

FINCA MICROFINANCE BANK LIMITED
INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2018

	Note	September 30 2018 (Un-Audited)	December 31 2017 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	2,016,357,987	976,428,755
Balances with other banks/NBFIs/MFBs	7	1,397,975,936	1,556,694,589
Lending to financial institutions		-	-
Investments - net of provisions	8	4,572,730,327	5,209,160,227
Advances - net of provisions	9	18,316,081,996	14,863,341,016
Operating fixed assets		1,336,900,767	1,220,665,974
Other assets		2,161,151,377	1,306,807,645
Deferred tax asset	10	19,124,131	8,786,704
Total assets		29,820,322,521	25,141,884,910
LIABILITIES			
Deposits and other accounts	11	22,039,489,680	19,183,925,717
Borrowings	12	2,780,362,290	1,668,981,702
Subordinated debt		-	-
Other liabilities		999,418,292	1,005,746,247
Total liabilities		25,819,270,262	21,858,653,666
Net assets		4,001,052,259	3,283,231,244
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		365,982,212	365,982,212
Depositors' protection fund		101,127,265	96,448,556
Accumulated loss		1,274,095,965	552,799,227
		4,001,052,259	3,275,076,812
Deferred grants		-	8,154,432
Total capital		4,001,052,259	3,283,231,244

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 PERIOD ENDED SEPTEMBER 30, 2018

	Note	Nine Months ended (Un-Audited)		Quarter ended (Un-Audited)	
		Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
		(Rupees)			
Mark-up / return / interest earned	13	4,718,288,911	3,435,940,354	1,699,901,895	1,235,798,760
Mark-up / return / interest expensed	14	(1,305,042,165)	(872,069,396)	(474,228,236)	(342,316,881)
Net mark-up / interest income		3,413,246,746	2,563,870,958	1,225,673,659	893,481,879
Provision against non-performing loans and advances		(290,619,249)	(228,312,449)	(123,180,727)	(106,129,023)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(9,527,486)	(27,511,611)	(524,931)	(8,634,978)
		(300,146,735)	(255,824,060)	(123,705,658)	(114,764,001)
Net mark-up / interest income after provisions		3,113,100,011	2,308,046,898	1,101,968,001	778,717,878
Non mark-up / non interest income					
Fee, commission and brokerage income	15	443,451,619	385,652,083	155,769,805	123,914,633
Dividend income		-	-	-	-
Other income		90,677,992	104,625,696	43,872,874	69,125,428
Total non mark-up / non interest income		534,129,611	490,277,779	199,642,679	193,040,061
		3,647,229,622	2,798,324,677	1,301,610,680	971,757,939
Non mark-up / non interest expenses					
Administrative expenses		(2,462,974,372)	(1,712,633,813)	(862,397,731)	(617,688,028)
Other charges		(28,365,635)	(18,085,362)	(9,137,038)	(7,138,392)
Total non mark-up / non interest expenses		(2,491,340,007)	(1,730,719,175)	(871,534,769)	(624,826,420)
Profit / (Loss) before taxation		1,155,889,615	1,067,605,502	430,075,911	346,931,519
Taxation - Current year		(444,930,303)	(384,062,170)	(167,508,027)	(122,772,821)
Prior years		-	(40,040,292)	-	(40,040,292)
Deferred		10,337,426	9,390,767	(2,352,765)	1,218,939
		(434,592,877)	(414,711,695)	(169,860,792)	(161,594,174)
Profit / (Loss) after taxation		721,296,738	652,893,807	260,215,119	185,337,345
Earning per share		1.14	1.03	0.41	0.29

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 PERIOD ENDED SEPTEMBER 30, 2018

	Nine months ended		Quarter ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2018	2017	2018	2017
	Un-Audited	Un-Audited	Un-Audited	Un-Audited
	(Rupees)			
Net profit for the period	721,296,738	652,893,807	260,215,119	185,337,345
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	721,296,738	652,893,807	260,215,119	185,337,345

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 PERIOD ENDED SEPTEMBER 30, 2018

	Sep 30 2018 Un-Audited	Sep 30 2017 Un-Audited
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	1,155,889,615	1,067,605,502
Less : Dividend income	-	-
	1,155,889,615	1,067,605,502
Adjustments for non-cash charges		
Depreciation	114,159,538	73,338,457
Amortisation	48,967,740	34,654,389
Provision against non-performing advances	290,619,249	228,312,449
Provision for diminution in the value of investments/other assets	-	-
Loss on disposal of fixed assets	2,323,562	(40,910,348)
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(237,919,791)	(124,982,178)
Provision for accumulating compensated absences	-	-
Deferred grant recognised as income	(8,516,106)	(3,341,673)
Provision for gratuity	47,773,541	33,233,281
	257,407,733	200,304,377
	1,413,297,348	1,267,909,879
(Increase)/decrease in operating assets		
Lending to financial institutions	-	-
Advances	(3,743,360,229)	(3,164,052,849)
Others assets (excluding advance taxation)	(854,343,732)	(640,807,989)
	(4,597,703,961)	(3,804,860,838)
Increase/(decrease) in operating liabilities		
Bills payable	(4,493,458)	17,896,115
Borrowings from financial institutions	1,111,380,588	(261,000,456)
Deposits	2,855,563,963	6,019,912,076
Other liabilities	(148,508,059)	22,283,543
	3,813,943,034	5,799,091,278
	629,536,421	3,262,140,319
Gratuity paid	(7,847,401)	(8,459,198)
Income tax paid	(337,821,208)	(221,973,630)
Net cash flow from operating activities	283,867,812	3,031,707,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(150,000,000)	(1,858,749,300)
Net investments in held-to-maturity securities	1,024,349,691	(689,464,932)
Interest income on depositors protection fund	4,678,709	2,306,944
Dividend income	-	-
Investments in operating fixed assets	(288,488,465)	(224,250,358)
Sale proceeds of property and equipment disposed-off	6,802,832	161,879,812
Net cash flow from investing activities	597,342,767	(2,608,277,834)
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)
Advance against issue of shares	-	-
Grant received from donors	-	-
Net cash flow from financing activities	-	(99,944,340)
Increase/(decrease) in cash and cash equivalents	881,210,579	323,485,317
Cash and cash equivalents at beginning of the year	2,533,123,344	2,058,159,574
Cash and cash equivalents at end of the year	3,414,333,923	2,381,644,891

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 PERIOD ENDED SEPTEMBER 30, 2018

	Share Capital	Discount on Issue of Shares	Statutory Reserve	Depositors' Protection Fund	Accumulated Profit/(Loss)	Total
	(Rupees)					
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					854,798,164	854,798,164
Other comprehensive income						
Remeasurement of post defined benefit obligation - net of tax					(2,785,152)	(2,785,152)
Total comprehensive income for the year	-	-	-	-	852,013,012	852,013,012
Transfer to statutory reserve	-	-	170,959,633	-	(170,959,633)	-
Transfer to depositors' protection fund	-	-	-	42,739,908	(42,739,908)	-
- return on investments - net of tax	-	-	-	3,112,520	-	3,112,520
Balance as at December 31, 2017	6,348,887,110	(4,089,040,293)	365,982,212	96,448,556	552,799,227	3,275,076,812
Profit for the year	-	-	-	-	721,296,738	721,296,738
Other comprehensive income	-	-	-	-	-	-
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	721,296,738	721,296,738
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	4,678,709	-	4,678,709
Balance at September 30, 2018	6,348,887,110	(4,089,040,293)	365,982,212	101,127,265	1,274,095,965	4,001,052,259

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

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED SEPTEMBER 30, 2018 (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 Sep 30, 2018, the Bank has 120 branches (Sep 30, 2017: 106 branches), Nil permanent booths (KIOSKS) (Sep 30, 2017: Nil) and Nil sales and service centres (2017: Nil) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Azad Kashmir and Gilgit Baltistan.

- 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 Act, 2017, 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 2017.

	Note	September 30	December 31
		2018	2017
		(Un-Audited)	(Audited)
		(Rupees)	
6. Cash and balances with SBP and NBP			
Cash in hand		235,095,990	194,942,643
Balance with State Bank of Pakistan	6.1	556,009,851	719,507,920
Balance with National Bank of Pakistan in :			
Deposit account	6.1	944,269,401	36,413,602
Current account	6.1	280,982,745	25,564,590
		<u>2,016,357,987</u>	<u>976,428,755</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	September 30	December 31
		2018	2017
		(Un-Audited)	(Audited)
		(Rupees)	
7. Balances with other banks			
In Pakistan:			
Saving accounts	7.1	1,143,710,524	1,242,533,864
Deposit accounts		-	200,000,000
Current accounts		254,265,412	114,160,725
		<u>1,397,975,936</u>	<u>1,556,694,589</u>

7.1 These accounts carry mark-up ranging from 3.75% to 7.80% (2017: 3.75% to 7.50%) per annum.

8. Investments-net of provisions

	September 30 2018 (Un-Audited)	December 31 2017 (Audited)
	(Rupees)	
Federal Govt. Securities:		
Market treasury bills (Held for trading)	2,391,491,077	2,241,491,077
Pakistan investment bond (Held to maturity)	-	-
Market treasury bills (Held to maturity)	8.1	2,967,669,150
	<u>2,181,239,250</u>	<u>5,209,160,227</u>
	<u>4,572,730,327</u>	<u>5,209,160,227</u>

8.1 These carry yield rate ranging between 5.9910% to 7.78% per annum (2017: 5.88% to 6.01%) and have maturity upto 6 December, 2018. These securities have an aggregate face value of Rs. 4,600,000,000 (2017: 5,250,000,000).

	Note	September 30, 2018 (Un-Audited)		December 31, 2017 (Audited)	
		Number	(Rupees)	Number	(Rupees)
9. Advances					
Micro credit advances	9.1	219,459	18,481,368,254	184,680	15,012,700,354
Micro lease		-	-	-	-
Other advances	9.2	1,103	123,462,251	918	97,943,961
			<u>18,604,830,505</u>		<u>15,110,644,315</u>
Less: Provisions held:					
Specific	9.3	4,338	97,531,473	2,698	79,914,526
General	9.4		191,217,036		167,388,773
			<u>288,748,509</u>		<u>247,303,299</u>
			<u>18,316,081,996</u>		<u>14,863,341,016</u>

9.1 This includes fully secured advances amounting to Rs. 385,595,410 (2017: Rs. 291,852,698) whereas the remaining advances are secured by personal guarantees.

9.2 These advances are staff loans and carry markup rate of 5% per annum (2017: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs. 6,867,850 (2017: Rs. 5,875,082) at a markup rate of 5% (2017: 5%).

9.3 Particulars of non-performing advances

The total advances of Rs. 302,453,708 (2017: Rs. 224,155,004) placed under non-performing status includes Rs 10,888,310 (2017: Rs. 15,108,036) against secured gold loans:

	September 30, 2018 (Un-Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	1,132	69,263,045	0	-	-
Sub-standard	947	66,907,166	25	16,184,957	16,184,957
Doubtful	2,246	165,808,435	50	80,871,454	80,871,454
Loss	13	475,062	100	475,062	475,062
Total	<u>4,338</u>	<u>302,453,708</u>		<u>97,531,473</u>	<u>97,531,473</u>
	December 31, 2017 (Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	718	59,109,701	0	-	-
Sub-standard	413	33,009,025	25	7,368,672	7,368,672
Doubtful	1,394	111,871,933	50	52,381,509	52,381,509
Loss	173	20,164,345	100	20,164,345	20,164,345
Total	<u>2,698</u>	<u>224,155,004</u>		<u>79,914,526</u>	<u>79,914,526</u>

9.4 This represents general provision equivalent to 1% (2017: 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	September 30, 2018 (Un-Audited)			December 31, 2017 (Audited)		
	Specific	General (Rupees)	Total	Specific	General (Rupees)	Total
Opening balance	79,914,526	167,388,773	247,303,299	29,949,986	96,914,686	126,864,672
Charge for the year	266,790,983	23,828,263	290,619,246	308,338,823	70,474,087	378,812,910
Reversal during the year			-	-	-	-
Amounts written off	(249,174,036)	-	(249,174,036)	(258,374,283)	-	(258,374,283)
	17,616,947	23,828,263	41,445,210	49,964,540	70,474,087	120,438,627
Closing balance	97,531,473	191,217,036	288,748,509	79,914,526	167,388,773	247,303,299

9.5.1 Particulars of write offs

	September 30 2018 (Un-Audited) (Rupees)	December 31 2017 (Audited) (Rupees)
Against provisions	249,174,036	258,374,283
Directly charged to profit and loss account	9,527,486	27,781,711
	<u>258,701,522</u>	<u>286,155,994</u>

10. Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	59,148,041	45,173,890
Accumulated compensated absences	-	-
Deferred tax asset on unused business losses	-	-
Deferred tax asset on unabsorbed depreciation	-	-
	<u>59,148,041</u>	<u>45,173,890</u>

Deferred tax liability in respect of:

Operating fixed assets	40,023,910	36,272,779
	<u>40,023,910</u>	<u>36,272,779</u>
Adjustment	-	114,407
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	<u>19,124,131</u>	<u>8,786,704</u>

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	September 30, 2018		December 31, 2017	
	Number of accounts	(Rupees) (Un-Audited)	Number of accounts	(Rupees) (Audited)
Fixed deposits	11.1	13,343 14,894,407,473	11,070	13,466,983,576
Saving deposits	11.1	115,409 5,435,058,560	112,505	3,606,137,037
Current deposits		837,150 1,710,023,647	575,063	2,110,805,104
		<u>965,902 22,039,489,680</u>	<u>698,638</u>	<u>19,183,925,717</u>

11.1 These are term deposits with tenure of 1 to 60 months & profit rates ranging from 5.25% to 13% (2017: 7.60% to 12%) per annum. The saving deposit represents accounts carrying interest rates ranging from 0% to 7.25% (2017: 0% to 7.5%) per annum.

	September 30, 2018		December 31, 2017	
	(Un-Audited)		(Audited)	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)
11.2 Particulars of deposits by ownership				
1) Individual depositors	965,322	17,380,768,736	698,314	13,723,433,103
2) Institutional depositors				
a) Corporations, firms and other such entities	507	2,241,671,636	228	2,570,919,693
b) Banks and financial institutions	73	2,417,049,308	96	2,889,572,921
	965,902	22,039,489,680	698,638	19,183,925,717
			September 30	December 31
			2018	2017
			Un-Audited	(Audited)
			(Rupees)	
12. Borrowing from banks/financial institutions in Pakistan				
-Running Finance - JS Bank Limited			-	25,000,000
-Running Finance - National Bank of Pakistan			50,000,140	-
-Running Finance - UBL Bank Limited			350,000,000	398,981,502
-Running Finance - FBL Bank Limited			312,910,746	145,000,200
-Running Finance - Allied Bank Limited			98,701,404	-
-Term Finance - Pak Oman Investment Company Limited			175,000,000	250,000,000
-Term Finance - UBL Limited			-	200,000,000
-Term Finance - Faysal Bank Limited			93,750,000	150,000,000
-Term Finance - Allied Bank Limited			200,000,000	-
-Term Finance - National Bank of Pakistan			1,000,000,000	-
-TFC-MCB/UBL/JS (1.5b)			500,000,000	500,000,000
			2,780,362,290	1,668,981,702
			Nine months ended	Quarter ended
	Sep 30	Sep 30	Sep 30	Sep 30
	2018	2017	2018	2017
			(Un-Audited)	
			(Rupees)	
13. Mark-up / return / interest earned				
Interest / mark-up on advances	4,431,684,400	3,268,817,262	1,596,152,847	1,157,299,934
Markup earned on investments in government securities	237,919,791	124,982,178	91,366,451	60,019,717
Interest / mark-up on bank accounts	48,684,720	42,140,914	12,382,597	18,479,109
	4,718,288,911	3,435,940,354	1,699,901,895	1,235,798,760
14. Mark-up / return / interest expensed				
Deposits	1,234,327,441	831,697,758	446,762,919	328,840,790
Borrowings	70,714,724	40,371,638	27,465,317	13,476,091
	1,305,042,165	872,069,396	474,228,236	342,316,881
15. Fee, commission and brokerage income				
Loan processing fee	362,877,248	274,460,169	147,304,257	94,240,224
Income on Cheque Book issuance	31,257,138	25,002,452	10,844,860	9,873,150
Others	49,317,233	86,189,462	(2,379,312)	19,801,259
	443,451,619	385,652,083	155,769,805	123,914,633
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.