

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2019

	Note	March 31 2019 (Un-Audited)	December 31 2018 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	1,414,699,241	1,639,249,051
Balances with other banks/NBFIs/MFBs	7	276,881,750	2,489,461,972
Lending to financial institutions		-	-
Investments - net of provisions	8	4,369,283,049	3,827,477,298
Advances - net of provisions	9	21,765,638,161	20,580,529,143
Operating fixed assets		1,774,090,122	1,748,345,423
Other assets		2,581,996,981	1,970,560,758
Deferred tax asset	10	38,526,681	24,136,895
Total assets		32,221,115,985	32,279,760,540
LIABILITIES			
Deposits and other accounts	11	24,263,046,857	23,741,811,865
Borrowings	12	2,376,942,715	3,318,500,544
Subordinated debt		-	-
Other liabilities		1,299,064,878	1,187,059,280
Total liabilities		27,939,054,450	28,247,371,689
Net assets		4,282,061,535	4,032,388,851
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		557,278,327	557,278,327
Depositors' protection fund		154,078,875	150,988,407
Unappropriated Profit		1,309,507,482	1,061,863,072
		4,280,711,501	4,029,976,623
Deferred grants		1,350,034	2,412,228
Total capital		4,282,061,535	4,032,388,851

Memorandum / Off-balance sheet items

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

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Note	Quarter ended (Un-Audited)	
		Mar 31 2019	Mar 31 2018
		(Rupees)	
Mark-up / return / interest earned	13	1,988,483,851	1,480,947,735
Mark-up / return / interest expensed	14	(598,799,351)	(408,363,020)
Net mark-up / interest income		1,389,684,500	1,072,584,715
Provision against non-performing loans and advances		(196,176,544)	(81,279,501)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		(1,937,561)	(4,654,234)
		(198,114,105)	(85,933,735)
Net mark-up / interest income after provisions		1,191,570,395	986,650,980
Non mark-up / non interest income			
Fee, commission and brokerage income	15	168,458,833	128,178,944
Dividend income		-	-
Other income		22,485,622	22,711,283
Total non mark-up / non interest income		190,944,455	150,890,227
		1,382,514,850	1,137,541,207
Non mark-up / non interest expenses			
Administrative expenses		(974,392,131)	(764,211,792)
Other charges		(8,323,268)	(9,503,978)
Total non mark-up / non interest expenses		(982,715,399)	(773,715,770)
Profit before taxation		399,799,451	363,825,437
Taxation - Current year		(166,544,827)	(134,512,113)
Prior years		-	-
Deferred		14,389,786	8,305,077
		(152,155,041)	(126,207,036)
Profit after taxation		247,644,410	237,618,401
Earning per share		0.39	0.37

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

FINCA MICROFINANCE BANK LIMITED**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)****FOR THE QUARTER ENDED MARCH 31, 2019**

	<u>Quarter ended</u>	
	<u>Mar 31</u>	<u>Mar 31</u>
	<u>2019</u>	<u>2018</u>
	<u>Un-Audited</u>	<u>Un-Audited</u>
	(Rupees)	
Profit after taxation	247,644,410	237,618,401
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 quarter	247,644,410	237,618,401

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

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Mar 31 2019 Un-Audited	Mar 31 2018 Un-Audited
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	399,799,451	363,825,437
Less : Dividend income	-	-
	399,799,451	363,825,437
Adjustments for non-cash charges		
Depreciation	51,492,702	34,176,030
Amortisation	16,046,508	15,289,360
Provision against non-performing advances	196,176,544	81,279,501
Provision for diminution in the value of investments/other assets	-	(73,378,281)
Loss / (gain) on disposal of fixed assets	(360,270)	-
Finance charge on leased assets	-	-
Amortisation of discount on held to maturity investment	(98,787,232)	-
Provision for accumulating compensated absences	-	-
Deferred grant recognised as income	-	(1,105,644)
Provision for gratuity	22,227,181	-
	186,795,433	56,260,966
	586,594,884	420,086,403
(Increase)/decrease in operating assets		
Lending to financial institutions	-	-
Advances	(1,381,285,562)	(1,087,953,376)
Others assets (excluding advance taxation)	(611,436,223)	(382,525,050)
	(1,992,721,785)	(1,470,478,426)
Increase/(decrease) in operating liabilities		
Bills payable	(3,826,371)	-
Borrowings from financial institutions	(941,557,829)	(384,901,627)
Deposits	521,234,992	625,736,379
Other liabilities	69,405,704	436,433,655
	(354,743,504)	677,268,407
	(1,760,870,405)	(373,123,616)
Gratuity paid	(3,350,777)	-
Income tax paid	(138,994,966)	(134,512,118)
Net cash flow from operating activities	(1,903,216,148)	(507,635,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(350,000,000)	214,869,358
Net investments in held-to-maturity securities	(93,018,519)	941,467,020
Interest income on depositors protection fund	3,090,468	-
Dividend income	-	-
Investments in operating fixed assets	(97,003,473)	(21,479,352)
Sale proceeds of property and equipment disposed-off	4,079,834	-
Net cash flow from investing activities	(532,851,690)	1,134,857,026
CASH FLOWS FROM FINANCING ACTIVITIES		
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	(1,062,194)	1,849,614
Net cash flow from financing activities	(1,062,194)	1,849,614
Increase/(decrease) in cash and cash equivalents	(2,437,130,032)	629,070,906
Cash and cash equivalents at beginning of the year	4,128,711,023	2,533,123,344
Cash and cash equivalents at end of the year	1,691,580,991	3,162,194,250

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

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Capital reserves			Revenue reserves		Total
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit / (loss)	
----- Rupees -----						
Balance as at 31 December 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	-	-	-	-	956,480,577	956,480,577
Other comprehensive income	-	-	-	-	(8,296,588)	(8,296,588)
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	(8,296,588)	(8,296,588)
Total comprehensive income for the year	-	-	-	-	948,183,989	948,183,989
Transfer to statutory reserve	-	-	191,296,115	-	(191,296,115)	-
Transfer to depositors' protection fund	-	-	-	47,824,029	(47,824,029)	-
Return on depositors' protection fund's investments - net of tax	-	-	-	6,715,822	-	6,715,822
Transactions with owners:						
- Dividend	-	-	-	-	(200,000,000)	(200,000,000)
Premium/Discount on issue of shares	-	-	-	-	-	-
Balance as at 31 December 2018	6,348,887,110	(4,089,040,293)	557,278,327	150,988,407	1,061,863,072	4,029,976,623
Profit for the year	-	-	-	-	247,644,410	247,644,410
Other comprehensive income	-	-	-	-	-	-
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	247,644,410	247,644,410
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	3,090,468	-	3,090,468
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 31 March 2019	6,348,887,110	(4,089,040,293)	557,278,327	154,078,875	1,309,507,482	4,280,711,501

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

FINCA MICROFINANCE BANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR QUARTER ENDED MARCH 31, 2019 (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 36-B XX Block, Khayaban-e-Iqbal, DHA Phase 3, 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 Mar 31, 2019, the Bank has 134 branches (2018: 133 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Sindh, Gilgit Baltistan and Azad Jammu and Kashmir.

- 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 the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP), the requirements of the Microfinance Institution Ordinance, 2001 (the MFI Ordinance), the provisions of and directives issued under the Companies Act, 2017, and the accounting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretation Committee, of the IASB as adopted in Pakistan.

Where the requirements of the Companies Act, 2017, the MFI Ordinance and the directives issued by the SBP and SECP differ with the requirements of IFRSs, the requirements of the Companies Act, 2017, the MFI Ordinance, or the requirements of the said directives shall prevail.

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 26 August 2002. Further, SECP has deferred applicability of IFRS 7 "Financial Instruments: Disclosures" through its notification S.R.O 633(1) / 2014 dated 10 July 2014. 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 2018.

		March 31 2019	December 31 2018
	Note	(Un-Audited)	(Audited)
		(Rupees)	
6. Cash and balances with SBP and NBP			
Cash in hand		229,858,758	277,302,020
Balance with State Bank of Pakistan	6.1	815,622,017	1,204,067,018
Balance with National Bank of Pakistan in :			
Deposit account	6.1	872,278	23,818,798
Current account	6.1	368,346,188	134,061,215
		<u>1,414,699,241</u>	<u>1,639,249,051</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. This also includes Rs. 154 million (2018: Rs. 151 million) maintained with SBP under depositors' protection fund. Deposit accounts carry markup ranging from 8.25% to 8.75% (2018: 3.75% to 8%).

		March 31 2019	December 31 2018
	Note	(Un-Audited)	(Audited)
		(Rupees)	
7. Balances with other banks/NBFIs/MFBs			
In Pakistan:			
Saving accounts	7.1	106,595,580	956,403,890
Deposit accounts		-	1,100,000,000
Current accounts		170,286,170	433,058,082
		<u>276,881,750</u>	<u>2,489,461,972</u>

7.1 These accounts carry mark-up ranging from 6.5% to 10.45% (2018: 3.75% to 10.45%) per annum.

8. **Investments-net of provisions**

		March 31 2019 (Un-Audited)	December 31 2018 (Audited)
(Rupees)			
Federal Govt. Securities:			
Market treasury bills (Held for trading)		2,791,491,077	2,441,491,077
Pakistan investment bond (Held to maturity)		-	-
Market treasury bills (Held to maturity)	8.1	<u>1,577,791,972</u>	<u>1,385,986,221</u>
		<u>4,369,283,049</u>	<u>3,827,477,298</u>

8.1 These carry yield rate ranging between 10.30% to 10.55% (2018: 5.99% to 10.30%) per annum and have maturity upto 23 May 2019. These securities have an aggregate face value of Rs. 4,440 million (2018: Rs.3,850 million)

	Note	March 31, 2019 (Un-Audited)		December 31, 2018 (Audited)	
		Number	(Rupees)	Number	(Rupees)
9. Advances - net of provisions					
Micro credit advances	9.1	246,917	22,010,862,425	234,472	20,742,069,542
Micro lease			-	-	-
Other advances	9.2	1,335	134,372,589	1,160	126,865,454
			<u>22,145,235,014</u>		<u>20,868,934,996</u>
Less: Provisions held:					
Specific	9.3	6,250	165,522,018	5,269	85,182,091
General	9.4		214,074,835		203,223,762
			<u>379,596,853</u>		<u>288,405,853</u>
			<u>21,765,638,161</u>		<u>20,580,529,143</u>

9.1 This includes fully secured advances amounting to Rs. 572.23 million (2018: Rs. 461.38 million) whereas the remaining advances are secured by personal guarantees.

9.2 These advances are staff loans and carry markup rate of 5% per annum (2018: 5%). This amount includes a loan sanctioned to the Chief Executive Officer of Rs. 5.65 million (2018: Rs. 6.26 million) at a markup rate of 5% (2018: 5%).

9.3 **Particulars of non-performing advances**

The total advances of Rs. 471.67 million (2018: Rs. 392.18 million) placed under non-performing status includes Rs 10.07 million (2018: Rs. 10.57 million) against secured gold loans:

	March 31, 2019 (Un-Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	1,349	90,964,849	0	-	-
Sub-standard	1,240	91,224,366	25	22,281,181	22,281,181
Doubtful	3,635	287,533,305	50	141,288,835	141,288,835
Loss	26	1,952,002	100	1,952,002	1,952,002
Total	<u>6,250</u>	<u>471,674,522</u>		<u>165,522,018</u>	<u>165,522,018</u>
	December 31, 2018 (Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	2,113	176,534,285	0	-	-
Sub-standard	1,096	82,099,844	25	19,726,953	19,726,953
Doubtful	2,040	132,218,323	50	64,119,663	64,119,663
Loss	20	1,335,475	100	1,335,475	1,335,475
Total	<u>5,269</u>	<u>392,187,927</u>		<u>85,182,091</u>	<u>85,182,091</u>

9.4 This represents general provision equivalent to 1% (2018: 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	March 31, 2019 (Un-Audited)			December 31, 2018 (Audited)		
	Specific	General (Rupees)	Total	Specific	General (Rupees)	Total
Opening balance	85,182,091	203,223,762	288,405,853	79,914,526	167,388,773	247,303,299
Charge for the year	185,325,471	10,851,073	196,176,544	387,707,170	35,834,989	423,542,159
Reversal during the year	-	-	-	-	-	-
Amounts written off	(104,985,544)	-	(104,985,544)	(382,439,605)	-	(382,439,605)
	80,339,927	10,851,073	91,191,000	5,267,565	35,834,989	41,102,554
Closing balance	165,522,018	214,074,835	379,596,853	85,182,091	203,223,762	288,405,853

9.5.1 Particulars of write offs

	March 31 2019 (Un-Audited)	December 31 2018 (Audited)
Against provisions	104,985,544	382,439,605
Directly charged to profit and loss account	1,937,561	11,373,889
	106,923,105	393,813,494

10. Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	74,891,525	68,284,784
Accumulated compensated absences	-	-
Deferred tax asset on unused business losses	-	-
Deferred tax asset on unabsorbed depreciation	-	-
	74,891,525	68,284,784

Deferred tax liability in respect of:

Operating fixed assets	36,364,844	44,147,889
	36,364,844	44,147,889
Adjustment	-	-
Unused tax losses (to the extent of unabsorbed depreciation and amortisation)	38,526,681	24,136,895

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 and other accounts

Note	March 31, 2019		December 31, 2018		
	Number of accounts	(Rupees)	Number of accounts	(Rupees)	
Fixed deposits	11.1	13,252	17,456,918,038	13,606	16,690,264,737
Saving deposits	11.1	117,407	4,989,948,265	116,533	5,050,834,519
Current deposits		964,933	1,816,180,554	920,421	2,000,712,609
		1,095,592	24,263,046,857	1,050,560	23,741,811,865

11.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.35% to 13.75% (2018: 5.25% to 13.75%) per annum. The saving deposits represent accounts carrying interest rates ranging from 0% to 9% (2018: 0% to 8%) per annum.

	March 31, 2019		December 31, 2018	
	(Un-Audited)		(Audited)	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)
11.2 Particulars of deposits by ownership				
1) Individual depositors	1,095,044	16,435,859,254	1,050,049	18,221,859,397
2) Institutional depositors				
a) Corporations, firms and other such entities	445	5,155,937,154	403	2,853,736,216
b) Banks and financial institutions	103	2,671,250,449	108	2,666,216,252
	1,095,592	24,263,046,857	1,050,560	23,741,811,865
			March 31	December 31
			2019	2018
			Un-Audited	(Audited)
			(Rupees)	
12. Borrowings				
Running Finance - JS Bank Limited			-	-
Running Finance - UBL Bank Limited			260,689,280	399,118,731
Running Finance - FBL Bank Limited			102,000	398,005,400
Running Finance - Allied Bank Limited			51,150,335	99,372,055
Running Finance - National Bank of Pakistan			215,001,100	497,004,358
Term Finance - Pak Oman Investment			125,000,000	150,000,000
Term Finance - UBL Limited			-	-
Term Finance - Faysal Bank Limited			56,250,000	75,000,000
Term Finance - Allied Bank Limited			200,000,000	200,000,000
Term Finance - National Bank of Pakistan			1,000,000,000	1,000,000,000
Term finance - MCB / United Bank / JS Bank Limited			468,750,000	500,000,000
			2,376,942,715	3,318,500,544
			Quarter ended	
			March 31	March 31
			2019	2018
			(Un-Audited)	
			(Rupees)	
13. Mark-up / return / interest earned				
Interest / mark-up on advances			1,872,218,500	1,391,229,767
Markup earned on investments in government securities			98,787,232	73,378,281
Interest / mark-up on bank accounts			17,478,119	16,339,687
			1,988,483,851	1,480,947,735
14. Mark-up / return / interest expensed				
Deposits			539,444,745	385,802,908
Borrowings			59,354,606	22,560,112
			598,799,351	408,363,020
15. Fee, commission and brokerage income				
Loan processing fee			136,201,242	93,429,874
Income on Cheque Book issuance			10,927,666	9,975,958
Others			21,329,925	24,773,112
			168,458,833	128,178,944
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, except for caption of balance sheet, profit and loss account.