

# ANNUAL REPORT 2017



Micro Finance  
**apna bank**  
Limited



bank  
Limited

خوابوں سے خوشحالی تک

اپنا بینک







In the Name of **ALLAH**,  
The Most Beneficial, The Most Merciful



# COVER STORY

Apna Microfinance Bank managed by Group of highly experienced bankers committed in and specialized in providing financial services to less privileged / marginal poor including economic empowerment of women & micro-entrepreneurs in the Agri and Micro enterprises in rural areas of Pakistan. The bank is providing financial services all over the Country through its nation wide network.

## SAY NO TO CORRUPTION

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# ABOUT AML



**Apna Microfinance Bank** is managed by group of highly experienced bankers. We are committed providing specialized financial services to the less privileged and marginaly poor. We Support economic empowerment of WOMEN & micro-entrepreneurs in the Agri and Micro enterprises in rural areas of Pakistan. The Bank has been opertaing at national level in pakistan.

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.

# VISION & MISSION STATEMENTS

## VISION

‘SELF RELIANCE THROUGH SELF GENERATION’

To strive and play our role in eradicating poverty by providing them 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 & justified financial assistance.

## MISSION

Alleviating the poverty by providing financial services and professional advices, which have a lasting positive impact on our customers’ standard 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.

The Bank expects its staff to be honest, truthful, straightforward, committed, and dedicated to their work and discharge their duties in a highly professional manner.

The following will be the core values of the Bank, which it will endeavor to, pursue in the achievement of its short and long term goals/ objectives.

## **Service**

We care our valued customer

## **Creativity**

We are Creative, Innovative, and Quality conscious

## **Honesty**

We are Honest, Integrated, and Trustful

## **Growth**

We provide equal opportunity and growth

## **Transparency**

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

## **Reciprocity**

We believe in building a top notch professional team

# 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.



# 2017 HIGHLIGHTS




**Compliance With Minimum  
Capital Requirement (MCR)**



**Establish Central  
Processing Unit-CPU**



**Establish Performace  
Monitoring Unit (PMU)**



**Implementation Of  
Performace Monitoring  
System (PMS)**



**Revamped Credit  
Control Mechanism**



**Restructured Branch  
Management System**



**AMBL Is Approved Employer  
Of ACCA-Gold Status.**

# CORPORATE MEETINGS



# BOARD OF DIRECTORS



**Mian M. A. Shahid**  
Chairman



**Mohammad Azam Cheema**  
Director/Vice Chairman



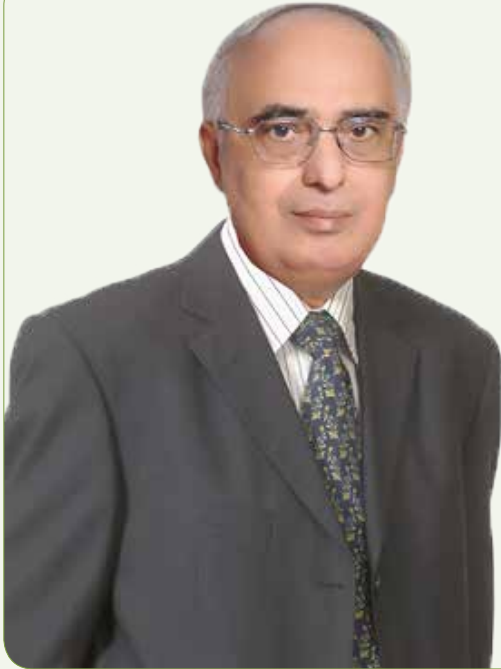
**Qamar-uz-Zaman**  
Director



**Imad Mohammad Tahir**  
Director



# BOARD OF DIRECTORS



**Muhammad Saleem Shaikh**  
Director



**Muhammad Asghar**  
Director



**Imam Bukhsh Baloch**  
Director



**Syed Rahat Ali Shah**  
Director



# KEY MANAGEMENT



**MR. GULISTAN MALIK**  
President / CEO



**MR. ALI MURTZA**  
Chief Financial Officer



**MR. RAFAT ABBAS**  
Company Secretary



**MR. SALMAN HAMID**  
Head Credit



**MR. NAZISH ALI**  
Head Operation



**MR. LATIF AHMAD SAQI**  
Head Internal Audit



**MR. KAMRAN RAMZAN**  
Head HR



**MR. ZUBAIR ELAHI**  
Head IT



**MR. FAHAD NAEEM**  
Head Risk Management & Compliance



**MR. SARFARAZ BHATTI**  
Head Recovery & Legal



**MR. MANSOOR AZAM QAZI**  
Head Corporate Banking Group



**MR. MALIK SHAHID MEHMOOD**  
Head Corporate Recovery & Liability

# OUR STAFF





# OUR STAFF



# OUR STAFF



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Muhammad Akram Shahid  
Chairman  
Mr. Qamar-uz-Zaman  
Director  
Mr. Muhammad Azam Cheema  
Director  
Mr. Imad Mohammad Tahir  
Director  
Mr. Muhammad Saleem Shaikh  
Director  
Syed Rahat Ali Shah  
Director  
Mr. Muhammad Asghar  
Director  
Mr. Imam Bukhsh Baloch  
Director

## PRESIDENT / CHIEF EXECUTIVE

Mr. Muhammad Gulistan Malik

## COMPANY SECRETARY

Mr. Rafat Abbas

## CHIEF FINANCIAL OFFICER

Mr. Ali Murtza

## BOARD COMMITTEES

### AUDIT COMMITTEE OF THE BOARD

Mr. Imam Bukhsh Baloch  
Chairman  
Mr. Muhammad Asghar  
Member  
Mr. Imad Mohammad Tahir  
Member  
Mr. Muhammad Saleem Shaikh  
Member  
Syed Rahat Ali Shah  
Member

## EXECUTIVE COMMITTEE OF THE BOARD

Mr. Muhammad Akram Shahid  
Chairman  
Mr. Qamar-uz-Zaman  
Member  
Mr. Muhammad Asghar  
Member  
Syed Rahat Ali Shah  
Member  
Mr. Muhammad Azam Cheema  
Member

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Imad Mohammad Tahir  
Chairman  
Mr. Muhammad Akram Shahid  
Member  
Mr. Imam Bukhsh Baloch  
Member  
Syed Rahat Ali Shah  
Member  
Mr. Muhammad Saleem Shaikh  
Member

## RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. Muhammad Asghar  
Chairman  
Mr. Muhammad Akram Shahid  
Member  
Mr. Muhammad Azam Cheema  
Member  
Syed Rahat Ali Shah  
Member  
Mr. Imam Bukhsh Baloch  
Member

## AUDITORS

Ilyas Saeed & Co.  
Chartered Accountants

## TAX / LEGAL ADVISOR

RAMDAYS  
Advocates & Corporate Consultants Lahore

## BANKERS

Bank Islami Limited  
Sindh Bank Limited  
Faysal Bank limited  
Bank AlHabib Limited  
Bank Al-Falah Limited  
Summit Bank Limited  
Zarai Taraqati Bank Limited  
JS Bank Limited  
Silk Bank Limited  
Allied Bank Limited  
Dubai Islamic Bank Limited  
Soneri Bank Limited  
MCB Bank Limited  
Tameer Microfinance Bank Limited  
FINCA Microfinance Bank Limited  
NRSP Microfinance Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan Limited  
Habib Bank Limited  
The Bank of Punjab Limited  
U Microfinance Bank Limited  
AL Baraka Bank Pakistan Limited  
Mobilink Microfinance Bank Limited

## REGISTERED OFFICE

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

## HEAD OFFICE

23-A, Sundar Das Road, Zaman Park  
Lahore.  
Tel: +92 42 36362475-76  
UAN: +92 42 111-771-772  
Website: [www.apnabank.com.pk](http://www.apnabank.com.pk)

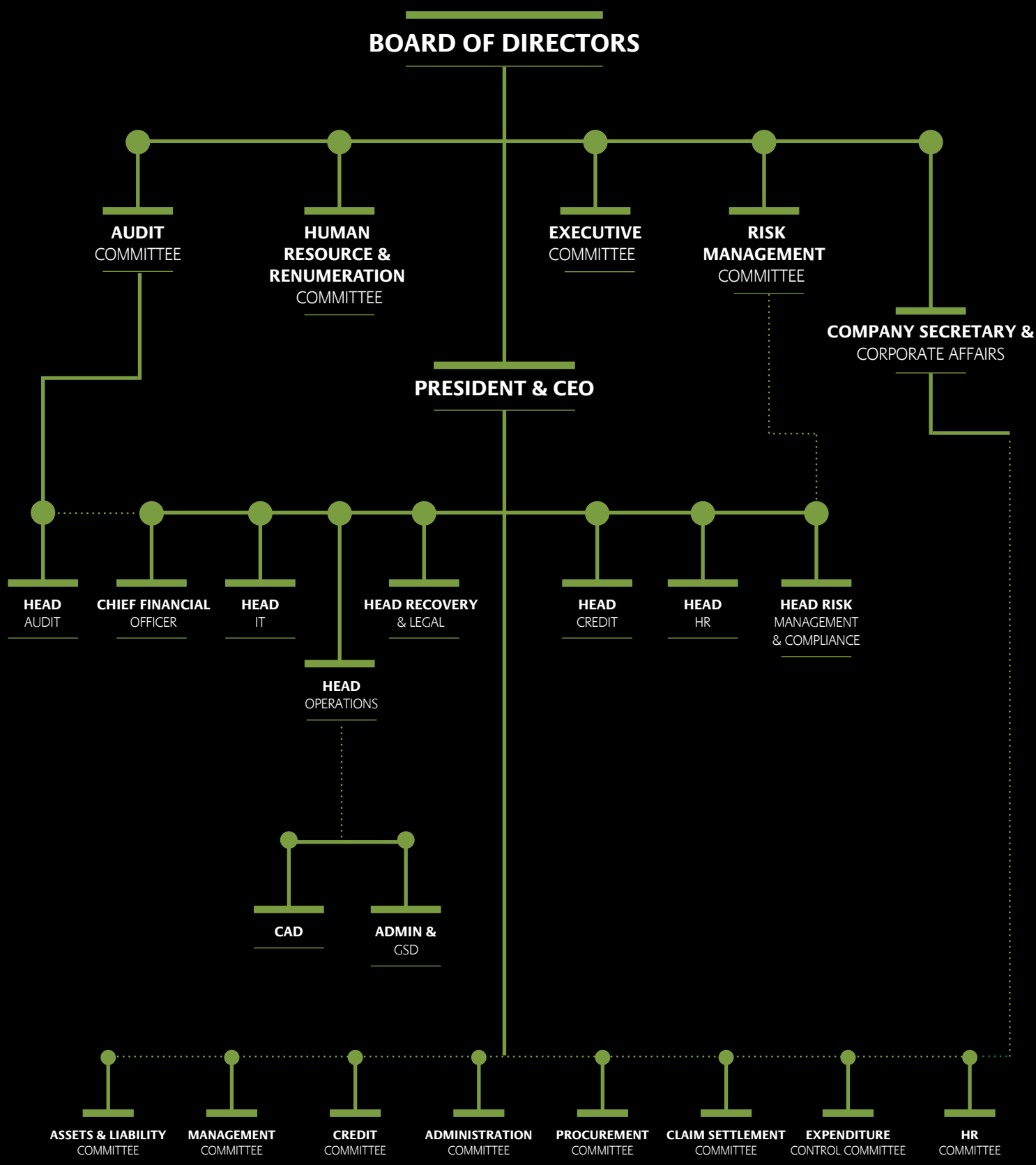
## SHARE REGISTRAR

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





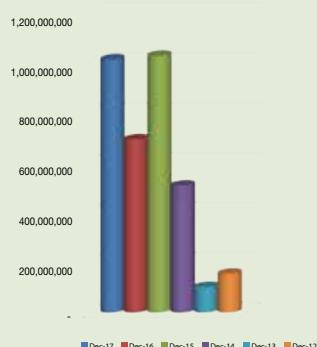
# ORGANIZATIONAL CHART



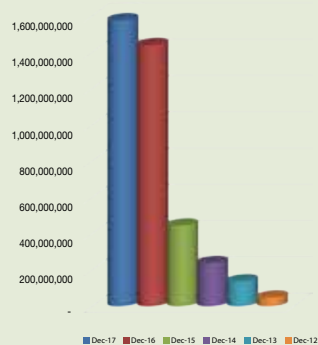
# KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	% Change 2017 Vs 2016	Dec-17 Rupees	% Change 2016 Vs 2015	Dec-16 Rupees	Dec-15 Rupees	Dec-14 Rupees	Dec-13 Rupees	Dec-12 Rupees
<b>Financial Data</b>								
Total Assets	<b>3.17%</b>	13,983,590,224	139.03%	13,554,003,018	5,670,478,820	1,758,954,506	1,313,382,730	814,817,866
Advances-net of provisions	<b>-12.51%</b>	4,797,740,650	111.87%	5,484,025,056	2,588,423,092	766,138,548	319,016,883	121,788,004
Deposits	<b>1.47%</b>	12,528,727,169	171.56%	12,347,070,954	4,546,697,079	1,193,506,624	762,025,569	468,024,864
Share Capital	<b>13.64%</b>	2,500,000,000	0.00%	2,200,000,000	2,200,000,000	1,100,000,000	300,000,000	300,000,000
Share Deposit money	<b>25.00%</b>	500,008,080	100.00%	400,000,000	-	-	403,300,000	153,000,000
	<b>15.38%</b>	3,000,008,080	18.18%	2,600,000,000	2,200,000,000	1,100,000,000	703,300,000	453,000,000
Net Equity	<b>46.14%</b>	1,015,087,402	-32.57%	694,590,229	1,030,113,789	509,329,478	103,169,116	156,490,508
Accumulated (Loss)	<b>8.31%</b>	(1,036,520,157)	332.09%	(957,009,250)	(221,485,690)	(192,270,001)	(196,880,895)	(143,559,503)
<b>Operating Data</b>								
Mark-up / return / interest earned	<b>9.47%</b>	1,577,979,881	222.37%	1,441,502,272	447,154,900	239,418,864	139,325,686	50,188,635
Mark-up / return / interest expensed	<b>4.82%</b>	(703,943,573)	258.26%	(671,551,250)	(187,445,668)	(78,963,877)	(52,354,812)	(16,771,663)
Administrative expenses	<b>18.18%</b>	(1,308,598,684)	214.75%	(1,107,253,472)	(351,792,126)	(165,664,970)	(124,559,804)	(84,753,436)
Profit / (Loss) before taxation	<b>-82.84%</b>	(188,301,605)	4408.18%	(1,097,577,883)	(24,346,382)	8,721,335	(52,120,573)	(48,812,717)
Profit / (Loss) after taxation	<b>-89.19%</b>	(79,510,907)	2417.56%	(735,523,560)	(29,215,689)	6,147,859	(53,321,392)	(49,314,623)
EPS	<b>-90.42%</b>	(0.32)	1987.50%	(3.34)	(0.16)	0.07	(1.78)	(1.64)

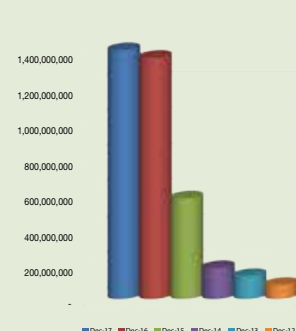
## NET EQUITY



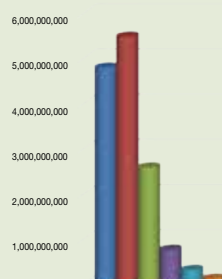
## MARKUP INCOME



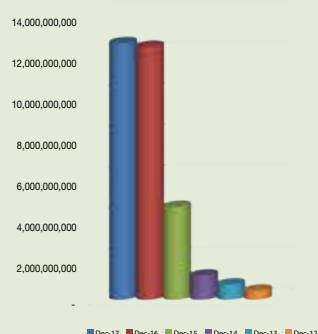
## TOTAL ASSETS



## ADVANCES-NET OF PROVISIONS



## DEPOSITS



# CHAIRMAN'S MESSAGE



The year 2017 brought about a lot of changes for Apna Microfinance Bank Ltd (AMBL). Despite the transformation of ownership structure, suspension of financing and piled up losses, I am pleased to inform that the AMBL recorded appreciated performances during the year in terms of reduction in losses, meeting regulatory requirements and resumption of financing.

I took over the post of Chairman at a time when the Bank's financial position was unstable and trending downward owing to various factors but we still successfully managed to bring key financial and operational indicators towards a positive trend. This was possible due to a focus on human resource rehabilitation, successfully addressing regulatory issues especially in relation to Minimum capital requirements (MCR) and resumption of prudent lending and enhanced recovery efforts. The resumption of financing was followed by implementation of innovative strategies included revamping of credit and information system matching the industry standards.

I always admire the potential in this institute that delivered promising performances which were committed during the challenging environment faced by the bank, which is now behind us. Now the bank will continue this journey on its positive trajectory while eliminating all the odds and will generate profits for the wellbeing of the stakeholders.

Finally, I would like to appreciate the trust, the customers and shareholders have shown in the Bank. I am also grateful to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, The Pakistan Stock Exchange, The Central Depository Company and other regulatory bodies for their continues guidance and support under which the Bank is undoubtedly flourishing and reviving into one of the best institution of the industry.

A handwritten signature in black ink, appearing to read 'Mian M. A. Shahid', written in a cursive style.

**Mian M. A. Shahid**  
Chairman

# PRESIDENT / CEO'S MESSAGE



The year 2017 turned out to be a monumental year for Apna Microfinance Bank Limited in many respects. During the year, the regulatory commitments in respect of Minimum Capital Requirements (MCR) is being fulfilled and the bank's financing is also being resumed. The positive trends were registered, where all significant financial and operational indicators have moved in the right direction. In pursuance of the bank's mission statement, we continued to provide the best services to the unbanked segment of Pakistan in order to fulfill their financial necessities and to eradicate poverty from our society. We fulfilled our promise in light of our vision by enhancing socio economic empowerment through the provision of micro lending and financial inclusion.

I would like to mention that, AMBL has emerged as one of the key players in the microfinance industry and has significantly improved its financial and operational standing after surviving through financial difficulties in previous times. We are now focused on improving our systems and increasing our competitive advantage in the industry by focusing on product and process innovation to effectively balance risks and returns at an optimal level.

Our ambition is to serve and marked major microfinance customers and potential business areas respectively. We have big opportunities in front of us. We are also in process of introducing branchless banking, as we truly believe that technology has power to reach the underserved market on an unprecedented scale. It is a matter of immense pride and honor for me to be a part of this journey of driving financial inclusion – through our focus on human resource, services and customer needs.

On behalf of the management, I acknowledge all the hard work, dedication, devotion and commitment of my team members in their assigned roles and I am confident that through their efforts, our esteemed organization will be ranked best among the finest microfinance banks in the upcoming years.

I would like to express gratitude to all our customers, it is a privilege for us to serve you. I would also like to thank our shareholders and the Board of Directors, for your confidence and continued support.

A stylized, handwritten signature in black ink, consisting of a series of fluid, connected strokes.

**Muhammad Gulistan Malik**  
President/CEO



# 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, 2017. The bank has recorded significant progress as compared to the previous year and is on the right track to achieve its objectives.

Particulars	31 December 2017	31 December 2016	%
	Audited (PKR)	Audited (PKR)	Change
Advances-net of provisions	4,797,740,650	5,484,025,056	-13%
Deposits and other accounts	12,528,727,169	12,347,070,954	1%
Mark-up/return/interest earned	1,577,979,881	1,441,502,272	9%
Mark-up/return/interest expensed	(703,943,573)	(671,551,250)	5%
Administrative expenses	(1,308,598,684)	(1,107,253,472)	18%
(Loss) after taxation	(79,510,907)	(735,523,560)	-89%

The bank has also fulfilled its minimum equity requirements through injection of fresh capitals and improved financial results which shows the commitment and dedication of sponsors of the bank.

The Bank posted a loss after tax in the current year amounting to PKR 79.51 million as compared to a loss of PKR 735.52 million in the year 2016. The equity (net of losses) of the Bank stood at PKR 1,015.08 million and the total assets have grown to PKR 13,983.59 million from PKR 13,554.03 million as at December 31, 2016, the loss per share for the year ended December 31, 2017 is PKR (0.32) as compared to a loss per share of PKR (3.34) in the corresponding year.

Although the loss for the year has substantially been decreased as compared to the corresponding year. However, the depleted revenue streams in the first half year remained unable to meet the operation cost of the bank. Moreover, the credit operations are resumed from June 17 and it is expected the bank will achieve the operation breakeven by the end of First Quarter of year 2018.

The administrative expenses have increased by 18% over the last year

because the HR cost of the bank increased due to hiring of new experienced professionals.

The management have devised and implemented new strategies to reduce the provision of bank's old portfolio. As a result, bank recorded a provision expense of PKR 272 million in current year in comparison to PKR 847 million of last year.

The bank has revamped its information system and credit processing system altogether which contributed significantly to the resumption of bank's suspended financing in June 2017. Subsequent to the resumption, the bank has made a lending of approx. 1.5 billion to 11 thousand customers till December 31st, 2017 and no loan cases from the fresh financing is being categorized into non-performing loan which confirms the transparency of the revamped loan disbursement system.

Owing to the current market competition and need for the funds, the microfinance sector has to offer high rates to its depositors as compared to commercial banks, consequently the cost of deposits of the microfinance banks are comparatively higher than the commercial banks. To counter

this inherent business limitation, the management of the Bank has formulated and implemented a strategic plan regarding its products which includes attracting low cost deposits with the main focus on restructuring of the Bank's deposit mix in order to increase current and saving deposits (CASA) which in turn will help maintain the mark-up/ interest expense within acceptable limits.

During the year, we took significant steps for the rehabilitation of AMBL's Human Resource. In order to compete in the microfinance industry, the management has hired qualified and experienced banking professionals keeping in view of their integrity, honesty and previous track record. The bank's employee turnover surged as the management actively looked out for non-performers through respective employee's assessment. The management is also focusing its efforts on extensive training of HR in order to bring efficiency and effectiveness in operations of the bank.

# DIRECTORS' REPORT

## FUTURE OUTLOOK

We will continue to strive for betterment into our revamped credit and information system to ensure transparency in bank's lending system.

Further, the Bank is fully geared to capitalize the business opportunities which are present in the market. We are in the process of introducing Islamic banking and branchless banking in near future and these new services will not only enhance the goodwill of the bank but will increase the outreach of the bank and will also serve as tools for income diversification as well.

The Bank's Capital Adequacy Ratio (CAR), as also referred in Note no 1.3 to the financial statements for the year ended December 31st, 2017, is not in compliance with the requirement of Prudential Regulation's as at the reporting date. However, the management is hopeful that it will be met with by the end of year 2018. Further, shortfall of bank's CAR will be covered through profits and injection of fresh capital and subordinated loans.

## CREDIT RATING

The Pakistan Credit Rating Agency (Pvt.) Ltd. has assigned the Bank "BBB" (Triple B) and "A3" (A Three) as long term and as short-term ratings respectively with a "Stable" future outlook.

## CORPORATE GOVERNANCE

The Board of Directors of the Bank is responsible to the stakeholder for the management of the Bank. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standards of Corporate Governance.

### STATEMENT OF CORPORATE GOVERNANCE

The Directors are pleased to state 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 statements of changes in equity;
- Proper books of accounts of the Bank have been maintained;
- Appropriate accounting policies as stated in the notes to the accounts have been consistently applied preparation of the financial statements; accounting estimates are based on reasonable and prudent judgment;
- These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 and the regulations / directives issued by the SECP and SBP. Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 or the regulations / directives issued by the SECP and SBP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 or the requirements of the said regulations / directives shall prevail;
- The system of internal control is sound in design and has been effectively implemented

and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.

- There is no doubt about the ability of the Bank to continue as a going concern;
- There is no material departure from best practices of corporate governance, as detailed in listing regulations; and
- No statutory payment has been remained outstanding on account of any taxes, duties, levies and charges.

## STATEMENT OF INVESTMENT OF PROVIDENT FUND

The Bank operates a funded provident fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2017 is PKR 19.99 million (2016: PKR 11.19 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.

## DIVIDEND

The company has neither declared

# DIRECTORS' REPORT

the dividend nor issued bonus shares for the year due to incurrence of losses.

## APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The board in its 83rd BOD meeting appointed MR. Gulistan Malik as President/CEO of the bank for three years term. Neither the appointment of new chief executive officer nor the changes in terms of contracts are being made till date.

## AUDIT OBSERVATIONS

The external auditors have carry forward the previous year's modified opinion with respect to renewal of micro credits (Running Finance) without completion of certain conditions of renewal along with non-classification, non-provisioning and non-markup suspension of these cases by bank's information system. The auditors were unable to determine the quantum of NPL's, related provision and suspension of markup due to non-availability of relevant information from Information system.

In respect of the audit observation, we are of the view that, the cases were renewed on the basis of some qualitative factors of borrowers as per terms and conditions.

As far as the recording of provision is concerned, it has already been evident that auto calculation of provision against Running finance portfolio is system limitation. However, the advancement in our IT system is in process after which the classified portfolio of running finance cases will automatically be calculated in accordance with the requirements of prudential regulations & respective product features.

Further, the external auditors have also modified their opinion with respect to the non-appointment of two independent directors as per the requirement of Regulation G-1 of Prudential Regulations

for Microfinance Bank's. As at reporting date, the bank has one independent directors on its Board and the appointment of the second independent director is in process which will be finalized in near future.

## AUDITORS

The retiring auditors **M/s Ilyas Saeed & Co., Chartered Accountants, Lahore**, being eligible, have offered themselves for re-appointment. The external auditors have been given satisfactory rating under Quality Control Review of the Institute of Chartered Accountants of Pakistan. The Board of Directors has recommended their re-appointment for next term.

## PATTERN OF SHAREHOLDING

The pattern of shareholding as at December 31, 2017 is annexed to the annual report.

## FINANCIAL HIGHLIGHTS

Key performance highlights of the last six years are summarized and annexed to this report.

## ATTENDANCE OF DIRECTORS IN THE BOARD MEETINGS

The meetings attended by the BOD during the current year are annexed to the annual report.

## TRADERS IN SHARES

No trading was carried out in the shares of the bank during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.

## EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

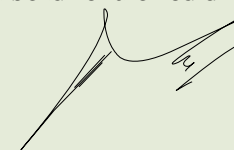
There have not been any material events that occurred subsequent to the date of statement of financial position that require adjustments to the enclosed financial statements.

## ACKNOWLEDGEMENT

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust and we are also thankful to our associates, staff and colleagues for their committed services provided to our valued customers.

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

On behalf of the Board



**Muhammad Gulistan Malik**

President and CEO

Date: March 20, 2018

Lahore

# ڈائریکٹرز رپورٹ

مالیاتی جھلکیاں:

گزشتہ 6 سالوں کی مالیاتی جھلکیاں اس سالانہ رپورٹ کے ساتھ منسلک ہیں۔

بورڈ کے اجلاس میں ڈائریکٹرز کی شرکت:

رواں سال کے دوران ہونے والے اجلاسوں میں بورڈ آف ڈائریکٹرز کی حاضریوں کا ریکارڈ سالانہ رپورٹ میں پیش کیا گیا ہے۔

حصص میں تجارت:

رواں سال کے دوران ڈائریکٹرز، سی۔ای۔ او چیف فنانسئل آفیسر، کمپنی سیکرٹری، چیف انٹرنل آڈیٹر یا ان کے شریک حیات اور نابالغ بچوں میں سے کسی نے بھی حصص کی

تجارت نہیں کی۔

اسٹیٹمنٹ آف فنانسئل پوزیشن کے بعد واقعات:

اسٹیٹمنٹ آف فنانسئل پوزیشن کی تاریخ کے بعد مالیاتی ایڈجسٹمنٹ کی ضرورت ہوتی ہے۔ اس کی تاریخ کے بعد کسی بھی مواد کے انکشافات نہیں ہیں۔

اعتراقات:

ہم اس موقع کا فائدہ اٹھاتے ہوئے اپنے صارفین، کاروباری شراکت داروں کی مستقل حمایت اور بھروسے کے حاصل ہونے پر اظہار تشکر پیش کرتے ہیں۔ اور ہم صارفین کو

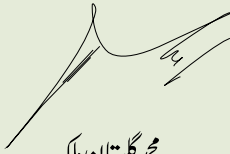
دی گئی پرعزم خدمات کیلئے اپنے ملازمین کا بھی شکریہ ادا کرتے ہیں۔

ہم سٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا ان کی مستقل رہنمائی اور تعاون کیلئے اظہار تشکر پیش کرتے ہیں۔

ہم خاص طور پر سٹیٹ بینک آف پاکستان کو اپنی مخلص تعریفیں پیش کرتے ہیں جن کا تعاون بینک کے مشکل وقت میں بھی شامل حال رہا۔ ہم یقینی طور پر تسلیم کرتے ہیں کہ سٹیٹ

بینک آف پاکستان کی مسلسل حمایت اور روشن رہنمائی نے ہمیں اس بینک کے مستقبل کے بارے میں پھر سے سوچنے کا سبب فراہم کیا۔

بورڈ کی جانب سے



محمد رازان ملک

صدر / سی۔ای۔ او

تاریخ: 20 مارچ 2018

لاہور

## ڈائریکٹر رپورٹ

ساتھ سال بھر وقفہ وقفہ سے آزادانہ طور پر مشوراتی ملاقاتیں کرتا ہے۔ مزید برآں مکمل سال مسلسل مالی پیش گوئی اور بجٹ کنٹرول کے ذریعے کارکردگی کی نگرانی کی جاتی ہے۔

بینک کے کاروبار جاری و ساری رکھنے کی اہلیت پر کوئی قابل ذکر خدشات نہیں ہیں۔

بینک نے لسٹنگ ریگولیشن میں تفصیلی طور پر بیان کردہ کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی کی بھی خلاف ورزی نہیں کی ہے۔

گورنمنٹ ڈیوٹی یا ٹیکس کی مد میں بینک پر کوئی بھی ہیمنٹ واجب الادا نہیں ہے۔

پروڈیٹ فنڈ کی سرمایہ کاری کا بیان:

بینک اپنے تمام مستقل ملازمین کیلئے فنڈ ڈپازٹ فنڈ مہیا کرتا ہے۔ 31 دسمبر 2017 کو فنڈ کا بیلنس قبل از آڈٹ 19.99 ملین پاکستانی روپے ہے۔

(2016: 11.190 ملین پاکستانی روپے)

ٹرانسفر پرائسنگ:

متعلقہ حصہ داران کے ساتھ کی گئی تمام ٹرانزیکشن مالیاتی سال کے درمیان کی گئی۔ ان میں مناسب قیمت کا طریقہ کار استعمال کیا گیا جو کہ بینک کے بھرپور مفاد میں ہے۔

ڈیوڈنٹ:

خسارہ کی وجہ سے بینک نے کسی سال نہ تو بونس حصص، نہ ہی ڈیوڈنٹ دینے کا اعلان کیا ہے

ایگزیکٹو آفیسر کی تقرری:

بورڈ آف ڈائریکٹرز کی 83 ویں میٹنگ میں جناب محمد گلستان ملک صاحب کو تین سال کے لئے بینک کا صدر ای۔ای۔ او مقرر کیا گیا اور ان کے معاہدے کی شرائط میں کوئی

تبدیلی نہیں آئی ہے۔

آڈٹ کے مشاہدے:

ایکسٹرنل آڈیٹر نے بینک کے ایڈوائس (رنگ فنانس) کی تجدید اور ساتھ ہی ساتھ بینک کے انفارمیشن سسٹم کی طرف سے ان ایڈوائسز کی نان کلاسیفکیشن، نان پروڈیٹنگ اور نان مارک اپ سپنشن کے بارے میں گزشتہ برس دی گئی رائے کو پھر دیا ہے جو کہ تجدید کی شرائط کو پورا کئے بغیر ہوئے تھے۔ بینک انفارمیشن سسٹم کی طرف سے متعلقہ معلومات کی عدم دستیابی کے باعث آڈیٹرز (NPL) ایڈوائسز کی پروڈیٹنگ اور انکا مارک اپ کا تعین کرنے میں ناکام رہے۔

آڈیٹر کے ان مشاہدات کے بارے میں ہماری یہ رائے ہے کہ یہ تجدید صارفین کے دوسرے معیاری عوامل اور شرائط و ضوابط کو مد نظر رکھتے ہوئے کئے گئے تھے۔

جہاں تک رنگ فنانس ایڈوائسز کی پروڈیٹنگ کے شمار کرنے کی بات ہے یہ پہلے ہی ظاہر ہو چکا ہے کہ رنگ فنانس ایڈوائسز کی پروڈیٹنگ کی آٹو کیکولیشن نہ کرنا سسٹم کی کمزوری ہے۔ تاہم ہمارا انفارمیشن سسٹم بہتری کے مراحل میں ہے۔ جس کے بعد رنگ فنانس کلاسیفکیشن پورٹ فولیو خود بخود قوانین اور پراڈکٹ کے مطابق وضع ہو جایا کرے گا۔

اس کے علاوہ ایکسٹرنل آڈیٹرز نے خود مختار ڈائریکٹران کی غیر تقریری کے بارے میں اپنی رائے کو موڈیفائی کیا ہے۔ خود مختار ڈائریکٹران کی تقریری مائیکرو فنانس بینک کے لئے بنائے گئے قواعد و ضوابط نمبر (G-1) کی ضرورت ہے۔ البتہ بینک کے بورڈ میں ایک خود مختار ڈائریکٹر ہے جبکہ دوسرے خود مختار ڈائریکٹر کی تقرری دوران عمل ہے جو کہ مستقبل قریب میں مکمل ہو جائے گی۔

آڈیٹرز:

ریٹائرنگ آڈیٹر میسرز الیاس سعید اینڈ چارٹرڈ اکاؤنٹنٹ اہلیت کی بنیاد پر خود کو دوبارہ تقرری کیلئے پیش کرتے ہیں۔ ایکسٹرنل آڈیٹر کو پاکستان کے چارٹرڈ اکاؤنٹنٹ ادارے کے کوالٹی کنٹرول جائزہ کے تحت اطمینان درجہ دیا گیا ہے۔ بورڈ آف ڈائریکٹرز نے انکی اگلی مدت کیلئے دوبارہ تقرری کو ریکمنڈ کیا ہے۔

شیئر ہولڈنگ کا نمونہ:

31 دسمبر 2017 کا شیئر ہولڈنگ کا نمونہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔



## ڈائریکٹر رپورٹ

رواں سال میں ہم نے بینک کے ایچ آر کی مضبوطی کے لئے اہم اقدامات اٹھائے۔ مائکرو فنانس انڈسٹری میں مقابلہ کرنے کیلئے انتظامیہ نے قابل اعتماد اور تجربہ کار لوگوں کو ان کی ایمانداری کی مد نظر ملازمت فراہم کی رواں سال بینک ایمپلائز ٹرن اوور بڑھ گیا کیونکہ انتظامیہ نے متعلقہ ملازمت کی تشکیل کے ذریعے غیر کارکردگی کا مظاہرہ کرنے والے ملازموں کو نکال دیا۔ انتظامیہ آپریشن طریقوں میں کارکردگی اور موثریت لانے کیلئے ایچ آر کی وسیع ٹریننگ پر توجہ مرکوز کر رہی ہے۔ مستقبل کا لائحہ عمل:

ہم اپنے کریڈٹ اور انفارمیشن سسٹم کی مزید بہتری کیلئے کوششیں جاری رکھیں گے تاکہ قرضوں کی فراہمی کے سسٹم میں شفافیت کو یقینی بناسکیں۔ اس کے علاوہ بینک کریڈٹ میں موجود کاروباری مواقع سے فوائد اٹھانے کیلئے مکمل طور پر تیار ہیں ہم مستقبل قریب میں برانچ لیس بکاری اور اسلامی بکاری کے تعارف کیلئے کام کر رہے ہیں۔ ان نئی خدمات کی بنیاد پر نہ صرف بینک کی ساخت میں اضافہ ہوگا بلکہ ذرائع آمدن میں بھی اضافہ ہوگا۔ بینک کی CAR وضاحتی قوانین کے مطابق نہیں ہے۔ جیسا کہ 31 دسمبر 2017 کی مالیاتی رپورٹ کے نوٹ نمبر 1.3 میں بھی بیان کیا ہے۔ تاہم انتظامیہ پر امید ہے کہ سال 2018 کے اختتام پر بتائی گئی ریگولیٹری ضروریات پوری ہو جائے گی۔ CAR کی کمی نئی سرمایہ کاری اور ماتحت قرض اور نفع سے پوری کی جائے گی۔ کریڈٹ ریٹنگ:

پاکستانی کریڈٹ ریٹنگ ایجنسی پرائیوٹ لمیٹڈ نے بینک مستقبل کے مستحکم لائحہ عمل کے تناظر میں نئے لاگ ٹرم اور شارٹ ٹرم ریٹنگ (BBB) ٹرپل بی اور ٹرپل اے (AAA) جاری کی ہے۔ کارپوریٹ گورننس:

بینک کے بورڈ آف ڈائریکٹر بینک کے انتظام کیلئے حصص یافتگان کے سامنے ذمہ دار ہیں یہ بورڈ اندرونی انضباط کے نظام کیلئے ذمہ داری کو تسلیم کرتا ہے اور کارپوریٹ گورننس کے اعلیٰ ترین معیار کو برقرار رکھنے کیلئے مصروف عمل ہے۔ کارپوریٹ گورننس کے تحت بیان:

ڈائریکٹر ز کارپوریٹ گورننس کے تحت مطلوبہ درج ذیل نقاط بمسرت پیش کرتے ہیں۔ بینک کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارہ منصفانہ طور پر بینک کے معاملات کی صورت حال، سرگرمیوں کے نتائج، زیر گردش نقدی اور ایکویٹی میں تبدیلیاں پیش کرتی ہیں۔ بینک کے کھاتوں کا مناسب انتظام رکھا گیا ہے۔

مالیاتی گوشواروں کی تیاری میں مستقل مناسب کھاتے داری کی پالیسیوں کا اطلاق کیا گیا ہے نیز کھاتے داری کے مالی تخمینے موزوں اور محتاط اندازوں پر مبنی ہے۔ یہ مالیاتی گوشوارے پاکستان میں لاگو منظور کھاتے داری کے معیار کے مطابق تیار کئے گئے ہیں ان کھاتے داری کے معیار میں یہ شامل ہے۔ بین الاقوامی مالیاتی رپورٹنگ کے معیار (IFRSs) جو کہ بین الاقوامی کھاتے داری کے معیار کے بورڈ IASB کے جاری کردہ ہیں۔ کمپنیز آرڈیننس 1984 مائیکرو فنانس ادارے آرڈیننس 2001 سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور سٹیٹ بینک آف پاکستان (SBP) کے جاری کردہ قواعد و ضوابط کے تحت منظور شدہ ہیں بصورت دیگر بین الاقوامی مالیاتی رپورٹنگ کے معیار IFRSs کے قواعد اگر کمپنیز آرڈیننس 1984 کی ضروریات مائیکرو فنانس ادارے آرڈیننس 2001 یا سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور سٹیٹ بینک آف پاکستان (SBP) کے جاری کردہ قواعد و ضوابط / ہدایات میں اختلاف درپہ ہوں۔ اس صورت میں کمپنیز آرڈیننس 1984 کی ضروریات، مائیکرو فنانس ادارے اور آرڈیننس 2001 SECP اور SBP کے جاری کردہ قواعد و ضوابط غالب ہوں گے۔

اندرونی انضباط کے نظام کا ڈھانچہ کارآمد ہے اور موثر طریقے سے عمل درآمد بھی ہے اندرونی انضباط کے نظام اور اس کی نگرانی کی حتمی ذمہ داری بورڈ پر لازم ہے۔ آڈٹ کمیٹی کی تشکیل کے مقاصد میں شامل ہے کہ وہ اندرونی انضباط کے نظام اور دیگر مالیاتی امور کی رپورٹنگ کے موثر اطلاق کی نگرانی کیلئے اندرونی و بیرونی آڈیٹرز اور انتظامیہ کے

## ڈائریکٹر رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے میں اس بات پر خوش ہوں کہ 31 دسمبر 2017 کو ختم ہونے والے سال کی آڈٹ کی گئی مالیاتی اسٹیٹمنٹس پیش کر رہا ہوں۔ گزشتہ سال کے مقابلے میں بینک نے اہم کارکردگی دیکھائی اور بینک اپنے مقاصد کو حاصل کرنے کیلئے مطلوبہ راہ پر گامزن ہے۔  
انتظامی اور مالیاتی جائزہ:

کوائف	31 دسمبر 2017	31 دسمبر 2016	%
فراہم کیا گیا کل انڈوانس (پرویشن کے بعد)	4,797,740,650	5,484,025,056	-13%
ڈپازٹس اور دیگر اکاؤنٹس	12,528,727,169	12,347,070,954	1%
مارک اپ آمدنی	1,577,979,881	1,441,502,272	9%
مارک اپ اخراجات	(703,943,573)	(671,551,250)	5%
انتظامی اخراجات	(1,308,598,684)	(1,107,253,472)	18%
(نقصان) بعد از ٹیکس ادائیگی	(79,510,907)	(735,523,560)	-89%

بینک نے نئی سرمایہ کاری اور بہتر مالیاتی نتائج کے ذریعے کم از کم ایکویٹی کی ضروریات کو بھی پورا کیا جو بینک کے اسپنسرز کے عزم اور وقف کو ظاہر کرتا ہے۔  
گزشتہ سال 2016 کے 735.52 ملین پاکستانی روپے خسارے کے مقابلے میں اس سال بینک نے ٹیکس ادا کرنے کے بعد 79.51 ملین پاکستانی روپے کا خسارہ ظاہر کیا۔  
بینک کی مجموعی ایکویٹی 1015.08 ملین پاکستانی روپے ہے جبکہ 31 دسمبر 2017 تک بینک کے کل اثاثے 13,554.03 ملین پاکستانی روپے سے بڑھ کر 13,983.59 ملین پاکستانی روپے ہو گئے ہیں۔ گزشتہ سال 3.34 روپے فی حصص کے مقابلے میں اس سال 31 دسمبر 2017 فی حصص خسارہ 0.32 روپے رہا۔  
اگرچہ موجودہ سال کے نقصان میں گزشتہ سال کے مقابلے میں کافی حد تک کمی آئی ہے پھر بھی رواں سال کے پہلے نصف میں بینک کی سست رفت آمدنی، بینک کے عملیاتی اخراجات کو پورا کرنے میں ناکام رہی۔ اس کے علاوہ کریڈٹ آپریشن جون 2017 سے بہال ہو چکا ہے اور یہ توقع ہے کہ بینک 2018 کی پہلی سامانی کے احتتام تک مالیاتی نتائج بغیر کسی نفع و نقصان کے ظاہر کرے گا۔

نئے تجربہ کار اور پیشہ ور لوگوں کو ملازمت فراہم کرنے کے باعث بینک کے (HR) کے اخراجات میں اضافہ ہوا جس کی وجہ سے بینک کے انتظامی اخراجات گزشتہ مالی سال کے مقابلے میں 18 فیصد بڑھ گئے۔

انتظامیہ نے بینک کے پرانے پورٹ فولیو کی پرویشن پر قابو پانے کیلئے نئی حکمت عملی وضع کی۔ اس حکمت عملی کے نتیجے میں بینک نے گزشتہ سال 847 ملین پاکستانی روپے کے مقابلے میں رواں سال 272 ملین پاکستانی روپے کی پرویشن ریکارڈ کی۔

بینک نے مکمل طور پر اپنے کریڈٹ اور انفارمیشن سسٹم کو بہتر بنایا جس نے جون 2017 میں بینک کے قرضوں کی بحالی میں بھرپور کردار ادا کیا۔ قرضوں کی بحالی کے بعد بینک 31 دسمبر 2017 تک تقریباً 11 ہزار کسٹمرز کو 1.5 ارب پاکستانی روپے کے قرضے دے چکا ہے ان میں سے کوئی بھی قرضہ ابھی تک (NPL) میں نہیں گیا جو کہ بینک کے شفاف قرضہ فراہمی سسٹم کی یقین دہانی کرتا ہے۔

موجودہ مارکیٹ کے مقابلے اور سرمائے کی ضرورت کی وجہ سے کمرشل بینک کے مقابلے میں مائکرو فنانس بینک کو اپنے صارفین کو نسبتاً زیادہ شرح منافع فراہم کرنا پڑ رہا ہے نتیجہ میں مائکرو فنانس کا سودی خرچہ کمرشل بینک سے نسبتاً زیادہ ہے۔ اس قدرتی مسئلے پر قابو پانے کے لئے انتظامیہ نے اپنی پراڈکٹ کے لئے حکمت عملی وضع کی اور اس کو نافذ کیا ہے جس میں کم خرچے والے ڈپازٹس کو لانا ہے اور ڈپازٹس کے مرکب کی تبدیلی پر اہم توجہ دینا ہے جس کے نتیجے میں بینک کے کرنٹ اور سیونگ ڈپازٹس (CASA) کا تناسب بڑھے گا جو مارک اپ کے خرچے کو قابل قبول حد تک برقرار رکھنے میں مدد کرے گا۔

## MEETINGS OF THE BOARD

From January 1, 2017 to December 31, 2017

Name of Directors	Meetings Due	Meetings Attended
Mr. Muhammad Akram Shahid	7	7
Mr. Muhammad Azam Cheema	7	7
Mr. Qamar-uz-Zaman	7	7
Mr. Imad Muhammad Tahir	7	7
Mr. Muhammad Saleem Shaikh	7	7
Mr. Muhammad Asghar	7	6
Syed Rahat Ali Shah	7	7
Mr. Imam Bukhsh Baloch	1	1

## MEETINGS OF THE AUDIT COMMITTEE

From January 1, 2017 to December 31, 2017

Name of Directors	Meetings Due	Meetings Attended
Mr. Muhammad Asghar	5	5
Mr. Muhammad Saleem Shiekh	5	5
Mr. Imad Mohammad Tahir	5	0
Syed Rahat Ali Shah	5	5
Mr .Muhammad Azam Cheema	4	0
Mr. Imam Bux Baloch	1	1

# STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Year ending: **December 31, 2017.**

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 Pakistan Stock Exchanges Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Names	Category
Mr. Mohammad Akram Shahid	Chairman/ Non- executive director
Mr. Mohammad Azam Cheema	Non- executive director
Mr. Qamar- uz- Zaman	Non- executive director
Mr. Muhammad Asghar	Non- executive director
Mr. Muhammad Saleem Shaikh	Non- executive director
Mr. Imad Mohammad Tahir	Non- executive director
Syed Rahat Ali Shah	Nominated director
Mr. Imam Bukhsh Baloch	Independent director

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank. (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy filled in the Board on October 20, 2017 during the current year.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors have been taken by the Board/Shareholders. The CEO is working on contract basis.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, legal requirement and operational imperatives of the Bank, and as such are fully aware of their duties and responsibilities. The Board is already attended and certified from PICG as Certified Director, Mr. Qamar uz Zaman, Mr. Muhammad Akram Shahid, Mr. Muhammad Azam Cheema and Mr. Saleem Shaikh has attended the training programs and certified.

# STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 DECEMBER 2017

10. The board has approved appointment of Company Secretary, Chief Financial Officer and Head of Internal Audit, including their remuneration and terms and conditions of employments.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed Human Resource and Remuneration Committee comprises of non-executive directors and the duties have been assigned as per Code.
16. The Board has formed an Audit Committee. It comprises five members, who are non-executive directors including the chairman of the committee. The Chairman of the Committee is an independent director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results of the Bank and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set up an effective internal audit function 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.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Pakistan Stock Exchange Limited.
22. Material/ price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange Ltd.
23. We confirm that all other material principles enshrined in the CCG have been complied.

**For Apna Microfinance Bank Ltd.**



**Chairman**

Date: March 20, 2018

**Lahore**



# REVIEW REPORT TO THE MEMBERS

## ON STATEMENT OF COMPLIANCE WITH 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 (the Board) of **APNA MICROFINANCE BANK LIMITED** (the Bank) for the year ended December 31, 2017 to comply with the requirements of Listing Regulations of the Pakistan Stock Exchange, where the bank is listed.

The responsibility for compliance with the Code is that of the Board 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the bank's corporate governance procedures and risks.

The Code requires the bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval of 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 approval of related party transactions by the Board 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.

As per requirements of Regulation G-1 of the Prudential Regulations For Microfinance Banks, every microfinance institution is required to have at least 2 independent directors; however, as described in para 1 of the enclosed Statement of Compliance the Bank has one independent director as at year end.

Based on our review, except for the matter described in above para, 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 December 31, 2017.



**ILYAS SAEED & CO.**

Chartered Accountants

**Engagement partner:** Muhammad Ilyas

**Lahore:**

Date: March 20, 2018

# 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.

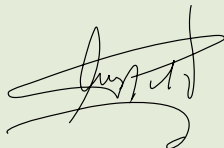
- Employees should protect the privacy and confidentiality of personnel records, not sharing them inside or outside the Bank except after approval by Human Resource & Recruitment Department.
- Employees should not use Bank's facilities to access, download or distribute personal or social information, 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.

## 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.

# ETHICS AND BUSINESS PRACTICES

- 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
- laundrying 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: March 20, 2018

**Lahore**

## **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

# PATTERN OF SHAREHOLDING

AS AT 31 DECEMBER 2017

1. Incorporation Number
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-16

Number of Shareholders	Shareholding		Shares Held
	From	To	
275	1	100	2709
97	101	500	40709
45	501	1000	41988
63	1001	5000	180247
16	5001	10000	124165
5	10001	15000	67666
3	15001	20000	47505
2	25001	30000	52608
1	35001	40000	36000
1	40001	45000	41500
1	55001	60000	60000
1	90001	95000	91000
1	95001	100000	100000
1	120001	125000	125000
1	150001	155000	154500
1	210001	215000	211833
1	240001	245000	244000
1	280001	285000	284000
1	325001	330000	328000
1	945001	950000	948922
1	995001	1000000	1000000
1	2195001	2200000	2200000
1	3300001	3305000	3301000
1	9995001	10000000	10000000
1	13630001	13635000	13632830
1	21655001	21660000	21658572
1	40080001	40085000	40082921
1	43690001	43695000	43692325
1	111245001	111250000	111250000
527			250,000,000



# CATEGORIES OF SHAREHOLDERS

As at 31 December 2017

Categories of Shareholders	Shares Held	Percentage %
<b>Directors, Chief Executive Officer And Their Spouse and Minor Children</b>		
SYED RAHAT ALI SHAH	500	
MUHAMMAD ASGHAR	500	
MUHAMMAD AZAM CHEEMA	500	
MUHAMMAD SALEEM SHAIKH	500	
QAMAR UZ ZAMAN	43,692,325	
MUHAMMAD AKRAM SHAHID	13,632,830	
IMAD MOHAMMAD TAHIR	40,082,921	
SUB TOTAL	97,410,076	38.96
<b>Associated Companies, Undertaking and Related Parties</b>		
THE UNITED INSURANCE COMPANY OF PAKISTAN	111,250,000	
UNITED TRACK SYSTEM (PVT) LIMITED	21,658,572	
SHAHIDA BILQUIS	10,000,000	
SUB TOTAL	142,908,572	57.16
<b>Joint Stock Companies, insurance companies and others</b>		
Tawasul Healthcare Tpa (Private) Limited	328,000	
Salim Sozer Securities (Pvt.) Ltd.	100,000	
Fancy Petroleum Services (Pvt.) Limited	36,000	
Biofert (Pvt) Limited	9,500	
First National Energy (Pvt.) Limited	4,000	
Saudi Pak Insurance Company Limited	2,000	
Time Securities (Pvt.) Ltd.	114	
Darson Securities (Pvt) Limited	99	
Pakistan Stock Exchange Limited	59	
Maple Leaf Capital Limited	1	
SUB TOTAL	479,773	0.19
<b>General Public - Local</b>		
General Public - Local	9,201,579	3.68
GRAND TOTAL	250,000,000	100.00

# LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES BY SPONSORS DIRECTORS

For the year ended 31 December 2017

Serial Number	Name, Father's Name & Address of Shareholder(s)	Shares Held	Percentage %
1	DIRECTORS, CHIEF EXECUTIVE OFFICER THEIR SPOUSE(S) & MINOR CHILDREN.	97,410,076	38.96
2	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES.	142,908,572	57.16
3	JOINT STOCK COMPANIES, INSURANCE COMPANIES AND OTHERS	479,773	0.19
4	GENERAL PUBLIC	9,201,579	3.68
	TOTAL	250,000,000	100.00

# LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES 5% AND ABOVE

For the year ended 31 December 2017

Serial Number	Name, Father's Name & Address of Shareholder(s)	Holding	Percentage %
1	THE UNITED INSURANCE COMPANY OF PAKISTAN LTD	111,250,000	44.50
2	QAMAR UZ ZAMAN	43,692,325	17.48
3	IMAD MOHAMMAD TAHIR	40,082,921	16.03
4	UNITED TRACK SYSTEM (PVT) LIMITED	21,658,572	8.66
5	Muhammad Akram Shahid	13,632,830	5.45
	TOTAL	230,316,648	

# LOANS PRODUCTS INTRODUCED IN 2017







# FINANCIAL STATEMENTS

APNA MICRO FINANCE BANK LIMITED





# AUDITORS' REPORT TO THE MEMEBRS

We have audited the annexed balance sheet of **APNA MICROFINANCE BANK LIMITED** ("the Bank") as at December 31, 2017, 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.

Except for the matter discussed in paragraph "a" below, 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 the 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 has renewed a number of micro-credit (running finance) cases without completion of certain conditions of renewal. The Bank's information system has not classified such advances as non-performing advances, has not made any provision and has not suspended related income. We are, therefore, unable to verify non performing advances of Rs. 1,315.63 million (2016: Rs.1,484.01 million), provision of Rs. 1,139.75 million (2016 Rs. 861.72 million) (Refer Note 11) and suspended income of Rs. 232.31 million (2016: Rs. 165.60 million). Further, we are unable to determine the quantum of non-performing advances, related provision and suspended income in accordance with the requirements of Prudential Regulations due to non-availability of the required information / details from the Bank's information system;
- (b) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001;
- c) in our opinion:
  - i. except for the effect of matter discussed in paragraph "a" above, 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 accounts and are further in accordance with the accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;
- (d) in our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter discussed in paragraph "a" above, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and Microfinance Institutions Ordinance, 2001, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2017, and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- (e) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted

# AUDITORS' REPORT TO THE MEMEBRS

by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without further qualifying our opinion, we draw attention towards:

- Note 1.3 to the financial statements which states that the Bank was unable to meet the regulatory requirements of “Prudential Regulations for Microfinance Banks” issued by the State Bank of Pakistan (SBP) with regard to the Capital Adequacy Ratio (CAR) which fell below the minimum required ratio (equivalent to at least 15% of their risk weighted assets) as at December 31, 2017

## Other matters

The financial statements of the Bank for the year ended December 31, 2016 were audited by another firm of chartered accountants who expressed a qualified opinion on the financial statements of the Bank for the year ended December 31, 2016 vide their audit report dated April 07, 2017



**ILYAS SAEED & CO.**  
Chartered Accountants

**Engagement partner:** Muhammad Ilyas

**Lahore:**

Date: March 20, 2018

# BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
Cash and Balances with SBP and NBP	8	1,202,269,848	1,028,052,212
Balances With Other Banks/NBFIs/MFBs	9	4,048,778,510	4,280,247,005
Lending to financial Institutions		-	-
Investments - Net Of Provisions	10	658,482,895	605,409,478
Advances - Net Of Provisions	11	4,797,740,650	5,484,025,056
Operating Fixed Assets	12	881,490,545	821,089,654
Other Assets	13	1,888,585,767	958,095,553
Deferred Tax Asset	14	506,242,009	377,084,060
<b>Total Assets</b>		<b>13,983,590,224</b>	<b>13,554,003,018</b>
<b>LIABILITIES</b>			
Deposits and other accounts	15	12,528,727,169	12,347,070,954
Borrowings	16	202,285,246	204,001,745
Subordinated Debt		-	-
Other Liabilities	17	232,164,806	295,730,881
Deferred Tax Liabilities		-	-
<b>Total Liabilities</b>		<b>12,963,177,221</b>	<b>12,846,803,580</b>
<b>NET ASSETS</b>		<b>1,020,413,003</b>	<b>707,199,438</b>
<b>REPRESENTED BY:</b>			
Share capital	18	2,500,000,000	2,200,000,000
Discount on issue of shares		(950,000,000)	(950,000,000)
Share deposit money		500,008,080	400,000,000
Statutory reserve		1,279,583	1,279,583
Depositors' protection fund		319,896	319,896
Unappropriated (loss)		(1,036,520,157)	(957,009,250)
		1,015,087,402	694,590,229
Surplus/(deficit) on Revaluation of Assets	10	(3,279,516)	(1,901,020)
Deferred Grants	19	8,605,117	14,510,229
<b>Total Capital</b>		<b>1,020,413,003</b>	<b>707,199,438</b>
<b>MEMORANDUM/OFF-BALANCE SHEET ITEMS</b>	20	-	-

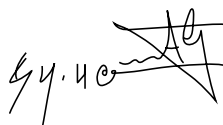
The annexed notes from 1 to 36 form an integral part of these financial statements.



President & Chief Executive Officer



Chairman



Director



Director

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
Mark-up/return/interest earned	21	1,577,979,881	1,441,502,272
Mark-up/return/interest expensed	22	(703,943,573)	(671,551,250)
Net mark-up/interest income		874,036,308	769,951,022
Provision against non-performing loans and advances	11.4	(272,907,424)	(847,170,077)
Provision for diminution in the value of investments		-	-
Recovery against bad debts written off		344,392	1,249,444
Bad debts written off directly		-	-
		(272,563,032)	(845,920,633)
Net mark-up/Interest Income / (loss) after provisions		601,473,276	(75,969,611)
<b>Non mark-up/non interest income</b>			
Fee, Commission and Brokerage Income		51,400,206	61,471,438
Dividend Income		-	-
Other Income	23	467,423,597	51,426,535
Total non mark-up/non interest Income		518,823,803	112,897,973
		1,120,297,079	36,928,362
<b>Non mark-up/non interest expenses</b>			
Administrative expenses	24	(1,308,598,684)	(1,107,253,472)
Other provisions/write offs/adjustment		-	(27,252,773)
Other charges		-	-
Total non mark-up/non interest expenses		(1,308,598,684)	(1,134,506,245)
		(188,301,605)	(1,097,577,883)
Extra ordinary/unusual items		-	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(188,301,605)	(1,097,577,883)
Taxation -Current	25	(20,367,251)	(15,029,737)
-Prior year		-	-
-Deferred		129,157,949	377,084,060
		108,790,698	362,054,323
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(79,510,907)	(735,523,560)
Unappropriated Profit / (Loss) brought forward		(957,009,250)	(221,485,690)
Profit available for appropriation / (loss)		(1,036,520,157)	(957,009,250)
<b>Appropriations</b>			
Transfer to			
Statutory reserve		-	-
Capital reserve		-	-
Contribution to MSDF/ DPF/ RMF		-	-
Revenue reserve		-	-
Proposed cash dividend Rs. Nil per share (2016: Rs. Nil per share)		-	-
Others		-	-
		-	-
<b>Unappropriated Profit / (Loss) carried forward</b>		(1,036,520,157)	(957,009,250)
<b>Earnings / (Loss) per share-Basic</b>	26	(0.32)	(3.34)
<b>Earnings / (Loss) per share-Diluted</b>	26	(0.35)	(3.34)

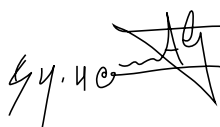
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President & Chief Executive Officer



Chairman



Director



Director

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(79,510,907)	(735,523,560)
Other comprehensive (loss)		-	-
		(79,510,907)	(735,523,560)
Components of comprehensive (loss) not reflected in equity			
Net change in fair value of available-for-sale investments		(1,378,496)	(1,850,878)
<b>Total comprehensive (loss) for the year</b>		(80,889,403)	(737,374,438)

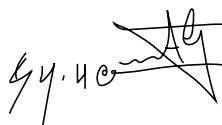
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President & Chief Executive Officer



Chairman



Director



Director




# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		(188,301,605)	(1,097,577,883)
<b>Adjustments for non-cash charges</b>			
Depreciation		66,798,643	59,250,887
Amortization of intangibles		2,869,459	7,966,943
Amortization of deferred grants		(5,905,112)	(10,449,064)
Provision against non-performing advances		272,907,424	847,170,077
Fair value adjustment on investments classified as held-for-trading		-	(899,639)
Other provisions/write offs/adjustment		-	27,252,773
Balances written back		-	(1,516,129)
(Gain) / Loss on disposal of fixed assets - net		-	(688,900)
		336,670,414	928,086,948
<b>Operating cash flow before working capital changes</b>		148,368,809	(169,490,935)
<b>Changes in working capital</b>			
<b>(Increase)/decrease in operating assets</b>			
Advances		413,376,982	(3,742,772,041)
Other assets		(911,918,184)	(504,718,915)
		(498,541,202)	(4,247,490,956)
<b>Increase/(decrease) in operating liabilities</b>			
Deposits		181,656,215	7,800,373,875
Other liabilities		(63,566,075)	228,488,209
		118,090,140	8,028,862,084
<b>CASH GENERATED FROM OPERATIONS</b>		(232,082,253)	3,611,880,193
Income tax paid		(38,939,281)	(18,857,330)
Net cash flow from operating activities		(271,021,534)	3,593,022,863
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceed received from sale of investment		-	56,569,819
Net investments in held to maturity securities		(54,451,913)	(405,332,518)
Investments in operating fixed assets		(118,065,572)	(519,478,644)
Investments in intangible assets		(12,003,421)	(17,692,409)
Sale proceeds from disposal of operating fixed assets		-	688,900
Net cash flow from investing activities		(184,520,906)	(885,244,852)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share deposit money		400,008,080	400,000,000
Running Finance		999,112	189,000,888
Demand Finance		(2,715,611)	15,000,857
Net cash flow from financing activities		398,291,581	604,001,745
Increase / (Decrease) in cash and cash equivalents		(57,250,859)	3,311,779,756
<b>Cash and cash equivalents at the beginning of the year</b>		5,308,299,217	1,996,519,461
<b>Cash and cash equivalents at the end of the year</b>	27	5,251,048,358	5,308,299,217

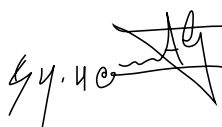
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President & Chief Executive Officer



Chairman



Director



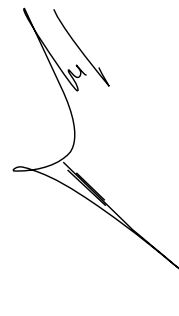
Director

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Unappropriated (Loss)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at January 01, 2016</b>	2,200,000,000	(950,000,000)	-	1,279,583	319,896	(221,485,690)	1,030,113,789
Issue of right shares	-	-	-	-	-	-	-
Share deposit money	-	-	400,000,000	-	-	-	400,000,000
<b>Comprehensive (loss) for the year</b>							
(Loss) after taxation	-	-	-	-	-	(735,523,560)	(735,523,560)
Other comprehensive (loss)	-	-	-	-	-	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	(735,523,560)	(735,523,560)
<b>Balance as at December 31, 2016</b>	2,200,000,000	(950,000,000)	400,000,000	1,279,583	319,896	(957,009,250)	694,590,229
<b>Balance as at January 01, 2017</b>	2,200,000,000	(950,000,000)	400,000,000	1,279,583	319,896	(957,009,250)	694,590,229
<b>Comprehensive Income / (loss) for the year</b>							
Profit / (Loss) after taxation	-	-	-	-	-	(79,510,907)	(79,510,907)
Share issued against share deposit money	-	-	(300,000,000)	-	-	-	(300,000,000)
Share issued	300,000,000	-	-	-	-	-	300,000,000
Share deposit money	-	-	400,008,080	-	-	-	400,008,080
Other comprehensive (loss)	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	300,000,000	-	100,008,080	-	-	(79,510,907)	320,497,173
<b>Balance as at December 31, 2017</b>	2,500,000,000	(950,000,000)	500,008,080	1,279,583	319,896	(1,036,520,157)	1,015,087,402

The annexed notes from 1 to 36 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 2017

## 1 STATUS AND NATURE OF BUSINESS

**1.1** Apna Microfinance Bank Limited (the Bank) was incorporated on May 08, 2003 as a public limited Bank under the repealed Companies Ordinance, 1984. The Bank was granted certificate of commencement of business on December 28, 2004 and started its operations on January 01, 2005. Its shares are listed on Pakistan Stock Exchange Limited. The Bank's principal business is to provide microfinance services to the poor and underserved segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The Bank has been operating at national level in Pakistan. The Bank has 123 business locations comprising of 116 branches and 7 service centers (2016: 122 business locations comprising of 116 branches and 6 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab.

**1.1.1** In consequence of an inspection by State Bank of Pakistan (SBP), the lending operations of the Bank were suspended from November 2016. However, the Bank was allowed to resume the lending operations through 19 branches during June 2017. Subsequently, SBP allowed another 70 branches to resume lending operations during September 2017. Later, SBP further allowed another 13 branches to start lending during November 2017. As at the year end, 102 branches of the Bank are carrying out lending operations.

**1.2** During the year 2016, the Bank had been facing some financial and operational difficulties pertaining to financial loss for that year, non-compliance of certain Prudential Regulations and difficulties in recovery of advances. However,

(a) During the year 2017, sponsors of the Bank have injected fresh capital of Rs. 400 million and have undertaken to provide further financial support, if required, enabling the Bank to conduct its affairs in such a way that it will be able to meet its financial obligations. During the year, the Bank incurred a loss before taxation of Rs. 188 million (2016: Rs. 1,098 million). As at 31 December 2017, the accumulated losses amount to Rs. 1,036 million (2016: Rs. 957 million) against issued, subscribed and paid up capital of Rs. 2,500 million (2016: Rs. 2,200 million). The management is confident that the Bank will be in profit by the end of 2018 and will eliminate its accumulated losses in coming few years.

(b) During the year, the management fulfilled the Minimum Capital Requirement (MCR) shortage of Rs. 305 million and became the equity compliant MFB as per the requirements of Prudential Regulations for MFBs issued by the State Bank of Pakistan (SBP).

(c) The Bank has developed a team of competent staff that has and will ensure smooth and efficient operations of the Bank in the coming years. A considerable effort is being made by the management of the Bank in the recovery of the loan portfolio which should result in improvement of the financial position in the coming years. The Bank has substantially improved recovery of its advances portfolio as compared to last year.

The above mentioned plans/ efforts have helped the bank to overcome its financial problems to a great extent and are further likely to result in improvement of its financial and operational position.

**1.3** As at December 31, 2017 the Bank could not meet the regulatory requirements of "Prudential Regulations for Micro Finance Banks" issued by the State Bank of Pakistan (SBP), mentioned as under;

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

Regulation R-5 (C): Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) (equivalent to at least 15% of their risk weighted assets) shall be eligible to undertake microenterprise lending.

The Capital Adequacy Ratio of the Bank fell below the minimum ratio required as at 31 December 2017. However, as explained in Note 1.2 (a) above, the Bank is hopeful of bringing its CAR upto the required limit.

## 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

- 3.1** During the year, the Companies Ordinance, 1984, has been repealed and the Companies Act, 2017 (the Act) has been promulgated. However, the Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 23 of 2017 dated October 04, 2017, has communicated Commission's decision that "the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984."
- 3.2** 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 Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, the requirements of the repealed 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 repealed 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 repealed Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the requirements of the said directives shall prevail.
- 3.3** 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 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.

## 4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

### 4.1 Standards, interpretations and amendments to published approved accounting standards becoming effective in the current year:

The following standards, amendments to standards and interpretations have been effective and are mandatory for the financial statements of the Bank for the periods beginning on or after January 01, 2017 and, therefore, have been applied in preparing these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **Annual improvements - 2014-2016 cycle:**

Annual Improvements to IFRSs through 2014-2016 cycle have been issued by IASB on December 08, 2016, amending the following standards.

## **IFRS 12: Disclosure of Interests in Other Entities:**

Clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment is not likely to have an impact on Bank's financial statements.

## **IAS 7: Statement of Cash Flows:**

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have a significant impact on Bank's financial statements except for certain presentational amendments.

## **IAS 12: Income taxes:**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Bank's financial statements.

## **IFRS 5: Non-current Assets Held for Sale and Discontinued Operations:**

Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

## **IFRS 7: Financial Instruments: Disclosures:**

Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS - 7 on offsetting disclosures to condensed interim financial statements.

## **IFRS 10, IFRS 12 and IAS 28 Investment Entities:**

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

The application of these amendments has not any material impact on the Bank's financial statements.

The application of the standard has no impact on the Bank's financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **4.2 Standards, interpretations and amendments to published approved accounting standards becoming effective in current year but not relevant:**

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Bank beginning on or after January 01, 2017 but are considered not to be relevant to the Bank's operations and are, therefore, not disclosed in these financial statements.

## **4.3 Standards, interpretations and amendments to published approved accounting standards becoming effective in future periods**

The following standards, amendments to standards and interpretations have been published and are mandatory for the Bank's accounting periods beginning on or after their respective effective dates.

### **Annual improvements - 2014-2016 cycle:**

The improvements address amendments to following approved accounting standards:

- IFRS 1: First-time Adoption of International Financial Reporting Standards
- IAS 28: Investments in Associates and Joint Ventures

Effective for annual period beginning on or after January 01, 2018. The application of these amendments is not expected to have any material impact on the Bank's financial statements.

### **Annual Improvements 2015–2017 Cycle:**

The improvements address amendments to following approved accounting standards:

#### **IFRS 3: Business Combinations and IFRS 11 Joint Arrangement**

The amendment clarify the accounting treatment when an Operator increases its interest in a joint operation that meets the definition of a business.

#### **IAS 12: Income Taxes**

The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

#### **IAS 23: Borrowing Costs**

The amendment clarifies that an Operator treats, as part of general borrowings, any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 01, 2019. The application of these amendments are not expected to have any material impact on the Bank's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **IFRS 15: Revenue from Contracts with Customers:**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. Management is in the process of assessing the impact of adoption of this standard on the financial statements.

The standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Bank's financial statements.

## **IFRS 2: Share based payments:**

The amendments to IFRS 2 address the main areas of vesting conditions, classification and accounting for modification to the terms and conditions.

The amendment is effective for accounting period beginning on or after January 01, 2018. The application of amendments is not expected to have any material impact on the Bank's financial statements.

## **IFRS 4: Insurance Contracts:**

Amended by applying IFRS 9 "Financial Instruments" along with IFRS 4 "Insurance Contracts", allowing an entity to apply the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9 or chooses to apply the deferral approach for annual periods beginning on or after January 01, 2018.

The management of the Bank is reviewing the changes to evaluate the impact of application of standard on the financial statements.

## **IFRS 9: Financial Instruments (2014):**

IFRS 9 contains accounting requirements for financial instruments in the areas of classification and measurement, impairments, hedge accounting, de-recognition:

All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at Fair Value Through Other Comprehensive Income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, standard requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

In relation to the impairment of financial assets, standard requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The standard is effective for accounting period beginning on or after January 01, 2018. The management of the Bank is reviewing the changes to evaluate the impact of application of standard on the financial statements.

## **IFRS 16: Leases:**

Replaces the current IAS - 17 and requires lessees to recognize a lease liability reflecting future lease payments for virtually all lease contracts.

The amendments are effective for accounting periods beginning on or after January 01, 2019. The Management is in the process of evaluating the impact of application of the standard on the Bank's financial statements.

## **IAS 40: Investment Property:**

Provides guidance on transfers of investments property. The Standard is effective for accounting periods beginning on or after January 01, 2018. The Management is in the process of evaluating the impact of application of the standard on the Bank's financial statements.

## **IFRIC 22: Foreign Currency Transactions and Advance Consideration:**

The amendments clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The Standard is effective for accounting periods beginning on or after January 01, 2018. The application of interpretation is not likely to have an impact on Bank's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The amendments clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

The Standard is effective for accounting periods beginning on or after January 01, 2019. The application of interpretation is not likely to have an impact on Bank's financial statements.

#### **4.4 Standards, interpretations and amendments to published approved accounting standards becoming effective in future period but not relevant:**

There are certain new standards, amendments to standards and interpretations that are effective for different future periods but are considered not to be relevant to bank's operations, therefore not disclosed in these financial statements.

## **5 BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for certain investments which are measured at fair value and amortized cost.

## **6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with approved IFRS 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 10)
- Provision against non-performing advances (Note 11)
- Residual values and useful lives of assets and methods of depreciation (Note 12.2)
- Amortization of intangibles (Note 12.3)
- Amortization of deferred grant (Note 19)
- Recognition of current and deferred taxation (Note 25)

## **7 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.

### **7.1 Cash and cash equivalents**

Cash and cash equivalents comprises of cash in hand, balances with State Bank of Pakistan (SBP), National Bank of Pakistan (NBP) and balances held with other banks/ NBFIs and MFBs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 7.2 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.

## 7.3 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 7.4 Operating fixed assets

### 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.

### Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to profit and loss account by applying the straight line method using the rates specified in note 12.2 to the financial statements. Depreciation on additions is charged from the month in which the asset is acquired while no depreciation is charged in the month of disposal. The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. The effect of any revision is charged to profit and loss account for the year, when the change arises.

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.

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.

### Intangible assets

Expenditure incurred to acquire software and other development costs are capitalized to the extent that future economic benefits are expected to be derived by the Bank.

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 12.3 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 asset is disposed off.

## 7.5 Impairment

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Reversal of an impairment loss is recognised immediately in the profit and loss account.

## **7.6 Receivables**

Receivables are recognised at nominal amount which is fair value of the consideration to be received in future less an estimate made for doubtful receivables based on review of outstanding amounts at the year end.

## **7.7 Payables**

Liabilities for payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Bank.

## **7.8 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.

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 assets 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **7.9 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.

## **7.10 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.

## **7.11 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

- Mark-up / return / interest on regular advances is recognized on accrual / time proportion basis using effective interest rate method at the Bank's prevailing interest rates for the loan products. 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.
- Income on balances with other banks is recognized in profit and loss account as it is earned.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## **7.12 Financial instruments**

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 de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

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.

## **7.13 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.

## **7.14 Derivatives financials 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.

## **7.15 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.

## **7.16 Deposits**

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

## **7.17 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## Foreign currency transactions

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used. Gains and losses arising on retranslation are included in profit and loss account for the period.

## Translation gains and losses

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

### 7.18 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.

### 7.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 7.20 Statutory Reserve

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 not less than 5% of its annual profits after taxes.

### 7.21 Depositors' Protection Fund

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% of the annual profit after taxes.

	Note	2017 Rupees	2016 Rupees
<b>8 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand - local currency		525,710,227	321,221,064
Balance with State Bank of Pakistan	8.1	624,633,244	592,817,045
Balance with National Bank of Pakistan in current accounts		51,926,377	114,014,103
		1,202,269,848	1,028,052,212

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Note	2017 Rupees	2016 Rupees
<b>9 BALANCES WITH OTHER BANKS/NBFIs/MFBs</b>			
In Pakistan			
- In current accounts		54,170,149	46,781,023
- In deposit accounts	9.1	2,544,608,361	3,118,465,982
- Certificates of deposits	9.2	1,450,000,000	1,115,000,000
		4,048,778,510	4,280,247,005

- 9.1** These carry mark-up rates ranging from 3.50% to 8.0% per annum (2016: 3.75% to 8% per annum).

- 9.2** These represent placement with different financial institutions carrying mark-up ranging from 6.70 % to 9.50 % per annum (2016: 7% to 11.75% per annum). Their maturity ranges from three months to one year from the date of placement.

<b>10 INVESTMENTS - NET OF PROVISIONS</b>			
<b>Held-for-trading</b>			
<b>Term Finance Certificates (TFCs)</b>			
Opening Balance		-	19,193,937
Fair value adjustment		-	431,063
Redemptions made during the year		-	(19,625,000)
		-	-
<b>National Bank of Pakistan NAFA - Mutual Fund</b>			
Opening Balance		-	32,054,735
Placements made during the year		-	-
Fair value adjustment		-	468,576
Redemptions made during the year		-	(32,523,311)
		-	-
<b>Available-for-sale</b>			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)		51,678,496	53,579,516
Fair value adjustment		(1,378,496)	(1,901,020)
Matured during the period		(50,300,000)	-
		-	51,678,496



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>Held-to-maturity</b>			
B.R.R Guardian Modaraba - Term Finance Certificates (TFCs)	10.1	4,118,510	7,235,390
Term Finance Certificate (TFC's)	10.2	100,000,000	-
		104,118,510	7,235,390
Treasury Bills	10.3	554,364,385	546,495,592
		658,482,895	605,409,478

**10.1** It represents investment in 4000 units in B.R.R Guardian Modaraba. This investment has been rescheduled in year 2016 and the principal amount will be repaid in 34 equal installments commenced from 06 July 2016 and ending on 06 April 2019. It carries markup at the rate of 1 month KIBOR plus 1.5% per annum (2016: 1 month KIBOR plus 1.5% per annum).

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

**10.3** This represents T-Bills issued for a period of six months having maturity period upto 15 March 2018. These carry yield rate ranging from 5.93% to 5.96% per annum (2016: 5.82% to 5.86% per annum). These securities have an aggregate face value of Rs. 560 million (2016: Rs. 548 million).

	Note	2017		2016	
		No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees
<b>11 ADVANCES - NET OF PROVISIONS</b>					
Micro credits	11.1	49,672	5,983,811,459	50,096	6,397,188,441
Less: Provision held:					
- Specific	11.2		1,139,749,422		861,724,628
- General			46,321,387		51,438,757
	11.3		1,186,070,809		913,163,385
Advances - Net Of Provisions		49,672	4,797,740,650	50,096	5,484,025,056

**11.1** All advances are secured by personal guarantees including gold loans amounting to Rs. 211.923 million (2016: Rs. 391.58 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 11.2 Particulars of non-performing advances

Advances include Rs. 1,315 million (2016: Rs. 1,484 million) which have been placed under non performing status as detailed below:

Category of Classification	2017			2016		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	-----Rupees-----			-----Rupees-----		
OAEM	50,609,795	-	-	358,209,817	-	-
Sub-standard	30,106,009	7,504,847	7,504,847	163,612,651	33,919,890	33,919,890
Doubtful	191,237,249	95,137,217	95,137,217	261,399,323	128,345,116	128,345,116
Loss	684,633,341	678,066,285	678,066,285	700,790,774	699,459,622	699,459,622
Written off	359,041,073	359,041,073	359,041,073	-	-	-
	1,315,627,467	1,139,749,422	1,139,749,422	1,484,012,565	861,724,628	861,724,628

**11.3** The provision held includes Rs. 719.05 million (2016: Rs. 719.05 million) as a result of inspection of “State Bank of Pakistan” (SBP).

## 11.4 Particulars of provision against non-performing advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	861,724,628	51,438,757	913,163,385	42,365,121	23,628,187	65,993,308
Charge/ (reversal) for the year	278,024,794	(5,117,370)	272,907,424	819,359,507	27,810,570	847,170,077
Closing balance	1,139,749,422	46,321,387	1,186,070,809	861,724,628	51,438,757	913,163,385

**11.5** The provision has been made in accordance with the terms of prudential regulations and management’s subjective assessment.

	Note	2017 Rupees	2016 Rupees
<b>12 OPERATING FIXED ASSETS</b>			
Capital work in progress			
Advance payment towards suppliers	12.1	86,835,697	118,459,717
Property and equipment	12.2	767,390,671	684,499,722
Intangible assets	12.3	27,264,177	18,130,215
		881,490,545	821,089,654

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12.1	PARTICULARS	Leasehold improve- ments	Furniture and fixtures	Electricity and office equipment	Computer hardware & peripheral	Total
	Balance as on January 01 <sup>st</sup> , 2017	34,744,295	25,516,846	26,417,952	31,780,624	118,459,717
	Addition during the year	21,327,556	6,194,510	467,083	696,092	28,685,241
	Transfer to fixed assets	(9,537,759)	(3,749,288)	(20,718,064)	(26,304,150)	(60,309,261)
	Balance as on December 31 <sup>st</sup> , 2017	46,534,092	27,962,068	6,166,971	6,172,566	86,835,697

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 12.2 Property and equipment

2017	Cost			Rate (%)	Depreciation			Written down value as at 31 December 2017
	As at 01 January 2017	Additions	(Deletions)		As at 31 December 2017	Charge for the year	(Adjustment)	
PARTICULARS	Rupees			Rupees				
Leasehold improvements	372,540,823	14,544,818	-	5	15,079,907	18,988,654	-	353,017,080
Furniture and fixtures	105,849,485	8,126,553	-	10	10,097,199	9,473,778	-	94,405,061
Electricity and office equipment	193,159,272	66,074,052	-	10-20	29,133,604	19,657,060	-	210,442,660
Computer hardware & peripheral	48,547,448	36,409,118	-	20-30	24,779,794	11,777,469	-	48,399,303
Motor vehicles	56,884,309	24,535,051	-	20	13,391,111	6,901,682	-	61,126,567
Total	776,981,337	149,689,592	-		92,481,615	66,798,643		767,390,671

2016	Cost			Rate (%)	Depreciation			Written down value as at 31 December 2016		
	As at 01 January 2016	Additions	(Deletions)		As at 01 January 2016	Charge for the year	(Adjustment)		As at 31 December 2016	
Rupees-										
Leasehold improvements	48,505,517	324,035,306	-	372,540,823	5	3,333,323	11,746,584	-	15,079,907	357,460,916
Furniture and fixtures	18,478,543	87,370,942	-	105,849,485	10	2,689,441	7,407,758	-	10,097,199	95,752,286
Electricity and office equipment	29,789,611	163,369,661	-	193,159,272	20	6,642,581	22,491,023	-	29,133,604	164,025,668
Computer hardware & peripheral	32,137,122	16,410,326	-	48,547,448	30	12,828,944	11,950,850	-	24,779,794	23,767,654
Motor vehicles	19,797,453	38,020,356	(933,500)	56,884,309	20	8,669,939	5,654,672	(933,500)	13,391,111	43,493,198
Total	148,708,246	629,206,591	(933,500)	776,981,337		34,164,228	59,250,887	(933,500)	92,481,615	684,499,722

**12.2.1** Property and equipment include assets costing Rs. 15,691 million (2016: Rs. 11.62 million) which are fully depreciated and still in use.

**12.2.2** There is hypothecation charge over motor vehicles amounting to Rs. 17.85 million (2016: 17.85 million). The hypothecation charge is being created under hire purchase agreement with Soneri Bank Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 12.2.3 Disposal Account

	2017 Rupees	2016 Rupees
Cost of fixed assets disposed off	-	(933,500)
Accumulated depreciation of fixed assets disposed off	-	933,500
Written down value of fixed assets disposed off	-	-
Proceeds from sale of operating fixed assets	-	688,900
Gain / (loss) on disposal of fixed assets	-	688,900

## 12.3 Intangible assets

2017	Cost			Rate (%)	Amortization			Written down value as at 31 December 2017
PARTICULARS	As at 01 January 2017	Additions	(Deletions)	As at 31 December 2017		Charge for the year	(Adjustment)	As at 31 December 2017
Computer software	61,721,234	12,003,421	-	73,724,655	10-25	2,869,459	-	46,460,478
								27,264,177

2016	Cost			Rate (%)	Amortization			Written down value as at 31 December 2016
PARTICULARS	As at 01 January 2016	Additions	(Deletions)	As at 31 December 2016		Charge for the year	(Adjustment)	As at 31 December 2016
Computer software	44,028,825	17,692,409	-	61,721,234	25	7,966,943	-	43,591,019
								18,130,215

**12.3.1** Intangibles include assets costing Rs. 32.162 million (2016: Rs. 32.16 million) which are fully amortized and still in use

**12.4** The management, during the current year, has revised the depreciation rates of "Electrical and Office Equipment's, Computer Hardware and Computer Software" keeping in consideration the assessed useful life of these assets. Consequently, depreciation rates have been revised from 30% to 10%. Management believes that the said change in estimate reflects more accurately the pattern of consumption of economic benefits of the respective assets. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effect of this change has been recognized prospectively in the financial statements for the year ended December 31, 2017. Had there been no revision, the Loss before taxation would have been increased and carrying value of operating fixed assets would have been decreased by Rs. 9.397 million respectively and the basic loss per share would have been increased by Rs. 0.04/-.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>13 OTHER ASSETS</b>			
Income / Mark-up Accrued		1,068,690,323	533,009,040
Advances to Staff		115,319,356	127,474,382
Advances and Prepayments		164,229,024	187,129,230
Advance Income Tax - Net of Provision		26,439,963	7,867,933
Security Deposits		38,001,920	30,287,360
Inter Banks ATM Settlement account		42,216,482	36,357,979
Insurance Claim's Receivable	13.1	433,688,699	35,969,629
		<b>1,888,585,767</b>	<b>958,095,553</b>

**13.1** This includes Rs. 432.566 million (2016: Rs. 35.969 million) receivable from The United Insurance Company of Pakistan Limited, which is a related party of the Bank.

<b>14 DEFERRED TAX ASSET</b>			
Deferred tax asset			
Opening balance		377,084,060	-
Recognized in:			
Profit and loss account-net		129,157,949	377,084,060
		<b>506,242,009</b>	<b>377,084,060</b>
<b>14.1 Components of deferred tax</b>			
Taxable temporary differences in respect of			
Accelerated Tax depreciation		260,037,870	(113,571,528)
Deductible temporary differences in respect of			
Provision against advances		1,186,070,809	861,724,628
Unabsorbed Losses		91,826,305	477,396,496
Net deductible temporary difference		<b>1,537,934,984</b>	<b>1,225,549,596</b>
Deferred tax asset on net temporary differences		461,380,495	367,664,879
Minimum tax available for carry forward		44,861,514	9,419,181
Net asset as at December 31		<b>506,242,009</b>	<b>377,084,060</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017		2016	
		No. of accounts	Rupees	No. of accounts	Rupees
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>					
Time liabilities					
Fixed deposits (Deals)	15.1	6,351	4,855,614,074	16,325	6,012,459,663
Demand liabilities					
Saving deposits	15.2	28,021	3,086,835,479	23,683	4,119,134,284
Current deposits		167,881	4,586,277,616	128,087	2,215,477,007
		195,902	7,673,113,095	151,770	6,334,611,291
	15.3	202,253	12,528,727,169	168,095	12,347,070,954

**15.1** These represent deposits received from customers ranging from 1 month to 5 years. These carry interest at the rate ranging from 5% to 14% per annum (2016: 6.50% to 11.50% per annum).

**15.2** These carry interest at the rate ranging from 3.75% to 8% per annum (2016: 4% to 7.50% per annum).

15.3 Particulars of deposits by ownership	Note	2017		2016	
		No. of accounts	Rupees	No. of accounts	Rupees
Individual Depositors		201,894	11,867,152,127	167,644	11,453,555,275
Institutional Depositors					
- Corporation / Firm		341	201,680,269	399	429,029,020
- Banks & Financial Institutions		18	459,894,773	52	464,486,659
		359	661,575,042	451	893,515,679
		202,253	12,528,727,169	168,095	12,347,070,954

	Note	2017 Rupees	2016 Rupees
<b>16 BORROWINGS</b>			
Borrowings from Banks/Financial Institutions in Pakistan			
Running Finance	16.1	190,000,000	189,000,888
Demand Finance	16.2	12,285,246	15,000,857
		202,285,246	204,001,745

**16.1** The Bank has obtained running finance facility of Rs. 190 million to ensure that sufficient funds are available in the current account with State Bank of Pakistan (SBP) to honour clearing obligations in case the funds in current account with SBP fall short. These borrowings are secured against lien over time deposit receipt of Rs. 200 million in the name of Apna Microfinance Bank Limited. It is subject to mark-up at the rate offered for time deposits receipt plus 1% per annum. The effective rate of Mark-up charged during the year ranges from 7.75% to 8% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

- 16.2** The demand finance facility is obtained to purchase brand new locally manufactured vehicles with maximum limit of Rs. 100 million for the business of the Bank. The facility is secured against hypothecation charge over financed vehicles under hire purchase agreement, against corporate guarantee of the Bank. Each demand finance (for each vehicle) is repayable in 60 monthly installments commenced from the date of respective disbursement. It is subject to mark-up at the rate of 1 year KIBOR plus 1.50% per annum payable on monthly basis.

	Note	2017 Rupees	2016 Rupees
<b>17 OTHER LIABILITIES</b>			
Mark-up/ Return/ Interest payable		91,849,011	112,222,868
Bills Payable		55,691,084	112,450,292
Accrued expenses		188,343	1,691,888
Others		84,436,368	69,365,833
		232,164,806	295,730,881

## 18 SHARE CAPITAL

### 18.1 Authorized Capital

	2017 No. of Shares	2016 No. of Shares		2017 Rupees	2016 Rupees
	250,000,000	250,000,000	Ordinary shares of Rs. 10/- each	2,500,000,000	2,500,000,000

### 18.2 Issued, subscribed and paid-up capital

	2017 No. of Shares	2016 No. of Shares		2017 Rupees	2016 Rupees
	250,000,000	220,000,000	Ordinary shares of Rs. 10/- each fully paid in Cash	2,500,000,000	2,200,000,000

### 18.3 Reconciliation of issued, subscribed and paid-up capital

	2017 No. of Shares	2016 No. of Shares		2017 Rupees	2016 Rupees
	220,000,000	220,000,000		2,200,000,000	2,200,000,000
	30,000,000	-	Right share issued of Rs. 10/- each during the year	300,000,000	-
	250,000,000	220,000,000	Shares in issue as at 31 December	2,500,000,000	2,200,000,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>19 DEFERRED GRANTS</b>			
Institutional Strengthening Fund (ISF)	19.1	160,966	2,040,034
Financial Innovation Challenge Fund (FICF)	19.2	8,444,151	12,470,195
		8,605,117	14,510,229
<b>19.1 Institutional Strengthening Fund (ISF)</b>			
Balance as at January 01		2,040,034	5,553,328
Less: Amortization of deferred grants		(1,879,068)	(3,513,294)
Grant returned to SBP		-	-
		160,966	2,040,034

**19.1.1** In the year 2013, the SBP approved a grant of Rs. 36.08 million 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” with 25% contribution by the bank. The Bank has recognized the grant against the assets and expenses as prescribed thereby meeting the conditions attached to the grant. In year 2015, receipt and amortization of grant was audited by a firm of Chartered Accountants. As a result, un-utilized grant of Rs.165,568/- was refunded to SBP. Amortization of the grant is being made on a systematic basis over the remaining useful life of related asset.

<b>19.2 Financial Innovation Challenge Fund (FICF)</b>			
Balance as at January 01		12,470,195	19,405,965
Grant received during the year		-	-
Less: Amortization of deferred grants		(4,026,044)	(6,935,770)
		8,444,151	12,470,195

**19.2.1** In the year 2013, the SBP approved a grant of Rs. 34 million under the Financial Inclusion Program (FIP) with 30% contribution by the Bank out of which grant of Rs. 16.77 million was received during 2014 and of Rs. 17.24 million was received during 2015. 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 with the help of two partners; Pedavar and AGD Pakistan (Pvt.) Ltd. The Bank has recognized the grant against assets and expenses as prescribed, thereby meeting the conditions attached to the grant. In year 2015, receipt and amortization of grant was audited by a firm of Chartered Accountants. Amortization of the grant is being made for expenses incurred and on a systematic basis over the remaining useful life of related asset.

## 20 MEMORANDUM/OFF BALANCE SHEET ITEMS

There were no contingencies and commitments as at 31 December 2017 (2016: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
<b>21 MARK-UP/RETURN/INTEREST EARNED</b>			
Mark-up on loans and advances		1,245,683,637	1,267,579,067
Mark-up on deposit accounts		299,139,988	168,233,449
Mark-up on investments in government securities		33,156,256	5,689,756
		1,577,979,881	1,441,502,272
<b>22 MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		696,886,082	669,563,391
Borrowings		7,057,491	1,987,859
		703,943,573	671,551,250
<b>23 OTHER INCOME</b>			
Gain/(Loss) on disposal of fixed assets	12.2.3	-	688,900
Fair value adjustment on investments classified as held-for-trading		-	899,639
Amortization of deferred grants		5,905,112	10,449,064
Insurance claim against defaulted loans	23.1	403,761,481	-
Balances written back		-	1,516,129
Others	23.2	57,757,004	37,872,803
		467,423,597	51,426,535

**23.1** This represents the claims against default loans lodged by the Bank during the year with The United Insurance Company of Pakistan Limited a related party of the Bank.

**23.2** These include income related to documentation charges, ECIB report charges, SMS service charges, ATM service charges, cheque book charges, commission on remittances, commission on bills, asset inspection charges and clearing charges etc.

<b>24 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		748,405,808	644,649,901
Training / capacity building		213,869	1,883,607
Contribution to defined contribution plan		5,566,031	3,085,528
Rent, taxes, insurance, electricity, etc.		237,944,703	164,754,335
Communication		23,847,663	39,206,571
Legal and professional charges		9,650,589	3,444,342
Security charges		74,079,875	57,136,440
Traveling		13,462,196	17,455,466
Fees and subscription		14,758,378	13,243,921
Fueling expense		23,095,708	1,990,467



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Rupees	2016 Rupees
Repair and maintenance		11,998,883	34,020,817
Stationery and printing		12,209,792	12,604,834
Advertisement and publicity		7,421,028	9,495,079
Auditors' remuneration	24.1	3,132,500	1,767,000
Depreciation	12.2	66,798,643	59,250,887
Amortization of intangibles	12.3	2,869,459	7,966,943
Entertainment		12,488,854	11,699,914
Credit verification expenses		5,204,185	9,167,209
Others		35,450,520	14,430,211
		1,308,598,684	1,107,253,472
<b>24.1 Auditors' Remuneration</b>			
Annual audit fee and report on CCG compliance		2,150,000	1,125,000
Half yearly review		300,000	200,000
Other certifications fee		200,000	155,000
Sales tax		132,500	74,000
Out-of-pocket expenses		350,000	213,000
		3,132,500	1,767,000

## 25 TAXATION

### 25.1 Current Tax

The Bank has carried forward tax losses of Rs. 527.241 million/- (2016: 477.40 million) 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 Rs. 20.367 million (2016: Rs. 15.03 million) has been made.

### 25.2 Relationship between accounting profit and tax expense

The relationship between accounting profit and tax expense has not been presented in these financial statements as provision for taxation has been made under section 113C of the Income Tax Ordinance, 2001.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
<b>26</b>	<b>EARNING / (LOSS) PER SHARE - BASIC AND DILUTED</b>		
Profit / (loss) after taxation	Rupees	(79,510,907)	(735,523,560)
Number of shares outstanding	Numbers	250,000,000	220,000,000
Earnings / (Loss) per share-Basic	Rupees	(0.32)	(3.34)
Weighted average number of ordinary shares outstanding during the year	Numbers	227,726,028	220,000,000
Earnings / (Loss) per share-Diluted	Rupees	(0.35)	(3.34)

	Note	2017 Rupees	2016 Rupees
<b>27</b>	<b>CASH AND CASH EQUIVALENTS</b>		
Cash and Balances with SBP and NBP	8	1,202,269,848	1,028,052,212
Balances With Other Banks/NBFIs/MFBs	9	4,048,778,510	4,280,247,005
		5,251,048,358	5,308,299,217

## 28 NUMBER OF EMPLOYEES

As at December 31	2017			2016		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		
Permanent	400	429	829	147	512	659
Contractual	633	514	1147	243	808	1051
	1033	943	1976	390	1320	1710

Average no. of Employees	2017			2016		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		
Permanent	274	471	745	147	338	485
Contractual	438	661	1099	277	563	840
	712	1132	1844	424	901	1325

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 Number	2016 Number
<b>29 NUMBER OF BRANCHES/SERVICE CENTRES</b>		
Beginning of the year	122	73
Opened during the year		
Branches	-	47
Service centres	1	2
At the end of the year	123	122

## 30 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		Executives	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
Managerial remuneration	3,130,000	5,237,500	78,120,807	88,544,226
Rent and house maintenance	700,000	95,000	30,033,318	35,188,871
Utilities	175,004	23,750	7,508,462	8,854,423
Medical	175,004	23,750	7,812,218	8,854,423
Contribution to provident fund	-	-	2,874,373	1,314,646
Bonus and other benefits	420,000	39,881	1,822,330	12,378,772
	4,600,008	5,419,881	128,171,508	155,135,361
Number of persons	1	2	87	135

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

**30.2** During the year, the Bank has paid fee amounting to Rs. 1,445,000/- (2016: Rs.875,000/-) to non-executive directors for attending Board of Directors meetings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 31 MATURITIES OF ASSETS AND LIABILITIES

	2017				
	Total	Upto one month	Over one month upto 6 months	Over 6 months upto 1 year	Over one year upto 5 years
-----Rupees-----					
<b>Assets</b>					
Cash and Balances with SBP and NBP	1,202,269,848	1,202,269,848	-	-	-
Balances With Other Banks/ NBFIs/MFBs	4,048,778,510	2,598,778,510	1,150,000,000	300,000,000	-
Lending to financial Institutions	-	-	-	-	-
Investments - Net Of Provisions	658,482,895	99,705,310	454,659,075	-	104,118,510
Advances - Net Of Provisions	4,797,740,650	3,547,084,150	52,341,988	690,281,992	508,032,520
Operating Fixed Assets	881,490,545	-	-	-	881,490,545
Other Assets	1,888,585,767	1,191,972,952	4,900,642	5,898,663	685,813,510
Deferred Tax Asset	506,242,009	-	-	-	506,242,009
	13,983,590,224	8,639,810,770	1,661,901,705	996,180,655	2,685,697,094
<b>Liabilities</b>					
Deposits and other accounts	12,528,727,169	7,827,413,165	1,559,315,690	2,101,855,695	1,040,142,619
Borrowings	202,285,246	202,285,246	-	-	-
Subordinated Debt	-	-	-	-	-
Other Liabilities	232,164,806	232,164,806	-	-	-
	12,963,177,221	8,261,863,217	1,559,315,690	2,101,855,695	1,040,142,619
<b>Net assets</b>	1,020,413,003	377,947,553	102,586,015	(1,105,675,040)	1,645,554,475
<b>Represented by:</b>					
Share capital	2,500,000,000				
Discount on issue of shares	(950,000,000)				
Share deposit money	500,008,080				
Statutory reserve	1,279,583				
Depositors' protection fund	319,896				
Unappropriated (loss)	(1,036,520,157)				
Surplus/(Deficit) on Revaluation of Assets	(3,279,516)				
Deferred Grants	8,605,117				
	1,020,413,003				

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2016				
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 and NBP	1,028,052,212	1,028,052,212	-	-	-
Balances With Other Banks/ NBFIs/MFBs	4,280,247,005	3,165,247,005	260,000,000	855,000,000	-
Investments - Net Of Provisions	605,409,478	363,243,506	184,713,124	53,139,535	4,313,313
Advances - Net Of Provisions	5,484,025,056	1,371,398,056	2,938,270,000	916,388,000	257,969,000
Operating Fixed Assets	821,089,654	-	-	-	821,089,654
Other Assets	958,095,553	792,465,878	-	-	165,629,675
Deferred Tax Asset	377,084,060	-	-	-	377,084,060
	13,554,003,018	6,720,406,657	3,382,983,124	1,824,527,535	1,626,085,702

## Liabilities

Deposits and other accounts	12,347,070,954	6,957,514,291	1,650,443,000	2,945,408,000	793,705,663
Borrowings	204,001,745	204,001,745	-	-	-
Other liabilities	295,730,881	295,730,881	-	-	-
	12,846,803,580	7,457,246,917	1,650,443,000	2,945,408,000	793,705,663
<b>Net assets</b>	<b>707,199,438</b>	<b>(736,840,260)</b>	<b>1,732,540,124</b>	<b>(1,120,880,465)</b>	<b>832,380,039</b>

## Represented by:

Share capital	2,200,000,000				
Discount on issue of shares	(950,000,000)				
Share deposit money	400,000,000				
Statutory reserve	1,279,583				
Depositors' protection fund	319,896				
Unappropriated (loss)	(957,009,250)				
Surplus/(Deficit) on Revaluation of Assets	(1,901,020)				
Deferred Grants	14,510,229				
	707,199,438				

## 32 FINANCIAL RISK MANAGEMENT

### 32.1 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 Asset and Liability Committee (ALCO).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

2017						
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					
<b>Assets</b>						
Balances With Other Banks/NBFIs/ MFBs	3.50% - 9.50%	3,994,608,361	2,544,608,361	1,150,000,000	300,000,000	-
Investments - Net Of Provisions	5.93% - 8.06%	658,482,895	99,705,310	454,659,075	-	104,118,510
Advances - Net Of Provisions	15.75% - 41%	4,797,740,650	3,547,084,150	52,341,988	690,281,992	508,032,520
Other Assets - Ad- vances to Staff and Mark-up receivable	6.0% - 41%	1,184,009,679	1,068,690,323	-	-	115,319,356
		10,634,841,585	7,260,088,144	1,657,001,063	990,281,992	727,470,386
<b>Liabilities</b>						
Deposits and other accounts	3.75% - 14%	7,942,449,553	3,241,135,549	1,559,315,690	2,101,855,695	1,040,142,619
Borrowings	7.75% - 8.0%	202,285,246	202,285,246	-	-	-
		8,144,734,799	3,443,420,795	1,559,315,690	2,101,855,695	1,040,142,619
		2,490,106,786	3,816,667,349	97,685,373	(1,111,573,703)	(312,672,233)

2016						
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					
<b>Assets</b>						
Balances With Other Banks/NBFIs/ MFBs	3.75% - 11.75%	4,233,465,982	3,118,465,982	260,000,000	855,000,000	-
Investments - Net Of Provisions	5.82% - 11.25%	605,409,478	363,243,506	184,713,124	53,139,535	4,313,313
Advances - Net Of Provisions	19% - 41%	5,484,025,056	1,371,398,056	2,938,270,000	916,388,000	257,969,000
		10,322,900,516	4,853,107,544	3,382,983,124	1,824,527,535	262,282,313
<b>Liabilities</b>						
Deposits and other accounts	4% - 11.5%	10,131,593,947	4,742,037,284	1,650,443,000	2,945,408,000	793,705,663
Borrowings	8% - 8.4%	204,001,745	204,001,745	-	-	-
		10,335,595,692	4,946,039,029	1,650,443,000	2,945,408,000	793,705,663
		(12,695,176)	(92,931,485)	1,732,540,124	(1,120,880,465)	(531,423,350)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 32.2 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, investments and certain other assets. 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 Rs. 10,634.8 million (2016: Rs. 10,322.9 million).

## 32.3 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.

## 32.4 Fair value of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 33 TRANSACTION AND BALANCES WITH RELATED PARTIES

Related parties of the Bank comprise of chief executive officer, directors, 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:

Nature of Relationship	Nature of Transactions	2017 Rupees	2016 Rupees
<b>Balances at year end:</b>			
<b>Associated company</b>	Deposits	34,037,273	5,453,525
	Share deposit money	400,008,080	300,000,000
	Insurance Claim Receivable	432,566,253	-
<b>Key management personnel</b>	Deposits	2,376,904	3,769,929
<b>Directors / sponsors / shareholders</b>	Deposits	677,321	8,699,169
	Share deposit money	100,000,000	100,000,000
<b>Transactions during the year:</b>			
<b>Associated company</b>	Deposits received	262,621,081	236,757,697
	Withdrawals	273,664,563	239,699,236
	Mark-up paid on deposits	796,762	155,104
	Share deposit money received	400,000,000	300,000,000
	Insurance premium paid	-	21,015,926
	Insurance claim received	25,092,127	27,722,324
	Share issued against share deposit money	(299,991,920)	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Nature of Relationship	Nature of Transactions	2017 Rupees	2016 Rupees
<b>Key management personnel</b>	Deposits received	34,903,287	39,283,886
	Withdrawals	34,949,872	36,633,236
	Mark-up on deposit paid	61,809	131,010
<b>Directors / sponsors / shareholders</b>	Deposits received	11,341,439	22,253,642
	Withdrawals	12,049,624	22,800,888
	Mark-up paid on deposits	186,557	1,182,208
	Share deposit money received	-	100,000,000
	Share deposit money repaid	-	-
<b>Staff Provident Fund</b>	Contribution made during the year	5,566,031	3,085,528

## 34 PROVIDENT FUND RELATED DISCLOSURE

The following information is based on audited financial statements of the provident fund for the year ended 31 December 2016 and unaudited financial statements for the year ended 31 December 2017.

	2017 Rupees Un-Audited	2016 Rupees Audited
Size of the fund - Total assets	19,997,921	11,189,805
Cost of investments	17,600,000	9,600,000
Percentage of investments made	88.01%	85.79%
Fair value of investments	17,600,000	9,600,000
<b>34.1</b> The break-up cost of investments is as follows:		
Term deposit receipts	17,600,000	9,600,000
	17,600,000	9,600,000

**34.2** 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.

## 35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on March 20, 2018 by the Board of Directors of the Bank.

## 36 GENERAL

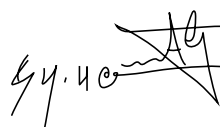
**36.1** Figures have been rounded off to the nearest rupee unless otherwise stated.



President & Chief Executive Officer



Chairman



Director



Director

# NOTICE FOR THE FIFTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Friday, April 27, 2018 at 13:30 at Hilltop Hotel, Dr. Mahmood Hussain Road, Adj. Ferozabad Police Station, Karachi to transact the following business:

## **AGENDA**

1. To read and confirm the minutes of the Annual General Meeting held on April 29, 2017.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2017 together with Directors' and Auditors' Reports thereon.
3. To review, consider and re-appointment of M/S Ilyas Saeed & Co. Chartered Accountants as auditors of the bank for the year ending December 31, 2018 as proposed by the Board of Directors and to fix their remuneration.

## **4. SPECIAL RESOLUTION**

Under Companies Ordinance for increase in authorized capital, a special resolution have to be passed to increase its authorized capital and subsequently file forms 26 and 7 with the relevant company registration office (CRO).

Concluding the matter, to approve the Special Resolution from the members:

- (1) T(1) to enhance the Authorized Capital of the Bank from 2.5 billion to 5 billion, The Form 26 will be filed after AGM as information of Special Resolutions and further Form 7 will be filled on line with a fee of Rs. 1,000,000/-to SECP for enhancing the Authorized Capital.
- (2) To amend the Memorandum of Association clause 3(v) as under:  
"The authorized share capital of the Company is Rs. 5,000,000,000 (Rupees five Billion only) divided in 500,000,000 (five hundred million shares only) 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."  
Replacing  
"The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees two billion five hundred million only) divided in 250,000,000 (Two hundred and fifty Million shares only) 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 20, 2018  
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 Annual General Meeting of the Company**

1. Special Resolution "Enhancement of the Authorized Capital of the Bank from 2.5 billion to 5 billion"  
The last Right Shares of Rs. 300 million (30 million shares at par of Rs. 10/-) was completed on September 22, 2017, which has enhance the paid-up capital to Rs. 2.5 billion and the Authorized Capital of Rs. 2.5 billion have been fully utilized and shares issued, The Paid-up Capital have become equal to the Authorized Capital. Therefore members are recommended to approve the enhancement of the Authorized Capital of the Bank from 2.5 billion to 5 billion so that the paid-up capital of the bank could be increased and meet the MCR and CAR requirement of the Bank.
2. 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 and the paid-up Capital of the bank is Rs 2.5 (b) divided into 250 million shares of Rs. 10/- each too.

The Member as resolved to enhance the Authorized Capital of the bank from 2.5 (b) to Rs. 5.0 (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 March 20, 2018 approve the resolution for the same as under.

# NOTICE FOR THE FIFTEENTH ANNUAL GENERAL MEETING

- To amend the Memorandum of Association clause 3(v) as under:  
“The authorized share capital of the Company is Rs. 5,000,000,000 (Rupees five Billion only) divided in 500,000,000 (five hundred million shares only) 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.”

Replacing

“The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees two billion five hundred million only) divided in 250,000,000 (Two hundred and fifty Million shares only) 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.”

## NOTES:

- 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 guideline as laid down by the Securities and Exchange Commission of Pakistan.

### A) For Attending Meeting:

- 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.
- 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

- 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.
  - Two persons whose names, addresses and CNIC numbers shall be mentioned on the form shall witness the proxy.
  - Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the Proxy Form.
  - The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
  - 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.
- Members are requested to immediately notify the change of their address, if any.
  - The Share Transfer Book of the company will remain closed from April 21, 2018 to April 27, 2018 (both days inclusive). The share transfer office is situated at F.D. Registrar Services (SMC-Pvt) Ltd, Office no. 1705, 17th floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. (Phone No. 021-32271905, 32271906- Fax 021-32621233- fdregistrar@yahoo.com- www.fdregistrar.com). Transfer received at the registered office at the close of business on April 21, 2018 will be treated in time.

**For Apna Microfinance Bank Ltd.**



**Rafat Abbas**

Company Secretary

## 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 \_\_\_\_\_ at \_\_\_\_\_ at Hilltop Hotel, Dr. Mahmood Hussain Road, Adj. Ferozabad Police Station, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

### 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, F.D. Registrar Services (SMC-Pvt) Ltd, Office no. 1705, 17th floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. (Phone No. 021-32271905, 32271906- Fax 021-32621233- fdregistrar@yahoo.com- www.fdregistrar.com), 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).



**STAMP**

**Company Secretary**

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



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