

**FINCA MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)**  
**AS AT JUNE 30, 2015**

	Note	June 30 2015 (Un-Audited)	December 31 2014 (Audited)
(Rupees in '000')			
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	421,737	314,009
Balances with other banks/NBFIs/MFBs	7	956,404	604,076
Lending to financial institutions	8	100,000	-
Investments - net of provisions	9	891,182	447,527
Advances - net of provisions	10	4,549,617	3,994,668
Operating fixed assets		568,617	582,647
Other assets		403,733	214,588
Deferred tax asset	11	197,632	222,955
<b>Total assets</b>		<b>8,088,922</b>	<b>6,380,470</b>
<b>LIABILITIES</b>			
Deposits and other accounts	12	6,211,262	4,656,177
Borrowings	13	200,145	201,100
Subordinated debt		-	-
Other liabilities		337,112	241,004
Deferred tax liabilities		-	-
<b>Total liabilities</b>		<b>6,748,519</b>	<b>5,098,281</b>
<b>Net assets</b>		<b>1,340,403</b>	<b>1,282,189</b>
<b>REPRESENTED BY:</b>			
Share capital		4,731,980	4,731,980
Discount on issue of shares		(2,957,206)	(2,957,206)
Statutory reserve		35,505	35,505
Depositors' protection fund		9,253	8,881
Accumulated loss		(496,434)	(555,183)
		<b>1,323,098</b>	<b>1,263,977</b>
Deferred grants		17,305	18,212
<b>Total capital</b>		<b>1,340,403</b>	<b>1,282,189</b>

**Memorandum / Off-balance sheet items**

The annexed notes from 1 to 17 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, 2015**

	Note	Half year ended		Quarter ended	
		June 30 2015	June 30 2014	June 30 2015	June 30 2014
		(Rupees in '000')			
Mark-up / return / interest earned	14	876,523	538,307	459,295	292,285
Mark-up / return / interest expensed	15	(251,691)	(152,570)	(134,187)	(80,954)
Net mark-up / interest income		<b>624,832</b>	<b>385,737</b>	<b>325,108</b>	<b>211,331</b>
Provision against non-performing loans and advances		(29,604)	(17,047)	(15,020)	(9,906)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(5,766)	(302)	(5,370)	(123)
Net mark-up / interest income after provisions		<b>589,462</b>	<b>368,388</b>	<b>304,718</b>	<b>201,302</b>
<b>Non mark-up / non interest income</b>					
Fee, commission and brokerage income	16	134,258	95,216	64,466	50,438
Dividend income		-	-	-	-
Other income		16,632	11,147	9,531	2,637
Total non mark-up / non interest income		<b>150,890</b>	<b>106,363</b>	<b>73,997</b>	<b>53,075</b>
		<b>740,352</b>	<b>474,751</b>	<b>378,715</b>	<b>254,377</b>
<b>Non mark-up / non interest expenses</b>					
Administrative expenses		(639,050)	(424,344)	(317,585)	(228,899)
Other charges		(7,121)	(5,229)	(4,602)	(3,568)
Total non mark-up / non interest expenses		<b>(646,171)</b>	<b>(429,573)</b>	<b>(322,187)</b>	<b>(232,467)</b>
<b>Profit / (Loss) before taxation</b>		<b>94,181</b>	<b>45,178</b>	<b>56,528</b>	<b>21,910</b>
Taxation - Current year		(10,108)	1,940	(5,238)	1,940
Prior years		-	-	-	-
Deferred		(25,324)	-	(19,332)	-
		(35,432)	1,940	(24,570)	1,940
<b>Profit / (Loss) after taxation</b>		<b>58,749</b>	<b>47,118</b>	<b>31,958</b>	<b>23,850</b>
<b>Earning per share</b>		<b>0.12</b>	<b>0.10</b>	<b>0.07</b>	<b>0.05</b>

The annexed notes from 1 to 17 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, 2015**

	Half year ended		Quarter ended	
	June 30 2015	June 30 2014	June 30 2015	June 30 2014
	(Rupees in '000')			
<b>Net profit for the period</b>	58,749	47,118	31,958	23,850
<b>Other comprehensive income for the year - net of tax</b>				
<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>	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>58,749</b>	<b>47,118</b>	<b>31,958</b>	<b>23,850</b>

The annexed notes from 1 to 17 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, 2015**

Note	June 30 2015 (Un-Audited) (Rupees '000')	December 31 2014 (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	94,181	30,796
Less : Dividend income	-	-
	<b>94,181</b>	<b>30,796</b>
Adjustments for non-cash charges		
Depreciation	31,445	52,382
Amortisation	11,194	19,435
Provision against non-performing advances	29,604	47,015
Provision for diminution in the value of investments/other assets	-	-
Loss on disposal of fixed assets	2,899	1,170
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(22,469)	(45,772)
Provision for accumulating compensated absences	2,000	1,824
Deferred grant recognised as income	(5,344)	(5,089)
Provision for gratuity	10,500	13,666
	<b>59,829</b>	<b>84,631</b>
	<b>154,010</b>	<b>115,427</b>
(Increase)/decrease in operating assets		
Lending to financial institutions	(100,000)	-
Advances	(584,551)	(2,022,436)
Others assets (excluding advance taxation)	(166,860)	(78,134)
	<b>(851,411)</b>	<b>(2,100,570)</b>
Increase/(decrease) in operating liabilities		
Bills payable	(724)	3,109
Borrowings from financial institutions	(955)	201,100
Deposits	1,555,085	1,920,713
Other liabilities	57,859	71,658
	<b>1,611,265</b>	<b>2,196,580</b>
	<b>913,864</b>	<b>211,437</b>
Gratuity paid	(1,574)	(2,699)
Income tax paid	(3,989)	(5,855)
<b>Net cash from operating activities</b>	<b>908,301</b>	<b>202,883</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in held for trading securities	347,180	(205,569)
Net investments in held-to-maturity securities	(768,365)	201,573
Interest income on depositors protection fund	372	5
Dividend income	-	-
Investments in operating fixed assets	(35,101)	(421,881)
Sale proceeds of property and equipment disposed-off	3,593	1,406
<b>Net cash used in investing activities</b>	<b>(452,321)</b>	<b>(424,466)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	4,076	10,345
<b>Net cash from financing activities</b>	<b>4,076</b>	<b>10,345</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>460,056</b>	<b>(211,238)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>918,085</b>	<b>1,129,323</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,378,141</b>	<b>918,085</b>

**FINCA MICROFINANCE BANK LIMITED**
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2015**

	Share Capital	Discount on Issue of Shares	Statutory Reserve	Depositors' Protection Fund	Accumulated Loss	Total
(Rupees '000')						
<b>Balance as at December 31, 2013</b>	4,731,980	(2,957,206)	276	69	(683,536)	1,091,583
Total comprehensive income for the period ended December 31, 2014	-	-	-	-	176,146	176,146
Other comprehensive income - (net of tax)	-	-	-	-	(3,757)	(3,757)
	-	-	-	-	<b>172,389</b>	<b>172,389</b>
Transfer to statutory reserve	-	-	35,229	-	(35,229)	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	8,807	(8,807)	-
- return on investments - net of tax	-	-	-	5	-	5
Issue of share capital	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	-	-
<b>Balance as at December 31, 2014</b>	<b>4,731,980</b>	<b>(2,957,206)</b>	<b>35,505</b>	<b>8,881</b>	<b>(555,183)</b>	<b>1,263,977</b>
Total comprehensive income for the period ended June 30, 2015	-	-	-	-	58,749	58,749
Other comprehensive income - (net of tax)	-	-	-	-	-	-
	-	-	-	-	58,749	58,749
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	372	-	372
Issue of share capital	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	-	-
Advance against issue of shares	-	-	-	-	-	-
<b>Balance as at June 30, 2015</b>	<b>4,731,980</b>	<b>(2,957,206)</b>	<b>35,505</b>	<b>9,253</b>	<b>(496,434)</b>	<b>1,323,098</b>

The annexed notes from 1 to 17 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, 2015 (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, 2015, the Bank has 42 branches (2014: 42 branches), 58 permanent booths (KIOSKs) (2014: 58) and Nil sales and service centres (2014: 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 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 Interim Condensed 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 Standing Interpretation Committee, of the IASB as adopted in Pakistan.

**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 2014.

		June 30 2015 (Un-Audited)	December 31 2014 (Audited)
	Note	(Rupees in '000')	
<b>6</b>	<b>Cash and balances with SBP and NBP</b>		
Cash in hand		160,448	93,849
Local currency current accounts with SBP	6.1	195,999	193,270
Local currency current accounts with NBP	6.1	65,290	26,890
		<u>421,737</u>	<u>314,009</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.

		June 30 2015 (Un-Audited)	December 31 2014 (Audited)
	Note	(Rupees in '000')	
<b>7</b>	<b>Balances with other banks</b>		
In Pakistan:			
Local currency current accounts		72,898	42,033
Local currency saving accounts		358,506	312,043
Local currency deposit accounts		525,000	250,000
Foreign currency current account		-	-
		<u>956,404</u>	<u>604,076</u>

## 8 Lending to financial institutions

Lending to financial institutions	8.1	100,000	-
		<u>100,000</u>	<u>-</u>

8.1 This represents the lending to financial institutions at a interest rate of 6.5% per annum (2014: Rs Nil) with maturity upto July 22, 2015. (2014: Nil)

## 9 Investments-net of provisions

### Federal Govt. Securities:

Market treasury bills (Held to maturity)		691,009	-
Market treasury bills (Held for trading)		-	347,180
Pakistan investment bond (Held to maturity)	9.1	200,173	100,347
		<u>891,182</u>	<u>447,527</u>

9.1 This PIB is held to maturity and due to be matured on July 19, 2015. Further, this carry coupon rate of 11.25% per annum.

Note	2015 (Un-Audited)		2014 (Audited)		
	Number	(Rupees in '000')	Number	(Rupees in '000')	
<b>10 Advances</b>					
Micro credit advances	10.1	82,408	4,558,040	76,497	4,002,046
Micro lease		-	-	-	-
Other advances	10.2	368	31,911	294	26,369
			<u>4,589,951</u>		<u>4,028,415</u>
Less: Provisions held:					
Specific	10.3	1,430	7,892	931	8,274
General	10.4		32,442		25,473
			<u>40,334</u>		<u>33,747</u>
			<u>4,549,617</u>		<u>3,994,668</u>

10.1 All advances are secured by personal guarantees. This includes fully secured advances amounting to Rs. 1,328,244 (2014: Rs 1,472,360) whereas the remaining advances are secured by personal guarantees except for staff loans.

10.2 These advances are staff loans and carry markup rate of 5% per annum (2014: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs. 3,091 (2014: Rs. 4,019) at a markup rate of 5% (2014: 5%).

### 10.3 Particulars of non-performing advances

The total advances of Rs 74,959 (2014: Rs 35,917) placed under non-performing status includes Rs 48,029 (2014: Rs. 10,934) against secured gold loans:

	2015				
	Number	Amount outstanding (Rupees in '000')	%	Provision required (Rupees in '000')	Provision held (Rupees in '000')
OAEM	593	33,597	0	-	-
Sub-standard	307	17,403	25	1,426	1,426
Doubtful	530	24,219	50	6,466	6,466
Loss	-	-	100	-	-
Total	<u>1,430</u>	<u>75,219</u>		<u>7,892</u>	<u>7,892</u>
	2014				
	Number	Amount outstanding (Rupees in '000')	%	Provision required (Rupees in '000')	Provision held (Rupees in '000')
OAEM	294	12,447	0	-	-
Sub-standard	226	9,219	25	1,441	1,441
Doubtful	408	14,088	50	6,670	6,670
Loss	3	164	100	164	164
Total	<u>931</u>	<u>35,918</u>		<u>8,275</u>	<u>8,275</u>

10.4 This represents general provision equivalent to 1% (2014: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

## 10.5 Particulars of non-performing advances

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

Note	2015			2014		
	Specific	General (Rupees in '000)	Total	Specific	General (Rupees in '000)	Total
Opening balance	8,274	25,473	33,747	3,640	13,183	16,823
Charge for the year	22,635	6,969	29,604	34,725	12,290	47,015
Reversal during the year	-	-	-	-	-	-
Amounts written off	(23,017)	-	(23,017)	(30,091)	-	(30,091)
	(382)	6,969	6,587	4,634	12,290	16,924
Closing balance	7,892	32,442	40,334	8,274	25,473	33,747

Note	June 30 2015	December 31 2014
	(Un-Audited)	(Audited)
(Rupees in '000')		
10.5.1	23,017	30,091
	5,766	-
	<b>28,783</b>	<b>30,091</b>

### 10.5.1 Particulars of write offs

Against provisions  
Directly charged to profit and loss account

23,017	30,091
5,766	-
<b>28,783</b>	<b>30,091</b>

## 11 Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	18,620	10,125
Accumulated compensated absences	4,740	1,471
Deferred tax asset on unused business losses	133,593	171,507
Deferred tax asset on unabsorbed depreciation	65,601	65,601
	222,554	248,704

Deferred tax liability in respect of:

Operating fixed assets	24,922	25,749
	24,922	25,749
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	197,632	222,955

11.1 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.

## 12 Deposits

Note	2015		2014		
	(Un-Audited) Number of accounts	(Rupees in '000')	(Audited) Number of accounts	(Rupees in '000')	
Fixed deposits	12.1	4,832	4,553,837	3,680	3,322,180
Saving deposits	12.1	98,786	1,036,502	96,733	833,399
Current deposits		247,578	620,923	221,258	500,598
		<b>351,196</b>	<b>6,211,262</b>	<b>321,671</b>	<b>4,656,177</b>

12.1 This represent term deposits having tenure of 1 to 36 months carrying profit rates ranging from 7.00% to 10.65% (2014: 6.00% to 14.15%) per annum.

The saving deposits represent accounts carrying interest rates ranging from 4.50% to 9.30% (2014: 6% to 10%) per annum.



	2015		2014	
	Number of accounts	(Rupees in '000')	Number of accounts	(Rupees in '000')
<b>12.2 Particulars of deposits by ownership</b>				
1) Individual depositors	351,102	5,715,780	321,606	4,159,087
2) Institutional depositors	-	-	-	-
a) Corporations, firms and other such entities	94	495,482	65	497,090
b) Banks and financial institutions	-	-	-	-
	<u>351,196</u>	<u>6,211,262</u>	<u>321,671</u>	<u>4,656,177</u>
			<b>June 30</b>	<b>December 31</b>
			<b>2015</b>	<b>2014</b>
			<b>(Rupees in '000')</b>	
<b>13 Borrowing from banks/financial institutions in Pakistan</b>				
-Running Finance - JS Bank			200,145	201,100
			<u>200,145</u>	<u>201,100</u>
			<b>June 30</b>	<b>June 30</b>
			<b>2015</b>	<b>2014</b>
			<b>(Un-Audited)</b>	
			<b>(Rupees in '000')</b>	
<b>14 Mark-up / return / interest earned</b>				
Interest / mark-up on advances	837,171	485,578	438,280	264,966
Interest / mark-up on bank accounts	16,598	19,405	11,761	11,159
Markup earned on investments in government securities	22,754	33,324	9,254	16,160
	<u>876,523</u>	<u>538,307</u>	<u>459,295</u>	<u>292,285</u>
<b>15 Mark-up / return / interest expensed</b>				
Deposits	239,249	152,570	129,030	80,954
Borrowings	12,442	-	5,156	-
	<u>251,691</u>	<u>152,570</u>	<u>134,186</u>	<u>80,954</u>
<b>16 Fee, commission and brokerage income</b>				
Loan processing fee	55,149	44,022	25,328	22,328
Income on Cheque Book issuance	10,416	9,176	4,853	4,656
Others	68,693	42,018	34,285	23,454
	<u>134,258</u>	<u>95,216</u>	<u>64,466</u>	<u>50,438</u>
<b>17 General</b>				

- Figures have been rounded to the nearest thousand 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.