



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Advans Pakistan Microfinance Bank Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Advans Pakistan Microfinance Bank Limited** as at June 30, 2020 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is **Salman Hussain**.

A.F. Ferguson & Co.

Chartered Accountants

A.F. Ferguson & Co.

Karachi

Dated: August 31, 2020

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2020

	Un-audited June 30, 2020	Audited December 31, 2019
Note	-----Rupees-----	
ASSETS		
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	7 90,206,788	85,774,638
Balances with other banks and microfinance banks	8 128,793,043	230,578,693
Lendings to financial institutions	-	-
Investments - net of provisions	9 199,956,781	98,482,460
Advances - net of provisions	10 1,129,507,585	1,234,713,701
Operating fixed assets	11 170,945,048	180,330,598
Other assets	12 170,922,146	67,016,896
Deferred tax asset - net	13 58,433,399	49,349,164
Total assets	1,948,764,790	1,946,246,150
LIABILITIES		
Deposits and other accounts	14 1,001,850,776	953,719,167
Borrowings	15 225,000,000	300,000,000
Subordinated debt	-	-
Other liabilities	16 192,619,793	166,533,177
Deferred tax liabilities	-	-
Total liabilities	1,419,470,569	1,420,252,344
Net assets	529,294,221	525,993,806
REPRESENTED BY		
Share capital	17 1,340,163,100	1,290,163,100
Reserves	2,989,141	2,989,141
Depositors' protection fund	747,285	747,285
Accumulated losses	(815,319,974)	(768,620,389)
	528,579,552	525,279,137
Surplus / (deficit) on revaluation of assets	-	-
Deferred grant	18 714,669	714,669
	529,294,221	525,993,806
MEMORANDUM / OFF BALANCE SHEET ITEMS	19	

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

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Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Half year ended June 30	
		2020	2019
-----Rupees-----			
Mark-up / return / interest earned	20	267,518,772	243,238,224
Mark-up / return / interest expensed		(84,285,274)	(49,113,966)
Net mark-up / interest income		183,233,498	194,124,258
Provision against non-performing loans and advances - net	10.3	62,948,207	28,338,012
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		62,948,207	28,338,012
Net mark-up / return / interest income after provisions		120,285,291	165,786,246
Non mark-up / non interest income			
Fee, commission and brokerage income		18,167,122	35,058,468
Dividend income		-	-
Unrealised loss on revaluation of investments classified as held for trading - net		-	(47,143)
Other income	21	4,252,702	77,487,069
Total non-mark-up / non-interest income		22,419,824	112,498,394
		142,705,115	278,284,640
Non mark-up / non interest expenses			
Administrative expenses		192,700,917	243,862,010
Other provision / write offs		-	-
Other operating expenses / Other charges		1,439,000	1,306,346
Total non mark-up / non interest expenses		194,139,917	245,168,356
Extra ordinary / unusual items		-	-
(Loss) / profit before taxation		(51,434,802)	33,116,284
Taxation - current		4,349,018	5,162,068
- prior		-	-
- deferred		(9,084,235)	(5,995,016)
		(4,735,217)	(832,948)
(Loss) / profit after taxation		(46,699,585)	33,949,232
Accumulated loss brought forward		(768,620,389)	(779,829,667)
		(815,319,974)	(745,880,435)
Appropriations			
Transfer to:			
Statutory reserve		-	-
Capital reserve		-	-
Depositors' protection fund		-	-
Revenue reserve		-	-
Proposed cash dividend		-	-
Accumulated loss carried forward		(815,319,974)	(745,880,435)
(Loss) / profit per share - basic and diluted (Rupee)		(0.35)	0.26

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	<u>Half year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
	-----Rupees-----	
(Loss) / profit for the period after taxation	(46,699,585)	33,949,232
Other comprehensive income	-	-
Total comprehensive (loss) / profit for the period	<u>(46,699,585)</u>	<u>33,949,232</u>

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

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

Nil



Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

Note	Half year ended	
	2020	2019
-----Rupees-----		
CASH FLOW FROM OPERATING ACTIVITIES		
	(51,434,802)	33,116,284
Adjustments for non-cash charges and other items		
	12,733,865	11,609,922
	11,162,941	9,978,211
	705,726	3,096,597
10.3	62,948,207	28,338,012
	-	(70,077)
	6,557,589	6,874,748
	-	(946,928)
	-	47,143
18	-	(1,034,484)
	94,108,328	57,893,144
	42,673,526	91,009,428
(Increase) / decrease in operating assets		
	42,257,909	(263,676,212)
	(103,905,250)	(13,547,650)
	(61,647,341)	(277,223,862)
Increase / (decrease) in operating liabilities		
	48,131,609	148,631,885
	(75,000,000)	200,000,000
	24,509,350	(33,287,456)
	(2,359,041)	315,344,429
	(21,332,856)	129,129,995
	(14,782,774)	(12,826,148)
	(3,925,089)	(3,369,636)
	(40,040,719)	112,934,211
Net cash (used in) / generated from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
	(5,838,460)	(15,066,944)
	-	(50,797,552)
	(5,838,460)	(65,864,496)
CASH FLOW FROM FINANCING ACTIVITIES		
	50,000,000	-
18	-	600,000
	50,000,000	600,000
	4,120,821	47,669,715
	414,835,791	130,245,480
	418,956,612	177,915,195
23		

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chairman


Director


Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Share capital	Statutory reserve	Capital Reserve	Accumulated losses	Total
	----- Rupees -----				
Balance as at December 31, 2018 - (audited)	1,290,163,100	-	-	(779,829,667)	510,333,433
Comprehensive income for the period					
Profit for the period	-	-	-	33,949,232	33,949,232
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	33,949,232	33,949,232
Balance as at June 30, 2019 - (Un-audited)	1,290,163,100	-	-	(745,880,435)	544,282,665
Comprehensive income / (loss) for the period					
Loss for the period	-	-	-	(19,003,528)	(19,003,528)
Transferred to statutory reserve	-	2,989,141	-	(2,989,141)	-
Transferred to depositors' protection fund	-	-	747,285	(747,285)	-
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	2,989,141	747,285	(22,739,954)	(19,003,528)
Balance as at December 31, 2019 - (audited)	1,290,163,100	2,989,141	747,285	(768,620,389)	525,279,137
Issuance of shares (Note 17.2.2)	50,000,000	-	-	-	50,000,000
Comprehensive loss for the period					
Loss for the period	-	-	-	(46,699,585)	(46,699,585)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(46,699,585)	(46,699,585)
Balance as at June 30, 2020 - (un-audited)	<u>1,340,163,100</u>	<u>2,989,141</u>	<u>747,285</u>	<u>(815,319,974)</u>	<u>528,579,552</u>

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chairman



Director



Director

ADVANS PAKISTAN MICROFINANCE BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 Advans Pakistan Microfinance Bank Limited (the Bank) was incorporated as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on April 17, 2012 and was granted license by the State Bank of Pakistan on June 28, 2012 to operate as a microfinance bank in the province of Sindh. The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan granted permissions to the Bank for the commencement of business with effect from November 21, 2012 and January 04, 2013 respectively. The Bank's principal business is to provide microfinance banking and related services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at Ground Floor, Bahria Complex 1, Lalazar Area, Moulvi Tamizzuddin Khan Road, Karachi. The Bank operates through branches spread within the province of Sindh.

The Bank is a subsidiary of Advans S.A. Sicar (incorporated in Luxembourg) which holds 99.99% (December 31, 2019: 74.99%) share capital of the Bank. During the period, Advans S.A Sicar has further acquired 25% shares from FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands.

1.2 The Bank's capital (free of losses) amounted to Rs 528.58 million as at June 30, 2020 (December 31, 2019: Rs 525.279 million) which is above the minimum capital requirements as at June 30, 2020.

2 STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Microfinance Institutions Ordinance, 2001, the Companies Act, 2017 and the said directives, shall prevail.

2.2 These condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2019.

2.3 The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.4 **Standards, interpretations and amendments to accounting and reporting standards that are effective in the current period**

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or will not have any significant impact on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

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2.5 Standards, interpretations of and amendments to the accounting and reporting standard that are not yet effective

As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The management is currently assessing the impact as a result of adoption of IFRS 9 on the Bank's financial statements.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

These condensed interim financial statements have been prepared under the historical cost convention.

3.2 Functional and presentation currency

These condensed interim financial statements have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim financial statements are same as those applied in the preparation of financial statements of the Bank for the year ended December 31, 2019.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2019.

6 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2019.

6.1 Regulatory reliefs due to COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) allowing the banks to defer obligors' payment of principal on loan obligations by one year, provided that the obligor will continue to service the mark-up amount as per agreed terms and conditions; (ii) allowing for rescheduling / restructuring of loans for borrowers who are unable to service the mark-up amount or need deferment exceeding one year; (iii) requiring not to classify the financing facilities of borrowers who have requested for deferment under (i) and (ii), unless the payment obligations are past due by 90 days; and (iv) relaxing some requirements of AML / CFT Regulations.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, continuity of business operations and managing cybersecurity threat as a number of the Bank's staff is working from home.

The Bank has approved rescheduling requests of 7,982 customers representing approximately 79 percent of the portfolio of the Bank. The rescheduling includes deferment of principal and / or mark-up. Management believes that a robust mechanism has been put in place to ensure credit risk is adequately monitored. The deferment has resulted in accumulation of accrued mark-up which amounted to Rs 142,423,910 as at June 30, 2020.

6.2 Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

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6.3 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

6.4 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and mark-up and rescheduling of loans there may be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position of the Bank. Furthermore, the sponsors are considering to inject further equity into the Bank by December 31, 2020. The management based on its assessment is confident that the Bank will have sufficient liquidity to cater for any adverse movement in the cash flow maturity profile.

	Note	Un-audited June 30, 2020	Audited December 31, 2019
7 CASH AND BALANCES WITH STATE BANK OF PAKISTAN AND NATIONAL BANK OF PAKISTAN		-----Rupees-----	
Cash in hand		43,688,192	56,942,308
Balance with State Bank of Pakistan (SBP)	7.1	46,518,596	28,832,330
Balance with National Bank of Pakistan (NBP)		-	-
		<u>90,206,788</u>	<u>85,774,638</u>

7.1 This represents current account maintained with SBP to meet the requirement of maintaining a minimum balance equivalent to 5% of the Bank's time and demand liabilities in accordance with the Prudential Regulations for Microfinance Banks.

	Note	Un-audited June 30, 2020	Audited December 31, 2019
8 BALANCES WITH OTHER BANKS AND MICROFINANCE BANKS		-----Rupees-----	
In Pakistan:			
- Current accounts		401,199	473,663
- PLS deposit accounts	8.1	128,391,844	230,105,030
		<u>128,793,043</u>	<u>230,578,693</u>

8.1 These include deposits with commercial banks carrying mark-up rates ranging from 3% to 6.5% (December 31, 2019: 5.5% to 13%) per annum.

		Un-audited June 30, 2020	Audited December 31, 2019
9 INVESTMENTS - NET OF PROVISIONS		-----Rupees-----	
Held-to-maturity securities			
Federal Government Securities			
Market Treasury Bills		199,956,781	98,482,460

9.1 The Market Treasury Bills carries effective yield of 8% (December 31, 2019: 13.9%) and has maturity date of July 2, 2020.

10 ADVANCES - NET OF PROVISIONS

	Note	June 30, 2020 (un-audited)		December 31, 2019 (audited)	
		Number of loans outstanding	Amount outstanding	Number of loans outstanding	Amount outstanding
		Rupees		Rupees	
Micro credit	10.1	9,458	1,171,778,159	11,466	1,269,590,951
Less: Provision held					
- Specific	10.2 & 10.3	674	32,061,397	1,302	23,342,151
- General	10.3	-	10,209,177	-	11,535,099
			(42,270,574)		(34,877,250)
			<u>1,129,507,585</u>		<u>1,234,713,701</u>

10.1 All advances are secured by personal guarantees except certain advances which are secured against gold provided by the borrowers.

10.2 Particulars of non-performing advances

Advances include Rs 66,012,254 (December 31, 2019: Rs 65,054,252) which have been placed under non-performing status as detailed below.

Category of classification	June 30, 2020 (un-audited)			December 31, 2019 (audited)		
	Amount outstanding	Provision required	Provision held	Amount outstanding	Provision required	Provision held
	----- Rupees -----			----- Rupees -----		
OAEM	4,785,751	-	-	16,351,827	-	-
Substandard	15,391,664	3,847,916	3,847,916	14,335,668	3,583,917	3,583,917
Doubtful	35,242,710	17,621,355	17,621,355	29,217,047	14,608,524	14,608,524
Loss	10,592,129	10,592,126	10,592,126	5,149,710	5,149,710	5,149,710
	<u>66,012,254</u>	<u>32,061,397</u>	<u>32,061,397</u>	<u>65,054,252</u>	<u>23,342,151</u>	<u>23,342,151</u>

10.3 Particulars of provision against non-performing advances

The movement of provision against non-performing advances is as follows:

	June 30, 2020 (un-audited)			December 31, 2019 (audited)		
	Specific	General (Note 10.3.1)	Total	Specific	General (Note 10.3.1)	Total
	----- Rupees -----			----- Rupees -----		
Opening balance	23,342,151	11,535,099	34,877,250	11,230,523	9,229,052	20,459,575
Charge for the period / year						
- On non-performing advances	71,559,650	-	71,559,650	66,648,025	3,494,794	70,142,819
Reversals	(7,285,521)	(1,325,922)	(8,611,443)	(1,153)	(1,188,747)	(1,189,900)
	64,274,129	(1,325,922)	62,948,207	66,646,872	2,306,047	68,952,919
Amount written off	(55,554,883)	-	(55,554,883)	(54,535,244)	-	(54,535,244)
Closing balance	<u>32,061,397</u>	<u>10,209,177</u>	<u>42,270,574</u>	<u>23,342,151</u>	<u>11,535,099</u>	<u>34,877,250</u>

10.3.1 This represents general provision equivalent to 1% of the outstanding advances (other than gold loans) - net of specific provisions held in accordance with the requirements of the Prudential Regulations for Microfinance Banks.

10.4 Particulars of Write Offs:	Note	Un-audited	Audited
		June 30, 2020	December 31, 2019
		-----Rupees-----	
Against Provisions		55,554,883	54,535,244
Directly charged to Profit and Loss account		-	-
		<u>55,554,883</u>	<u>54,535,244</u>

11 OPERATING FIXED ASSETS

	Note	Un-audited	Audited
		June 30, 2020	December 31, 2019
Capital work-in-progress	11.1	996,197	996,197
Property and equipment	11.1	167,873,603	176,553,427
Intangible assets	11.1	2,075,248	2,780,974
		<u>170,945,048</u>	<u>180,330,598</u>

11.1 Movement	Note	Un-audited	Un-audited
		June 30, 2020	June 30, 2019
		-----Rupees-----	
Carrying value at the beginning of the period		180,330,598	97,994,443
Effect of adoption of IFRS 16		-	104,871,228
Add: Additions during the period	11.1.1	15,216,982	27,061,195
Less: Transfers from CWIP to tangible assets		-	(11,994,251)
Less: Depreciation / Amortisation for the period		(24,602,532)	(24,684,730)
Carrying value at the end of the period		<u>170,945,048</u>	<u>193,247,885</u>

	Un-audited June 30, 2020	Un-audited June 30, 2019
	-----Rupees-----	
11.1.1 Additions during the period		
Furniture and Fixtures	567,678	2,629,096
Computer Equipment	2,897,285	5,670,035
Leasehold Improvements	207,487	8,986,726
Office & Other Equipment	2,166,010	9,390,338
Vehicles	-	35,000
Intangibles	-	350,000
Right-of-Use asset	9,378,522	-
	<u>15,216,982</u>	<u>27,061,195</u>

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		-----Rupees-----	
12 OTHER ASSETS			
Prepayments for			
- rent		9,045,370	16,489,729
- insurance		2,408,464	3,210,844
- others		7,275,626	1,680,404
Mark-up / return / interest accrued		142,423,910	34,252,214
Receivable from a related party	12.1	2,308,087	2,298,804
Advances to staff		3,438,309	3,338,355
Security deposits		3,054,780	3,254,780
Accrued income on PLS savings account		569,721	1,804,934
Others		397,879	686,832
		<u>170,922,146</u>	<u>67,016,896</u>

12.1 This represents amount receivable from Advans International, a related party, for reimbursement of expenses.

13 DEFERRED TAX ASSET - NET

Deferred tax comprises of deductible timing differences in respect of the following:

	Un-audited June 30, 2020	Audited December 31, 2019
	-----Rupees-----	
Deductible temporary differences arising in respect of		
- Unabsorbed tax depreciation and amortisation	52,113,448	45,232,751
- Property and equipment	103,593	-
- Provision against non-performing loans	6,226,089	5,275,808
	58,443,130	50,508,559
Taxable temporary differences arising due to		
- Property and equipment	-	(1,149,824)
- Intangible assets	(9,731)	(9,571)
	(9,731)	(1,159,395)
	<u>58,433,399</u>	<u>49,349,164</u>

13.1 The Bank has unabsorbed tax loss of Rs 580,903,821 (December 31, 2019: Rs 688,627,355) [including unabsorbed tax depreciation and amortisation amounting to Rs 179,701,547 (December 31, 2019: Rs 170,583,528)] as at June 30, 2020. The management has recognised deferred tax asset of Rs 52,113,448 (December 31, 2019: Rs 45,232,751) on unabsorbed tax depreciation and amortisation losses. The deferred tax asset has been recorded based on the financial projections of the Bank which have been prepared by the management. The financial projections prepared by the management are based on assumptions which are linked to various variable factors such as growth in enterprise loans, expansion in gold-backed loans, microloans, productivity, growth in loan size, effective interest rate etc. expected to be achieved during the next three years.

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	June 30, 2020 (Un-audited)		December 31, 2019 (audited)	
	Number of accounts	Rupees	Number of accounts	Rupees
14 DEPOSITS AND OTHER ACCOUNTS				
Fixed Deposits	583	769,360,063	573	689,276,202
Saving deposits	1,174	166,953,146	1,168	185,936,939
Current deposits	31,074	65,537,567	29,739	78,506,026
	<u>32,831</u>	<u>1,001,850,776</u>	<u>31,480</u>	<u>953,719,167</u>
14.1 Particulars of deposits by ownership				
Individual depositors	32,628	965,650,894	31,286	920,570,594
Institutional depositors				
- Corporation / firms etc.	203	36,199,882	194	33,148,573
- Banks and financial institutions	-	-	-	-
	<u>32,831</u>	<u>1,001,850,776</u>	<u>31,480</u>	<u>953,719,167</u>
		Note	Un-audited June 30, 2020	Audited December 31, 2019
15 BORROWINGS			-----Rupees-----	
Borrowings from Banks / Financial Institutions in Pakistan	15.1 & 15.2		<u>225,000,000</u>	<u>300,000,000</u>
15.1 Details of borrowings from financial institutions				
Secured				
Borrowing from Non-Banking Finance Company (NBFC)	15.2		<u>225,000,000</u>	<u>300,000,000</u>
15.2	During the year 2018, the Bank entered into an agreement with the Pakistan Microfinance Investment Company (PMIC) - NBFC for a term finance facility of Rs. 300 million. The Bank was entitled to obtain this facility during the period from July 1, 2018 till June 30, 2019 as per the agreement. The Bank has availed full facility in four tranches, two of Rs. 50 million each in the year 2018 and two further tranches of Rs. 100 million each in the year 2019. The facility carries mark-up at the rate of average six months KIBOR plus 4 percent (to be set at the start of each quarter). The facility is secured by way of hypothecation of fixed assets of the Bank and demand promissory notes and was initially repayable by September 2020. During the current period, an amendment agreement has been executed and now the bank is required to make payment in three instalments of Rs. 75 million each on March 31, 2021, June 30, 2021 and September 30, 2021.			
		Note	Un-audited June 30, 2020	Audited December 31, 2019
16 OTHER LIABILITIES			-----Rupees-----	
Mark-up / return / interest payable			50,053,792	37,292,525
Accrued expenses			42,819,969	23,667,100
Payable to related parties	16.1		1,870,025	2,675,353
Withholding tax payable			8,351,106	15,063,311
Provident fund payable			1,046,643	907,897
Payable to Employee Old Age Benefit Institution (EOBI)			371,403	397,402
Current taxation (provisions less payments)			1,661,813	1,237,884
Lease liability against right-of-use assets			86,444,642	85,291,305
Others			400	400
			<u>192,619,793</u>	<u>166,533,177</u>
16.1	This includes amounts of Rs 1,870,025 (December 31, 2019: Rs 2,669,026) and Rs Nil (December 31, 2019: Rs 6,327) payable to Advans S.A. Sicar - holding company and FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands respectively.			

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17 SHARE CAPITAL

17.1 Authorised capital

Un-audited June 30, 2020 Number of shares	Audited December 31, 2019 Number of shares		Un-audited June 30, 2020	Audited December 31, 2019
			-----Rupees-----	
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs 10 each	<u>1,500,000,000</u>	<u>1,500,000,000</u>

17.2 Issued, subscribed and paid-up share capital

Un-audited June 30, 2020 Number of shares	Audited December 31, 2019 Number of shares		Un-audited June 30, 2020	Audited December 31, 2019
<u>134,016,310</u>	<u>129,016,310</u>	Ordinary shares of Rs 10 each fully paid in cash	<u>1,340,163,100</u>	<u>1,290,163,100</u>

17.2.1 Share capital has been subscribed by the following:

	Note	Un-audited June 30, 2020 Number of shares	Audited December 31, 2019 Number of shares
Advans S.A. Sicar - Luxembourg	17.3	134,016,309	96,751,309
FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands		-	32,265,000
Claude Falgon - Chairman Advans Pakistan Microfinance Bank Limited		1	1
		<u>134,016,310</u>	<u>129,016,310</u>

17.2.2 Movement in issued, subscribed and paid-up share capital

	June 30, 2020 (un-audited)			December 31, 2019 (audited)			June 30, 2020 (un-audited)	December 31, 2019 (audited)
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- Number of shares -----						----- Rupees -----	
Opening	129,016,310	-	129,016,310	129,016,310	-	129,016,310	1,290,163,100	1,290,163,100
Shares issued during the period	5,000,000	-	5,000,000	-	-	-	50,000,000	-
	<u>134,016,310</u>	<u>-</u>	<u>134,016,310</u>	<u>129,016,310</u>	<u>-</u>	<u>129,016,310</u>	<u>1,340,163,100</u>	<u>1,290,163,100</u>

17.3 This represent shares owned by the holding company and have been deposited in blocked account with the Central Depository Company of Pakistan Limited in terms of BPRD Circular No. 9 of 2009 and under SBP License No. MFI-012 dated June 28, 2012. During the period, Advans S.A Sicar has further acquired 25% shares from FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.) - Netherlands. Subsequent to this acquisition, 99.99% shares of the bank are held by Advans S.A Sicar.

	Un-audited June 30, 2020	Audited December 31, 2019
	-----Rupees-----	
18 DEFERRED GRANT		
Opening balance	714,669	1,149,153
Grant received during the period / year from: State Bank of Pakistan	-	600,000
Grant income recognised during the period / year	-	(1,034,484)
	<u>714,669</u>	<u>714,669</u>

		Un-audited June 30, 2020	Audited December 31, 2019
		-----Rupees-----	
19	MEMORANDUM / OFF BALANCE SHEET ITEMS		
	Bills For Collection	-	-
	Acceptances, Endorsements And Other Obligations Contingent Liabilities	-	-
	Commitments for fixed capital expenditure	-	-
		<u>-</u>	<u>-</u>
19.1	There were no contingencies as at June 30, 2020 and December 31, 2019.		
		Note	Un-audited
		2020	2019
		-----Rupees-----	
20	MARK-UP / RETURN / INTEREST EARNED		
	Interest / mark-up on:		
	Advances	254,920,353	240,284,127
	Government Securities - Market Treasury bills	4,283,521	946,928
	Banks and financial institutions		
	- Deposit accounts	8,314,898	2,007,169
		<u>267,518,772</u>	<u>243,238,224</u>
21	OTHER INCOME		
	Grant income	-	1,034,484
	Recoveries against write-offs	2,747,447	1,619,175
	Recoveries from Credit Guarantee Scheme	997,001	983,972
	Liabilities no longer required written back	506,884	73,779,361
	Others	1,370	70,077
		<u>4,252,702</u>	<u>77,487,069</u>
22	RELATED PARTY TRANSACTIONS		
	Related parties of the Bank comprise of the holding company, associates, group companies, directors, key management personnel and their close family members. Transactions with related parties are carried out as per agreed terms.		
	Transactions with related parties which have not been disclosed elsewhere in these condensed interim financial statements are disclosed below:		
		Note	Un-audited
		2020	2019
		-----Rupees-----	
	Remuneration of key management personnel (including directors)	53,907,195	60,639,365
	Technical support services availed from Advans International	-	10,146,628
23	CASH AND CASH EQUIVALENTS		
	Cash and balances with State Bank of Pakistan and National Bank of Pakistan	90,206,788	85,774,638
	Balances with other banks and microfinance banks in current and deposit accounts	128,793,043	230,578,693
	Market Treasury Bills	199,956,781	98,482,460

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value estimation:

The Bank discloses the financial instruments measured in the balance sheet at fair value in accordance with the following fair value hierarchy that reflects the significance of inputs in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

There were no transfers between levels 1 and 2 during the period.

As at June 30, 2020, the bank does not hold any financial instruments carried at fair value which require classification in the above mentioned levels. However, the carrying values of all financial assets and liabilities reflected in the condensed interim financial statements approximate their fair values as the items are short term in

25 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. There have been no significant reclassification in these condensed interim financial statements except as mentioned below:

Reclassification from	Reclassification to	2019 -----Rupees-----
Mark-up / return / interest	Administrative expenses	6,874,748

26 GENERAL

Figures have been rounded off to the nearest Rupee.

27 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 31 August 2020 by the Board of Directors of the Bank.


Mina



Chief Executive Officer



Chairman



Director



Director