

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2017

	Note	September 30 2017 (Un-Audited)	December 31 2016 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	909,885,187	809,674,643
Balances with other banks/NBFIs/MFBs	7	1,471,759,704	1,248,484,930
Lending to financial institutions		-	-
Investments - net of provisions	8	4,558,525,260	1,885,328,850
Advances - net of provisions	9	13,018,004,374	10,082,263,974
Operating fixed assets		916,135,298	920,847,250
Other assets		1,305,765,558	664,957,569
Deferred tax asset	10	15,798,459	6,407,692
Total assets		22,195,873,840	15,617,964,908
LIABILITIES			
Deposits and other accounts	11	17,089,567,928	11,069,655,852
Borrowings	12	1,089,001,300	1,350,001,756
Subordinated debt		-	-
Other liabilities		932,892,506	765,754,271
Total liabilities		19,111,461,734	13,185,411,879
Net assets		3,084,412,106	2,432,553,029
REPRESENTED BY:			
Share capital		6,348,887,110	6,348,887,110
Discount on issue of shares		(4,089,040,293)	(4,089,040,293)
Statutory reserve		195,022,579	195,022,579
Depositors' protection fund		52,903,072	50,596,128
Accumulated Profit/(loss)		567,379,563	(85,514,244)
		3,075,152,031	2,419,951,280
Surplus on revaluation of fixed assets		-	-
Deferred grants		9,260,075	12,601,749
Total capital		3,084,412,106	2,432,553,029

Memorandum / Off-balance sheet items

The annexed notes from 1 to 16 form an integral part of these financial statements

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

Note	Nine Months Ended		Quarter Ended		
	September 30 2017	September 30 2016	September 30 2017	September 30 2016	
	(Rupees)				
Mark-up / return / interest earned	13	3,435,940,354	2,075,708,797	1,235,798,760	794,576,109
Mark-up / return / interest expensed	14	(872,069,396)	(438,539,370)	(342,316,881)	(173,493,036)
Net mark-up / interest income		2,563,870,958	1,637,169,427	893,481,879	621,083,073
Provision against non-performing loans and advances		(228,312,449)	(99,170,995)	(106,129,023)	(40,868,680)
Provision for diminution in the value of investments		-	-	-	-
Bad Debts written off directly		(27,511,611)	(52,921,371)	(8,634,978)	(9,621,385)
		(255,824,060)	(152,092,366)	(114,764,001)	(50,490,065)
Net mark-up / interest income after provisions		2,308,046,898	1,485,077,061	778,717,879	570,593,008
		-	-	-	-
Non mark-up / non interest income					
Fee, commission and brokerage income	15	385,652,083	206,742,483	123,914,633	78,166,426
Dividend income		-	-	-	-
Other income		104,625,696	87,532,408	69,125,428	19,039,845
Total non mark-up / non interest income		490,277,779	294,274,891	193,040,061	97,206,271
		2,798,324,677	1,779,351,952	971,757,940	667,799,279
		-	-	-	-
Non mark-up / non interest expenses					
Administrative expenses		(1,712,633,813)	(1,287,043,764)	(617,688,028)	(443,846,030)
Other charges		(18,085,362)	(8,452,079)	(7,138,392)	(2,970,950)
Total non mark-up / non interest expenses		(1,730,719,175)	(1,295,495,843)	(624,826,420)	(446,816,980)
Profit before taxation		1,067,605,502	483,856,109	346,931,520	220,982,299
		-	-	-	-
Taxation - Current year		(384,062,170)	(22,824,513)	(122,772,821)	(8,727,425)
Prior years		(40,040,292)	-	(40,040,292)	-
Deferred		9,390,767	(158,617,821)	1,218,939	(68,379,328)
		(414,711,695)	(181,442,334)	(161,594,174)	(77,106,753)
		-	-	-	-
Profit after taxation		652,893,807	302,413,775	185,337,346	143,875,546
Basic and diluted earning per share		1.03	0.48	0.29	0.23

The annexed notes from 1 to 16 form an integral part of these financial statements

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Nine Months Ended		Quarter Ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
	(Rupees)			
Net profit for the period	652,893,807	302,413,775	185,337,346	143,875,546
Other comprehensive income for the year - net of tax				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement of post defined benefit obligation	-	-	-	-
Impact of deferred tax	-	-	-	-
	-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
Total comprehensive income for the period	652,893,807	302,413,775	185,337,346	143,875,546

The annexed notes from 1 to 16 form an integral part of these financial statements

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	September 30 2017 (Un-Audited)	September 30 2016 (Un-Audited)
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,067,605,502	483,856,109
Adjustments for non-cash charges		
Depreciation	73,338,457	58,527,127
Amortisation	34,654,389	26,365,106
Provision against non-performing advances	228,312,449	99,170,995
Provision for diminution in the value of investments/other assets		
(Gain)/Loss on disposal of fixed assets	(40,910,348)	452,333
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(124,982,178)	(34,133,995)
Provision for accumulating compensated absences	-	3,150,000
Deferred grant recognised as income	(3,341,673)	(4,507,930)
Provision for gratuity	33,233,281	17,250,000
	200,304,377	166,273,636
	1,267,909,879	650,129,745
(Increase)/decrease in operating assets		
Lendings to financial institutions	-	(150,000,000)
Advances	(3,164,052,849)	(2,894,225,251)
Others assets	(640,807,989)	(359,224,941)
	(3,804,860,838)	(3,403,450,192)
Increase/(decrease) in operating liabilities		
Bills payable	17,896,115	17,984,164
Borrowings from financial institutions	(261,000,456)	335,003,183
Deposits	6,019,912,076	2,993,377,631
Other liabilities (excluding current taxation & dividend)	22,283,543	260,572,637
	5,799,091,278	3,606,937,615
	3,262,140,319	853,617,168
Gratuity paid	(8,459,198)	(6,005,817)
Income tax paid	(221,973,630)	(12,002,232)
Net cash flow from operating activities	3,031,707,491	835,609,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(1,858,749,300)	-
Net investments in held-to-maturity securities	(689,464,932)	(159,813,855)
Interest income on depositors protection fund	2,306,944	842,154
Dividend income	-	-
Investments in operating fixed assets	(224,250,358)	(150,098,470)
Sale proceeds of property and equipment disposed-off	161,879,812	1,734,365
Net cash flow from investing activities	(2,608,277,834)	(307,335,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt/payments of sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issuance of Share capital	-	-
Dividend paid	(99,944,340)	-
Grant received from donors	-	-
Net cash flow from financing activities	(99,944,340)	-
Increase/(decrease) in cash and cash equivalents	323,485,317	528,273,313
Cash and cash equivalents at beginning of the year	2,058,159,574	766,629,174
Cash and cash equivalents at end of the year	2,381,644,891	1,294,902,487

The annexed notes from 1 to 16 form an integral part of these financial statements

FINCA MICROFINANCE BANK LIMITED
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017**

	Share Capital	Discount on Issue of Shares	Statutory Reserve	Depositors' Protection Fund	Accumulated Profit/(Loss)	Total
(Rupees)						
Balance as at December 31, 2015	6,348,887,110	(4,089,040,293)	68,843,467	17,928,449	(431,381,215)	1,915,237,518
Profit for the year					630,895,558	630,895,558
Other comprehensive income						
Remeasurement of post defined benefit obligation - net of tax					(2,283,807)	(2,283,807)
Total comprehensive income for the year	-	-	-	-	628,611,751	628,611,752
Transfer to statutory reserve	-	-	126,179,112	-	(126,179,112)	-
Transfer to depositors' protection fund	-	-	-	31,544,778	(31,544,778)	-
- return on investments - net of tax	-	-	-	1,122,901	-	1,122,901
Transactions with owners:						
- dividend @ Re. 0.1969 per share	-	-	-	-	(125,020,890)	(125,020,890)
Premium/Discount on issue of shares	-	-	-	-	-	-
Balance as at December 31, 2016	6,348,887,110	(4,089,040,293)	195,022,579	50,596,128	(85,514,244)	2,419,951,280
Profit for the year	-	-	-	-	652,893,807	652,893,807
Other comprehensive income						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	652,893,807	652,893,807
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	2,306,944	-	2,306,944
Transactions with owners:						
- Dividend declared	-	-	-	-	-	-
- Issue of share capital	-	-	-	-	-	-
- interim dividend @ Re. 0.1969 per share	-	-	-	-	-	-
- Advance against issue of shares	-	-	-	-	-	-
Balance at September 30, 2017	6,348,887,110	(4,089,040,293)	195,022,579	52,903,072	567,379,563	3,075,152,031

The annexed notes from 1 to 16 form an integral part of these financial statements

FINCA MICROFINANCE BANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

1 STATUS AND NATURE OF BUSINESS

1.1 FINCA Microfinance Bank Limited, (the Bank) was incorporated on June 26, 2008 as a public limited company under the Companies Ordinance, 1984. The Bank obtained the Microfinance banking license from the State Bank of Pakistan (SBP) on August 12, 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on September 4, 2008 from Securities and Exchange Commission of Pakistan. On October 27, 2008 the Bank received the certificate of commencement of business from SBP.

The Bank's principal business is to provide microfinance services to the poor and under-served segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. The registered office of the Bank is situated at 387E- Johar Town, Lahore, Pakistan. Subsequent to takeover by FINCA International the Bank has changed its name from Kashf Microfinance Bank Limited to FINCA Microfinance Bank Limited with effect from November 25, 2013.

The Bank is licensed to operate nationwide. As at September 30, 2017, the Bank has 106 branches (2016: 105 branches) and no permanent booths (2015: 79) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Sindh and ICT.

1.2 The holding company of the Bank is FINCA Microfinance Cooperatief U.A.,(a cooperative with exclusion of liability incorporated in the Netherlands) The ultimate holding company of the Bank is FINCA International, Inc, a not-for-profit corporation incorporated in the Washington DC, USA.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the requirements of SBP Banking Supervision Department (BSD) Circular number 11 dated December 30, 2003.

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the directives issued by State Bank of Pakistan, the requirements of the Microfinance Institution Ordinance, 2001, the Companies Ordinance, 1984, and the accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretation Committee, of the IASB as adopted in Pakistan.

SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, SECP has deferred applicability of IFRS 7 "Financial Instruments: Disclosures" through its notification S.R.O 411(1) / 2008 dated April 28, 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 / regulations.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain staff retirement benefits which are measured at present value and certain investments which are measured at fair value and amortised cost.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the method of computation adopted in preparation of this condensed interim financial report are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2016.

		September 30	December 31
		2017	2016
		(Rupees)	
6	Cash and balances with SBP and NBP		
	Cash in hand	146,210,351	147,056,414
	Balance with State Bank of Pakistan	684,059,185	551,278,135
	Balance with National Bank of Pakistan in :		
	Deposit account	32,064,422	24,014,414
	Current account	47,551,229	87,325,680
		<u>909,885,187</u>	<u>809,674,643</u>
6.1	This represents the balance maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5 % as cash reserve and 10% as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations.		
		September 30	December 31
		2017	2016
		(Rupees)	
7	Balances with other banks		
	In Pakistan:		
	Saving accounts	1,017,044,894	1,002,522,213
	Deposit accounts	200,000,000	155,000,000
	Current accounts	254,714,810	90,962,717
		<u>1,471,759,704</u>	<u>1,248,484,930</u>

FINCA MICROFINANCE BANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

7.1 These accounts carry mark-up ranging from 0% to 7.25% (2016: 3.5% to 8.0%) per annum.

7.2 These term deposits carry mark-up ranging from 5.25% to 14.15% (2016: 6% to 11.25%) per annum with maturity up to one month.

	Note	September 30 2017	December 31 2016
(Rupees)			
8 Investments-net of provisions			
Federal Govt. Securities:			
Market treasury bills (Held for trading)	8.1	1,319,606,270	-
Pakistan investment bond (Held for Trading)	8.2	539,143,030	-
Market treasury bills (Held to maturity)	8.3	2,699,775,960	1,885,328,850
		<u>4,558,525,260</u>	<u>1,885,328,850</u>

8.1 These carry yield rate ranging between 5.97% to 5.99% per annum and have maturity upto November 09, 2017. These securities have an aggregate face value of Rs. 1,325,000,000

8.2 These carry yield rate 6.80% per annum and have maturity upto October 26, 2017. These securities have an aggregate face value of Rs. 476,800,000.

8.3 These carry yield rate ranging between 5.98% to 6.01% (2016: 5.77% to 6.95%) per annum and have maturity upto March 29, 2018. These securities have an aggregate face value of Rs. 2,750,000,000 (2016: Rs.1,900,000,000)

	Note	2017		2016	
		Number	Rupees	Number	Rupees
9 Advances - net of provisions					
Micro credit advances	9.1	168,424	13,140,975,755	132,880	10,135,920,390
Micro lease		-	-	-	-
Other advances	9.2	857	89,611,139	721	73,208,256
			<u>13,230,586,894</u>		<u>10,209,128,646</u>
Less: Provisions held:					
Specific	9.3	3,846	84,210,549	1,710	29,949,986
General	9.4		128,371,971		96,914,686
			<u>212,582,520</u>		<u>126,864,672</u>
			<u>13,018,004,374</u>		<u>10,082,263,974</u>

9.1 This includes fully secured advances amounting to Rs.309,179,210 (2016: Rs. 487,709,188) whereas the remaining advances are secured by personal guarantees.

9.2 These advances are staff loans and carry markup rate of 5% per annum (2016: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs.4,735,886 (2016: Rs. 5,845,175) at a markup rate of 5% (2016: 5%).

9.3 Particulars of non-performing advances

The total advances of Rs. 287,768,519 (2016: Rs. 114,976,716) placed under non-performing status includes Rs 25,015,445 (2016: Rs. 16,278,010) against secured gold loans:

	2017				
	Number	Amount outstanding		Provision required Rupees	Provision held Rupees
		Rupees	%		
OAEM	1,093	82,434,034	0	-	-
Sub-standard	787	53,981,244	25	11,905,253	11,905,253
Doubtful	1,947	149,267,691	50	70,219,746	70,219,746
Loss	19	2,085,550	100	2,085,550	2,085,550
Total	<u>3,846</u>	<u>287,768,519</u>		<u>84,210,549</u>	<u>84,210,549</u>
	2016				
	Number	Amount outstanding		Provision required Rupees	Provision held Rupees
		Rupees	%		
OAEM	534	36,990,697	0	-	-
Sub-standard	367	23,269,770	25	5,083,301	5,083,301
Doubtful	804	53,936,252	50	24,086,688	24,086,688
Loss	5	779,997	100	779,997	779,997
Total	<u>1,710</u>	<u>114,976,716</u>		<u>29,949,986</u>	<u>29,949,986</u>

9.4 This represents general provision equivalent to 1% (2016: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

FINCA MICROFINANCE BANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

9.5 Particulars of non-performing advances

Movement of provision against non-performing advances is as under:

Note	2017			2016		
	Specific	General	Total	Specific	General	Total
(Rupees).....		(Rupees).....		
Balance as at January 1	29,949,986	96,914,688	126,864,674	14,415,116	45,667,075	60,082,191
Charge for the year	196,855,164	31,457,284	228,312,449	105,502,766	51,247,613	156,750,379
Reversal during the year	-	-	-	-	-	-
Amounts written off	(142,594,601)	-	(142,594,601)	(89,967,896)	-	(89,967,896)
	54,260,563	31,457,284	85,717,848	15,534,870	51,247,613	66,782,483
Balance as at December 31	84,210,549	128,371,972	212,582,522	29,949,986	96,914,688	126,864,674

9.5.1 Particulars of write offs

	Nine Months Ended		Quarter Ended	
	September 30	September 30	September 30	September 30
	2017		2016	
	(Rupees)			
Against provisions		142,594,601	57,438,645	62,498,074
Directly charged to profit and loss account		27,511,612	52,921,371	8,634,979
		170,106,213	110,360,016	71,133,053
				22,316,093
				9,621,384
				31,937,477

10 Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	40,874,139	32,203,210
Accumulated compensated absences	-	-
Deferred tax asset on unused business losses	-	-
Deferred tax asset on unabsorbed depreciation	-	-
	40,874,139	32,203,210

Deferred tax liability in respect of:

Operating fixed assets	25,075,680	25,795,518
	25,075,680	25,795,518
	-	-
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	15,798,459	6,407,692

10.1 The deferred tax asset recognized in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against temporary differences.

11 Deposits

Note	2017		2016	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
Fixed deposits	9,952	12,407,553,397	6,589	7,675,359,202
Saving deposits	111,096	2,856,388,561	106,120	2,041,534,933
Current deposits	486,708	1,825,625,970	350,769	1,352,761,717
	607,756	17,089,567,928	463,478	11,069,655,852

11.1 These represents term deposits having tenure of 1 to 60 months carrying profit rates ranging from 5.25% to 14.15% (2016: 7.95% to 14.20%) per annum. The saving deposit represents accounts carrying interest rates ranging from 5% to 7.5% (2016: 5% to 7.5%) per annum.

FINCA MICROFINANCE BANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	2017		2016	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
11.2 Particulars of deposits by ownership				
1) Individual depositors	607,428	11,809,421,485	462,888	7,704,269,360
2) Institutional depositors				
a) Corporations, firms and other such entities	238	2,523,538,987	538	1,087,424,670
b) Banks and financial institutions	90	2,756,607,456	52	2,277,961,822
	607,756	17,089,567,928	463,478	11,069,655,852
			September 30	December 31
			2017	2016
	Note		(Rupees)	
12 Details of borrowings from financial institutions				
-Running Finance - JS Bank Limited			44,000,000	299,999,996
-Running Finance - NIB Bank Limited			-	150,001,760
-Running Finance - UBL Bank Limited			320,001,100	400,000,000
-Running Finance - FBL Bank Limited			100,000,200	-
-Term Finance - Pak Oman Investment Company Limited			275,000,000	300,000,000
-Term Finance - UBL Limited			200,000,000	200,000,000
-Term Finance - Faysal Bank Limited			150,000,000	-
			1,089,001,300	1,350,001,756
			September 30	September 30
			2017	2016
13 Mark-up / return / interest earned				
Interest / mark-up on advances	3,268,817,262	2,006,696,744	1,157,299,934	763,121,132
Markup earned on investments in government securities	124,982,178	34,133,995	60,019,717	14,784,130
Interest / mark-up on bank accounts	42,140,914	34,878,058	18,479,109	16,670,847
	3,435,940,354	2,075,708,797	1,235,798,760	794,576,109
14 Mark-up / return / interest expensed				
Deposits	831,697,758	419,357,093	328,840,790	164,627,844
Borrowings	40,371,638	19,182,277	13,476,091	8,865,192
	872,069,396	438,539,370	342,316,881	173,493,036
15 Fee, commission and brokerage income				
Loan processing fee	274,460,169	122,209,646	94,240,224	55,439,460
Income on Cheque Book issuance	25,002,452	18,396,184	9,873,150	6,408,600
Others	86,189,462	66,136,653	19,801,259	16,318,366
	385,652,083	206,742,483	123,914,633	78,166,426
16 General				

- Figures have been rounded to the nearest Rupee.

- Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

- Where there are no amounts to be disclosed in the account captions as prescribed by BSD Circular No.11 dated December 30, 2003 issued by SBP in respect of forms of financial statements for Microfinance banks, these captions have not been reproduced in these financial statements.