

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

	Note	September 2015 (Un-Audited)	December 31 2014 (Audited)
(Rupees in '000')			
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	366,185	314,009
Balances with other banks/NBFIs/MFBs	7	422,972	604,076
Investments - net of provisions	8	2,023,976	447,527
Advances - net of provisions	9	4,647,096	3,994,668
Operating fixed assets		736,368	582,647
Other assets		332,084	214,588
Deferred tax asset	10	177,013	222,955
<b>Total assets</b>		<b>8,705,695</b>	<b>6,380,470</b>
<b>LIABILITIES</b>			
Deposits and other accounts	11	6,286,437	4,656,177
Borrowings	12	200,000	201,100
Subordinated debt		-	-
Other liabilities		363,035	241,004
Deferred tax liabilities		-	-
<b>Total liabilities</b>		<b>6,849,473</b>	<b>5,098,281</b>
<b>Net assets</b>		<b>1,856,222</b>	<b>1,282,189</b>
<b>REPRESENTED BY:</b>			
Share capital		4,731,980	4,731,980
Adv against issuance of shares		485,072	-
Discount on issue of shares		(2,957,206)	(2,957,206)
Statutory reserve		35,505	35,505
Depositors' protection fund		9,432	8,881
Accumulated loss		(463,615)	(555,183)
		<b>1,841,168</b>	<b>1,263,977</b>
Deferred grants		15,054	18,212
<b>Total capital</b>		<b>1,856,222</b>	<b>1,282,189</b>

**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 NINE MONTH ENDED SEPTEMBER 30, 2015**

	Note	Nine Months ended		Quarter ended	
		September 30 2015	September 30 2014	September 30 2015	September 30 2014
		(Rupees in '000')			
Mark-up / return / interest earned	13	1,363,803	871,340	487,281	333,033
Mark-up / return / interest expensed	14	(402,368)	(246,575)	(150,677)	(94,005)
Net mark-up / interest income		<b>961,435</b>	<b>624,765</b>	<b>336,604</b>	<b>239,028</b>
Provision against non-performing loans and advances		(49,525)	(30,923)	(19,921)	(13,876)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(10,868)	(570)	(5,102)	(267)
Net mark-up / interest income after provisions		<b>901,042</b>	<b>593,272</b>	<b>311,581</b>	<b>224,885</b>
<b>Non mark-up / non interest income</b>					
Fee, commission and brokerage income	15	194,958	149,512	60,700	54,296
Dividend income		-	-	-	-
Other income		32,586	11,592	15,954	446
Total non mark-up / non interest income		<b>227,544</b>	<b>161,104</b>	<b>76,654</b>	<b>54,741</b>
		<b>1,128,586</b>	<b>754,376</b>	<b>388,235</b>	<b>279,626</b>
<b>Non mark-up / non interest expenses</b>					
Administrative expenses		(966,207)	(704,162)	(327,160)	(279,818)
Other charges		(9,280)	(7,207)	(2,159)	(1,978)
Total non mark-up / non interest expenses		<b>(975,486)</b>	<b>(711,369)</b>	<b>(329,319)</b>	<b>(281,796)</b>
<b>Profit / (Loss) before taxation</b>		<b>153,099</b>	<b>43,007</b>	<b>58,917</b>	<b>(2,170)</b>
Taxation - Current year		(15,588)	1,940	(5,480)	-
Prior years		-	-	-	-
Deferred		(45,943)	-	(20,619)	-
		(61,531)	1,940	(26,099)	-
<b>Profit / (Loss) after taxation</b>		<b>91,568</b>	<b>44,947</b>	<b>32,818</b>	<b>(2,170)</b>
<b>Basic and diluted earning per share</b>		<b>0.19</b>	<b>0.09</b>	<b>0.07</b>	<b>(0.00)</b>

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 NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Nine Months Ended		Quarter ended	
	September 30 2015	September 30 2014	September 30 2015	September 30 2014
	(Rupees in '000')			
<b>Net profit for the period</b>	91,568	44,947	32,818	(2,170)
<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>91,568</b>	<b>44,947</b>	<b>32,818</b>	<b>(2,170)</b>

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 NINE MONTH ENDED SEPTEMBER 30, 2015**

Note	September 2015 (Un-Audited) (Rupees '000')	December 31 2014 (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	153,099	30,796
Less : Dividend income	-	-
	<u>153,099</u>	<u>30,796</u>
Adjustments for non-cash charges		
Depreciation	48,115	52,382
Amortisation	17,215	19,435
Provision against non-performing advances	49,525	47,015
Provision for diminution in the value of investments/other assets	-	-
Loss on disposal of fixed assets	2,904	1,170
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(51,947)	(45,772)
Provision for accumulating compensated absences	3,000	1,824
Deferred grant recognised as income	(7,366)	(5,089)
Provision for gratuity	15,750	13,666
	<u>77,197</u>	<u>84,631</u>
	<b>230,296</b>	<b>115,427</b>
(Increase)/decrease in operating assets		
Lending to financial institutions	-	-
Advances	(701,954)	(2,022,436)
Others assets (excluding advance taxation)	(90,285)	(78,134)
	<u>(792,238)</u>	<u>(2,100,570)</u>
Increase/(decrease) in operating liabilities		
Bills payable	2,169	3,109
Borrowings from financial institutions	(1,100)	201,100
Deposits	1,630,260	1,920,713
Other liabilities	69,895	71,658
	<u>1,701,224</u>	<u>2,196,580</u>
	<b>1,139,282</b>	<b>211,437</b>
Gratuity paid	(2,668)	(2,699)
Income tax paid	(8,914)	(5,855)
<b>Net cash flow from operating activities</b>	<u><b>1,127,700</b></u>	<u><b>202,883</b></u>
<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	(1,871,682)	201,573
Interest income on depositors protection fund	550	5
Dividend income	-	-
Investments in operating fixed assets	(225,553)	(421,881)
Sale proceeds of property and equipment disposed-off	3,597	1,406
<b>Net cash flow from investing activities</b>	<u><b>(1,745,908)</b></u>	<u><b>(424,466)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt/payments of sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issuance of Share capital	-	-
Advance against issue of shares	485,072	-
Dividend paid	-	-
Grant received from donors	4,208	10,345
<b>Net cash flow from financing activities</b>	<u><b>489,280</b></u>	<u><b>10,345</b></u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<u><b>(128,928)</b></u>	<u><b>(211,238)</b></u>
<b>Cash and cash equivalents at beginning of the period</b>	<u><b>918,085</b></u>	<u><b>1,129,323</b></u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>789,157</b></u>	<u><b>918,085</b></u>

**FINCA MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE NINE MONTH ENDED SEPTEMBER 30, 2015**

	Share Capital	Advance against issue of shares	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 loss 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>-</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 profit for the period ended September 30, 2015	-	-	-	-	-	91,568	91,568
Other comprehensive income - (net of tax)	-	-	-	-	-	-	-
	-	-	-	-	-	91,568	91,568
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	-	551	-	551
Issue of share capital	-	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	-	-	-
Advance against issue of shares	-	485,072	-	-	-	-	485,072
	-	-	-	-	-	-	-
<b>Balance as at September 30, 2015</b>	<b>4,731,980</b>	<b>485,072</b>	<b>(2,957,206)</b>	<b>35,505</b>	<b>9,432</b>	<b>(463,615)</b>	<b>1,841,168</b>

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 NINE MONTHS ENDED SEPTEMBER 30, 2015

#### 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 September 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

		September 30 2015	December 31 2014
	Note	(Un-Audited)	(Audited)
		(Rupees in '000')	
<b>6</b>	<b>Cash and balances with SBP and NBP</b>		
Cash in hand		111,102	93,849
Local currency current accounts with SBP	6.1	230,993	193,270
Local currency current accounts with NBP	6.1	24,090	26,890
		<u>366,185</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.

		September 30 2015	December 31 2014
	Note	(Un-Audited)	(Audited)
		(Rupees in '000')	
<b>7</b>	<b>Balances with other banks</b>		
In Pakistan:			
Local currency current accounts		43,949	42,033
Local currency saving accounts		79,023	312,043
Local currency deposit accounts		300,000	250,000
Foreign currency current account		-	-
		<u>422,972</u>	<u>604,076</u>

## 8 Investments-net of provisions

### Federal Govt. Securities:

Market treasury bills (Held to maturity)	8.1	2,023,976	-
Market treasury bills (Held for trading)		-	347,180
Pakistan investment bond (Held to maturity)		-	100,347
		<u>2,023,976</u>	<u>447,527</u>

8.1 These carry interest rates ranging between 6.43% to 7.09% per annum and will mature upto Mar 2016. These securities have an aggregate face value of Rs. 2,050 million.

	Note	2015		2014	
		Number	(Rupees in '000')	Number	(Rupees in '000')
<b>9 Advances</b>					
Micro credit advances	9.1	83,461	4,659,099	76,497	4,002,046
Micro lease		-	-	-	-
Other advances	9.2	439	36,608	294	26,369
			<u>4,695,707</u>		<u>4,028,415</u>
Less: Provisions held:					
Specific	9.3	3,076	12,252	931	8,274
General	9.4		36,358		25,473
			<u>48,610</u>		<u>33,747</u>
			<u>4,647,096</u>		<u>3,994,668</u>

9.1 All advances are secured by personal guarantees. This includes fully secured advances amounting to Rs. 1,049,060 (2014: Rs 1,472,360) whereas the remaining advances are secured by personal guarantees except for staff loans.

9.2 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. 2,617 (2014: Rs. 4,019) at a markup rate of 5% (2014: 5%).

### 9.3 Particulars of non-performing advances

The total advances of Rs 191,364 (2014: Rs 35,918) placed under non-performing status includes Rs 150,297 (2014: Rs. 10,935) against secured gold loans:

	2015				
	Number	Amount outstanding (Rupees in '000')	%	Provision required (Rupees in '000')	Provision held (Rupees in '000')
OAEM	1,408	96,800	0	-	-
Sub-standard	737	45,121	25	2,507	2,507
Doubtful	927	49,266	50	9,569	9,569
Loss	4	176	100	176	176
Total	<u>3,076</u>	<u>191,364</u>		<u>12,252</u>	<u>12,252</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>

9.4 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.

## 9.5 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	38,641	10,885	49,526	34,725	12,290	47,015
Reversal during the year	-	-	-	-	-	-
Amounts written off	9.5.1 (34,663)	-	(34,663)	(30,091)	-	(30,091)
	3,978	10,885	14,863	4,634	12,290	16,924
Closing balance	12,252	36,358	48,610	8,274	25,473	33,747

September 30 2015 (Un-Audited)	December 31 2014 (Audited)
(Rupees in '000')	

### 9.5.1 Particulars of write offs

Against provisions	34,663	30,091
Directly charged to profit and loss account	10,868	-
	<b>45,531</b>	<b>30,091</b>

## 10 Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	20,074	10,125
Accumulated compensated absences	5,090	1,471
Deferred tax asset on unused business losses	111,475	171,507
Deferred tax asset on unabsorbed depreciation	65,601	65,601
	202,240	248,704

Deferred tax liability in respect of:

Operating fixed assets	25,227	25,749
	25,227	25,749
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	177,013	222,955

**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	2015		2014	
	Number of accounts	(Rupees in '000')	Number of accounts	(Rupees in '000')
Fixed deposits	5,055	4,604,435	3,680	3,322,180
Saving deposits	99,580	1,096,902	96,733	833,399
Current deposits	259,586	585,101	221,258	500,598
	<b>364,221</b>	<b>6,286,437</b>	<b>321,671</b>	<b>4,656,177</b>



	2015		2014	
	Number of accounts	(Rupees in '000')	Number of accounts	(Rupees in '000')
<b>11.1 Particulars of deposits by ownership</b>				
1) Individual depositors	364,123	5,681,446	321,606	4,159,087
2) Institutional depositors	-	-	-	-
a) Corporations, firms and other such entities	98	604,991	65	497,090
b) Banks and financial institutions	-	-	-	-
	<b>364,221</b>	<b>6,286,437</b>	<b>321,671</b>	<b>4,656,177</b>

	Note	September 30	December 31
		2015	2014
<b>12 Borrowing from banks/financial institutions in Pakistan</b>		(Rupees in '000')	
-Running Finance - JS Bank	12.1	200,000	201,100
		<b>200,000</b>	<b>201,100</b>

**12.1** This is secured against the partial guarantee of 40% on the loss incurred on account of principal, as provided by the State Bank of Pakistan (SBP) Microfinance Credit Guarantee Facility (MCGF) loan guarantee and a first pari-passu charge on all present and future assets of FINCA MFB to the extent of financing amount with a 20% margin. Mark-up is payable quarterly at rate 3months KIBOR + 1.65bps. (2013: Nil). Maturity of the borrowing is upto October 1, 2015 i-e one year from the date of first draw down. The total financing amount is Rs. 400 million.

	Nine Months ended		Quarter ended	
	September 30	September 30	September 30	September 30
	2015	2014	2015	2014
	(Un-Audited) (Rupees in '000')			
<b>13 Mark-up / return / interest earned</b>				
Interest / mark-up on advances	1,283,645	795,332	446,474	309,754
Markup earned on investments in government securities	51,947	30,678	29,478	11,273
Interest / mark-up on bank accounts	27,553	45,329	10,955	12,005
Call money lending	658	-	374	-
	<b>1,363,803</b>	<b>871,340</b>	<b>487,281</b>	<b>333,033</b>

	Nine Months ended		Quarter ended	
	September 30	September 30	September 30	September 30
	2015	2014	2015	2014
<b>14 Mark-up / return / interest expensed</b>				
Deposits	385,474	246,575	146,225	94,005
Borrowings	16,894	-	4,451	-
	<b>402,368</b>	<b>246,575</b>	<b>150,677</b>	<b>94,005</b>

	Nine Months ended		Quarter ended	
	September 30	September 30	September 30	September 30
	2015	2014	2015	2014
<b>15 Fee, commission and brokerage income</b>				
Loan processing fee	77,732	70,392	22,584	26,370
Income on Cheque Book issuance	14,697	14,316	4,281	5,141
Others	102,528	64,804	33,835	22,785
	<b>194,958</b>	<b>149,512</b>	<b>60,700</b>	<b>54,296</b>

**16 General**

- 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.