

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2017

	Note	March 31 2017 (Un-audited)	December 31 2016 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	748,495,606	809,674,643
Balances with other banks/NBFIs/MFBs	7	912,313,631	1,248,484,930
Lending to financial institutions		-	-
Investments - net of provisions	8	2,062,449,200	1,885,328,850
Advances - net of provisions	9	11,560,425,194	10,082,263,974
Operating fixed assets		911,937,495	920,847,250
Other assets		1,107,122,518	664,957,569
Deferred tax asset		12,729,133	6,407,692
Total assets		17,315,472,777	15,617,964,908
LIABILITIES			
Deposits and other accounts	10	12,481,456,066	11,069,655,852
Borrowings		1,162,082,408	1,350,001,756
Subordinated debt		-	-
Other liabilities		1,005,785,307	765,754,271
Total liabilities		14,649,323,781	13,185,411,879
Net assets		2,666,148,996	2,432,553,029
REPRESENTED BY:			
Share capital	11	6,348,887,110	6,348,887,110
Discount on issue of shares		(4,089,040,293)	(4,089,040,293)
Statutory reserve		195,022,584	195,022,579
Depositors' protection fund		51,340,036	50,596,128
Accumulated loss		148,106,521	(85,514,244)
		2,654,315,958	2,419,951,280
Deferred grants		11,833,038	12,601,749
Total capital		2,666,148,996	2,432,553,029

Memorandum / Off-balance sheet items

The annexed notes from 1 to 13 form an integral part of these financial statements

Chief Executive Officer

Chairperson

Director

Director

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017

	March 31 2017	March 31 2016
Note	(Un-audited)	(Un-audited)
	(Rupees)	
Mark-up / return / interest earned	1,071,932,763	605,013,688
Mark-up / return / interest expensed	<u>(240,225,785)</u>	<u>(127,882,842)</u>
Net mark-up / interest income	831,706,978	477,130,846
Provision against non-performing loans and advances	<u>(57,118,436)</u>	<u>(26,588,123)</u>
Provision for diminution in the value of investments	-	-
Bad written off directly	<u>(12,916,906)</u>	<u>(31,809,705)</u>
	<u>(70,035,342)</u>	<u>(58,397,828)</u>
Net mark-up / interest income after provisions	761,671,636	418,733,018
Non mark-up / non interest income		
Fee, commission and brokerage income	<u>125,213,374</u>	50,109,769
Dividend income	-	-
Other income	<u>19,348,752</u>	52,984,562
Total non mark-up / non interest income	<u>144,562,126</u>	103,094,331
	906,233,762	521,827,349
Non mark-up / non interest expenses		
Administrative expenses	<u>(542,633,967)</u>	<u>(401,123,876)</u>
Other charges	<u>(4,088,992)</u>	<u>(2,538,110)</u>
Total non mark-up / non interest expenses	<u>(546,722,959)</u>	<u>(403,661,986)</u>
Profit before taxation	359,510,803	118,165,363
Taxation - Current year	<u>(132,211,478)</u>	<u>(6,551,235)</u>
Prior years	-	-
Deferred	<u>6,321,441</u>	<u>(33,040,494)</u>
	<u>(125,890,037)</u>	<u>(39,591,729)</u>
Profit after taxation	<u>233,620,766</u>	<u>78,573,634</u>
Earning per share	<u>0.37</u>	<u>0.12</u>

The annexed notes from 1 to 13 form an integral part of these financial statements

Chief Executive Officer

Chairperson

Director

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017

	March 31 2017	March 31 2016
	(Un-audited)	(Un-audited)
	(Rupees)	
Profit after tax	233,620,766	78,573,634
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	233,620,766	78,573,634

The annexed notes from 1 to 13 form an integral part of these financial statements

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017

Note	March 31 2017 (Un-audited)	March 31 2016 (Un-audited)
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	359,510,803	118,165,363
Adjustments for non-cash charges		
Depreciation	23,143,599	18,307,181
Amortisation	11,170,713	8,195,445
Provision against non-performing advances	57,118,436	26,588,123
Provision for diminution in the value of investments/other assets		-
Loss on disposal of fixed assets	706,279	(22,358)
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(27,829,542)	(11,621,406)
Provision for accumulating compensated absences	-	700,000
Deferred grant recognised as income	(1,130,385)	(1,602,450)
Provision for gratuity	11,077,760	5,250,000
	<u>74,256,860</u>	<u>45,794,535</u>
	433,767,663	163,959,898
(Increase)/decrease in operating assets		
Lendings to financial institutions	-	(100,000,000)
Advances	(1,535,279,656)	(788,593,237)
Others assets (excluding advance taxation)	(287,887,113)	(93,724,604)
	<u>(1,823,166,769)</u>	<u>(982,317,841)</u>
Increase/(decrease) in operating liabilities		
Bills payable	25,230,875	(3,082,616)
Borrowings from financial institutions	(187,919,348)	199,000,585
Deposits	1,411,800,214	263,153,186
Other liabilities	(38,771,244)	135,097,439
	<u>1,210,340,497</u>	<u>594,168,594</u>
	(179,058,609)	(224,189,349)
Gratuity paid	(315,505)	(425,328)
Income tax paid	(43,680,164)	(63,895,448)
Net cash flow from operating activities	<u>(223,054,278)</u>	<u>(288,510,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	-	-
Net investments in held-to-maturity securities	(149,290,808)	553,189,556
Interest income on depositors protection fund	743,908	288,043
Dividend income	-	-
Investments in operating fixed assets	(28,549,647)	(46,551,922)
Sale proceeds of property and equipment disposed-off	2,438,814	218,316
Net cash flow from investing activities	<u>(174,657,733)</u>	<u>507,143,993</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt/payments of sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issuance of Share capital	-	-
Dividend paid	-	-
Grant received from donors	361,674	198,904
Net cash flow from financing activities	<u>361,674</u>	<u>198,904</u>
Increase/(decrease) in cash and cash equivalents for the period	<u>(397,350,337)</u>	<u>218,832,772</u>
Cash and cash equivalents at beginning of the period	<u>2,058,159,574</u>	<u>766,629,174</u>
Cash and cash equivalents at end of the period	<u>1,660,809,237</u>	<u>985,461,946</u>

Chief Executive Officer

Chairperson

Director

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017

	Share Capital	Discount on Issue of Shares	Statutory Reserve	Depositors' Protection Fund	Accumulated 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					630,895,562	630,895,562
Other comprehensive income - (net of tax)					(2,283,807)	(2,283,807)
					628,611,755	628,611,755
Transfer to statutory reserve	-	-	126,179,112	-	(126,179,112)	-
Transfer to depositors' protection fund	-	-	-	31,544,778	(31,544,778)	-
- 5% of the profit after tax for the year	-	-	-	1,122,901	-	1,122,901
- return on investments - net of tax	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	(125,020,890)	(125,020,890)
Balance as at December 31, 2016	6,348,887,110	(4,089,040,293)	195,022,579	50,596,128	(85,514,240)	2,419,951,284
Total comprehensive loss for the period ended March 31, 2016	-	-	-	-	233,620,766	233,620,766
Other comprehensive income - (net of tax)	-	-	-	-	-	-
					233,620,766	233,620,766
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	743,908	-	743,908
Issue of share capital	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	-	-
Advance against issue of shares	-	-	-	-	-	-
Balance as at March 31, 2017	6,348,887,110	(4,089,040,293)	195,022,579	51,340,036	148,106,526	2,654,315,958

The annexed notes from 1 to 13 form an integral part of these financial statements

Chief Executive Officer

Chairperson

Director

Director

FINCA MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 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 387-E, 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 March 31, 2017, the Bank has 105 branches (2016: 105 branches) 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 Interim Condensed 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 condensed interim financial statements have been prepared in accordance with the directives issued by State Bank of Pakistan, directives issued by Securities and Exchange Commission of Pakistan (SECP), 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.

3.2 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.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These condense interim 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 Functional and presentation currency

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are 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 information are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2016.

	Note	March 31	December 31
		2017 (Un-Audited)	2016 (Audited)
		(Rupees)	
6	Cash and balances with SBP and NBP		
Cash in hand		134,605,980	147,056,414
Balance with State Bank of Pakistan	6.1	553,690,862	551,278,135
Balance with National Bank of Pakistan in :			
Deposit account	6.1	32,425,626	24,014,414
Current account	6.1	27,773,138	87,325,680
		748,495,606	809,674,643

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	March 31	December 31
		2017 (Un-Audited)	2016 (Audited)
7	Balances with other banks		
In Pakistan:			
Saving accounts	7.1	822,675,141	1,002,522,213
Deposit accounts		-	155,000,000
Current accounts		89,638,490	90,962,717
		<u>912,313,631</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.

	Note	March 31	December 31
		2017 (Un-Audited)	2016 (Audited)
8	Investments-net of provisions		
Federal Govt. Securities:			
Market treasury bills (Held for trading)		-	-
Pakistan investment bond (Held to maturity)		-	-
Market treasury bills (Held to maturity)	8.1	2,062,449,200	1,885,328,850
		<u>2,062,449,200</u>	<u>1,885,328,850</u>

8.1 These carry yield rate ranging between 5.88% to 5.99% (2016: 5.77% to 6.95%) per annum and have maturity upto September 28, 2017. These securities have an aggregate face value of Rs. 2,100,000,000 (2016: Rs.1,900,000,000)

	Note	March 31 2017 (Un-Audited)		December 31 2016 (Audited)	
		Number	Rupees	Number	Rupees
9	Advances - net of provisions				
Micro credit advances	9.1	150,304	11,623,164,360	132,880	10,135,920,390
Micro lease		-	-	-	-
Other advances	9.2	793	82,143,222	721	73,208,256
			<u>11,705,307,582</u>		<u>10,209,128,646</u>
Less: Provisions held:					
Specific	9.3	2,218	32,400,845	1,710	29,949,986
General	9.4		112,481,545		96,914,686
			<u>144,882,390</u>		<u>126,864,672</u>
			<u>11,560,425,192</u>		<u>10,082,263,974</u>

9.1 This includes fully secured advances amounting to Rs.424,752,310 (2016: Rs. 487,709,188) whereas the remaining advances are secured by personal

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

9.3 Particulars of non-performing advances

The total advances of Rs. 146,901,302 (2016: Rs. 114,976,716) placed under non-performing status includes Rs 38,349,543 (2016: Rs. 16,278,010) against secured gold loans:

	Number	March 31 2017		Provision required Rupees	Provision held Rupees
		Amount outstanding Rupees	%		
OAEM	822	55,839,668	0	-	-
Sub-standard	493	32,429,488	25	5,600,952	5,600,952
Doubtful	897	58,247,910	50	26,415,657	26,415,657
Loss	6	384,236	100	384,236	384,236
Total	<u>2,218</u>	<u>146,901,302</u>		<u>32,400,845</u>	<u>32,400,845</u>
	Number	December 31 2016		Provision required Rupees	Provision held Rupees
		Amount outstanding 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.

	March 31 2017	March 31 2016
	(Un-Audited)	(Un-Audited)
	(Rupees)	
12	Mark-up / return / interest earned	
Interest / mark-up on advances	1,035,587,758	586,161,046
Markup earned on investments in government securities	27,829,542	11,621,406
Interest / mark-up on bank accounts	8,515,463	7,231,236
	<u>1,071,932,763</u>	<u>605,013,688</u>

13 **General**

- Figures have been rounded to the nearest Rupee unless otherwise specified.
- Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have
- 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.

Chief Executive Officer

Chairperson

Director

Director