

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

	Note	June 30 2017 (Un-Audited)	December 31 2016 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	887,363,465	809,674,643
Balances with other banks/NBFIs/MFBs	7	1,745,826,756	1,248,484,930
Lending to financial institutions		-	-
Investments - net of provisions	8	3,665,879,774	1,885,328,850
Advances - net of provisions	9	11,886,686,151	10,082,263,974
Operating fixed assets		958,118,586	920,847,250
Other assets		1,288,873,078	664,957,569
Deferred tax asset	10	14,579,520	6,407,692
Total assets		20,447,327,330	15,617,964,908
LIABILITIES			
Deposits and other accounts	12	15,215,703,323	11,069,655,852
Borrowings		1,079,485,392	1,350,001,756
Subordinated debt		-	-
Other liabilities		1,252,750,765	765,754,271
Total liabilities		17,547,939,480	13,185,411,879
Net assets		2,899,387,850	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		52,110,517	50,596,128
Accumulated loss		382,042,217	(85,514,244)
		2,889,022,130	2,419,951,280
Deferred grants		10,365,720	12,601,749
Total capital		2,899,387,850	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
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Half year ended		Quarter ended	
		June 30 2017	June 30 2016	June 30 2017	June 30 2016
		(Rupees)			
Mark-up / return / interest earned	13	2,200,141,593	1,281,132,688	1,128,208,827	676,119,000
Mark-up / return / interest expensed	14	(529,752,515)	(265,046,334)	(289,526,730)	(137,163,492)
Net mark-up / interest income		1,670,389,078	1,016,086,354	838,682,097	538,955,508
Provision against non-performing loans and advances		(122,183,426)	(58,302,315)	(65,064,990)	(31,714,192)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(18,876,633)	(43,299,986)	(5,959,727)	(11,490,281)
Net mark-up / interest income after provisions		1,529,329,019	914,484,053	767,657,380	495,751,035
Non mark-up / non interest income					
Fee, commission and brokerage income	15	261,737,450	128,576,057	136,525,176	78,466,288
Dividend income		-	-	-	-
Other income		35,500,268	68,492,563	16,150,418	15,508,001
Total non mark-up / non interest income		297,237,718	197,068,620	152,675,594	93,974,289
		1,826,566,737	1,111,552,673	920,332,974	589,725,324
Non mark-up / non interest expenses					
Administrative expenses		(1,094,945,785)	(843,197,734)	(552,486,013)	(442,073,858)
Other charges		(10,946,970)	(5,481,129)	(6,683,782)	(2,943,019)
Total non mark-up / non interest expenses		(1,105,892,755)	(848,678,863)	(559,169,795)	(445,016,877)
Profit / (Loss) before taxation		720,673,982	262,873,810	361,163,179	144,708,447
Taxation - Current year		(261,289,349)	(14,097,088)	(129,077,877)	(7,545,853)
Prior years		-	-	-	-
Deferred		8,171,828	(90,238,493)	1,850,396	(57,197,999)
		(253,117,521)	(104,335,581)	(127,227,481)	(64,743,852)
Profit / (Loss) after taxation		467,556,461	158,538,229	233,935,698	79,964,595
Earning per share		0.74	0.25	0.37	0.13

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

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

	Half year ended		Quarter ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
	(Rupees)			
Net profit for the period	467,556,461	158,538,229	233,935,698	79,964,595
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 year	467,556,461	158,538,229	233,935,698	79,964,595

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

FINCA MICROFINANCE BANK LIMITED
INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Note	June 30 2017	June 30 2016
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	720,673,982	262,873,810
Less : Dividend income	-	-
	720,673,982	262,873,810
Adjustments for non-cash charges		
Depreciation	47,513,223	37,928,705
Amortisation	22,713,011	16,981,562
Provision against non-performing advances	122,183,426	58,302,317
Provision for diminution in the value of investments/other assets	-	-
Loss on disposal of fixed assets	1,383,926	79,089
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(64,962,461)	(19,349,865)
Provision for accumulating compensated absences	-	2,100,000
Deferred grant recognised as income	(2,236,029)	(3,152,679)
Provision for gratuity	22,155,521	11,500,000
	148,750,617	104,389,129
	869,424,599	367,262,939
(Increase)/decrease in operating assets		
Lending to financial institutions	-	-
Advances	(1,926,605,603)	(1,830,343,047)
Others assets (excluding advance taxation)	(366,255,395)	(137,248,151)
	(2,292,860,998)	(1,967,591,198)
Increase/(decrease) in operating liabilities		
Bills payable	43,852,006	511,573,594
Borrowings from financial institutions	(270,516,364)	335,001,135
Deposits	4,146,047,471	1,384,790,911
Other liabilities	561,089,337	165,162,803
	4,480,472,450	2,396,528,443
	3,057,036,051	796,200,184
Gratuity paid	(2,955,410)	(5,308,039)
Income tax paid	(656,094,423)	(7,675,014)
Net cash flow from operating activities	2,397,986,218	783,217,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(148,149,024)	-
Net investments in held-to-maturity securities	(1,567,439,439)	413,553,065
Interest income on depositors protection fund	1,514,389	565,634
Dividend income	-	-
Investments in operating fixed assets	(118,317,985)	(92,318,644)
Sale proceeds of property and equipment disposed-off	9,436,488	292,316
Net cash flow from investing activities	(1,822,955,571)	322,092,371
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt/payments of sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issuance of Share capital	-	-
Dividend paid	-	-
Advance against issue of shares	-	-
Grant received from donors	-	-
Net cash flow from financing activities	-	-
Increase/(decrease) in cash and cash equivalents	575,030,647	1,105,309,502
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	2,633,190,221	1,871,938,676

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

FINCA MICROFINANCE BANK LIMITED

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 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 (Audited)	6,348,887,110	(4,089,040,293)	68,843,467	17,928,449	(431,381,215)	1,915,237,518
Total comprehensive loss for the period ended June 30, 2016	-	-	-	-	158,538,229	158,538,229
Other comprehensive income - (net of tax)	-	-	-	-	-	-
	-	-	-	-	158,538,229	158,538,229
Transfer to depositors' protection fund						
- return on investments - net of tax	-	-	-	565,634	-	565,634
Balance as at June 30, 2016 (Un-Audited)	<u>6,348,887,110</u>	<u>(4,089,040,293)</u>	<u>68,843,467</u>	<u>18,494,083</u>	<u>(272,842,985)</u>	<u>2,074,341,381</u>
Balance as at December 31, 2016 (Audited)	6,348,887,110	(4,089,040,293)	195,022,579	50,596,128	(85,514,244)	2,419,951,280
Total comprehensive loss for the period ended June 30, 2017	-	-	-	-	467,556,461	467,556,461
Other comprehensive income - (net of tax)	-	-	-	-	-	-
	-	-	-	-	467,556,461	467,556,461
Transfer to depositors' protection fund						
- return on investments - net of tax	-	-	-	1,514,389	-	1,514,389
Balance as at June 30, 2017	<u><u>6,348,887,110</u></u>	<u><u>(4,089,040,293)</u></u>	<u><u>195,022,579</u></u>	<u><u>52,110,517</u></u>	<u><u>382,042,217</u></u>	<u><u>2,889,022,130</u></u>

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

FINCA MICROFINANCE BANK LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2017 (UN-AUDITED)

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 received the license to operate the company for banking business 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 during the year with effect from November 25, 2013.

The Bank is licensed to operate nationwide. As at June 30, 2017, the Bank has 105 branches (June 30, 2016: 100 branches), Nil permanent booths (KIOSKs) (June 30, 2016: Nil) and Nil sales and service centres (2016: Nil) operating in the provinces of Punjab, Khyber Pakhtunkhwa and Sindh.

- 1.2 The holding company of the Bank is FINCA Microfinance Cooperatief U.A., (a cooperative with exclusion of liability incorporated in the Netherland) 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 These Interim Condensed financial statements have been prepared under the historical cost convention except certain investments which are measured at fair value and amortised cost.
- 4.2 These Interim Condensed 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.

	Note	June 30	December 31
		2017	2016
		(Un-Audited)	(Audited)
		(Rupees)	
6. Cash and balances with SBP and NBP			
Cash in hand		218,805,496	147,056,414
Balance with State Bank of Pakistan	6.1	590,742,513	551,278,135
Balance with National Bank of Pakistan in :			
Deposit account	6.1	2,126,977	24,014,414
Current account	6.1	75,688,479	87,325,680
		<u>887,363,465</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.

	Note	June 30	December 31
		2017	2016
		(Un-Audited)	(Audited)
		(Rupees)	
7. Balances with other banks			
In Pakistan:			
Saving accounts	7.1	1,625,932,045	1,002,522,213
Deposit accounts	7.2	-	155,000,000
Current accounts		119,894,711	90,962,717
		<u>1,745,826,756</u>	<u>1,248,484,930</u>

- 7.1 These accounts carry mark-up ranging from 3% to 6.25% (2016: 3.5% to 8%) per annum.
- 7.2 These term deposits carry mark-up ranging from Nil (2016: 6% to 11.25%) per annum with maturity up to one month.

8. Investments-net of provisions

Federal Govt. Securities:

Market treasury bills (Held for trading)			148,149,024	-
Pakistan investment bond (Held to maturity)			-	-
Market treasury bills (Held to maturity)	8.1		<u>3,517,730,750</u>	<u>1,885,328,850</u>
			<u>3,665,879,774</u>	<u>1,885,328,850</u>

- 8.1 These carry yield rate ranging between 5.88% to 6.01% per annum and have maturity upto September 28, 2018. These securities have an aggregate face value of Rs. 3,700,000,000 (2016: 1,900,000,000).

	Note	2017 (Un-Audited)		2016 (Audited)	
		Number	(Rupees)	Number	(Rupees)
9. Advances					
Micro credit advances	9.1	155,315	11,966,767,260	132,880	10,135,920,390
Micro lease		-	-	-	-
Other advances	9.2	829	88,870,462	721	73,208,256
			<u>12,055,637,722</u>		<u>10,209,128,646</u>
Less: Provisions held:					
Specific	9.3	3,090	52,591,682	1,710	29,949,986
General	9.4		116,359,889		96,914,686
			<u>168,951,571</u>		<u>126,864,672</u>
			<u>11,886,686,151</u>		<u>10,082,263,974</u>

- 9.1 This includes fully secured advances amounting to Rs.367,057,091 (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. 5,718,037 (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. 262,099,985 (2016: Rs. 114,976,716) placed under non-performing status includes Rs 38,647,515 (2016: Rs. 16,278,010) against secured gold loans:

	2017				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	1,373	104,449,711	0	-	-
Sub-standard	810	60,997,277	25	13,029,541	13,029,541
Doubtful	1,445	96,236,471	50	39,145,615	39,145,615
Loss	13	416,526	100	416,526	416,526
Total	<u>3,641</u>	<u>262,099,985</u>		<u>52,591,682</u>	<u>52,591,682</u>
	2016				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (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.

9.5 Particulars of non-performing advances

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

Note	2017			2016		
	Specific	General (Rupees)	Total	Specific	General (Rupees)	Total
Opening balance	29,949,985	96,914,687	126,864,672	14,415,115	45,667,075	60,082,190
Charge for the year	102,738,224	19,445,202	122,183,427	105,502,766	51,247,612	156,750,378
Reversal during the year	-	-	-	-	-	-
Amounts written off	(80,096,527)	-	(80,096,527)	(89,967,896)	-	(89,967,896)
	22,641,697	19,445,202	42,086,900	15,534,870	51,247,612	66,782,482
Closing balance	52,591,682	116,359,889	168,951,572	29,949,985	96,914,687	126,864,672

Note	June 30 2017 (Un-Audited)	December 31 2016 (Audited)
	(Rupees)	
9.5.1 Particulars of write offs		
Against provisions	80,096,527	89,967,896
Directly charged to profit and loss account	18,876,633	62,460,438
	98,973,160	152,428,334

10. Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	38,923,248	32,203,210
Accumulated compensated absences	-	-
Deferred tax asset on unused business losses	-	-
Deferred tax asset on unabsorbed depreciation	-	-
	38,923,248	32,203,210

Deferred tax liability in respect of:

Operating fixed assets	23,526,858	25,795,518
	23,526,858	25,795,518
Adjustment	816,870	
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	14,579,520	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.

Management has prepared strategic development plan of the Bank for five years using assumptions which are linked to various variable factors such as the economic outlook of the country, investment growth, interest rate movements, expansion in depositors / advances portfolio etc.

11. Deposits

Note	2017		2016		
	(Un-Audited)		(Audited)		
	Number of accounts	(Rupees)	Number of accounts	(Rupees)	
Fixed deposits	11.1	8,715	10,529,065,651	6,589	7,675,359,202
Saving deposits	11.1	109,538	2,803,517,106	106,120	2,041,534,933
Current deposits		422,500	1,883,120,566	350,769	1,352,761,717
		540,753	15,215,703,323	463,478	11,069,655,852

11.1 These are term deposits with tenure of 1 to 60 months & 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 0% to 7.5% (2016: 5% to 7.5%) per annum.

	2017		2016	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)
11.2 Particulars of deposits by ownership				
1) Individual depositors	540,432	9,871,906,883	462,888	7,704,269,360
2) Institutional depositors				
a) Corporations, firms and other such entities	220	2,429,270,856	538	1,087,424,670
b) Banks and financial institutions	101	2,914,525,586	52	2,277,961,822
	540,753	15,215,703,325	463,478	11,069,655,852
			June 30	December 31
			2017	2016
	Note		(Rupees)	
12. Borrowing from banks/financial institutions in Pakistan				
-Running Finance - JS Bank Limited			-	299,999,996
-Running Finance - NIB Bank Limited			-	150,001,760
-Running Finance - UBL Bank Limited			319,483,292.00	400,000,000
-Running Finance - FBL Bank Limited			110,002,100.00	-
-Term Finance - Pak Oman Investment Company Limited			300,000,000	300,000,000
-Term Finance - UBL Limited			200,000,000	200,000,000
-Term Finance - Faysal Bank Limited			150,000,000	-
			1,079,485,392	1,350,001,756
			Half year ended	Quarter ended
	June 30	June 30	June 30	June 30
	2017	2016	2017	2016
	(Un-Audited)			
	(Rupees)			
13. Mark-up / return / interest earned				
Interest / mark-up on advances	2,111,517,328	1,243,575,612	1,075,929,570	657,414,566
Markup earned on investments in government securities	64,962,461	19,349,865	37,132,919	7,728,459
Interest / mark-up on bank accounts	23,661,805	18,207,211	15,146,342	10,975,975
	2,200,141,594	1,281,132,688	1,128,208,831	676,119,000
14. Mark-up / return / interest expensed				
Deposits	502,856,968	254,729,249	275,377,594	129,030,154
Borrowings	26,895,547	10,317,085	14,149,136	5,156,366
	529,752,515	265,046,334	289,526,730	134,186,520
15. Fee, commission and brokerage income				
Loan processing fee	180,219,945	66,770,186	89,147,503	54,306,326
Income on Cheque Book issuance	15,129,302	11,987,584	7,051,714	6,388,184
Others	66,388,203	49,818,287	40,325,959	17,771,778
	261,737,450	128,576,057	136,525,176	78,466,288
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.