

Micro Finance  
**apna bank**  
Limited

خوابوں سے خوشحالی تک

اپنا بنک

## Annual Report 2016



Micro Finance  
**apna bank**  
Limited





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

# What's Inside...

---

## Contents

03	Chairman's Message
04	About AMBL
05	Vision & Mission Statement
06	Board of Directors
07	President / CEO's Message
08	Meetings
09	Corporate Information
11	Branches Information
25	How We Performed
26	Organogram
27	Key Financial and Operational Data at a Glance
28	Directors' Report
34	Directors' Report (Urdu)
35	Statement Showing Attendance of Board Meetings
36	Ethics and Business Practices
39	Statement of Compliance with the Code of Corporate Governance
41	Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance
42	Pattern of Shareholding
43	Categories of Shareholders
44	List of CDC Beneficial Owners Holding Shares 5.00% and Above
45	List of CDC Beneficial Owners Holding Shares by Sponsors Directors
48	Auditors' Report to the Members
50	Balance Sheet
51	Profit and Loss Account
52	Statement of Comprehensive Income
53	Cash Flow Statement
54	Statement of Changes in Equity
55	Notes to the Financial Statement
86	Notice of Annual General Meeting
87	Form of Proxy

# CHAIRMAN'S MESSAGE



I am pleased to address to the shareholders of **Apna Microfinance Bank Limited** (AMBL) as the Chairman of the Board of Directors (BOD). I am thankful to the BOD for posing confidence and electing me as the Chairman to the Board. I have taken over the post of Chairman at such a time when the Bank's financial position is not at optimum level. We have recorded substantial losses in the current year resulting from provisioning of our advance portfolio and operational costs of our newly opened branches.

Despite the unfavorable present situation I am confident that AMBL will rise to the forefront of the growing microfinance industry of Pakistan, with the help of the unrelenting efforts and innovative future strategies that includes revamping our Information Systems and credit processes which will meet the present industry standards. Further, with the support of our sponsors we plan to inject fresh capital to meet our equity requirements and focus our maximum efforts on the recovery of our classified loan portfolio.

The coming year is an important one for all of us. The Bank is geared up to mold its operations in a way which is necessitated by the current situation; our strategy is sound and the management is focused resultantly, we continue to have great confidence in the long-term success of the Bank. We will carry on to design and introduce new product lines which suite the needs of the poor sect of our society and strive to serve our customers to the best of our abilities. With the support of our stakeholders, we hope to promote a workplace environment where we take responsibility for our actions and promote respect, inclusiveness and uncompromised integrity - most importantly, create an institution that can survive through good and bad times.

Finally, I would like to appreciate the tremendous 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 continued guidance and support under which the Bank will undoubtedly flourish and revive to develop into one of the best institutions of the industry.

**Mian M. A. Shahid**  
Chairman

# About AMBL

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

## **'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 for our valued customer

### **Creativity**

We are Creative, Innovative, and Quality conscious

### **Honesty**

We are Honest, Integrated, and Trustworthy

### **Growth**

We provide equal opportunity and growth

### **Transparency**

We are responsible 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.

# BOARD OF DIRECTORS



**Mian M. A. Shahid**

---

Chairman



**Mohammad Azam Cheema**

---

Director/Vice Chairman



**Qamar-uz-Zaman**

---

Director



**Syed Rahat Ali Shah**

---

Director



**Muhammad Saleem Shaikh**

---

Director



**Mr. Muhammad Asghar**

---

Director



**Imad Mohammad Tahir**

---

Director



# PRESIDENT/ CEO'S MESSAGE



It is a pleasure to be addressing the shareholders as the Bank's acting President/CEO. It's been another challenging year of highs and lows, throughout which AMBL has been fully committed to provide the best services to the unbanked sector of Pakistan in order to fulfill their financial necessities and to eradicate poverty from our society. We continue to fulfill our promise in light of our vision by enhancing socio economic empowerment through the provision of micro lending for those at the bottom of the pyramid.

Despite the present challenging situation, I am delighted to highlight that within a short time span, AMBL has emerged as one of the key players in the microfinance industry. We have reinforced our operations by rapid expansion from 69 branches in 2015 to 116 branches and 2 service centers in 2016, mainly focusing on marginalized areas of South and North Punjab including KPK and AJK. We are in a continuous process of improvement in terms of optimization of processes and policies so that the market competitiveness of our products is maintained.

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 amongst the top banks of the industry in the upcoming years.

Since, we are entering into a new financial year bringing with it a new horizon of challenges, I am sure that with your sincere efforts and continuous support we would be able to surpass these defies. We expect each and every individual support and make efforts towards the betterment of our institution. Let's make it happen!

**Muhammad Gulistan Malik**  
Acting President/CEO

# Meetings



# CORPORATE INFORMATION

## Board of Directors

Chairman	Mr. Muhammad Akram Shahid
Directors	Mr. Qamar-uz-Zaman
	Mr. Muhammad Azam Cheema
	Mr. Imad Mohammad Tahir
	Mr. Muhammad Saleem Shaikh
	Syed Rahat Ali Shah
	Mr. Muhammad Asghar
	Mr. Shaharyar Ahmad
	(Resigned from the Board as on Dec. 08, 16)
President / Chief Executive (Officiating)	Mr. Muhammad Gulistan Malik
Company Secretary	Mr. Rafat Abbas
Chief Financial Officer	Mr. Ali Murtza

## Audit Committee of the Board

Composition	
Chairman	Mr. Muhammad Asghar
Members	Mr. Imad Mohammad Tahir
	Mr. Muhammad Saleem Shaikh
	Syed Rahat Ali Shah
	Mr. Muhammad Azam Cheema

## Executive Committee of the Board

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

## Human Resource and Remuneration Committee

Composition	
Chairman	Mr. Imad Mohammad Tahir
Members	Mr. Muhammad Akram Shahid
	Mr. Qamar uz Zaman
	Syed Rahat Ali Shah
	Mr. Muhammad Saleem Shaikh

## Risk Management Committee of the Board

Composition	
Chairman	Mr. Muhammad Azam Cheema
Members	Mr. Muhammad Akram Shahid
	Mr. Muhammad Asghar
	Mr. Imad Mohammad Tahir
	Syed Rahat Ali Shah

## Monitoring Committee

Composition	
Chairman	Mr. Muhammad Asghar
Members	Mr. Muhammad Azam Cheema
	Mr. Muhammad Saleem Shaikh
	Syed Rahat Ali Shah

# CORPORATE INFORMATION

Continued

## **Auditors**

RSM Avais Hyder Liaquat Nauman.  
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 Taraqiati Bank Limited  
JS Bank Limited  
Silk Bank Limited  
Allied Bank Limited  
Dubai Islamic Bank Limited  
Soneri Bank Limited  
NIB 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 & Head Office**

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

## **Head Office**

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

## **Share Registrar**

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

# BRANCHES INFORMATION

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
1	I.I Chundrigarh Road	0101	RY-9, Survey No 11/9/A, Railway Quarters I.I Chundrigarh Road Karachi	021-32623677
2	Shahrah e Faisal	0102	Shop No 2 &Arika 80's 25-B, S.M.C.H.S. Shahrah-e-Faisal, Karachi	021-34324656-57-58-59
3	Orangi Town	0103	LS-5, Sector 1/A, Street # 09, Orangi Town Karachi	021-36652095 103
4	Shah Faisal	0104	H# 26/4, Shah Faisal Colony Karachi	021-34601749-50
5	North Karachi	0105	LS- 8, Street 11-K, North Karachi.	021-36961067-71
6	Bhens Colony	0106	Plot No 42/B, Commercial Area, Road No 8, Bhens Colony Karachi	021 – 35081282, 21- 35081283
7	Korangi	0107	Plot No D-6, Future Colony, LandhiKorangi Industrial Area, Karachi	021- 35013402-3-4
8	Napier Road	0108	NPR 1/8 North Napier Road, Juna Market, Karachi.	021-32527041-44
9	Gizri	0109	K-4/3 & 4/4 Ch. Khaliq-uz- Zaman Road, Gizri Karachi.	021-35865024
10	Malir	0110	Plot No 107/10, Block G, Liaquat Market, Malir.	021 – 34113781 – 83

# BRANCHES INFORMATION

Continued

S. No.	Branch/ Service Center Name	Branch Code	Address	Phone No.
11	Mehmoodabad	0111	Plot NO 169, Sheet No. M.A.C. Mahmoodabad No.2, Jamshed Town, Karachi	021-35319240- 41-42
12	Larkana	0112	Gajan Pure Chowk, Old Anaj Mandi Larkana, Sindh	074-4055349-50
13	Kumb Road	0113	kumb road Sui Gas branch, Dist: khairpur Sindh	024-3614440-5
14	Gulshan e Hadeed	0114	A 2483, Phase II,. Gulshan-e-Hadeed, Bin Qasim, Karachi.	021-34717820
15	Khairpur	0115	Muhalla Ali Murad Katchary Road Khairpur Mirs Sindh	0243-715330-32
16	Hyderabad	0116	City Survey # F 73-74, Commerical Risala Road, Saddar, Hyderabad Sindh	022-2731282- 2731286
17	Tando Allah Yar	0117	Main Hyderabad Road, Tando Allah Yar,	022-3890458- 3890450
18	Tando Muhammad Khan	0118	City Survey #831 Ward B, Court Road, Tando Muhammad Khan.	022-3341811-12
19	Ghotki	0119	St # 10 Dawari Road, New Chandu Ram Colony , Udharwali, Ghotki	072-3662462- 3662463

# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
20	Mirpur Khas	0120	Iqbal Nagar Touraba D, Umer Kot Road Mirpur Khas	0233-87509696- 97-98-99
21	Umerkot	0121	Shop # 185/19,City Survey # 115, Gulshan e Akbar, Mir Pur Khas Road Umer Kot	238571500-201- 502
22	Nawabshah	0122	City Survey # 2146/165/1, Buchery Road Nawab Shah.	0244330080 0715616501 0715616503
23	Sukkur	0123	Shop# 8/9, New Pak Colony Race Course Road Sukkar, Pak Cly, Race Corse Road, Sukkur,	0333-7117164
24	Shahdadpur	0124	Station Road, Shah Dad Pur	0235844670-4
25	Tando Adam	0125	Muhammad Chowk Tando Adam khan	0235-571439
26	Sanghar	0126	M.A Jinnah Road Sanghar Branch, Sanghar	0235-542650-51
27	Mehar	0127	Vip Road Mehar, Distt. Dadu Mehar pur	0254-730072
28	Mehrabpur	0128	Thari Road Mehrabpur noshero feroz	0243-430018-19- 20
29	New Sabzi Mandi Karachi	0129	Shop # 35 E New SabziMandi, Super High Way, Karachi	021-36871100

# BRANCHES INFORMATION

Continued

S. No.	Branch/ Service Center Name	Branch Code	Address	Phone No.
30	Sundar Das Road Branch Lahore	0130	23-A Sundardas Road Zaman Park Lahore	042-36305314-15
31	Kamoki	0131	Plot No. 10-A/SS Block1/1 CS, Main G.T Road Kamoki	055-6813676-77
32	Kotwali Road FSD	0132	Plot # 79 Khewat # 781 Ward # 4 Chak # 212 RB Kotwali Road FSD	041-2633471
33	Jinnah Road Okara	0133	Jinnah Road Okara	044-2510773 & 044-2510774
34	Adyala Road	0134	Main Adyala Road Rawalpindi	051-5187050, 5187061, 5187065, 5187074
35	Shaikhupura	0135	Stadium Road Sheikhupura	056-3613503-04
36	G.T Road Gujranwala	0136	Khasra No. 109, Ghori Centre Service Road G.T Road Gujranwala	055-3820462 055-3820461
37	Sharqpur	0137	Khawat No.348 Khatoone No.767 Sharqpur Chowk FSD Road SKP	056-3791417
38	Khan Kah Dogran	0138	Khewat No. 89/166 Khasara No. 396 Muaza Khan Kah Dogran Sheikhpura	(056)3726114-328
39	Church Road Okara	0139	Church Road Mouza Soba Singh Distt Okara	044-2510001, 044-2510873
40	Vehari	0140	Karkhana Bazar Vehari	067-3366421-4



# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
41	Sahiwal Stadium Road	0141	Khewat No. 601-638 Khatooni No. 620-656 Stadium Road Sahiwal	044-4542001-5
42	Madina Chowk Depalpur	0142	Khewat No. 1923/1872, Khatooni No. 2959 to 2969 Okara Road Depalpur	049-2761225
43	Kasur	0143	Katchry Road Kasur	044-486202,044-4860203,044-4860204
44	Hujra Shah Muqem	0144	Khewat No. 761/749 Khatooni No. 1416 Hujra Shah Muqem Depalpur	0608-361821
45	Lodhran	0145	Khewat No. 199/9, Khatooni No 458-460 Bahawalpur Road Lodhran	35928241-46
46	Model Town	0146	Shop#31 & 33 A Block Store market model twn lhr	042-37428273-76
47	Ichra	0147	Shop#4,Arshian Center,Ichra lhr	052-4583472-73
48	Paris Road Sialkot	0148	BI-16S-40/A Bank Road Sialkot	042-38101631-32-33
49	Sadar Cantt	0149	Al Rahman Shoping Center Dhaka Raod Sadar Cantt Lhr	044-4774102
50	Haveli Lakkah	0150	Khewat No. 628, Khatooni No. 965/971 Haveli Lakkah Depalpur Okara	061-4540155-58

# BRANCHES INFORMATION

Continued

S. No.	Branch/ Service Center Name	Branch Code	Address	Phone No.
51	Multan	0151	Shop No.1, Mashallah Plaza Plot No 3624/4 Azam Wasti Road Multan	0606-410246
52	Layyah	0152	Property No. 04, College Road Jinnah Colony Layyah	060-410246
53	Township Branch	0153	H#150 Block 30 Sector B-1 Township Lhr	042-35156305- 6-7
54	Ferozpur Road	0154	Khewat No. 423, Khatooni No. 945 Main Ferozpur Road Lahore Near Bank Stop	042-38101636-41
55	DHA Lahore	0155	Commerical Bulidng # 51 CCA Block DD Phase 4 DHA Lhr	042-35694131-2
56	Katcha Jail Road	0156	Katcha Jail Road Chungi Ammar Sidhu Lahore	042-35825560-66
57	Shahdara	0157	Khasra # 2460/27,28 Mouza Jia Musa Shahdara Lahore	0423-7922502
58	Mardan	0158	Badshah Tower Adjacent Sport Complex Noweshra Road Mardan	0937-840604
59	Sabzi Mandi Branch Peshawar	0159	Block No. 15-A Fruit & Vegitable Market Inqalab Road Peshawar	091-2670101

# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
60	Nowshera	0160	Property No 1080/9, Shobra Hotel G.T Road Nowshera	0923-612116 0923612118
61	Charsadda	0161	Bacha Khan Chowk Tehsil Bazar Charsadda	091-6513502
62	Dean Plaza Peshawar	0162	Shop no LG13, LG14 Dean Trade Centre Peshawar Cantt	091-6513502-03- 04
63	Daska	0163	House # 37, Motee Masjid Daska District Sialkot	091-5603409
64	Mirpur Azad Kashmir	0164	Plot No 35-A, Sector B/2, Nagi Road Mirpur Azad Kashmir	052-6612801-3
65	Gilgit	0165	Khasra No 447, 2403, 579, Opposite Army Communicates NHA Complex Jutail Gilgit	5827448678582
66	Rahim Yar Khan	0166	Shop No. 939 Zone I, Fouzia Complex Model Town Rahim Yar Khan	05811-450731-2
67	Quetta	0167	Mission Road Near Meezan Chowk Quetta	068-5889005
68	Wan Radha Ram	0168	Khewat No. 36, Khatooni No. 494 Umarabad Dakhana Habibabad Pattoki	049-4500941.42

# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
69	Bahawalpur	0169	Shop No. 12,13,14 and 15, Pelican Shopping Centre Bahawalpur Cantt	0622-2740211
70	Hafizabad	0170	Khasra No 2380/841 Gujranwala road Hafizabad	054-7521213
71	Bahwalnagar	0171	Khewat No2145 khatonee 2240 Grain Market Bhawal nagar Distt Bhawalnagar	063-2277159
72	Chichwatni	0172	Plot3#153 green market Gt road chichawatni	040-5480711-15
73	Qasimabad	0173	Naseem Nagar Chowk Alamdar Road, Qasimabad Distt. Hyderabad.	022-2114021
74	Khana Nau	0174	KahnaNou Main ferozpur road Tehsil Model Town Lahore	042-5270551-55
75	Rawind	0175	Railway Road station Raiwind Tehsil Lahore District Lahore	042-35394055
76	D.Ground Faisalabad	0176	"0176-Faisalabad Peoples colony -241,Block B ,D Ground People Colony No 1 Faisalabad"	041-8716625

# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
77	Chowrasta Mian Khan	0177	Khewat No 1/1, Khatooni No 1-31 Arrodey wala Chowrassta Mian Khan Depalpur	044-4890002-4
78	Jhang	0178	Main Gojra road saddar Jhang	477652589
79	Fort Abbas	0179	Khewat No 265- 266 Khatonee 265 School Bazar Fort abbas Distt Bhawalnagar	063-2511030
80	Dharanwala	0180	Khewat No 60-57 Khatooni No.202 Dharnwala Thesil Chistian	063-2440261-62- 63
81	Minchina Abad	0181	Property Bearing Khewat No200,Khatooni No 200 Circular Road Manchinabad	063-2750072
82	Haroonabad	0182	Khewat No715,khatonee 715 main GhallaMnadi Road Haroonabad District Bhawalnagar	063-2250361
83	Mandi Bahu Din	0183	Rawily Road Bank Road Mandi Bahu Din	0546-500762-5
84	Burewala	0184	Plot No 11 V Block Multan Road Burewala	067-3355323
85	Parhoti Road Mardan	0185	Adjacent to bungalow No 7,Bughdada Road Par HotiMardan	0937-560172

# BRANCHES INFORMATION

Continued

S. No.	Branch/ Service Center Name	Branch Code	Address	Phone No.
86	Kot Khadim Ali	0186	Khata No:- 331/1470 - Khatoni NO:- 669/1847 - Chak NO:- 85/6-R Thesil & Distt Sahiwal	040-4500266- 4500668- 4500669
87	Taxila	0187	Missoin Road Taxila	051-4542214
88	Al Jaleel Garden	0188	AL - Jalil Garden Lahore Plot No: 09 Kot Noor Shah Shurqpur Road Lahore	04238102147
89	Bhalwal	0189	Chak NO.8 Shamli Liaqat Shaeed Road	048-3781431
90	Bhagtanwala	0190	Khewat No. 164/147, Khatooni No. 340-352 Qitas 78, Chak No 23 Junoobi Kotmomin Road Bhaghtanwala	048-3781430-31
91	Pakpattan	0191	Khewat No. 1294, Khatonee No. 1530, Qitas 02, Ghallah Mandi Pakpattan Tehsil & Distt Pakpattan	040-4221199
92	Arifwala	0192	Khewat No. 846, Khatooni No.850 ,share 1/2, area 6-marlas, 5-sarsai, register haqdarar zameen 2010- 2011, situated at 61/EB, tehsil Arifwala Distt. Pakpattan	03006931889

# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
93	Gujjar Khan	0193	G.T Road Gujjar Khan Main Bazar	051-3511531
94	Chakwal	0194	B-2-5-S-7 Bhoun Road Chakwal	0543-553062
95	Mureedke	0195	Khewat No. 8, Khatooni No. 292, Khasra No. 856, G.T Road Muridke	0423-7990033
96	Bara Kahu	0196	Khewat No. 258, Khatonee No. 330-331, Khasra No. 1119, Hathal, Bara Kahu Islamabad	051-2322145
97	Dina	0197	Khasra No.2384 / 895, Khatonee No.200/370, Situated at Aziz Plaza, mangla Road Dina	0544-630111
98	Gojra	0198	Chak No 470 GB,PI-40 galamandi Gojra	041-2644473
99	Johrabad/Khushab	0199	Shop#58-B Khewat No 215,Khatonee No 309 Block# 1 jonabi bazar Johrabad	048-3781431
100	Murree	0200	Buliding-plot#123 Mayfair Estate Bank Road Murree	051-3414001
101	Bhakar	0201	Shop#2,3 Register#99 railway road Bahkar	0453510775
102	Muzaffarabad	0202	Khasra No. 912, Mouza Tanga Stand Tariq Road Bank Road Muzaffarabad	052-4583476

# BRANCHES INFORMATION

Continued

S. No.	Branch/ Service Center Name	Branch Code	Address	Phone No.
103	Abbotaabd	0203	Main Mansehra Road Saithee Masjid Abbotabad	0992-331252-53
104	Chillas	0204	Main K.K.H Market Chillas Khasra No 222 Opposite Shangrila Hotel & Restaurant	091-5603415
105	Dasu	0205	Plot No. Mouza Komila Dasu	091-5603415
106	Chistian	0206	Khewat No.152-153,Khatonee No.152,gala mandi tehsil chistian bawalnagar	0632250364
107	Haripur	0207	Kheawt No.271,Khatonee No 304 qitas 620 Haripur 171 the &Dist Haripur	0995627137
108	Ellahabad	0208	Main Kasur Depalpur Road, Ellabad Tehsil Chunian Distt. Kasur	03334302788
109	Nol Plot	0209	Plot No10 Main Road Nol Plot Distt. Okara	03336972893
110	Khuddian	0210	Kasur Depalpur Road Naya Adda Khuddian Khas	03004254603
111	Kharianwala	0211	Khewat No. 766, Khatooni No. 2719, Khasra No. 10, Area 53-10, Market Jamia Masjid Kharianwala	03007267288



# BRANCHES INFORMATION

Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
112	Jassoki	0212	Khewat No. 99, Khatooni No. 344 Jassoki Tehsil Depalpur Distt Okara	03317429526
113	Sabzi Mandi Depalpur	0213	Sabzi Mandi Depalpur City District Okara	03134949425
114	Jhelum	0214	Machine Moh#2 jada old Gt road jhelum	Not Availbale
115	Toba Taik Singh	0215	H#93 Allama Iqbal Road T.T.S	Not Availbale
116	Ahmadpur East	0216	Moh Noor Shah Bukhari gou shala dera Nawab road Ahmed pur East	03008321095
117	Johar Town	SSC	Situated at Plot#472 block-G- 3.M.A johar Town Lahore	Not Availbale
118	Eminabad	SSC	Dhalwani Gt road Mor Eminabad Tehsil & Distt Gujranawala	Not Availbale
119	Karim Block	SSC	56/2 Karim Block Allama Iqbal town Lahore	04235415041
120	Soya Asal	SSC	Had Bast Soya Asil Main Ferozpur Road Tehsil Model Town Lhaore	04235394057
121	Ghallah Mandi Multan	SSC	Plot# 1394-1395 gala mandi Multan	Not Availbale

# BRANCHES INFORMATION

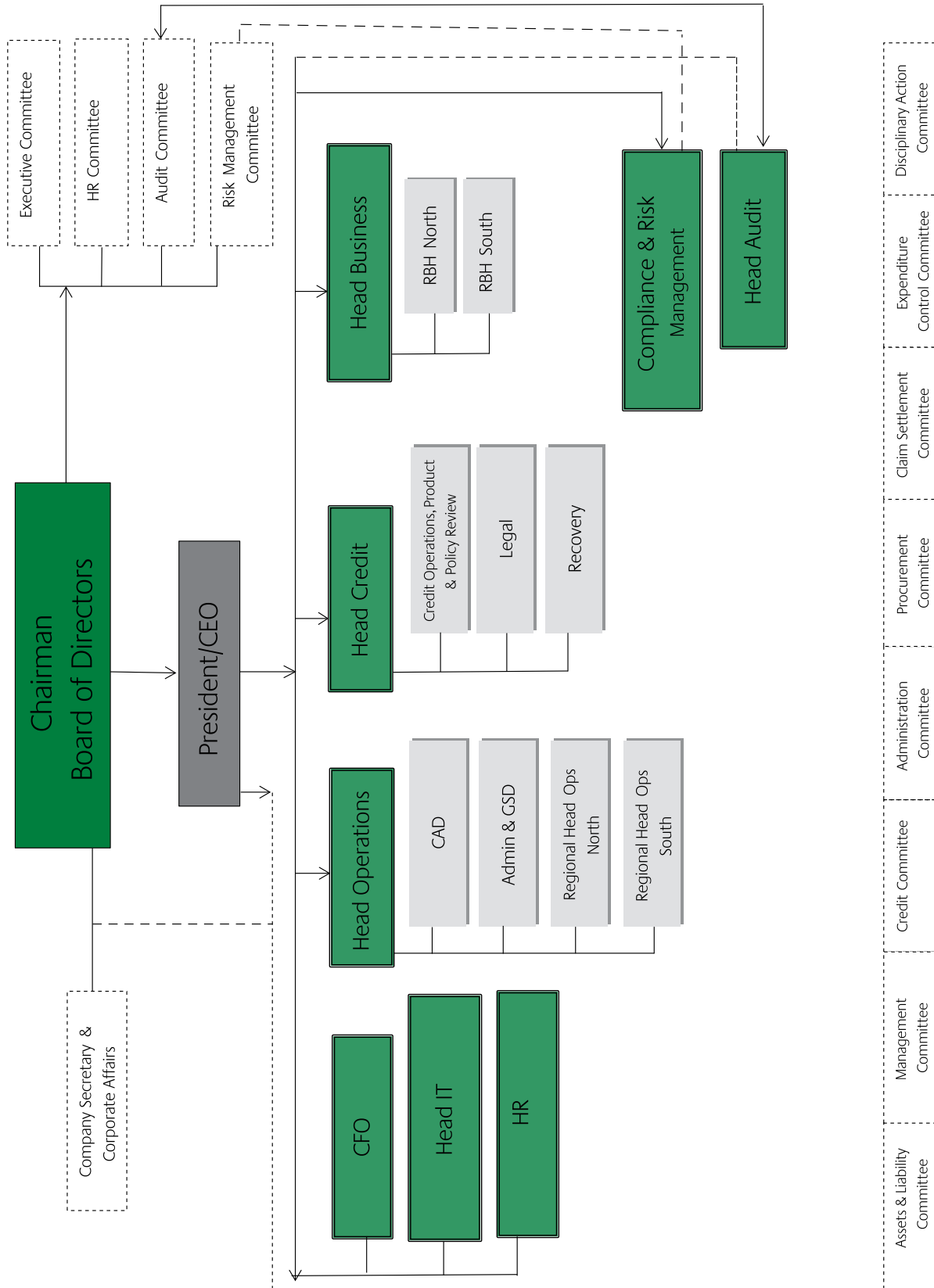
Continued

<b>S. No.</b>	<b>Branch/ Service Center Name</b>	<b>Branch Code</b>	<b>Address</b>	<b>Phone No.</b>
122	Sundar Multan Road	SSC	Sundar Multan Road Tehsil & Distt Lahore	Not Availbale
123	Mid Ranjha	SSC	Property 02-A, Shop 1,2 Nawabzadabad Kot Momin Road Mid Ranjha	03008009959
124	Liaqatpur	SSC	Khewat no 11/11, Khatooni No 50, Mehnal No 19/A Liaqatpur Rahim Yar Khan	Not Availbale
125	Madina Town Susan Road - Credit Office Faisalabad	Credit Office	P-245/C, Madina Town 2nd Floor Upper Floor of Bok, Main Susan Road Madina Town Faisalabad	0418728222 - 23 - 24 - 25
126	Head Office Lahore	Office	23-A Sundardas Road Zaman Park Lahore	042381000001
127	Pc Office Lahore	Office	35-A Sundardas Road Lahore	04236286511

# HOW WE PERFORMED



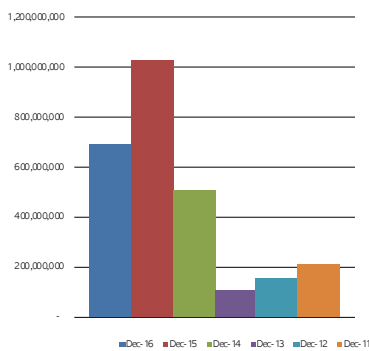
# Organogram



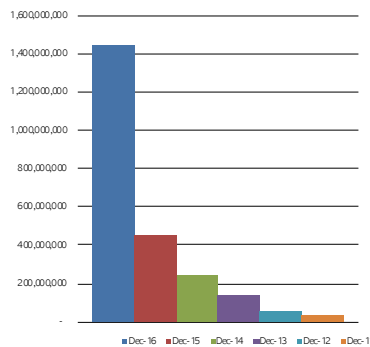
# KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	% Change 2016 Vs 2015	Dec-16 Rupees	% Change 2015 Vs 2014	Dec-15 Rupees	Dec-14 Rupees	Dec-13 Rupees	Dec-12 Rupees	Dec-11 Rupees
<b>Financial Data</b>								
Total Assets	<b>139.03%</b>	13,554,003,018	222.38%	5,670,478,820	1,758,954,506	1,313,382,730	814,817,866	219,406,764
Advances-net of provisions	<b>111.87%</b>	5,484,025,056	237.85%	2,588,423,092	766,138,548	319,016,883	121,788,004	2,916,117
Deposits	<b>171.56%</b>	12,347,070,954	280.95%	4,546,697,079	1,193,506,624	762,025,569	468,024,864	11,428,169
Share Capital	<b>0.00%</b>	2,200,000,000	100.00%	2,200,000,000	1,100,000,000	300,000,000	300,000,000	300,000,000
Share Deposit money	-	400,000,000	0.00%	-	-	403,300,000	153,000,000	-
	<b>18.18%</b>	2,600,000,000	100.00%	2,200,000,000	1,100,000,000	703,300,000	453,000,000	300,000,000
Net Equity	<b>-32.57%</b>	694,590,229	102.25%	1,030,113,789	509,329,478	103,169,116	156,490,508	205,805,131
Accumulated (Loss)	<b>332.09%</b>	(957,009,250)	15.20%	(221,485,690)	(192,270,001)	(196,880,895)	(143,559,503)	(94,244,880)
<b>Operating Data</b>								
Mark-up / return / interest earned	<b>222.37%</b>	1,441,502,272	86.77%	447,154,900	239,418,864	139,325,686	50,188,635	33,342,367
Mark-up / return / interest expensed	<b>258.26%</b>	(671,551,250)	137.38%	(187,445,668)	(78,963,877)	(52,354,812)	(16,771,663)	(967,339)
Administrative expenses	<b>214.75%</b>	(1,107,253,472)	112.35%	(351,792,126)	(165,664,970)	(124,559,804)	(84,753,436)	(38,699,931)
Profit / (Loss) before taxation	<b>4408.18%</b>	(1,097,577,883)	-379.16%	(24,346,382)	8,721,335	(52,120,573)	(48,812,717)	(13,985,312)
Profit / (Loss) after taxation	<b>2417.56%</b>	(735,523,560)	-575.22%	(29,215,689)	6,147,859	(53,321,392)	(49,314,623)	(14,318,736)
EPS	<b>1987.50%</b>	(3.34)	-328.57%	(0.16)	0.07	(1.78)	(1.64)	(0.48)

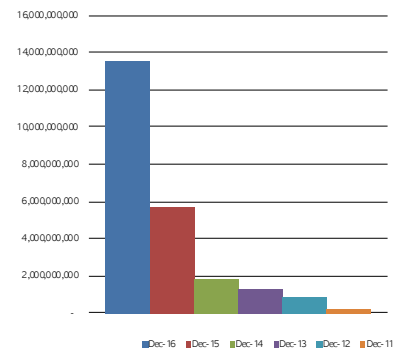
Net Equity



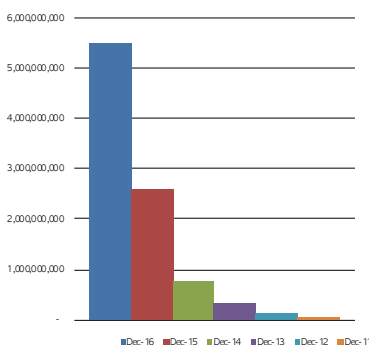
Markup Income



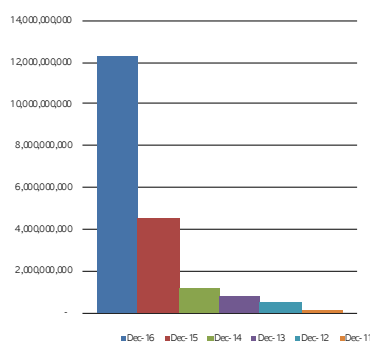
Total Assets



Advances-net of provisions



Deposits



# DIRECTORS' REPORT

On behalf of the newly elected Board of Directors, I am pleased to present the Audited Financial Statements of the Bank for the year ended December 31, 2016.

## Operational and Financial Review

Particulars	31 December 2016	31 December 2015	%
	Audited (PKR)	Audited (PKR)	Change
Advances-net of provisions	5,484,025,056	2,588,423,092	112
Deposits and other accounts	12,347,070,954	4,546,697,079	172
Mark-up/return/interest earned	1,441,502,272	447,154,900	222
Mark-up/return/interest expensed	(671,551,250)	(187,445,668)	258
Administrative expenses	(1,107,253,472)	(351,792,126)	215
(Loss) after taxation	(735,523,560)	(29,215,689)	2418

The Bank posted a loss after tax in the current year amounting to PKR 735.52 million as compared to a loss of PKR 29.22 million in the year 2015. The equity (net of losses) of the Bank stood at PKR 694.590 million and the total assets have grown to PKR 13,554.003 million from PKR 5,670.48 million as at December 31, 2016, the loss per share for the year ended December 31, 2016 is PKR (3.34) as compared to a loss per share of PKR (0.16) in the corresponding year.

The major factor attributable to the current year losses is the provisioning of PKR. 874.422 million against our advance portfolio/assets recognized during the year. Moreover, throughout the year the Bank was in expansion phase, causing the rapid increase in operational costs of the bank as compared to the slow pace of revenue streams on our advances. The Bank's revenue was decreasing due to the deteriorating health of the bank's advance portfolio. As the Quality of advance was getting affected due to Non-Performing loans (NPL's), the Bank limited the sanctioning of fresh lending since June 2016 causing decrease in revenue. Additionally the disbursement of new/additional loans has temporarily been restricted since November 2016 till improvisation in our credit and information systems. We are hopeful that the said advancements in our system will be concluded within coming days, resulting into resumption of bank's advances.

However, due the extensive recovery efforts in the subsequent period the bank registered substantial recovery figures of the classified portfolio causing the reversal of the above mentioned provision which will significantly improve financial results in the March 2017 quarter. Further, we are confident that the classified portfolio will be regularized as per the underlined terms and conditions over the next two quarters.

In respect of the improvement in our credit systems, we have revamped our credit procedures and information systems to ensure transparent lending and future favorable financial performance.

Since the beginning of this financial year, we had intensively worked on increasing our foot prints in those areas which were still unbanked and where absorptive capacities for microfinance services exist. In this regard the management has opened 47 new branches and 2 service centers across Pakistan bringing the total number of branches to 116 at the year end. So we are positive that this extensive branch network will play the constructive role in the development of this potential industry and expansion cost will yield future profits.

Owing to the current market competition and need for 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. 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 reduce the future mark-up/interest expense in ensuing year.

The administrative expenses have increased by 215% over the figures of the last year. The major factor attributable to this rise is the increase in manpower as a direct result of the new branches opened during the year. For the coverage of the Banks

# DIRECTORS' REPORT

Continued

growth and expansion strategy in the current year the Bank persisted with the hiring of professional and competent people to further strengthen the team and to bring efficiency in the Internal Controls over system & procedures. The management is focusing its efforts on extensive training of existing HR in order to bring efficiency and effectiveness in operations Procedures.

## Future Outlook

We will take all possible steps to ensure the transparency in the Bank's credit processes. Further other units of the Bank will be fine-tuned keeping in view the best industry practices. Additionally we will focus attentions towards competitive team building, regulatory compliances and risk assessments to address regulatory compulsions.

The Bank is fully geared up to capitalize on the business opportunities available in the market. We are in the process for the introduction of branchless banking in the near future and these new technology based services not only enhance the goodwill of the Bank but will also significantly increase the Bank's revenue stream by way of other income.

The Bank's equity (free of losses) stood at PKR 694.59 million as at the balance sheet date which is not in compliance with the minimal capital requirement (MCR) and capital adequacy ratio (CAR) as specified in the Prudential Regulations for MFBs, consequently in order to meet the equity requirements the Bank's sponsors have set in place a capital injection plan and will introduce fresh capital over the forthcoming quarters.

## Credit Rating

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

## Corporate Governance

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

- The Financial Statements have been prepared by the management of the Bank and present fairly the state of affairs of the Bank, the results of its operations, cash flow statement and statements of changes in equity;
- Proper books of accounts of the Bank have been maintained;
- Accounting policies as stated in the notes to the accounts have been consistently applied preparation of the financial statements; accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applied in Pakistan have been followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no doubt about the ability of the Bank to continue as a going concern; except as explained in note no. 1.2 to the financial statements;
- There is no material departure from best practices of corporate governance, as detailed in listing regulations; and
- No 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, 2016 is PKR 11.149million (2015: PKR 5.688 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 the dividend nor issued bonus shares for any year due to incurrence of losses.

## Relinquishment/Appointment of Chief Executive Officer

The board in its 77th BOD meeting relinquished the President/CEO, Mr. Muhammad Farooq Abid Tung from the post of

# DIRECTORS' REPORT

Continued

president/CEO and the charge is handed over to MR. Gulistan Malik as acting President/CEO till further notice. 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 modified their 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. Further the external auditors have also emphasized over the going concern ability of the bank due to accumulated losses and non-compliance of certain regulatory requirements detailed in Note 1.2 & 1.3 respectively.

In respect of the audit observation, we are of the view that, we have renewed the observed cases 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 reported.

Lastly, with respect to the ability to continue as a going concern the management has detailed its view point in Note no. 1.2 to the financial statements.

## **Auditors**

M/s Ilyas Saeed & Co Chartered Accountants have provided their consent for the appointment as Auditors of the Bank. The Board recommended their appointment for the year ending December 31, 2017.

## **Pattern of Shareholding**

The pattern of shareholding as at December 31, 2016 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.

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

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

Date: April 07, 2017

**Lahore**

On behalf of the Board



**Muhammad Gulistan Malik**

Acting President and CEO



## ڈائریکٹرز رپورٹ

بھرپور کردار ادا کرنے پر شکریہ ادا کرتے ہیں۔ اس کے ساتھ ہم اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کے بھی مشکور ہیں جنہوں نے ہماری مستقل رہنمائی جاری رکھی۔

بورڈ کی جانب سے



محمد گلستان ملک  
صدر اسی۔ ای۔ او

# ڈائریکٹرز رپورٹ

ٹرانسفر پرائسنگ:

متعلقہ حصہ دوران 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 بھر پور مفاد میں ہے۔ ڈیویڈنڈ:

خسارے کی وجہ سے بینک نے کسی سال نہ تو بونس حصص، نہ ہی ڈیویڈنڈ دینے کا اعلان کیا ہے۔ ایگزیکٹو آفیسر کی تقرری اور خاتمی:

بورڈ آف ڈائریکٹرز کی 77 ویں میٹنگ میں جناب فاروق عابدیٹنگ سی۔ ای۔ اوکو عہدے سے برخواست کر دیا گیا اور بینک کے اگلے نوٹس تک چارج جناب گلستان ملک کو سونپ دیا گیا ابھی تک نہ تو نئے سی۔ ای۔ او کی تقرری ہوئی اور نہ ان کے معاہدے کی شرائط میں کوئی تبدیلی آئی ہے

آڈٹ کے مشاہدے:

ایکسٹرنل آڈیٹر نے بینک کے ایڈوانسز (رنگ فنانس) کی تجدید اور ساتھ ہی ساتھ بینک کے انفارمیشن سسٹم کی طرف سے ان ایڈوانسز کی نان کاسٹیکیشن، نان پروویڈنگ اور نان مارک اپ سسٹم کے بارے میں اپنی رائے کو موڈیفائی کیا ہے جو کہ تجدید کی شرائط کو پورا کیے بغیر ہوئے تھے۔ بینک کے انفارمیشن سسٹم کی طرف سے متعلقہ معاملات کی عدم دستیابی کے باعث آڈیٹرز (NPL) ایڈوانسز کی تعداد ان کی پروویژن اور ان کا مارک اپ کے تعین کا کرنے میں ناکام رہے۔ بینک کے کل نقصانات اور ریگولیٹری ریکوائرنمنٹ کی عدم تعمیل جس کی تفصیل نوٹ نمبر 1.2 اور 1.3 دی گئی ہے کی وجہ سے آڈیٹر نے بینک کے جاری رہنے کی قابلیت پر توجہ مرکوز کی ہے۔

آڈیٹر کے ان مشاہدات کے بارے میں یہ رائے ہے کہ یہ ایڈوانسز صارفین کے دوسرے معیاری عوامل اور شرائط و ضوابط کو مد نظر رکھتے ہوئے کیے گئے تھے جہاں تک رنگ فنانس ایڈوانسز کی پروویژن کے شمار کرنے کی بات ہے یہ پہلے ہی ظاہر ہو چکا ہے کہ رنگ فنانس ایڈوانسز کی پروویژن کی انٹیکولیشن نہ کرنا سسٹم کی کمزوری ہے۔ تاہم ہمارا انفارمیشن سسٹم بہتری کے مراحل میں ہے جس کے بعد رنگ فنانس کا کلاسیفائیڈ پورٹ فولیو خود بخود واضح ہو جایا کرے گا آخر میں، جہاں تک بینک کے جاری رہنے کی صلاحیت کی بات ہے انتظامیہ نے اپنی تفصیلی رائے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 1.2 میں دی ہے

آڈیٹرز

میسرز الیاس سعید اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ نے بینک کے آڈٹ کے لیے آمادگی ظاہر کی ہے۔ بورڈ نے 31 دسمبر 2017ء کے آڈٹ کے لیے ریکمینڈ کیا ہے

شیئر ہولڈنگ کا نمونہ:

31 دسمبر 2016ء کا شیئر ہولڈنگ کا نمونہ اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

مالیاتی جھلکیاں:

گزشتہ چھ 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 حاضر یوں کا ریکارڈ اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

اسٹیٹمنٹ آف فنانشل پوزیشن کے بعد واقعات:

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

اعترافات:

اس موقع پر ہم اپنے معزز صارفین، حصص داران، کھاتہ داروں کے ساتھ سرپرستوں کے اعتماد اور انتظامیہ کے ساتھ ملازمین کا محنت اور لگن سے اپنا

## ڈائریکٹرز رپورٹ

میں افرادی قوت کے اخراجات ہیں۔ بینک کی ترقی اور توسیع کے لئے انتظامیہ نے فیصلہ کیا ہے کہ وہ مستقبل میں انتہائی پیشہ ور اور قابل لوگوں کی خدمات حاصل کرے گا جو ہمارے اندرونی سسٹم اور پروسیجر کو بہتر طور پر چلائیں گے۔ انتظامیہ کی اولین ترجیحات میں موجودہ ہیومن ریسورس ڈیپارٹمنٹ کے لوگوں کو تربیت دینا ہے جس سے ان کی انتظامی امور کو انجام دینے کی استعداد بہتر ہو سکے گی۔

**مستقبل کا لائحہ عمل:**

ہم بینک کے کریڈٹ کے عمل میں شفافیت کو یقینی بنانے کے تمام ممکنہ اقدامات کریں گے مزید بینک کے دیگر نوٹس کے عوامل کو بہترین صنعتوں کے طریقوں کو مد نظر رکھتے ہوئے ٹھیک کیا جائے گا۔ اس کے ساتھ ہم مسابقتی تنظیم سازی، لازمی تعمیل اور خطرے کی تشخیص پر بھی قابو پانے پر بھی توجہ دے رہے ہیں

بینک مارکیٹ میں دستیاب کاروباری مواقع سے فائدہ اٹھانے کے لئے مکمل طور پر تیار ہے، ہم مستقبل قریب میں برانچ لیس بینکاری کے تعارف کے لئے بھی کام کر رہے ہیں مستقبل اور ان ٹیکنالوجی کی بنیاد پر خدمات کو بینک کے خیر سگالی میں اضافہ نہیں بلکہ نمایاں طور پر دیگر آمدنی کی راہ کی طرف بنک کی آمدنی ندی میں اضافہ ہوگا اور اس نئی ٹیکنالوجی کی بنیاد پر نہ صرف بینک کی سادھ مضبوط ہوگی بلکہ نمایاں طور پر دیگر آمدنی کی وجہ سے بینک کے مالیاتی نظام میں اضافہ ہوگا۔

بینک کی ایکویٹی (بعد از نقصانات) بیلنس شیٹ کی تاریخ پر 694.59 ملین ہے جو کہ کم سے کم سرمایہ کی ضرورت (MCR) کے ساتھ اور (CAR) مائیکرو فنانس بینکوں کے لئے پروڈیٹل ریگولیشنز میں مخصوص طور پر سرمائے کی شرح کے مطابق نہیں ہے نتیجتاً ایکویٹی ضروریات کو پورا کرنے کے لئے بینک کے سپانسرز نے مربوط سرمایہ کاری کی منصوبہ بندی کی ہے جو کہ آئندہ سہ ماہی سے زیادہ سرمایہ متعارف کرائے گا۔

کریڈٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی پرائیویٹ لمیٹڈ نے بینک کے مستقبل کے مثبت لائحہ عمل کے تناظر میں لاگ ٹرم اور شارٹ ٹرم ریٹنگ "BBB+" (ٹرپل B پلس) اور A3 (AAA) جاری کی ہے۔

کارپوریٹ گورننس:

کارپوریٹ گورننس کے قانون کے مطابق، بورڈ آف ڈائریکٹرز بیان دیتے ہیں کہ:

- مالیاتی اسٹیٹمنٹس بینک کی انتظامیہ نے تیار کی ہیں بینک کی انتظامیہ نے بینک کے معاملات، آپریشنز کے نتائج، کیش فلوا اسٹیٹمنٹ اور ایکویٹی میں تبدیلی کو صحیح انداز میں بیان کیا ہے
- بینک کے کھاتے مناسب طریقے سے بنائے گئے ہیں
- اکاؤنٹنگ کی حکمت عملیاں جیسا کہ اکاؤنٹس میں بیان کی گئی ہیں مالیاتی اسٹیٹمنٹس میں متواتر استعمال ہو رہی ہیں اکاؤنٹنگ کے اندازے بڑی احتیاط اور مناسب فیصلوں کی بنیادوں پر کیئے گئے ہیں
- پاکستان میں لاگو فنانشیل رپورٹنگ اسٹینڈرڈز کی مالی بیانات کی تیاری میں کی پیروی کی گئی ہے۔
- انٹرنل کنٹرول کے نظام مضبوط بنیادوں پر ترتیب دیا گیا ہے اور موثر انداز میں عمل میں لایا گیا ہے اور با معمول جائزہ لیا گیا ہے
- بینک کی قابلیت کے بارے میں کوئی شک شبہ نہیں کہ وہ پروجیکٹ کو کامیابی سے جاری نہ رکھ سکے ماسوائے ان کے جو کہ مالیاتی اسٹیٹمنٹ کے نوٹ نمبر 1.2 میں ہیں
- بینک نے لسٹنگ ریگولیشن میں تفصیلی طور پر بیان کردہ کارپوریٹ گورننس کے بہترین طریقوں میں سے کسی کی خلاف ورزی نہیں کی ہے۔
- گورنمنٹ ڈیویڈنڈ یا ٹیکس کی مدد میں بینک پر کوئی بھی ہیمنٹ واجب الادا نہیں ہے

پروڈیٹ فنڈ کی سرمایہ کاری کا بیان

بینک اپنے تمام مستقل ملازمین کے لیے فنڈ ڈیپازٹڈ پروڈیٹ فنڈ مہیا کرتا ہے۔ 31 دسمبر 2016ء کو فنڈ کا بیلنس (قبل از آڈٹ) 11.149 ملین پاکستانی روپے ہے (5.688 ملین پاکستانی روپے، 2015)

# ڈائریکٹرز رپورٹ

نومنتخب بورڈ آف ڈائریکٹرز کی طرف سے میں اس بات پر خوش ہوں کہ 31 دسمبر 2016ء کو ختم ہونے والے سال کی آڈٹ کی گئی مالیاتی اسٹیٹمنٹس پیش کر رہا ہوں۔

کوائف			
%	31 دسمبر 2015	31 دسمبر 2016	
تبدیلی	آڈٹڈ (پاکستانی روپے)	آڈٹڈ (پاکستانی روپے)	
112	2,588,423,092	5,484,025,056	فراہم کیا گیا کل انڈوائس (پرویشن کے بعد)
172	4,546,697,079	12,347,070,954	ڈپازٹس اور دیگر اکاؤنٹس
222	447,154,900	1,441,502,272	مارک اپ آمدنی
258	(187,445,668)	(671,551,250)	مارک اپ خرچ
215	(351,792,126)	(1,107,253,472)	انتظامی اخراجات
2418	(29,215,689)	(735,523,560)	نقصان بعد از ٹیکس ادائیگی

گزشتہ سال 2015ء کے 29.22 ملین پاکستانی روپے خسارے کے مقابلے میں اس سال بینک نے ٹیکس ادا کرنے کے بعد میں 735.52 ملین پاکستانی روپے کا خسارہ ظاہر کیا۔ بینک کا مجموعی خسارہ 694.590 ملین پاکستانی روپے ہے جبکہ 31 دسمبر 2016ء تک بینک کے کل اثاثے 5670.48 ملین پاکستانی روپے سے بڑھ کے 13,554.003 ملین پاکستانی روپے ہو گئے ہیں گزشتہ سال 0.16 روپے فی حصص خسارے کے مقابلے میں اس سال 31 دسمبر 2016ء تک فی حصص خسارہ 3.34 روپے رہا۔

رواں سال کے نقصانات کی وجوہات کا ایک اہم عنصر 874.42 ملین پاکستانی روپے کی پرویشن ہے جو کہ رواں سال میں بینک کے ایڈوائسرس / اثاثہ جات کے برعکس شمار کی گئی ہے اس کے علاوہ پورا سال بینک اپنی توسیع کے مراحل میں تھا جس کی وجہ سے بینک کے آپریشنل اخراجات بینک کی رواں سال کی آمدنی کے مد مقابل تیزی سے تجاوز کر گئے۔ بینک کے خستہ حال ایڈوائس پورڈفالیو کی وجہ سے بینک کی آمدنی کم ہوتی رہی۔ بینک کے ایڈوائسرس کا معیار NPL کی وجہ سے متاثر ہوا جس کے نتیجے میں بینک نے جون 2016ء سے نئے قرضوں کی فراہمی محدود کر دی جو کہ بینک کی آمدنی میں کمی کا باعث بنی۔ اس کے علاوہ کریڈٹ اور انفارمیشن سسٹم میں بہتری آنے تک نومبر 2016ء سے نئے قرضوں کی فراہمی عارضی طور پر روک دی گئی۔ ہم امید کرتے ہیں کہ سسٹم میں کمی گئی بہتری آنے والے چند ہی دنوں میں مکمل جمع جائے گی جس کے نتیجے میں بینک قرضوں کی فراہمی بحال کر دے گا۔

تاہم، بعد کے عرصے میں وسیع بحالی کی کوششوں کی وجہ سے مالیاتی نتائج میں بہتری آئی جو کہ اوپر بیان کردہ پرویشن کو یورس کرے گی اور بہتر مالیاتی نتائج سے ماہی مارچ 2017 کے اختتام میں نمایاں ہوگی۔ اس کے علاوہ، ہم پر اعتماد ہیں کہ بینک کا سیفائیڈ پورٹ فولیو اگلے دو ماہ ہوں تک شرائط و ضوابط کے مطابق ریگولر کیا جائے گا۔ ہمارے کریڈٹ کے نظام میں بہتری کے سلسلے میں، ہم شفاف قرضے اور مستقبل ساز گار مالی کارکردگی کو یقینی بنانے کے لئے ہماری کریڈٹ طریقہ کار اور معلوماتی نظام بہتر بنایا جا چکا ہے۔

رواں مالی سال کے آغاز سے ہی انتظامیہ ان علاقوں میں برانچز کھولنے کو ترجیح دے رہی ہے جہاں پہلے سے بینک موجود نہیں اور وہاں مائیکروفنانسنگ کے لئے سکوپ موجود ہے اسی وجہ سے انتظامیہ نے سال 2016ء کے دوران 47 نئی برانچز اور 2 سروس سنٹر قائم کیے ہیں جن سے برانچز کی کل تعداد 116 ہو چکی ہے ہمیں یقین ہے کہ نئی قائم شدہ برانچز مستقبل کی ترقی اور اس صنعت کی توسیع کی لاگت کو پورا کرنے کے لئے مثبت کردار ادا کریں گی اور مستقبل میں منافع کا باعث بنے گا۔

موجودہ مارکیٹ کے مقابلے اور سرمائے کی ضرورت سے، کمرشل بینک کے مقابلے میں مائیکروفنانس بینک کو اپنے صارفین کو نسبتاً زیادہ منافع فراہم کرنا پڑ رہا ہے نتیجتاً مائیکروفنانس بینکوں کا سودی خرچ نسبتاً زیادہ ہے اس موروثی کاروبار کا انسداد کرنے کے لئے بینک انتظامیہ نے ایک ترجیحی لائے عمل نافذ کیا ہے جس کا بنیادی مقصد بچت اکاؤنٹ کے نتیجے میں سال کے بعد میں مستقبل مارک اپ / سود اخراجات کو کم کرنا ہے جس میں اضافہ کرنے کے لئے بینک کے ڈپازٹس کی تشکیل کو کم ساتھ کم قیمت جمع چارجز کو اپنی طرف متوجہ کرنا بھی شامل ہے۔

گزشتہ مالی سال کے مقابلے رواں مالی سال میں انتظامی اخراجات میں 215 فیصد اضافہ ہوا اس مسئلے سے جڑی بڑی وجہ رواں مالی سال میں نئی برانچز کھولنے کی وجہ سے اس

# STATEMENT SHOWING ATTENDANCE OF BOARD MEETINGS

From January 1, 2016 to December 31, 2016

Name of Directors	Meetings Due	Meetings Attended
Mr. Muhammad Akram Shahid	8	8
Mr. Muhammad Azam Cheema	8	8
Mr. Qamar-uz-Zaman	8	6
Mr. Syed Rahat Ali Shah	4	4
Mr. Muhammad Saleem Shaikh	8	8
Mr. Muhammad Asghar	4	4
Mr. Imad Muhammad Tahir	8	6

# STATEMENT SHOWING ATTENDANCE OF BOARD'S AUDIT COMMITTEE MEETINGS

From January 1, 2016 to December 31, 2016

Name of Directors	Meetings Due	Meetings Attended
Mr. Muhammad Asghar	1	1
Mr. Imad Mohammad Tahir	4	3
Mr. M.Saleem Shaikh	4	4
Syed Rahat Ali Shah	1	1
Mr. Main M.A Shahid	3	3
Ms. Shahida Bilques Tung	3	2
Mr. .Muhammad Azam Cheema	3	1
Mr. Muhammad Sheheryar Ahmad	1	0

# 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 Securities and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow 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

Continued

## **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 the 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.

# ETHICS AND BUSINESS PRACTICES

Continued

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

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards the interest of the Bank, its customers and regulators is a must.
- Employees are not authorized to accept or agree to accept any gifts or conveyance of anything of value from any current or prospective Apna bank customers or vendors or any person who has a business relationship with the Bank with exception of the following
  - Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
  - Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource & Recruitment Department.
  - Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services
  - Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.

## **Other Key Legal/Compliance Rules and Issues**

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



**Chairman**

Date: April 07, 2017

**Lahore**



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 31 December 2016

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

Year ending: **December 31, 2016.**

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

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

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

Names	Category
Mr. Mohammad Akram Shahid	Chairman/ Non- executive director
Mr. Mohammad Azam Cheema	Non- executive director
Mr. Qamar- uz- Zaman	Non- executive director
Mr. Muhammad Asghar	Independent director
Mr. Muhammad Saleem Shaikh	Non- executive director
Mr. Imad Mohammad Tahir	Non- executive director
Mr. Shaharyar Ahmad	Independent director (resigned on dec. 8, 2016)
Syed Rahat Ali Shah	Nominated Director

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

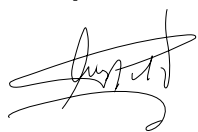
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank. (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board on December 8, 2016 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 2016

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 Karachi Stock Exchange Limited.
22. Material/ price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange Ltd.
23. We confirm that all other material principles enshrined in the CCG have been complied.

**For Apna Microfinance Bank Ltd.**



**Chairman**

Date: April 07, 2017

**Lahore**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of APNA MICROFINANCE BANK LIMITED (the Bank) for the year ended December 31, 2016 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the bank for the year ended December 31, 2016.



**RSM Avais Hyder Liaquat Nauman**

Chartered Accountants

**Engagement partner:**

Syed Ali Adnan Tirmizey

Date: April 07, 2017

**Lahore:**

# PATTERN OF SHAREHOLDING

As at 31 December 2016

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

No. of Share Holders	Shareholdings		Total Shares Held
268	Shareholding From 1	To 100	2,466
94	Shareholding From 101	To 500	39,408
38	Shareholding From 501	To 1000	35,992
45	Shareholding From 1001	To 5000	140,856
7	Shareholding From 5001	To 10000	53,698
3	Shareholding From 10001	To 15000	39,464
3	Shareholding From 15001	To 20000	47,505
2	Shareholding From 25001	To 30000	53,108
1	Shareholding From 30001	To 35000	31,500
1	Shareholding From 35001	To 40000	36,000
1	Shareholding From 55001	To 60000	60,000
1	Shareholding From 140001	To 145000	142,000
1	Shareholding From 200001	To 205000	203,500
1	Shareholding From 210001	To 215000	211,833
1	Shareholding From 235001	To 240000	238,000
1	Shareholding From 240001	To 245000	244,000
1	Shareholding From 595001	To 600000	600,000
2	Shareholding From 995001	To 1000000	2,000,000
1	Shareholding From 1010001	To 1015000	1,013,422
1	Shareholding From 1195001	To 1200000	1,200,000
1	Shareholding From 1320001	To 1325000	1,320,500
1	Shareholding From 3285001	To 3290000	3,289,292
2	Shareholding From 7010001	To 7015000	14,021,617
1	Shareholding From 11430001	To 11435000	11,430,794
1	Shareholding From 11995001	To 12000000	11,996,890
1	Shareholding From 40080001	To 40085000	40,082,921
1	Shareholding From 48690001	To 48695000	48,692,325
1	Shareholding From 82770001	To 82775000	82,772,909
<b>482</b>			<b>220,000,000</b>

# CATEGORIES OF SHAREHOLDERS

As at 31 December 2016

Categories of Shareholders	Shares Held	Percentage %
<b>Directors, Chief Executive Officer And Their Spouse and Minor Children</b>		
MUHAMMAD ASGHAR	500	
SYED RAHAT ALI SHAH	500	
MR. SHAHARYAR AHMAD	500	
QAMAR UZ ZAMAN	48,692,325	
MUHAMMAD AZAM CHEEMA	7,010,799	
MUHAMMAD AKRAM SHAHID	11,996,890	
IMAD MOHAMMAD TAHIR	40,082,921	
<b>Sub-Totals:</b>	<b>107,784,435</b>	<b>48.99%</b>
<b>associated companies, undertaking and related parties</b>		
UNITED TRACK SYSTEM (PVT) LIMITED	1,320,500	
THE UNITED INSURANCE COMPANY OF PAKISTAN	82,772,909	
SHAHIDA BILQUIS	11,430,794	
JAMSHED IQBAL	7,010,818	
<b>Sub-Totals:</b>	<b>102,535,021</b>	<b>46.61%</b>
<b>Others</b>		
A.N. EQUITIES (PVT.) LTD. - MF	500	
DARSON SECURITIES (PVT) LIMITED	13,798	
FIRST NATIONAL ENERGY (PVT.) LIMITED	4,000	
BIOFERT (PVT) LIMITED	203,500	
TIME SECURITIES (PVT.) LTD.	114	
BIOFERT (PVT) LTD	600,000	
MAPLE LEAF CAPITAL LIMITED	1	
PAKISTAN STOCK EXCHANGE LIMITED	59	
FANCY PETROLEUM SERVICES (PVT.) LIMITED	36,000	
<b>Sub-Totals:</b>	<b>857,972</b>	<b>0.39%</b>
<b>Individual</b>		
Local - Individuals	8,822,572	
<b>Sub-Totals:</b>	<b>8,822,572</b>	<b>4.01%</b>
<b>G-Totals:</b>	<b>220,000,000</b>	<b>100.00%</b>

# LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES 5.00% AND ABOVE

For the year ended 31 December 2016

Serial Number	CDC Folio Number	Name, Father's Name & Address of Shareholder(s)	Namer of Shares
1	CDC-05264-036702C	MUHAMMAD AKRAM SHAHID S/O CHAUDHRY MUHAMMAD RASHID 70-E, MODEL TOWN, LAHORE	11,996,890
2	CDC-03525-079255IIA	QAMAR UZ ZAMAN S/O MAHR MUHAMMAD ASHRAF 481-Z, PHASE III, DHA, LAHORE	48,692,325
3	CDC-03277-057265CIA	THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED SUITE # 204, 2nd FLOOR, MADINA CITY MALL ABDULLAH HAROON ROAD, KARACHI.	82,772,909
4	CDC-05264-082755C	IMAD MOHAMMAD TAHIR S/O MOHAMMAD AKHTAR TAHIR KOT FREED KHAN, SAHIWAL	40,082,921
5	CDC-03525-079254IIA	SHAHIDA BILQUIS D/O MUHAMMAD SAEED AKHTAR 128-E-II, MODEL TOWN LAHORE	11,430,794
<b>Total Shares</b>			194,975,839

# LIST OF CDC BENEFICIAL OWNERS HOLDING SHARES BY SPONSORS DIRECTORS

For the year ended 31 December 2016

Serial Number	CDC Folio Number	Name, Father's Name & Address of Shareholder(s)	Namer of Shares
1	CDC-05264-036702C	MUHAMMAD AKRAM SHAHID S/O CHAUDHRY MUHAMMAD RASHID 70-E, MODEL TOWN, LAHORE	11,996,890
2	CDC-03525-079255IIA	MUHAMMAD AZAM CHEEMA S/O MUHAMMAD KHAN AURIGA GROUP,33 KM, MULTAN ROAD LAHORE	7,010,799
3	CDC-03525-079255IIA	QAMAR UZ ZAMAN S/O MAHR MUHAMMAD ASHRAF 481-Z, PHASE III, DHA, LAHORE	48,692,325
4	CDC-03277-057265CIA	THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED SUITE # 204, 2nd FLOOR, MADINA CITY MALL ABDULLAH HAROON ROAD, KARACHI.	82,772,909
5	CDC-03525-079254IIA	SHAHIDA BILQUIS D/O MUHAMMAD SAEED AKHTAR 128-E-II, MODEL TOWN LAHORE	11,430,794
6	CDC-05264-082755C	IMAD MOHAMMAD TAHIR S/O MOHAMMAD AKHTAR TAHIR KOT FREED KHAN, SAHIWAL	40,082,921
<b>Total Shares</b>			201,986,638

This page is intentionally blank



# FINANCIAL STATEMENTS

For the year ended December 31, 2016

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **APNA MICROFINANCE BANK LIMITED** (the bank) as at December 31, 2016, 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 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. 1,484.01 million, provision of Rs. 861.72 million ( Refer Not 11) and suspended income of 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 required information / details from the bank's information system.
- (b) In our opinion, proper books of account have been kept by the bank as required by the Companies Ordinance, 1984 and the Microfinance Institutions Ordinance, 2001;
- (c) in our opinion:
  - i. the 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 account and are further in accordance with the accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the bank's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank;
- (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, 2016, 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 by the bank and has deposited in the Central Zakat Fund established under section 7 of that Ordinance.

# AUDITORS' REPORT TO THE MEMBERS

Continued

Without qualifying our opinion, we draw attention towards:

- Note 1.2 to the financial statements which states that the bank has incurred a net loss of Rs. 735.52 million during the year (2015: Rs. 29.22 million) and its accumulated loss as at December 31, 2016, is Rs. 957.01 million (2015: Rs. 221.49 million). This status along with other matters as set forth in Note 1.2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the bank's ability to continue as a going concern. Moreover, Note 14 reflects deferred tax asset of Rs. 377.08 million the realization of which depends on the bank's ability to continue as going concern; and
- Note 1.3 to the financial statements which mentions that the bank has not complied with certain applicable regulatory requirements as detailed in the said Note.



**RSM Avais Hyder Liaquat Nauman**  
Chartered Accountants

**Engagement partner:**  
Syed Ali Adnan Tirmizey

Date: April 07, 2017

**Lahore:**

# BALANCE SHEET

As at 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
Cash and balances with SBP and NBP	8	<b>1,028,052,212</b>	237,836,612
Balances with other banks/NBFIs/MFBs	9	<b>4,280,247,005</b>	1,758,682,849
Lending to financial institutions		-	-
Investments - net of provisions	10	<b>605,409,478</b>	257,598,018
Advances - net of provisions	11	<b>5,484,025,056</b>	2,588,423,092
Operating fixed assets	12	<b>821,089,654</b>	351,136,431
Other assets	13	<b>958,095,553</b>	476,801,818
Deferred tax asset	14	<b>377,084,060</b>	-
<b>Total assets</b>		<b>13,554,003,018</b>	5,670,478,820
<b>LIABILITIES</b>			
Deposits and other accounts	15	<b>12,347,070,954</b>	4,546,697,079
Borrowings	16	<b>204,001,745</b>	-
Subordinated debt		-	-
Other liabilities	17	<b>295,730,881</b>	68,758,801
Deferred tax liabilities		-	-
<b>Total liabilities</b>		<b>12,846,803,580</b>	4,615,455,880
<b>NET ASSETS</b>		<b>707,199,438</b>	1,055,022,940
<b>REPRESENTED BY:</b>			
Share capital	18	<b>2,200,000,000</b>	2,200,000,000
Discount on issue of shares		<b>(950,000,000)</b>	(950,000,000)
Share deposit money		<b>400,000,000</b>	-
Statutory reserve		<b>1,279,583</b>	1,279,583
Depositors' protection fund		<b>319,896</b>	319,896
Accumulated (loss)		<b>(957,009,250)</b>	(221,485,690)
		<b>694,590,229</b>	1,030,113,789
Surplus/(deficit) on revaluation of assets	10	<b>(1,901,020)</b>	(50,142)
Deferred grants	19	<b>14,510,229</b>	24,959,293
		<b>707,199,438</b>	1,055,022,940

## MEMORANDUM/OFF BALANCE SHEET ITEMS 20

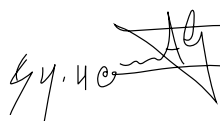
The annexed notes 1 to 36 form an integral part of these financial statements.



President & Chief Executive Officer



Chairman



Director



Director

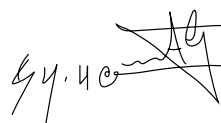
# PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
Mark-up/return/interest earned	21	<b>1,441,502,272</b>	447,154,900
Mark-up/return/interest expensed	22	<b>(671,551,250)</b>	(187,445,668)
Net mark-up/interest income		<b>769,951,022</b>	259,709,232
Provision against non-performing loans and advances	11.3	<b>(847,170,077)</b>	(33,458,766)
Provision for diminution in the value of investments		-	-
Recovery against bad debts written off		<b>1,249,444</b>	3,323,328
Bad debts written off directly		-	-
		<b>(845,920,633)</b>	(30,135,438)
Net mark-up/interest (loss)/income after provisions		<b>(75,969,611)</b>	229,573,794
<b>Non mark-up/non interest income</b>			
Fee, commission and brokerage income		<b>61,471,438</b>	39,775,757
Dividend income		-	-
Other income	23	<b>51,426,535</b>	58,096,193
Total non mark-up/non interest income		<b>112,897,973</b>	97,871,950
		<b>36,928,362</b>	327,445,744
<b>Non mark-up/non interest expenses</b>			
Administrative expenses	24	<b>(1,107,253,472)</b>	(351,792,126)
Other provisions/write offs/adjustment	13	<b>(27,252,773)</b>	-
Other charges		-	-
Total non mark-up/non interest expenses		<b>(1,134,506,245)</b>	(351,792,126)
		<b>(1,097,577,883)</b>	(24,346,382)
Extra ordinary/unusual items		-	-
<b>(Loss) before taxation</b>		<b>(1,097,577,883)</b>	(24,346,382)
Taxation - Current	25	<b>(15,029,737)</b>	(4,869,307)
Prior year		-	-
Deferred		<b>377,084,060</b>	-
		<b>362,054,323</b>	(4,869,307)
<b>(Loss) after taxation</b>		<b>(735,523,560)</b>	(29,215,689)
Accumulated (loss) brought forward		<b>(221,485,690)</b>	(192,270,001)
Accumulated (loss) carried forward		<b>(957,009,250)</b>	(221,485,690)
<b>Appropriations</b>			
Transfer to			
Statutory reserve		-	-
Capital reserve		-	-
Contribution to MSDF/ DPF/ RMF		-	-
Revenue reserve		-	-
Proposed cash dividend Rs. Nil per share (2015: Rs. Nil per share)		-	-
Others		-	-
		-	-
<b>Accumulated (loss) carried forward</b>		<b>(957,009,250)</b>	(221,485,690)
<b>(Loss) per share - basic and diluted</b>	26	<b>(3.34)</b>	(0.16)

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


**President & Chief Executive Officer**

**Chairman**

**Director**

**Director**

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 Rupees	2015 Rupees
<b>(Loss) after taxation</b>	<b>(735,523,560)</b>	(29,215,689)
Other comprehensive income	-	-
	<b>(735,523,560)</b>	(29,215,689)
Components of comprehensive (loss) not reflected in equity		
Net change in fair value of available-for-sale investments	<b>(1,850,878)</b>	(1,791,079)
<b>Total comprehensive (loss) for the year</b>	<b>(737,374,438)</b>	(31,006,768)

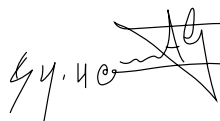
The annexed notes 1 to 36 form an integral part of these financial statements.



President & Chief Executive Officer



Chairman



Director



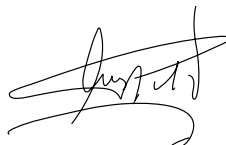
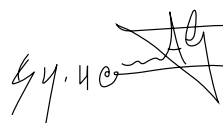
Director

# CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss) before taxation		<b>(1,097,577,883)</b>	(24,346,382)
<b>Adjustments for non-cash items</b>			
Depreciation		<b>59,250,887</b>	17,541,539
Amortization of intangibles		<b>7,966,943</b>	9,645,750
Amortization of deferred grants		<b>(10,449,064)</b>	(23,648,573)
Amortization of discount on TFCs		-	(1,541,706)
Provision against non-performing advances		<b>847,170,077</b>	33,458,766
Fair value adjustment on investments classified as held-for-trading		<b>(899,639)</b>	(617,156)
Other provisions/write offs/adjustment		<b>27,252,773</b>	-
Balances written back		<b>(1,516,129)</b>	-
(Gain)/Loss on disposal of fixed assets - net		<b>(688,900)</b>	997,594
		<b>928,086,948</b>	35,836,214
<b>Operating cash flow before working capital changes</b>		<b>(169,490,935)</b>	11,489,832
<b>Changes in working capital</b>			
<b>(Increase)/decrease in operating assets</b>			
Advances		<b>(3,742,772,041)</b>	(1,855,743,310)
Other assets		<b>(504,718,915)</b>	(358,064,475)
		<b>(4,247,490,956)</b>	(2,213,807,785)
<b>Increase/(decrease) in operating liabilities</b>			
Deposits		<b>7,800,373,875</b>	3,353,190,455
Other liabilities		<b>228,488,209</b>	45,919,769
		<b>8,028,862,084</b>	3,399,110,224
<b>CASH FLOW FROM OPERATIONS</b>		<b>3,611,880,193</b>	1,196,792,271
Income tax paid		<b>(18,857,330)</b>	(6,942,361)
Net cash generated from operating activities		<b>3,593,022,863</b>	1,189,849,910
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		-	87,845,513
Proceed received from sale of investment		<b>56,569,819</b>	-
Net investments in held for trading securities		-	(11,638,505)
Net investments in held to maturity securities		<b>(405,332,518)</b>	(141,742,418)
Investments in operating fixed assets		<b>(519,478,644)</b>	(290,568,909)
Investments in intangible assets		<b>(17,692,409)</b>	(774,320)
Sale proceeds from disposal of operating fixed assets		<b>688,900</b>	-
Net cash (used in) investing activities		<b>(885,244,852)</b>	(356,878,639)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share deposit money-net		<b>400,000,000</b>	550,000,000
Running finance		<b>189,000,888</b>	-
Demand finance		<b>15,000,857</b>	-
Grant received from SBP - Net		-	17,069,431
Net cash generated from financing activities		<b>604,001,745</b>	567,069,431
Increase in cash and cash equivalents during the year		<b>3,311,779,756</b>	1,400,040,702
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,996,519,461</b>	596,478,759
<b>Cash and cash equivalents at the end of the year</b>	27	<b>5,308,299,217</b>	1,996,519,461

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


**President & Chief Executive Officer**

**Chairman**

**Director**

**Director**

# STATEMENT OF CHANGES IN EQUITY

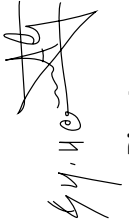
For the year ended 31 December 2016

	Share capital	Discount On Issue Of Shares	Share Deposit Money	Statutory Reserve	Depositors' Protection Fund	Accumulated (Loss)	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at January 01, 2015</b>	1,100,000,000	(400,000,000)	-	1,279,583	319,896	(192,270,001)	509,329,478
Issue of right shares	1,100,000,000	(550,000,000)	-	-	-	-	550,000,000
<b>Comprehensive (loss) for the year</b>							
(Loss) after taxation	-	-	-	-	-	(29,215,689)	(29,215,689)
Other comprehensive (loss)	-	-	-	-	-	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	(29,215,689)	(29,215,689)
<b>Balance as at December 31, 2015</b>	2,200,000,000	(950,000,000)	-	1,279,583	319,896	(221,485,690)	1,030,113,789
<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
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

The annexed notes 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 2016

## 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 Companies Ordinance, 1984. The Bank was granted a 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 122 business locations comprising of 116 branches and 6 service centers (2015: 73 business locations comprising of 69 branches and 4 service centers) in operation. Its registered office is situated at K-4/3 and 4/4, Ch. Khaliq-uz-Zaman Road, Gizri, Karachi in the province of Sindh and its head office is situated at 23 - A, Sundar Das Road, Zaman Park, Lahore, in the Province of Punjab.

**1.2** The Bank is facing some financial and operational difficulties detailed as under;

- During the year the Bank incurred a net loss of Rs. 735.52 million (2015: Rs. 29.22 million). As at 31 December 2016, its accumulated loss was Rs. 957.01 million (2015: Rs. 221.49 million) against issued, subscribed and paid up capital of Rs. 2.20 billion (2015: Rs. 2.20 billion).
- The Bank could not comply with certain prudential regulations as explained in Note 1.3 to the financial statements due to which lending has been suspended.
- The Bank has been facing difficulties in recovery of its advances portfolio.

There has been material uncertainty related to events and conditions which have may significant doubt about the Bank's ability to continue as a going concern and therefore, the Bank may not be able to realize its assets and discharge its liabilities in the normal course of business.

The management of the Bank, however, implemented its multi-faceted plan to over come the financial and operational difficulties faced by the Bank. The plan and efforts and their impact on the financial and operational conditions of the Bank are discussed below:

- (a)** During the year 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.
- (b)** The management of the Bank is likely to benefit immensely from the new elected Board of Directors which will provide necessary guidance and keep an oversight resulting in an overall improvement in the functioning of the Bank.
- (c)** A considerable effort is being made by the management of the Bank in recovery of the classified portfolio which should result in improvement of the financial position in the ensuing year.
- (d)** The management of the Bank is also making efforts to limit its administrative and operating expenses without, however, effecting the operational efficiency of the Bank.

The above mentioned plans / efforts will help the bank to overcome its financial problems to great an extent and will result in improvement of its financial and operational position. In view of these plans and with the outcome of mitigating factors as explained above, the management is confident that the Bank will be able to continue as a going concern.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

- 1.3** As at December 31, 2016 the Bank could not meet the regulatory requirements of “Prudential Regulations for Micro Finance Banks” issued by the State Bank of Pakistan (SBP), mentioned as under;
- Regulation R-1: A microfinance bank operating at national level shall maintain a minimum paid-up capital (free of losses) amounting to Rs. 1 billion.
  - 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, however, fell below the minimum ratio required as at December 31, 2016.

## **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** 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 Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the directives issued by the SECP and SBP differ with the requirements of the IFRSs, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, the Prudential Regulations for Microfinance Banks / Institutions or the requirements of the said directives shall prevail.

**3.2** SBP has deferred the applicability of International Accounting Standards (IAS) 39 ‘Financial Instruments Recognition and Measurement’ and International Accounting Standards (IAS) 40 ‘Investment Property’ for Banking Companies through BSD Circular No. 10 dated 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 financial statements of the Bank for the periods beginning on or after January 01, 2016 and therefore, have been applied in preparing these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## - Annual improvements - 2012-2014 cycle:

The IASB issued Annual Improvements to IFRSs through 'Annual improvements - 2012-2014 Cycle on September 25, 2014 amended the following standards:

- **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 (with consequential amendments to IFRS 1):**

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.

- **IAS 34: Interim Financial Reporting:**

Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The application of amendments has no significant impact on the disclosures or amounts recognized in the Bank's financial statements.

## - IFRS 11 - Joint Arrangements:

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment specifies the appropriate accounting treatment for such acquisitions. The application of this amendment has not any material impact on the Bank's 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.

## - IAS 1 - Disclosure Initiative:

These amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The application of these amendments has not any material impact on the Bank's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## **- Amendment to IAS 16 - Property Plant and Equipment and IAS 38 - Intangible Assets:**

In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of amendment has not any material impact on the Bank's financial statements.

## **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, 2016 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:**

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

- IFRS 1: First-time Adoption of International Financial Reporting Standards
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 28: Investments in Associates and Joint Ventures

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 01, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 01, 2017.

The application of these amendments is not expected to have any material impact on the Bank's financial statements.

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

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Bank's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## - IAS 12 Income taxes:

The amendments to IAS - 12 address the issue of recognition of deferred tax assets for unrealized losses and clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments are effective for accounting period beginning on or after January 01, 2017. The application of standard is not expected to have any material impact on the 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 from different future periods but are considered not to be relevant to the 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 accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Classification and valuation of investments (Note 10)
- Provision against non-performing advances (Note 11)
- Residual values and useful lives of assets and methods of depreciation (Note 12.1)
- Amortization of intangibles (Note 12.2)
- 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 2016

## 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 2016

## 7.4 Operating fixed assets

### Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to profit and loss applying the straight line method using the rates specified in note 12.1 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 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.

### 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.

### 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 12.2 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 2016

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 2016

## 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 goods 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 2016

## **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 discharge, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit or loss account of the current period.

## **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 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.

## **7.15 Derivative financial instruments**

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

## **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 2016

## **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 or loss for the period.

## **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 atleast 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 percent of the annual profit after taxes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>8 CASH AND BALANCES WITH SBP AND NBP</b>			
Cash in hand - local currency		<b>321,221,064</b>	107,058,721
Balance with State Bank of Pakistan	8.1	<b>592,817,045</b>	122,119,149
Balance with National Bank of Pakistan in current accounts		<b>114,014,103</b>	8,658,742
		<b>1,028,052,212</b>	237,836,612

**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.

## **9 BALANCES WITH OTHER BANKS/NBFIs/MFBs**

In Pakistan			
- In current accounts		<b>46,781,023</b>	49,480,887
- In deposit accounts	9.1	<b>3,118,465,982</b>	1,259,201,962
- Certificates of deposits	9.2	<b>1,115,000,000</b>	450,000,000
		<b>4,280,247,005</b>	1,758,682,849

**9.1** These carry mark-up rates ranging from 3.75% to 8% per annum (2015: 4% to 9% per annum).

**9.2** These represents placement with different financial institutions carrying mark-up ranging from 7% to 11.75% per annum (2015: 7.1% to 9.75% per annum). Their maturity ranges from six months to one year from the date of placement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>10 INVESTMENTS - NET OF PROVISIONS</b>			
<b>Held-for-trading</b>			
<b>Term Finance Certificates (TFCs)</b>			
Opening Balance		19,193,937	19,631,516
Fair value adjustment		431,063	(437,579)
Redemptions made during the year		(19,625,000)	-
		-	19,193,937
<b>National Bank of Pakistan NAFA - Mutual Fund</b>			
Opening Balance		32,054,735	-
Placements made during the year		-	31,000,000
Fair value adjustment		468,576	1,054,735
Redemptions made during the year		(32,523,311)	-
		-	32,054,735
<b>Available-for-sale</b>			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	10.1	53,579,516	53,579,516
Fair value adjustment		(1,901,020)	(50,142)
		51,678,496	53,529,374
<b>Held-to-maturity</b>			
B.R.R Guardian Modaraba - Term Finance Certificates (TFCs)	10.2	7,235,390	10,115,192
Amortization of discount		-	1,541,706
		7,235,390	11,656,898
Treasury Bills	10.3	546,495,592	141,163,074
		<b>605,409,478</b>	257,598,018

**10.1** This represents PIBs issued for a period of three years having maturity on 17 July 2017. These carry interest at the rate 11.25% per annum (2015: 11.25% per annum).

**10.2** It represents investment in 4000 units in B.R.R Guardian Modaraba. This investment has been rescheduled during the year. 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 (2015: 1 month KIBOR plus 1.5% per annum).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

- 10.3** This represents T-Bills issued for a period of three months having maturity period upto 02 February 2017. These carry yield rate ranging from 5.82% to 5.86% per annum (2015: 6.4% per annum). These securities have an aggregate face value of Rs. 548 million (2015: Rs. 141.65 million).

Note	2016		2015	
	No. of Loans Outstanding	Rupees	No. of Loans Outstanding	Rupees

## 11 ADVANCES - NET OF PROVISIONS

Micro credits	11.1	<b>50,096</b>	<b>6,397,188,441</b>	21,614	2,654,416,400
Less: Provision held:					
- Specific	11.2		<b>861,724,628</b>		42,365,121
- General			<b>51,438,757</b>		23,628,187
	11.3		<b>913,163,385</b>		65,993,308
<b>Advances - net of provisions</b>		<b>50,096</b>	<b>5,484,025,056</b>	21,614	2,588,423,092

- 11.1** All advances are secured by personal guarantees including gold loans amounting to Rs. 391.58 million (2015: Rs. 242.97 million).

### 11.2 Particulars of non-performing advances

Advances include Rs. 1.48 billion (2015: Rs. 119.24 million) which have been placed under non performing status as detailed below:

Category of Classification	2016			2015		
	Principal Amount Outstanding	Provision Required	Provision Held	Principal Amount Outstanding	Provision Required	Provision Held
	-----Rupees-----			-----Rupees-----		
OAEM	<b>358,209,817</b>	-	-	55,458,267	-	-
Sub-standard	<b>163,612,651</b>	<b>33,919,890</b>	<b>33,919,890</b>	4,050,471	969,782	969,782
Doubtful	<b>261,399,323</b>	<b>128,345,116</b>	<b>128,345,116</b>	36,396,830	18,062,752	18,062,752
Loss	<b>700,790,774</b>	<b>699,459,622</b>	<b>699,459,622</b>	23,332,587	23,332,587	23,332,587
	<b>1,484,012,565</b>	<b>861,724,628</b>	<b>861,724,628</b>	119,238,155	42,365,121	42,365,121

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 11.3 Particulars of provision against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	-----Rupees-----			-----Rupees-----		
Opening balance	<b>42,365,121</b>	<b>23,628,187</b>	<b>65,993,308</b>	25,090,505	7,444,037	32,534,542
Charge for the year	<b>819,359,507</b>	<b>27,810,570</b>	<b>847,170,077</b>	17,274,616	16,184,150	33,458,766
Closing balance	<b>861,724,628</b>	<b>51,438,757</b>	<b>913,163,385</b>	42,365,121	23,628,187	65,993,308

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

	Note	2016 Rupees	2015 Rupees
<b>12 OPERATING FIXED ASSETS</b>			
Tangible and intangible			
Tangible			
Property and equipment	12.1	<b>684,499,722</b>	114,544,018
Capital work in progress			
Advance payment towards suppliers for property		<b>118,459,717</b>	228,187,664
Intangible			
Intangible assets	12.2	<b>18,130,215</b>	8,404,749
		<b>821,089,654</b>	351,136,431

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 12.1 Property and equipment

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

Rupees

2015 PARTICULARS	Cost			Rate (%)	Depreciation			Written down value as at 31 December 2015
	As at 01 January 2015	Additions	(Deletions)		As at 31 December 2015	Charge for the year	(Adjustment)	
Leasehold improvements	21,090,851	31,260,788	(3,846,122)	5	2,620,904	1,259,302	(546,883)	3,333,323
Furniture and fixtures	13,916,136	9,500,158	(4,937,751)	10	4,131,197	1,487,754	(2,929,510)	2,689,441
Electricity and office equipment	15,090,418	18,121,510	(3,422,317)	20	5,585,276	3,658,428	(2,601,123)	6,642,581
Computer hardware & peripheral	22,940,252	14,789,209	(5,592,339)	30	9,420,633	8,384,217	(4,975,906)	12,828,944
Motor vehicles	15,626,710	4,243,243	(72,500)	20	5,990,601	2,751,838	(72,500)	8,669,939
Total	88,664,367	77,914,908	(17,871,029)		27,748,611	17,541,539	(11,125,922)	34,164,228
								114,544,018

Rupees

12.1.1 Property and equipment include assets costing Rs. 11.62 million (2015: Rs. 6.70 million) which are fully depreciated and still in use.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 12.1.2 Details of disposal of property and equipment during the year:

2016	Cost	Accumulated depreciation	Written down value	Sales proceed	Mode of disposal	Particulars of buyers
<b>Items having written down value in aggregate less than Rs.50,000/-</b>						
Motor vehicle	933,500	(933,500)	-	688,900	Negotiation	Not Required
<b>2015</b>	18,320,276	(11,781,782)	6,538,494	6,436,412		

## 12.2 Intangible assets

2016	Cost			Rate (%)	Amortization			Written down value as at 31 December 2016
	As at 01 January 2016	Additions	(Deletions)		As at 31 December 2016	Charge for the year	(Adjustment)	
Computer software	44,028,825	17,692,409	-	25	35,624,076	7,966,943	-	43,591,019
Rupees								
<b>2015</b>								
PARTICULARS	As at 01 January 2015	Additions	(Deletions)	Rate (%)	As at 01 January 2015	Charge for the year	(Adjustment)	As at 31 December 2015
Computer software	43,254,505	774,320	-	25	25,978,326	9,645,750	-	35,624,076
Rupees								

**12.2.1** Intangibles include assets costing Rs. 32.16 million (2015: Rs. 5.17 million) which are fully amortized and still in use.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>13 OTHER ASSETS</b>			
Considered good			
Income / mark-up accrued		<b>533,009,040</b>	171,301,700
Advances to staff	13.1	<b>127,474,382</b>	88,374,977
Advances and prepayments		<b>187,129,230</b>	148,459,648
Advance income tax - net of provision		<b>7,867,933</b>	4,040,340
Security deposits		<b>30,287,360</b>	22,772,375
Inter banks ATM settlement account		<b>36,357,979</b>	-
Insurance claim receivable	13.2	<b>35,969,629</b>	41,852,778
		<b>958,095,553</b>	476,801,818
Considered doubtful			
Insurance claim receivable		<b>27,252,773</b>	-
Less: Other provisions/write offs/adjustment	13.2	<b>(27,252,773)</b>	-
		-	-
		<b>958,095,553</b>	476,801,818

## 13.1 Advances to staff

Loan to executives			
Secured		<b>46,428,379</b>	20,898,867
Un-secured		<b>1,118,689</b>	2,030,186
		<b>47,547,068</b>	22,929,053
Loan to other staff			
Secured		<b>74,587,039</b>	59,667,702
Un-secured		<b>5,340,275</b>	5,778,222
		<b>79,927,314</b>	65,445,924
		<b>127,474,382</b>	88,374,977

**13.1.1** These advances are given for a maximum period of 20 years carrying interest at the rate ranging from 6% to 10% per annum. These are given as per terms of the employment. Maximum amount of loan outstanding during the year was of Rs. 165.8 million (2015: Rs. 88 million)

**13.2** This represents receivable from The United Insurance Company of Pakistan (UIC), (a related party) against the claim lodged.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>14 DEFERRED TAX ASSET</b>			
Opening balance		-	-
Recognized in:			
Profit and loss account		<b>377,084,060</b>	-
		<b>377,084,060</b>	-
<b>14.1 Components of deferred tax</b>			
Taxable temporary differences in respect of			
Accelerated Tax depreciation		<b>(113,571,528)</b>	-
Deductible temporary differences in respect of			
Provision against advances		<b>861,724,628</b>	-
Unabsorbed Losses		<b>477,396,496</b>	-
Net deductible temporary difference		<b>1,225,549,596</b>	-
Deferred tax asset on net temporary differences		<b>367,664,879</b>	-
Minimum tax available for carry forward		<b>9,419,181</b>	-
Net liability as at December 31		<b>377,084,060</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Note	2016		2015	
	No. of accounts	Rupees	No. of accounts	Rupees
<b>15 DEPOSITS AND OTHER ACCOUNTS</b>				
Time liabilities				
Fixed deposits (Deals)	15.1	<b>16,325 6,012,459,663</b>	5,521	2,109,586,605
Demand liabilities				
Saving deposits	15.2	<b>23,683 4,119,134,284</b>	12,014	1,361,731,612
Current deposits		<b>128,087 2,215,477,007</b>	58,760	1,075,378,862
		<b>151,770 6,334,611,291</b>	70,774	2,437,110,474
	15.3	<b>168,095 12,347,070,954</b>	76,295	4,546,697,079

**15.1** These represent deposits received from customers ranging from 1 month to 5 years. These carry interest at the rate ranging from 6.50% to 11.50% per annum (2015: 8% to 13% per annum).

**15.2** These carry interest at the rate ranging from 4% to 7.50% per annum (2015: 4% to 9.50% per annum).

15.3 Particulars of deposits by ownership	2016		2015	
	No. of accounts	Rupees	No. of accounts	Rupees
Individual depositors	<b>167,644</b>	<b>11,453,555,275</b>	76,144	4,411,507,083
Institutional depositors (Deals)				
- Corporation / firm	<b>399</b>	<b>429,029,020</b>	147	135,153,197
- Banks and financial institutions	<b>52</b>	<b>464,486,659</b>	4	36,799
	<b>451</b>	<b>893,515,679</b>	151	135,189,996
	<b>168,095</b>	<b>12,347,070,954</b>	76,295	4,546,697,079

	Note	2016 Rupees	2015 Rupees
<b>16 BORROWINGS</b>			
Borrowings from banks/financial institutions in Pakistan			
Running finance	16.1	<b>189,000,888</b>	-
Demand finance	16.2	<b>15,000,857</b>	-
		<b>204,001,745</b>	-

**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 8% to 8.4% per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

- 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 and personal guarantees of all the directors 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	2016 Rupees	2015 Rupees
<b>17 OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable		<b>112,222,868</b>	12,088,292
Bills payable		<b>112,450,292</b>	24,184,415
Accrued expenses		<b>1,691,888</b>	8,705,879
Inter banks ATM settlement account		-	86,720
Others		<b>69,365,833</b>	23,693,495
		<b>295,730,881</b>	68,758,801

## 18 SHARE CAPITAL

### 18.1 Authorized Capital

	2016 No. of Shares	2015		2016 Rupees	2015 Rupees
	<b>250,000,000</b>	250,000,000	Ordinary shares of Rs. 10/- each	<b>2,500,000,000</b>	2,500,000,000

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

	2016 No. of Shares	2015		2016 Rupees	2015 Rupees
	<b>220,000,000</b>	220,000,000	Ordinary shares of Rs. 10/- each fully paid in Cash	<b>2,200,000,000</b>	2,200,000,000

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

	2016 No. of Shares	2015		2016 Rupees	2015 Rupees
	<b>220,000,000</b>	110,000,000	Shares in issue as at 01 January	<b>2,200,000,000</b>	1,100,000,000
	-	110,000,000	Shares issued during the year on discount	-	1,100,000,000
	<b>220,000,000</b>	220,000,000	Shares in issue as at 31 December	<b>2,200,000,000</b>	2,200,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>19 DEFERRED GRANTS</b>			
Institutional Strengthening Fund (ISF)	19.1	<b>2,040,034</b>	5,553,328
Financial Innovation Challenge Fund (FICF)	19.2	<b>12,470,195</b>	19,405,965
		<b>14,510,229</b>	24,959,293

## 19.1 Institutional Strengthening Fund (ISF)

Balance as at January 01		<b>5,553,328</b>	16,903,539
Less: Amortization of deferred grants		<b>(3,513,294)</b>	(11,184,643)
Grant returned to SBP		-	(165,568)
		<b>2,040,034</b>	5,553,328

**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. During previous year, 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.

## 19.2 Financial Innovation Challenge Fund (FICF)

Balance as at January 01		<b>19,405,965</b>	14,634,895
Grant received during the year		-	17,235,000
Less: Amortization of deferred grants		<b>(6,935,770)</b>	(12,463,930)
		<b>12,470,195</b>	19,405,965

**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. During current year, 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 2016 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>21</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>		
Mark-up on loans and advances		<b>1,267,579,067</b>	347,077,274
Mark-up on deposit accounts		<b>168,233,449</b>	86,528,183
Mark-up on investments in government securities		<b>5,689,756</b>	13,549,443
		<b>1,441,502,272</b>	447,154,900
<b>22</b>	<b>MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits		<b>669,563,391</b>	187,445,668
Borrowings		<b>1,987,859</b>	-
		<b>671,551,250</b>	187,445,668
<b>23</b>	<b>OTHER INCOME</b>		
Gain/(Loss) on disposal of fixed assets		<b>688,900</b>	(997,594)
Fair value adjustment on investments classified as held-for-trading		<b>899,639</b>	617,156
Amortization of deferred grants		<b>10,449,064</b>	23,648,573
Insurance claim against defaulted loans		-	23,332,587
Balances written back		<b>1,516,129</b>	-
Others	23.1	<b>37,872,803</b>	11,495,471
		<b>51,426,535</b>	58,096,193

**23.1** 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	Note	2016 Rupees	2015 Rupees
<b>24 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		<b>644,649,901</b>	189,696,579
Training / capacity building		<b>1,883,607</b>	11,088,730
Contribution to defined contribution plan		<b>3,085,528</b>	1,495,643
Rent, taxes, insurance, electricity, etc.		<b>164,754,335</b>	44,602,794
Communication		<b>39,206,571</b>	10,795,310
Legal and professional charges		<b>3,444,342</b>	2,581,965
Security charges		<b>57,136,440</b>	7,750,299
Traveling		<b>17,455,466</b>	11,924,479
Fees and subscription		<b>13,243,921</b>	7,627,010
Fueling expense		<b>1,990,467</b>	1,012,740
Repair and maintenance		<b>34,020,817</b>	12,260,404
Stationery and printing		<b>12,604,834</b>	8,249,184
Advertisement and publicity		<b>9,495,079</b>	2,083,978
Auditors' remuneration	24.1	<b>1,767,000</b>	897,800
Depreciation	12.1	<b>59,250,887</b>	17,541,539
Amortization of intangibles	12.2	<b>7,966,943</b>	9,645,750
Entertainment		<b>11,699,914</b>	3,832,640
Credit verification expenses		<b>9,167,209</b>	734,514
Others		<b>14,430,211</b>	7,970,768
		<b>1,107,253,472</b>	351,792,126

## 24.1 Auditors' Remuneration

Annual audit fee and report on CCG compliance	<b>1,125,000</b>	600,000
Half yearly review	<b>200,000</b>	132,000
Other certifications fee	<b>155,000</b>	52,500
Sales tax	<b>74,000</b>	-
Out-of-pocket expenses	<b>213,000</b>	113,300
	<b>1,767,000</b>	897,800

## 25 TAXATION

### 25.1 Current Tax

The Bank has carried forward tax losses of Rs. 477.40 million (2015: 104.79 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. 15.03 million (2015: Rs. 4.87 million) has been made.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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.

		2016	2015
<b>26 (LOSS) PER SHARE - BASIC AND DILUTED</b>			
(Loss) after taxation	Rupees	<b>(735,523,560)</b>	(29,215,689)
Weighted average number of ordinary shares outstanding during the year	Numbers	<b>220,000,000</b>	180,608,350
(Loss) per share - basic and diluted	Rupees	<b>(3.34)</b>	(0.16)

	Note	2016 Rupees	2015 Rupees
<b>27 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with SBP and NBP	8	<b>1,028,052,212</b>	237,836,612
Balances with other banks/NBFIs/MFBs	9	<b>4,280,247,005</b>	1,758,682,849
		<b>5,308,299,217</b>	1,996,519,461

## 28 NUMBER OF EMPLOYEES

As at December 31	2016			2015		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		

Permanent	<b>147</b>	<b>512</b>	<b>659</b>	146	163	309
Contractual	<b>243</b>	<b>808</b>	<b>1051</b>	311	317	628
	<b>390</b>	<b>1320</b>	<b>1710</b>	457	480	937

Average no. of Employees	2016			2015		
	Credit/ Sales	Banking/ Support	Total	Credit/ Sales	Banking/ Support	Total
	----- Numbers -----			----- Numbers -----		

Permanent	<b>147</b>	<b>338</b>	<b>485</b>	80	109	189
Contractual	<b>277</b>	<b>563</b>	<b>840</b>	195	285	480
	<b>424</b>	<b>901</b>	<b>1325</b>	275	394	669

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	<b>2016 Number</b>	<b>2015 Number</b>
<b>29 NUMBER OF BRANCHES/SERVICE CENTRES</b>		
Beginning of the year	<b>73</b>	21
Opened during the year		
Branches	<b>47</b>	52
Service centres	<b>2</b>	-
At the end of the year	<b>122</b>	73

## 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:

	<b>President/Chief Executive Officer</b>		<b>Executives</b>	
	<b>2016 Rupees</b>	<b>2015 Rupees</b>	<b>2016 Rupees</b>	<b>2015 Rupees</b>
Managerial remuneration	<b>5,237,500</b>	4,800,000	<b>88,544,226</b>	16,795,813
Rent and house maintenance	<b>95,000</b>	-	<b>35,188,871</b>	6,718,325
Utilities	<b>23,750</b>	-	<b>8,854,423</b>	1,679,581
Medical	<b>23,750</b>	-	<b>8,854,423</b>	1,679,581
Contribution to provident fund	-	-	<b>1,314,646</b>	-
Bonus and other benefits	<b>39,881</b>	-	<b>12,378,772</b>	44,120
	<b>5,419,881</b>	4,800,000	<b>155,135,361</b>	26,917,420
Number of persons	<b>2</b>	2	<b>135</b>	21

**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, Bank has paid fee amounting to Rs. 875,000/- (2015: Rs.100,000/-) to non-executive directors for attending Board of Directors meetings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

**31 MATURITIES OF ASSETS AND LIABILITIES**

	2016				
	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	1,028,052,212	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
	<b>13,554,003,018</b>	<b>6,720,406,657</b>	<b>3,382,983,124</b>	<b>1,824,527,535</b>	<b>1,626,085,702</b>
<b>Liabilities</b>					
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	-	-	-
	<b>12,846,803,580</b>	<b>7,457,246,917</b>	<b>1,650,443,000</b>	<b>2,945,408,000</b>	<b>793,705,663</b>
<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>
<b>Represented by:</b>					
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				
Accumulated (loss)	(957,009,250)				
Surplus/(deficit) on revaluation of assets	(1,901,020)				
Deferred grants	14,510,229				
	<b>707,199,438</b>				

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

	2015				
	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	237,836,612	-	237,836,612	-	-
Balances with other banks/NBFIs/ MFBs	1,758,682,849	1,308,682,849	300,000,000	150,000,000	-
Investments - net of provisions	257,598,018	141,163,074	32,054,735	30,850,835	53,529,374
Advances - net of provisions	2,588,423,092	403,832,793	333,549,554	1,409,677,346	441,194,023
Operating fixed assets	351,136,431	-	-	-	351,136,431
Other assets	476,801,818	476,801,818	-	-	-
Deferred tax asset	-	-	-	-	-
	5,670,478,820	2,330,480,534	903,440,901	1,590,528,181	845,859,828
<b>Liabilities</b>					
Deposits and other accounts	4,546,697,079	2,528,131,475	614,601,213	1,265,297,892	138,666,499
Borrowings	-	-	-	-	-
Other liabilities	68,758,801	68,758,801	-	-	-
	4,615,455,880	2,596,890,276	614,601,213	1,265,297,892	138,666,499
<b>Net assets</b>	1,055,022,940	(266,409,742)	288,839,688	325,230,289	707,193,329
<b>Represented by:</b>					
Share capital	2,200,000,000				
Discount on issue of shares	(950,000,000)				
Share deposit money	-				
Statutory reserve	1,279,583				
Depositors' protection fund	319,896				
Accumulated (loss)	(221,485,690)				
Surplus/(deficit) on revaluation of assets	(50,142)				
Deferred grants	24,959,293				
	1,055,022,940				

## 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 ALCO.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

2015						
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	4% - 9.75%	1,758,682,849	1,308,682,849	300,000,000	150,000,000	-
Investments - net of provisions	6.4% - 11.25%	257,598,018	141,163,074	32,054,735	30,850,835	53,529,374
Advances - net of provisions	19% - 41%	2,588,423,092	403,832,793	333,549,554	1,409,677,346	441,194,023
		4,604,703,959	1,853,678,716	665,604,289	1,590,528,181	494,723,397
<b>Liabilities</b>						
Deposits and other accounts	4% - 13%	4,546,697,079	2,528,131,475	614,601,213	1,265,297,892	138,666,499
		58,006,880	(674,452,759)	51,003,076	325,230,289	356,056,898

## 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 amounting to Rs. 10,322.9 million (2015: Rs. 4,604.71 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 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	2016 Rupees	2015 Rupees
<b>Balances at year end:</b>			
<b>Associated company</b>	Deposits	<b>5,453,525</b>	5,775,402
	Share deposit money	<b>300,000,000</b>	-
<b>Key management personnel</b>	Deposits	<b>3,769,929</b>	6,337,559
<b>Directors / sponsors / shareholders</b>	Deposits	<b>8,699,169</b>	595,074
	Share deposit money	<b>100,000,000</b>	-
<b>Transactions during the year:</b>			
<b>Associated company</b>	Deposits received	<b>236,757,697</b>	388,519,865
	Withdrawals	<b>239,699,236</b>	384,616,750
	Mark-up paid on deposits	<b>155,104</b>	-
	Share deposit money received	<b>300,000,000</b>	-
	Insurance premium paid	<b>21,015,926</b>	445,166
	Insurance claim received	<b>27,722,324</b>	5,359,537
<b>Key management personnel</b>	Deposits received	<b>39,283,886</b>	54,642,043
	Withdrawals	<b>36,633,236</b>	52,267,946
	Mark-up on deposit paid	<b>131,010</b>	493,762
<b>Directors / sponsors / shareholders</b>	Deposits received	<b>22,253,642</b>	335,786,548
	Withdrawals	<b>22,800,888</b>	237,068,934
	Mark-up paid on deposits	<b>1,182,208</b>	3,248,844
	Share deposit money received	<b>100,000,000</b>	338,513,710
	Share deposit money repaid	-	338,513,710
<b>Staff Provident Fund</b>	Contribution made during the year	<b>3,085,528</b>	1,495,643

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 34 PROVIDENT FUND RELATED DISCLOSURE

The following information is based on audited financial statements of the provident fund for the year ended 31 December 2015 and unaudited financial statements for the year ended 31 December 2016.

	<b>2016</b> <b>Rupees</b>	<b>2015</b> <b>Rupees</b>
	<b>Un-Audited</b>	<b>Audited</b>
Size of the fund - Total assets	<b>11,149,235</b>	5,688,855
Cost of investments	<b>9,600,000</b>	2,538,210
Percentage of investments made	<b>86.10%</b>	44.62%
Fair value of investments	<b>9,600,000</b>	2,538,210
<b>34.1</b> The break-up cost of investments is as follows:		
Term deposit receipts	<b>9,600,000</b>	-
Mutual Fund	-	2,538,210
	<b>9,600,000</b>	2,538,210

**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 April 07, 2017 by the Board of Directors of the Bank.

## 36 GENERAL

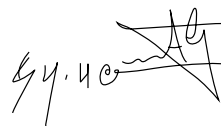
**36.1** Figures have been rounded off to the nearest rupee unless otherwise stated.



**President & Chief Executive Officer**



**Chairman**



**Director**



**Director**

# NOTICE FOR THE FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Apna Microfinance Bank Limited is scheduled to be held on Saturday, April 29, 2017 at 13:30 at the Institute of Chartered Accountants, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

## AGENDA

1. To read and confirm the minutes of the Annual General Meeting held on April 5, 2016.
2. To receive, consider and adopt the Annual Audited Financial Statements for the year ended December 31, 2016 together with Directors' and Auditors' Reports thereon.
3. To review, consider and appoint M/S Ilyas saeed and Co., Chartered Accountants as auditors of the bank for the year ending December 31, 2017 as proposed by the Board of Directors and to fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board



**Rafat Abbas**  
Company Secretary

April 7, 2017  
Karachi

## NOTES:

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

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

### A) For Attending Meeting:

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

### B) For Appointing Proxies:

- i) In the case of individuals, the account holder or sub-account holder and /or the person whose securities are in-group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
  - ii) Two persons whose names, addresses and CNIC numbers shall be mentioned on the form shall witness the proxy.
  - iii) Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the Proxy Form.
  - iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
  - v) In the case of Corporate Entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to the Bank.
2. Members are requested to immediately notify the change of their address, if any.
  3. The Share Transfer Book of the company will remain closed from April 22, 2017 to April 29, 2017 (both days inclusive). The share transfer office is situated at Dagia House, 241-C, Block-2, P.E.C.H.S., Off. Shahrah-e-Quaideen, Karachi. (Phone No. 3439-1316 & 3439-1317). Transfer received at the registered office at the close of business on April 21, 2017 will be treated in time.

### For Apna Microfinance Bank Ltd.



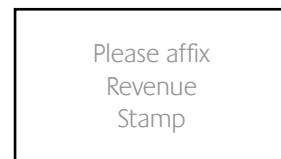
**Rafat Abbas**  
Company Secretary



**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 \_\_\_\_\_ a.m. at Institute of Chartered Accountant of Pakistan, Chartered Accountants Avenue, Clifton, Karachi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.



**Witness: (1)**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC \_\_\_\_\_

Signature: \_\_\_\_\_  
 (The signature should agree with the Specimen Registered with the Company)

**Witness: (2)**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 CNIC \_\_\_\_\_

Folio No. \_\_\_\_\_  
 CDC A/c No. \_\_\_\_\_  
 No. of shares held \_\_\_\_\_  
 Distinctive Numbers \_\_\_\_\_

**IMPORTANT:**

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

**STAMP**

**Company Secretary**

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





**Head Office:**  
23 – A, Sunderdas Road,  
(Thandi Sarak) Zaman Park, Lahore.

T : +92 42-36305314 -15  
F : +92 42-3636730  
E : info@apnabank.com.pk

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

