 percent (31 December 2013: 7.5 to 9.5 percent) per annum.

6.2 These represents placemnets with Escort Investmnet Bank Limited of Rupees 225,000,000 carrying markup ranging from 11 to 14.5 percent per annum and with KASB Bank Limited of Rupees 100,000,000 carrying markup of 10.5 percent per annum. The maturity of these placements ranges from one month to six months time from the date of placements.

7. INVESTMENTS			
Held-for-trading			
- Term Finance Certificates	**7.1**	**50,279,564**	58,875,000
Fair value adjustment		**(1,474,053)**	1,217,064
		48,805,511	60,092,064
- NAMCO Income Fund - Mutual Fund	**7.2**	**50,000,000**	20,000,000
Fair value adjustment		**1,340,233**	-
		51,340,233	20,000,000
Available-for-sale			
Federal Government Securities			
- Pakistan Investment Bond (PIBs)	**7.3**	**211,550,784**	212,458,024
Fair value adjustment		**429,286**	(1,448,030)
		211,980,070	211,009,994
		312,125,814	291,102,058

7.1 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.

7.2 These represent 484,588.2279 units valuaing Rupees 105.946 each of NAMCO Income Fund - a closed end Mutual Fund managed by National Asset Management Company Limited.

7.3 This represents PIBs issued for a period of three years having maturity on 19 July 2015 and 22 July 2015. These carries interest at the rate of 11.25% and 11.50% per annum (31 December 2013: 11.25% and 11.50% per annum)

8. ADVANCES - NET OF PROVISIONS

	30 June 2014 (Un-audited)		31 December 2013 (Audited)	
	No. of Loans	Rupees	No. of Loans	Rupees
	---------- Rupees ----------			
Micro credit	10,288	506,633,565	8,606	341,837,539
Provision held:				
- Specific		18,851,962		19,768,105
- General		4,705,148		3,052,551
		23,557,110		22,820,656
Advances – net of provisions	10,288	483,076,454	8,606	319,016,883

8.1 Particulars of Non-Perfoming Advances

Advance include Rupees 68,752,839 (31 December 2013: Rupees 91,782,594) which have been placed under non performing status as detailed below.

	30 June 2014			31 December 2013		
	Amount Outstanding	Provision Required	Provision Held	Amount Outstanding	Provision Required	Provision Held
Category of classification	---------- Rupees ----------					
	--------- (Un-audited) ---------			--------- (Audited) ---------		
OAEM	24,188,327	-	-	45,262,426	-	-
Sub-standard	19,641,996	4,910,499	4,910,499	20,462,761	5,115,690	5,115,690
Doubtful	21,962,106	10,981,053	10,981,053	22,809,985	11,404,993	11,404,993
Loss	2,960,410	2,960,410	2,960,410	3,247,422	3,247,422	3,247,422
	68,752,839	18,851,962	18,851,962	91,782,594	19,768,105	19,768,105

8.2 Particulars of provisions against non-performing loans

	30 June 2014			31 December 2013		
	Specific	General	Total	Specific	General	Total
	---------- Rupees ----------					
	--------- (Un-audited) ---------			--------- (Audited) ---------		
Opening balance	19,768,105	3,052,551	22,820,656	2,914,337	1,156,346	4,070,683
Charge for the period	11,167,836	1,652,597	12,820,433	28,710,654	1,896,205	30,606,859
Amount written off	(12,083,979)	-	(12,083,979)	(11,856,886)	-	(11,856,886)
Closing balance	18,851,962	4,705,149	23,557,110	19,768,105	3,052,551	22,820,656

	30 June 2014 (Un-audited)	31 Dec 2013 (Audited)
	--------- Rupees ---------	
8.3 Particulars of write offs:		
Against provision	12,083,979	11,856,886

9. DEPOSITS AND OTHER ACCOUNTS

	30 June 2014 (Un-audited)		31 December 2013 (Audited)	
	Number	Rupees	Number	Rupees
Fixed deposits	2,217	497,251,053	1,315	383,102,300
Saving deposits	3,918	186,646,223	3,614	201,874,993
Current deposits	32,150	224,281,326	26,883	177,048,276
	38,285	908,178,602	31,812	762,025,569

9.1 Particulars of deposits by ownership

	30 June 2014		31 December 2013	
	Number	Rupees	Number	Rupees
	(Un-audited)		(Audited)	
Individual depositors	**38,198**	**789,493,889**	31,656	739,523,216
Institutional depositors				
- Corporation / firm	**70**	**19,074,395**	145	7,540,180
- Banks and financial institutions	**17**	**99,610,318**	11	14,962,173
	38,285	**908,178,602**	31,812	762,025,569

10 BORROWINGS

During the period, the Bank has obtained running finance facility with a maiximum overdraft limit of Rupees 90,000,000 from KASB Bank Limited carrying mark up at the rate of 11.5 percent per annum. As at the reporting date, the unutilized portion of this running finance facility is Rupees 57,696,966.

	Note	30 June 2014	31 December 2013
		Rupees	
		(Un-audited)	(Audited)
11. DEFERRED GRANTS			
Opening balance		12,020,263	-
Grant recognise during the period / year		18,057,788	18,020,263
Less: Amortization of deferred grants		(6,383,114)	(6,000,000)
	11.1	23,694,937	12,020,263

11.1 During the year 2013 , 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 "Strengthing the Institution via a Business Capacity Building, IT infrastructural Improvement and Human Capital Development". The Bank has recognized the grant upon actual receipt or when the bank has complied with the conditions attached to the grant. Out of the total approved grant, an amount of Rupees 30,667,844 has been received up to the period end while the remaining balance of Rupees 5,410,207 has been received subsequent to the period end. Amortization of the grant is being made on a systematic basis over the remaining useful life of related asset or when the related expense is incurred and charged to profit and loss account.

12. MEMORANDUM/OFF BALANCE SHEET ITEMS

There were no contingent liabilities as at 30 June 2014 (31 December 2013: Nil)

13. MARK-UP/RETURN/INTEREST EARNED

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rupees	Rupees	Rupees	Rupees
	(Un-audited)		(Un-audited)	
Mark-up on loans and advances	**70,156,934**	32,605,869	**41,290,293**	18,675,216
Mark-up on investments in government securities	**14,298,011**	11,987,902	**8,400,543**	6,597,979
Mark-up on deposit accounts	**21,992,612**	14,479,156	**9,726,453**	7,553,562
	106,447,557	59,072,927	**59,417,289**	32,826,757

14. TAXATION

14.1 Current

The Bank has carried forward tax losses of Rupees 86,386,410 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 1,250,000 (31 December 2013: Rupees 1,439,198) has been made.

14.2 Deferred tax

Deferred tax asset amounting to Rupees 26,993,113 has not been accounted for in this condensed interim financial information. 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.

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

	Half year ended		Quarter ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Rupees	Rupees	Rupees	Rupees
	--------- (Un-audited) ---------		--------- (Un-audited) ---------	
There is no dilutive effect on the basic earnings/loss per share which is based on:				
Profit/(loss) for the period	**8,372,776**	(29,310,637)	**13,117,524**	(16,335,817)
	----------(Number of shares)----------			
Weighted average number of shares	**30,000,000**	30,000,000	**30,000,000**	30,000,000
	Rupees	Rupees	**Rupees**	Rupees
Basic earnings/(loss) per share	**0.28**	(0.98)	**0.44**	(0.54)

16 TRANSACTION WITH RELATED PARTIES

Related parties of the Bank comprise group companies, staff retirement benefits, key management presonnel and major shareholders of the Bank. The details of transactions with related parties other than those disclosed elsewhere in this condensed interim financial information are as under:

	30 June 2014	31 December 2013
Balances at period end/year end:	**Rupees**	Rupees
Associate :	**(Un-audited)**	(Audited)
Deposits	**77,632,597**	3,944,951
Key management personnel:		
Deposits	**1,330,873**	447,347
From directors/ sponsors/shareholders:		
Deposits	**10,602,130**	12,370,072
Share deposit money	**400,000,000**	403,300,000
Transactions during the period/year:		
Associated company:		
Deposits received	**156,351,816**	69,451,574
Withdrawals	**110,311,201**	68,647,389
Insurance expense	**579,093**	311,111
Other related parties		
Contribution to Staff Provident Fund	**170,233**	360,275
Key management personnel:		
Deposits		
Deposits received	**8,955,139**	45,600,132
Withdrawals	**10,138,515**	53,722,738
Mark-up on deposits paid	**28,475**	2,652,030
From directors/ sponsors/shareholders:		
Deposits received	**54,914,841**	55,506,028
Share deposit money received	**67,993,790**	-
Share deposit money repaid	**70,993,790**	-
Withdrawals	**56,682,783**	46,234,633

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Investment In Government Securities	Retail Banking	Micro Finance Banking	Total
	---------- Rupees ----------			
Half year ended 30 June 2014 (Un-audited)				
Total income	14,298,011	41,084,785	75,240,592	130,623,388
Total expenses	-	51,593,052	70,657,560	122,250,612
Net income/(loss)	14,298,011	(10,508,267)	4,583,032	8,372,776
Segment asset(gross)	211,980,070	608,179,129	673,173,672	1,493,332,871
Segment non performing loans	-	-	68,752,839	68,752,839
Segment provision required	-	-	23,557,111	23,557,111
Segment liabilities	-	944,777,916	12,888,840	957,666,756
Half year ended 30 June 2013 (Un-audited)				
Total income	11,987,902	14,479,156	36,212,130	62,679,188
Total expenses	882,744	40,172,319	50,934,762	91,989,825
Net income/(loss)	11,105,158	(25,693,163)	(14,722,632)	(29,310,637)
Year ended 31 December 2013 (Audited)				
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

18. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue by the Board of Directors on 22 August 2014.

19. GENERAL

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

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