

**FINCA MICROFINANCE BANK LIMITED**  
**INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)**  
**AS AT JUNE 30, 2016**

	Note	June 30 2016 (Un-Audited)	December 31 2015 (Audited)
(Rupees)			
<b>ASSETS</b>			
Cash and balances with SBP and NBP	6	485,605,888	356,638,478
Balances with other banks/NBFIs/MFBs	7	1,386,332,788	409,990,696
Lending to financial institutions		-	-
Investments - net of provisions	8	644,993,050	1,039,196,250
Advances - net of provisions	9	7,190,716,464	5,418,675,734
Operating fixed assets		813,689,161	776,652,189
Other assets		461,733,863	283,848,386
Deferred tax asset	10	76,678,701	166,917,194
<b>Total assets</b>		<b>11,059,749,915</b>	<b>8,451,918,927</b>
<b>LIABILITIES</b>			
Deposits and other accounts	11	7,442,155,014	6,057,364,103
Borrowings	12	450,002,015	115,000,880
Subordinated debt		-	-
Other liabilities		1,078,107,259	346,019,502
<b>Total liabilities</b>		<b>8,970,264,288</b>	<b>6,518,384,485</b>
<b>Net assets</b>		<b>2,089,485,627</b>	<b>1,933,534,442</b>
<b>REPRESENTED BY:</b>			
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		68,843,467	68,843,467
Depositors' protection fund		18,494,083	17,928,449
Accumulated loss		(272,842,985)	(431,381,215)
		<b>2,074,341,382</b>	<b>1,915,237,518</b>
Deferred grants		15,144,245	18,296,924
<b>Total capital</b>		<b>2,089,485,627</b>	<b>1,933,534,442</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 HALF YEAR ENDED JUNE 30, 2016**

	Half year ended		Quarter ended	
	June 30 2016	June 30 2015	June 30 2016	June 30 2015
	(Rupees)			
Mark-up / return / interest earned	1,281,132,688	876,522,576	676,119,000	459,295,490
Mark-up / return / interest expensed	(265,046,334)	(251,691,028)	(137,163,492)	(134,186,520)
Net mark-up / interest income	<b>1,016,086,354</b>	<b>624,831,548</b>	<b>538,955,508</b>	<b>325,108,970</b>
Provision against non-performing loans and advances	(58,302,315)	(29,603,981)	(31,714,192)	(15,020,359)
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	(43,299,986)	(5,766,484)	(11,490,281)	(5,370,342)
	<b>(101,602,301)</b>	<b>(35,370,465)</b>	<b>(43,204,473)</b>	<b>(20,390,701)</b>
Net mark-up / interest income after provisions	<b>914,484,053</b>	<b>589,461,083</b>	<b>495,751,035</b>	<b>304,718,269</b>
<b>Non mark-up / non interest income</b>				
Fee, commission and brokerage income	128,576,057	134,258,120	78,466,288	64,466,337
Dividend income	-	-	-	-
Other income	68,492,563	16,631,833	15,508,001	9,530,958
Total non mark-up / non interest income	<b>197,068,620</b>	<b>150,889,953</b>	<b>93,974,289</b>	<b>73,997,295</b>
	<b>1,111,552,673</b>	<b>740,351,036</b>	<b>589,725,324</b>	<b>378,715,564</b>
<b>Non mark-up / non interest expenses</b>				
Administrative expenses	(843,197,734)	(639,047,043)	(442,073,858)	(317,585,153)
Other charges	(5,481,129)	(7,120,735)	(2,943,019)	(4,601,949)
Total non mark-up / non interest expenses	<b>(848,678,863)</b>	<b>(646,167,778)</b>	<b>(445,016,877)</b>	<b>(322,187,102)</b>
<b>Profit / (Loss) before taxation</b>	<b>262,873,810</b>	<b>94,183,258</b>	<b>144,708,447</b>	<b>56,528,462</b>
Taxation - Current year	(14,097,088)	(10,107,807)	(7,545,853)	(5,237,783)
Prior years	-	-	-	-
Deferred	(90,238,493)	(25,324,459)	(57,197,999)	(19,331,663)
	(104,335,581)	(35,432,266)	(64,743,852)	(24,569,446)
<b>Profit / (Loss) after taxation</b>	<b>158,538,229</b>	<b>58,750,992</b>	<b>79,964,595</b>	<b>31,959,016</b>
<b>Earning per share</b>	<b>0.25</b>	<b>0.12</b>	<b>0.13</b>	<b>0.07</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 HALF YEAR ENDED JUNE 30, 2016**

	Half year ended		Quarter ended	
	June 30 2016	June 30 2015	June 30 2016	June 30 2016
	(Rupees)			
<b>Net profit for the period</b>	158,538,229	58,750,992	79,964,595	31,959,016
<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>158,538,229</b>	<b>58,750,992</b>	<b>79,964,595</b>	<b>31,959,016</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 HALF YEAR ENDED JUNE 30, 2016**

Note	June 30 2016 (Un-Audited)	December 31 2015 (Audited)
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before taxation	262,873,810	245,220,156
Less : Dividend income	-	-
	<b>262,873,810</b>	<b>245,220,156</b>
Adjustments for non-cash charges		
Depreciation	37,928,705	65,547,276
Amortisation	16,981,562	24,342,007
Provision against non-performing advances	58,302,317	77,511,013
Provision for diminution in the value of investments/other assets	-	-
Loss on disposal of fixed assets	79,089	10,881,968
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(19,349,865)	(77,477,643)
Provision for accumulating compensated absences	2,100,000	2,689,174
Deferred grant recognised as income	(3,152,679)	(9,167,155)
Provision for gratuity	11,500,000	21,082,557
	<b>104,389,129</b>	<b>115,409,197</b>
	<b>367,262,939</b>	<b>360,629,353</b>
(Increase)/decrease in operating assets		
Lending to financial institutions	-	-
Advances	(1,830,343,047)	(1,501,519,032)
Others assets (excluding advance taxation)	(137,248,151)	(69,260,045)
	<b>(1,967,591,198)</b>	<b>(1,570,779,077)</b>
Increase/(decrease) in operating liabilities		
Bills payable	511,573,594	918,567
Borrowings from financial institutions	335,001,135	(86,098,834)
Deposits	1,384,790,911	1,401,187,196
Other liabilities	165,162,803	76,169,170
	<b>2,396,528,443</b>	<b>1,392,176,099</b>
	<b>796,200,184</b>	<b>182,026,375</b>
Gratuity paid	(5,308,039)	(4,885,042)
Income tax paid	(7,675,014)	(14,665,517)
<b>Net cash flow from operating activities</b>	<b>783,217,131</b>	<b>162,475,816</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in held for trading securities	-	352,545,759
Net investments in held-to-maturity securities	413,553,065	(866,737,274)
Interest income on depositors protection fund	565,634	712,215
Dividend income	-	-
Investments in operating fixed assets	(92,318,644)	(300,497,718)
Sale proceeds of property and equipment disposed-off	292,316	5,721,062
<b>Net cash flow from investing activities</b>	<b>322,092,371</b>	<b>(808,255,956)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt/payments of sub-ordinated loan	-	-
Receipts/ payments of lease obligations	-	-
Issuance of Share capital	-	485,072,001
Dividend paid	-	-
Advance against issue of shares	-	-
Grant received from donors	-	9,252,453
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>494,324,454</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,105,309,502</b>	<b>(151,455,686)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>766,629,174</b>	<b>918,084,860</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,871,938,676</b>	<b>766,629,174</b>

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, 2016**

	Share Capital	Discount on Issue of Shares	Statutory Reserve	Depositors' Protection Fund	Accumulated Loss	Total
(Rupees)						
<b>Balance as at December 31, 2014</b>	4,731,980,440	(2,957,205,624)	35,504,563	8,881,508	(555,185,410)	1,263,975,477
Total comprehensive loss for the period ended December 31, 2015	-	-	-	-	166,694,520	166,694,520
Other comprehensive income - (net of tax)	-	-	-	-	(1,216,695)	(1,216,695)
	-	-	-	-	<b>165,477,825</b>	<b>165,477,825</b>
Transfer to statutory reserve	-	-	33,338,904	-	(33,338,904)	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	8,334,726	(8,334,726)	-
- return on investments - net of tax	-	-	-	712,215	-	712,215
Issue of share capital	1,616,906,670	(1,131,834,669)	-	-	-	485,072,001
Premium/Discount on issue of shares	-	-	-	-	-	-
<b>Balance as at December 31, 2015</b>	<b>6,348,887,110</b>	<b>(4,089,040,293)</b>	<b>68,843,467</b>	<b>17,928,449</b>	<b>(431,381,215)</b>	<b>1,915,237,518</b>
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 statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
- 5% of the profit after tax for the year	-	-	-	-	-	-
- return on investments - net of tax	-	-	-	565,634	-	565,634
Issue of share capital	-	-	-	-	-	-
Premium/Discount on issue of shares	-	-	-	-	-	-
Advance against issue of shares	-	-	-	-	-	-
<b>Balance as at June 30, 2016</b>	<b>6,348,887,110</b>	<b>(4,089,040,293)</b>	<b>68,843,467</b>	<b>18,494,083</b>	<b>(272,842,985)</b>	<b>2,074,341,382</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 HALF YEAR ENDED JUNE 30, 2016 (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, 2016, the Bank has 100 branches (June 30, 2015: 42 branches), Nil permanent booths (KIOSKs) (June 30, 2015: 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 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 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 2015.

		June 30 2016 (Un-Audited)	December 31 2015 (Audited)
	Note	(Rupees)	
<b>6</b>	<b>Cash and balances with SBP and NBP</b>		
Cash in hand		164,854,149	93,549,572
Balance with State Bank of Pakistan	6.1	259,753,865	245,236,567
Balance with National Bank of Pakistan in :			
Deposit account	6.1	8,643,448	17,601,439
Current account	6.1	52,354,426	250,900
		<u>485,605,888</u>	<u>356,638,478</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 2016 (Un-Audited)	December 31 2015 (Audited)
	Note	(Rupees)	
<b>7</b>	<b>Balances with other banks</b>		
In Pakistan:			
Saving accounts	7.1	488,472,609	238,715,690
Deposit accounts	7.2	800,000,000	125,000,000
Current accounts		97,860,179	46,275,006
		<u>1,386,332,788</u>	<u>409,990,696</u>

- 7.1 These accounts carry mark-up ranging from 3.5% to 8.0% (2015: 4.5% to 9.3%) per annum.
- 7.2 These term deposits carry mark-up ranging from 6.60% to 10.25% (2015: 6.55% to 9.00%) per annum with maturity up to one month.

## 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	<u>644,993,050</u>	<u>1,039,196,250</u>
		<u>644,993,050</u>	<u>1,039,196,250</u>

8.1 These carry yield rate ranging between 5.81% to 6.16% per annum and have maturity upto September 15, 2016. These securities have an aggregate face value of Rs. 650,000,000 (2015: 1,050,000,000)

Note	2016 (Un-Audited)		2015 (Audited)	
	Number	(Rupees)	Number	(Rupees)
<b>9 Advances</b>				
Micro credit advances	9.1	104,298	90,804	5,438,119,109
Micro lease		-	-	-
Other advances	9.2	965	476	40,638,816
		<u>7,273,978,418</u>		<u>5,478,757,925</u>
Less: Provisions held:				
Specific	9.3	1,850	2,154	14,415,116
General	9.4			45,667,075
		<u>16,460,661</u>		<u>60,082,191</u>
		<u>83,261,954</u>		<u>60,082,191</u>
		<u>7,190,716,464</u>		<u>5,418,675,734</u>

9.1 All advances are secured by personal guarantees. This includes fully secured advances amounting to Rs. 577,388,258 (2015: Rs 899,903,430) 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 (2015: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs. 3,550,774 (2015: Rs. 4,260,830) at a markup rate of 5% (2015: 5%).

### 9.3 Particulars of non-performing advances

The total advances of Rs. 105,959,765 (2015: Rs. 126,350,998) placed under non-performing status includes Rs 44,181,610 (2015: Rs. 84,220,264) against secured gold loans.

	2016				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	574	36,621,250	0	-	-
Sub-standard	375	22,301,974	25	3,192,403	3,192,403
Doubtful	889	46,621,179	50	12,918,158	12,918,158
Loss	12	495,363	100	350,100	350,100
Total	<u>1,850</u>	<u>106,039,766</u>		<u>16,460,661</u>	<u>16,460,661</u>
	2015				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	471	26,748,246	0	-	-
Sub-standard	345	19,097,718	25	2,005,553	2,005,553
Doubtful	1,327	80,116,646	50	12,117,737	12,117,737
Loss	11	388,388	100	291,826	291,826
Total	<u>2,154</u>	<u>126,350,998</u>		<u>14,415,116</u>	<u>14,415,116</u>

9.4 This represents general provision equivalent to 1% (2015: 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	2016			2015		
	Specific	General (Rupees)	Total	Specific	General (Rupees)	Total
Opening balance	14,415,116	45,667,075	60,082,191	8,274,452	25,472,839	33,747,291
Charge for the year	37,168,097	21,134,218	58,302,315	57,316,777	20,194,236	77,511,013
Reversal during the year	-	-	-	-	-	-
Amounts written off	(35,122,552)	-	(35,122,552)	(51,176,113)	-	(51,176,113)
	2,045,545	21,134,218	23,179,763	6,140,664	20,194,236	26,334,900
Closing balance	16,460,661	66,801,293	83,261,954	14,415,116	45,667,075	60,082,191

Note	June 30 2016 (Un-Audited)	December 31 2015 (Audited)
	(Rupees)	

9.5.1 **Particulars of write offs**

Against provisions	35,122,552	51,176,113
Directly charged to profit and loss account	43,299,986	28,143,149
	<b>78,422,538</b>	<b>79,319,262</b>

10 **Deferred tax asset**

Deferred taxation asset arising in respect of :

Gratuity payable	23,986,652	21,819,466
Accumulated compensated absences	5,716,280	4,981,280
Deferred tax asset on unused business losses	4,563,208	100,373,846
Deferred tax asset on unabsorbed depreciation	65,601,435	65,601,435
	<b>99,867,575</b>	<b>192,776,027</b>

Deferred tax liability in respect of:

Operating fixed assets	23,188,874	25,858,833
	<b>23,188,874</b>	<b>25,858,833</b>
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	76,678,701	166,917,194

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	2016		2015		
	(Un-Audited)		(Audited)		
	Number of accounts	(Rupees)	Number of accounts	(Rupees)	
Fixed deposits	11.1	5,173	5,130,016,650	4,669	3,921,406,395
Saving deposits	11.2	102,363	1,369,008,568	100,308	1,295,568,840
Current deposits		320,038	943,129,796	277,054	840,388,868
		<b>427,574</b>	<b>7,442,155,014</b>	<b>382,031</b>	<b>6,057,364,103</b>

11.1 This represent term deposits having tenure of 1 to 36 months carrying profit rates ranging from 5.25% to 13.65% (2015: 7.00% to 10.65%) per annum.

11.2 The saving deposits represent accounts carrying interest rates ranging from 5.00% to 7.50% (2015: 4.5% to 9.30%) per annum.



	2016		2015	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)
<b>11.2 Particulars of deposits by ownership</b>				
1) Individual depositors	426,666	5,806,728,427	381,276	5,261,196,362
2) Institutional depositors	-	-	-	-
a) Corporations, firms and other such entities	873	743,140,165	744	512,502,193
b) Banks and financial institutions	35	892,286,422	11	283,665,548
	<u>427,574</u>	<u>7,442,155,014</u>	<u>382,031</u>	<u>6,057,364,103</u>
			June 30 2016	December 31 2015
		Note	(Rupees)	
<b>12 Borrowing from banks/financial institutions in Pakistan</b>				
-Running Finance - JS Bank			-	-
-Running Finance - NIB Bank			150,001,760	115,000,660
-Running Finance - UBL Bank			255	220
-Term Finance - Pak Oman			300,000,000	-
			<u>450,002,015</u>	<u>115,000,880</u>
			Half year ended	Quarter ended
	June 30 2016	June 30 2015	June 30 2016	June 30 2015
	(Un-Audited) (Rupees)			
<b>13 Mark-up / return / interest earned</b>				
Interest / mark-up on advances	1,243,575,612	837,170,974	657,414,566	438,280,367
Markup earned on investments in government securities	19,349,865	22,753,824	7,728,459	11,761,281
Interest / mark-up on bank accounts	18,207,211	16,597,778	10,975,975	9,253,842
	<u>1,281,132,688</u>	<u>876,522,576</u>	<u>676,119,000</u>	<u>459,295,490</u>
<b>14 Mark-up / return / interest expensed</b>				
Deposits	254,729,249	239,248,951	130,792,498	129,030,154
Borrowings	10,317,085	12,442,077	6,370,994	5,156,366
	<u>265,046,334</u>	<u>251,691,028</u>	<u>137,163,492</u>	<u>134,186,520</u>
<b>15 Fee, commission and brokerage income</b>				
Loan processing fee	66,770,186	55,148,568	54,306,326	25,328,400
Income on Cheque Book issuance	11,987,584	10,415,852	6,388,184	4,852,602
Others	49,818,287	68,693,700	17,771,778	34,285,335
	<u>128,576,057</u>	<u>134,258,120</u>	<u>78,466,288</u>	<u>64,466,337</u>
<b>16 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.