

FINCA Microfinance Bank Limited
Condensed Interim Financial statements
For the six months ended 30 June 2019

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Balance Sheet

As at 30 June 2019

	Note	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Assets			
Cash and balances with SBP and NBP	7	2,127,296,599	1,639,249,051
Balances with other banks/NBFIs/MFBs	8	412,550,313	2,489,461,972
Lending to financial institutions		-	-
Investments - net of provisions	9	7,845,246,736	3,827,477,298
Advances - net of provisions	10	21,714,407,409	20,580,529,143
Operating fixed assets	11	3,348,513,854	1,748,345,423
Other assets	12	2,920,949,334	1,970,560,758
Deferred tax asset	13	65,227,154	24,136,895
Total assets		38,434,191,399	32,279,760,540
Liabilities			
Deposits and other accounts	14	24,851,900,669	23,741,811,865
Borrowings	15	5,908,144,371	3,318,500,544
Subordinated debt		-	-
Other liabilities	16	3,247,645,595	1,187,059,280
Total liabilities		34,007,690,635	28,247,371,689
Net assets		4,426,500,764	4,032,388,851
Represented by:			
Share capital	17	6,348,887,110	6,348,887,110
Discount on issue of shares		(4,089,040,293)	(4,089,040,293)
Statutory reserve		634,770,967	557,278,327
Depositors' protection fund		178,673,053	150,988,407
Unappropriated profit		1,352,460,471	1,061,863,072
		4,425,751,308	4,029,976,623
Surplus on revaluation of fixed assets		-	-
Deferred grants		749,456	2,412,228
Total capital		4,426,500,764	4,032,388,851

Memorandum / Off-balance sheet items

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The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

14/07/2019



Chief Executive Officer



Chairman

Director



Director

FINCA MICROFINANCE BANK LIMITED
Condensed Interim Profit and Loss Account (Un-audited)
For the half year and quarter ended 30 June 2019

	Note	Six months ended		Three months ended	
		30 June 2019	30 June 2018	30 June 2019	30 June 2018
		Rupees	Rupees	Rupees	Rupees
Mark-up / return / interest earned	19	4,045,840,016	3,018,387,016	2,057,356,165	1,537,439,281
Mark-up / return / interest expensed	20	(1,267,994,144)	(830,813,929)	(669,194,793)	(422,450,909)
Net mark-up / interest income		2,777,845,872	2,187,573,087	1,388,161,372	1,114,988,372
Provision against non-performing loans and advances	10.4	(411,451,867)	(167,438,522)	(215,275,323)	(86,159,021)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(4,541,777)	(9,002,555)	(2,604,216)	(4,348,321)
		(415,993,644)	(176,441,077)	(217,879,539)	(90,507,342)
Net mark-up / interest income after provisions		2,361,852,228	2,011,132,010	1,170,281,833	1,024,481,030
Non mark-up / non interest income					
Fee, commission and brokerage income	21	366,977,441	287,681,814	198,518,608	159,502,870
Dividend income		-	-	-	-
Other income	22	73,101,366	46,805,118	50,615,744	24,093,835
Total non mark-up / non interest income		440,078,807	334,486,932	249,134,352	183,596,705
		2,801,931,035	2,345,618,942	1,419,416,185	1,208,077,735
Non mark-up / non interest expenses					
Administrative expenses	23	(2,044,785,127)	(1,600,576,641)	(1,046,046,303)	(836,364,849)
Other charges	24	(17,188,297)	(19,228,597)	-	(9,724,619)
Total non mark-up / non interest expenses		(2,061,973,424)	(1,619,805,238)	(1,046,046,303)	(846,089,468)
Profit before taxation		739,957,611	725,813,704	373,369,882	361,988,267
Taxation - Current year		(337,669,991)	(277,422,276)	(171,125,164)	(142,910,163)
Prior years		(55,914,680)	-	(55,914,680)	-
Deferred		41,090,259	12,690,191	26,700,473	4,385,114
		(352,494,412)	(264,732,085)	(200,339,371)	(138,525,049)
Profit after taxation		387,463,199	461,081,619	173,030,511	223,463,218
Other comprehensive income for the period					
Items that will not be reclassified subsequently to profit and loss account - net of tax		-	-	-	-
Total comprehensive income for the period		387,463,199	461,081,619	173,030,511	223,463,218
Unappropriated profit brought forward		1,061,863,072	552,799,227	1,061,863,072	552,799,227
Profit available for appropriation		1,449,326,271	1,013,880,846	1,234,893,583	776,262,445
Appropriations:					
<i>Transfer to:</i>					
Statutory reserve		(77,492,640)	(92,216,324)	(34,606,102)	(44,692,644)
Capital reserve		-	-	-	-
Dividend		-	-	-	-
Contribution to depositors' protection fund		(19,373,160)	(23,054,081)	(8,651,526)	(11,173,161)
Revenue reserve		-	-	-	-
		(96,865,800)	(115,270,405)	(43,257,628)	(55,865,805)
Unappropriated profit carried forward		1,352,460,471	898,610,441	1,191,635,955	720,396,640
Earnings per share		0.61	0.73	0.27	0.35

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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Chief Executive Officer


Chairman


Director


Director

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Statement of Other Comprehensive Income (Un-audited)


For the half year and quarter ended 30 June 2019

	Six months ended		Three months ended	
	30 June 2019 Rupees	30 June 2018 Rupees	30 June 2019 Rupees	30 June 2018 Rupees
Profit after tax	387,463,199	461,081,619	173,030,511	223,463,218
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit and loss account:</i>				
- Remeasurement of post retirement defined benefit obligation	-	-	-	-
- Related tax impact	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss account</i>	-	-	-	-
Total comprehensive income for the period	387,463,199	461,081,619	173,030,511	223,463,218

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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Chief Executive Officer


Chairman


Director


Director


FINCA MICROFINANCE BANK LIMITED
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2019


	Note	30 June 2019 Rupees	30 June 2018 Rupees
<u>Cash flows from operating activities</u>			
Profit before taxation		739,957,611	725,813,704
<i>Adjustments for non-cash charges:</i>			
Depreciation	23	230,495,906	71,702,742
Amortization		31,737,748	31,716,674
Provision against non-performing advances	10.4	411,451,867	167,438,522
(Gain) / loss on disposal of fixed assets	22	(468,605)	2,472,805
Amortization of discount on government securities	19	(222,947,128)	(146,553,340)
Deferred grant recognized as income		-	(2,211,288)
Provision for gratuity		44,454,362	31,849,025
		<u>494,724,150</u>	<u>156,415,140</u>
		1,234,681,761	882,228,844
<i>Increase in operating assets:</i>			
Net investments in held for trading securities		(3,868,504,890)	(750,000,000)
Advances		(1,545,330,133)	(2,140,859,832)
Others assets		(950,388,576)	(583,733,980)
		<u>(6,364,223,599)</u>	<u>(3,474,593,812)</u>
<i>Increase / (decrease) in operating liabilities:</i>			
Bills payable		75,169,009	536,613,960
Borrowings from financial institutions		2,589,643,827	232,972,816
Deposits		1,110,088,804	1,861,203,051
Other liabilities (excluding current taxation, and provision for gratuity)		165,457,968	(115,983,490)
		<u>3,940,359,608</u>	<u>2,514,806,337</u>
		<u>(1,189,182,230)</u>	<u>(77,558,631)</u>
Gratuity paid		(10,127,104)	(4,814,821)
Income tax paid		(301,647,875)	(241,823,739)
Net cash used in operating activities		<u>(1,500,957,209)</u>	<u>(324,197,191)</u>
<u>Cash flows from investing activities</u>			
Net investments in held-to-maturity securities		73,682,580	641,401,306
Interest income on depositors protection fund		8,311,486	2,972,510
Investments in operating fixed assets		(177,721,181)	(180,440,646)
Sale proceeds of property and equipment disposed-off		9,482,985	2,816,190
Net cash (used in) / generated from investing activities		<u>(86,244,130)</u>	<u>466,749,360</u>
<u>Cash flows from financing activities</u>			
Dividend paid		-	-
Grant utilized from unamortized portion		(1,662,772)	-
Net cash used in financing activities		<u>(1,662,772)</u>	<u>-</u>
(Decrease) / increase in cash and cash equivalents		<u>(1,588,864,111)</u>	<u>142,552,169</u>
Cash and cash equivalents at beginning of the period		<u>4,128,711,023</u>	<u>2,533,123,344</u>
Cash and cash equivalents at end of the period	26	<u><u>2,539,846,912</u></u>	<u><u>2,675,675,513</u></u>

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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Chief Executive Officer


Chairman


Director


Director

FINCA MICROFINANCE BANK LIMITED
Condensed Interim Statement of Changes in Equity
For the half year ended 30 June 2019

	Capital reserves			Revenue reserves		Total
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit	
----- Rupees -----						
Balance as at 31 December 2017 (Audited)	6,348,887,110	(4,089,040,293)	365,982,212	96,448,556	552,799,227	3,275,076,812
Profit for the period	-	-	-	-	461,081,619	461,081,619
Other comprehensive income	-	-	-	-	-	-
Remeasurement of post defined benefit obligation - net of tax	-	-	92,216,324	-	(92,216,324)	-
Total comprehensive income for the period	-	-	-	23,054,081	(23,054,081)	-
Transfer to statutory reserve	-	-	-	2,972,510	-	2,972,510
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	-	-	-
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 30 June 2018 (Unaudited)	6,348,887,110	(4,089,040,293)	458,198,536	122,475,147	898,610,441	3,739,130,941
Balance as at 31 December 2018 (Audited)	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 period	-	-	-	-	387,463,199	387,463,199
Other comprehensive income	-	-	-	-	-	-
Remeasurement of post defined benefit obligation - net of tax	-	-	77,492,640	-	(77,492,640)	-
Total comprehensive income for the period	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	19,373,160	-	19,373,160
Transfer to depositors' protection fund	-	-	-	8,311,486	-	8,311,486
Return on depositors' protection fund's investments - net of tax	-	-	-	-	-	-
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 30 June 2019 (Unaudited)	6,348,887,110	(4,089,040,293)	634,770,967	178,673,053	1,352,460,471	4,425,751,308

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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W. M. Khan

Chief Executive Officer

Q. Ahmad

Chairman

J. J. J.

Director

[Signature]

Director

FINCA MICROFINANCE BANK LIMITED

Notes to the condensed interim financial statements

For the half year ended 30 June 2019

1 Status and nature of business

FINCA Microfinance Bank Limited, (the Bank) was incorporated on 26 June 2008 as a public limited company. The Bank obtained the Microfinance banking license from the State Bank of Pakistan (SBP) on 12 August 2008 under the provisions of Microfinance Institutions Ordinance, 2001 and certificate of commencement of business on 04 September 2008 from Securities and Exchange Commission of Pakistan. On 27 October 2008 the Bank received the certificate of commencement of business from the 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 Building-36 Sector-XX Commercial Zone, Phase III, Khayaban-e-Iqbal, DHA, 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 25 November 2013.

The Bank is licensed to operate nationwide. As at 30 June 2019, the Bank has 135 branches (2018: 133 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Sindh, Gilgit Baltistan and Azad Jammu & Kashmir.

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 condensed interim financial statements have been presented in accordance with the requirements of SBP Banking Surveillance Department (BSD) Circular No. 11 dated 30 December 2003.

These condensed interim financial statements comprise the condensed interim balance sheet of the Bank as at 30 June 2019 and the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year ended 30 June 2019.

These condensed interim financial statements are presented in Pakistani Rupees ("Rs.") which is the Bank's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

These condensed interim financial statements have been prepared under the historical cost convention except for 'held for trading' investments which are measured at fair value.

3 Statement of compliance

3.1 These condensed interim 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 International Accounting Standard (IAS) 34, "Interim Financial Reporting," issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.

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- 3.2 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 IAS 34, the requirements of the Companies Act, 2017, the MFI Ordinance, or the requirements of the said directives shall prevail.
- 3.3 These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018.
- 3.4 Comparative balance sheet numbers are extracted from the annual audited balance sheet of the Bank for the year ended 31 December 2018, whereas comparative figures of profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial statements of the Bank for the half year ended 30 June 2018.
- 3.5 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars / regulations.

3.6 New / amendment to approved accounting standards that are effective in the current period

The Bank has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these condensed interim financial statements. The impact of adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 5.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after 01 January 2019. These are considered either to not be relevant or not to have any significant impact on the Bank's condensed interim financial statements.

3.7 New accounting standards / amendments and IFRS interpretations that are effective for the period ended on or after 01 July 2019

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

<u>Standards or interpretation</u>	<u>Effective date (accounting periods beginning on or after)</u>
– IFRIC 23 - 'Uncertainty over Income Tax Treatments'	01 July 2019
– Amendment to IFRS 3 - 'Business Combinations'	01 January 2020
– Amendments to IAS 1 - 'Presentation of Financial Statements'	01 January 2020
– Amendment to IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'	01 January 2020

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4 Use of accounting estimates and judgements

The preparation of the condensed interim financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgments made by the management in applying accounting policies and the key source of estimation uncertainty are the same as those applied in the preparation of audited financial statements for the year ended 31 December 2018.

5 Summary of significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial statements are same as those applied in the preparation of the audited financial statements for the year ended 31 December 2018 except for those disclosed in note 5.1.

5.1 Change in significant accounting policies

5.1.1 IFRS 16 - Leases

(a) Accounting policies adopted

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from 01 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the Standard.

On adoption of IFRS 16, the Bank has recognized liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate of 11.55% as of 01 January 2019. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognized in the statement of financial position immediately before the date of initial application.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right of- use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

(b) Impact of adoption

The change in accounting policy affected the following items in the balance sheet as on 01 January 2019:

- Right-of-Use (RoU) assets recognized as operating fixed assets – increased by Rs. 1,693.70 million which includes prepayments of Rs. 22.92 million; previously, included in other assets at 31 December 2018.
- Lease liabilities recognized as Other liabilities – increased by Rs. 1,670.78 million.

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- The impact on profit and loss account for the period 1 January 2019 to 30 June 2019 was a decrease in profit after tax by Rs. 49.66 million and earning per share by Rs. 0.08.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit and loss account.

6 Financial Risk Management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended 31 December 2018.

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
		Rupees	Rupees
7 Cash and balances with SBP and NBP	<i>Note</i>		
Cash in hand		385,612,005	277,302,020
Balance with State Bank of Pakistan	7.1	1,322,989,077	1,204,067,018
<i>Balance with National Bank of Pakistan in:</i>			
Deposit account	7.1	19,441,324	23,818,798
Current account	7.1	399,254,193	134,061,215
		<u>2,127,296,599</u>	<u>1,639,249,051</u>

- 7.1 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. 178.67 million (2018: Rs. 150.99 million) maintained with SBP under depositors' protection fund. Deposit accounts carry markup ranging from 8% to 10.75% (2018: 3.75% to 8%).

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
		Rupees	Rupees
8 Balances with other banks/NBFIs/MFBs	<i>Note</i>		
<i>In Pakistan:</i>			
Saving accounts	8.1	164,227,884	956,403,890
Deposit accounts		-	1,100,000,000
Current accounts		248,322,429	433,058,082
		<u>412,550,313</u>	<u>2,489,461,972</u>

- 8.1 These accounts carry mark-up ranging from 8% to 10.75% (2018: 3.75% to 10.45%) per annum.

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
		Rupees	Rupees
9 Investments-net of provisions	<i>Note</i>		
<i>Federal Govt. Securities:</i>			
Market treasury bills (Held for trading)	9.1	6,309,995,967	2,441,491,077
Market treasury bills (Held to maturity)	9.1	1,535,250,769	1,385,986,221
		<u>7,845,246,736</u>	<u>3,827,477,298</u>

- 9.1 These carry yield rate ranging between 10.30% to 12.74% (2018: 5.99% to 10.30%) per annum and have maturity upto 29 August 2019. These securities have an aggregate face value of Rs. 7,950 million (2018: Rs.3,850 million).

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	Note	30 June 2019 (Un-audited)		31 December 2018 (Audited)	
		Number	Rupees	Number	Rupees
10 Advances - net of provisions					
Micro credit advances	10.1	243,265	21,897,196,594	234,472	20,742,069,542
Micro lease			-	-	-
Other advances	10.2	2,189	150,910,539	1,160	126,865,454
			22,048,107,133		20,868,934,996
Less: Provisions held:					
Specific	10.3 & 10.4	6,765	121,746,835	5,269	85,182,091
General	10.4 & 10.5		211,952,889		203,223,762
			333,699,724		288,405,853
			21,714,407,409		20,580,529,143

10.1 This includes fully secured advances amounting to Rs. 731.07 million (2018: Rs. 461.38 million) whereas the remaining advances are secured by personal guarantees.

10.2 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. 5.03 million (2018: Rs. 6.26 million) at a markup rate of 5% (2018: 5%).

10.3 Particulars of non-performing advances

The total advances of Rs. 508.82 million (2018: Rs. 392.18 million) placed under non-performing status includes Rs 9.79 million (2018: Rs. 10.57 million) against secured gold loans:

	%	Number	30 June 2019 (Un-audited)		
			Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	2,701	222,866,872	-	-
Sub-standard	25	1,098	76,842,762	18,735,902	18,735,902
Doubtful	50	2,955	207,861,274	101,758,314	101,758,314
Loss	100	11	1,252,619	1,252,619	1,252,619
		6,765	508,823,527	121,746,835	121,746,835
31 December 2018 (Audited)					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	2,113	176,534,285	-	-
Sub-standard	25	1,096	82,099,844	19,726,953	19,726,953
Doubtful	50	2,040	132,218,323	64,119,663	64,119,663
Loss	100	20	1,335,475	1,335,475	1,335,475
Total		5,269	392,187,927	85,182,091	85,182,091

10.4 Particulars of non-performing advances

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

	Note	30 June 2019 (Un-audited)		
		Specific Rupees	General Rupees	Total Rupees
Balance as at January 1		85,182,091	203,223,762	288,405,853
Charge for the period		402,756,197	8,695,670	411,451,867
Reversal during the period		-	-	-
Amounts written off	10.4.1	(366,191,453)	-	(366,191,453)
		36,564,744	8,695,670	45,260,414
Balance as at June 30		121,746,835	211,919,432	333,666,267

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		31 December 2018 (Audited)		
	Note	Specific Rupees	General Rupees	Total Rupees
Balance as at January 1		79,914,526	167,388,773	247,303,299
Charge for the year		387,707,170	35,834,989	423,542,159
Reversal during the year		-	-	-
Amounts written off	10.4.1	(382,439,605)	-	(382,439,605)
		5,267,565	35,834,989	41,102,554
Balance as at December 31		85,182,091	203,223,762	288,405,853

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
10.4.1 Particulars of write offs			
Against provisions for the period / year		366,191,453	382,439,605
Directly charged to profit and loss account during the period / year		4,541,777	11,373,889
		<u>370,733,230</u>	<u>393,813,494</u>

10.5 This represents general provision equivalent to 1% (2017: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
	Note		

11 Operating fixed assets

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Capital work-in-progress	11.1	305,115,316	392,783,146
Intangible assets		240,321,190	264,807,504
Property and equipment	11.2	1,231,327,820	1,090,754,773
Right of use asset		1,571,749,528	-
		<u>3,348,513,854</u>	<u>1,748,345,423</u>

11.1 Capital work-in-progress

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Opening balance		392,783,146	227,244,733
Addition during the period / year		213,312,028	451,006,165
Transfers made during the period / year		(300,979,858)	(285,467,752)
Closing balance		<u>305,115,316</u>	<u>392,783,146</u>

11.2 Property and equipment

		(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
Net book value at beginning		1,090,754,773	845,475,332
Additions during the period / year		258,086,962	420,104,918
Disposals / adjustments during the period / year - net book value		(8,963,765)	(13,202,525)
Depreciation charged during the period / year		(108,550,150)	(161,622,952)
Net book value at end		<u>1,231,327,820</u>	<u>1,090,754,773</u>

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	Note	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
12 Other assets			
Income / mark-up accrued on loans and advances		2,205,316,276	1,640,971,558
Income / mark-up accrued on balance with banks		1,302,714	9,159,189
Prepayments		114,146,196	117,042,262
Security deposits		11,486,844	9,679,844
Stationary and stamps on hand		46,510,272	35,838,679
Receivable from FINCA International Inc.	12.1	8,587,112	8,342,798
Receivable from MESSA	12.1	3,168,015	3,168,015
Receivable from SBP against crop insurance		175,568,782	109,892,151
Others		354,863,123	36,466,262
		<u>2,920,949,334</u>	<u>1,970,560,758</u>

12.1 This represents amount receivable from related party in respect of integration, travelling and advertisement.

	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
13 Deferred tax asset		
<i>Deferred tax asset on deductible temporary differences arising in respect of:</i>		
- gratuity payable	80,299,318	68,284,784
- lease liability	572,227,545	-
	<u>652,526,863</u>	<u>68,284,784</u>
<i>Deferred tax liability on taxable temporary differences arising in respect of:</i>		
- property and equipment	37,187,374	44,147,889
- right of use asset	550,112,335	-
	<u>587,299,709</u>	<u>44,147,889</u>
	<u>65,227,154</u>	<u>24,136,895</u>

	Note	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
		Number of accounts	Amount in Rupees	Number of accounts	Amount in Rupees
14 Deposits and other accounts					
Fixed deposits	14.1	13,227	17,684,765,542	13,606	16,690,264,737
Saving deposits	14.1	118,010	5,173,244,143	116,533	5,050,834,519
Current deposits		1,016,802	1,993,890,984	920,421	2,000,712,609
		<u>1,148,039</u>	<u>24,851,900,669</u>	<u>1,050,560</u>	<u>23,741,811,865</u>

14.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.5% to 14.5% (2018: 5.25% to 13.75%) per annum. The saving deposits represent accounts carrying interest rates ranging from 0% to 10% (2018: 0% to 8%) per annum.

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Number of accounts	Amount in Rupees
14.2 Particulars of deposits by ownership		
Individual depositors	1,147,479	18,503,209,831
<i>Institutional depositors:</i>		
Corporations, firms and other such entities	481	4,190,700,976
Banks and financial institutions	79	2,157,989,862
	<u>1,148,039</u>	<u>24,851,900,669</u>

14.3 Deposits include deposits from related parties amounting to Rs. 154.80 million (2018: Rs. 57.43 million).

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	<i>Note</i>	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
15 Borrowings			
Borrowings from banks / financial institutions in Pakistan	<i>15.1</i>	<u>5,908,144,371</u>	<u>3,318,500,544</u>
15.1 Details of borrowings from financial institutions			
<i>Secured</i>			
Running Finance - UBL Bank Limited		354,338,936	399,118,731
Running Finance - FBL Bank Limited		208,851,800	398,005,400
Running Finance - Allied Bank Limited		97,650,335	99,372,055
Running Finance - National Bank of Pakistan		472,303,300	497,004,358.00
Term Finance - Pak Oman Investment Company Limited		100,000,000	150,000,000
Term Finance - Faysal Bank Limited		37,500,000	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		437,500,000	500,000,000
Term finance - State Bank of Pakistan	<i>15.2</i>	<u>3,000,000,000</u>	-
		<u>5,908,144,371</u>	<u>3,318,500,544</u>

15.2 Finances received during the period

During the period the State Bank of Pakistan has disbursed loan facility to the Bank to ease the liquidity constraint of microfinance sector and provide access to long term market based funding that will enhance lending to microfinance borrowers including microenterprises and micro housing especially women borrowers. The term of the loan is as follows:

	Markup basis	Duration	Grace period	Amount Rupees
State Bank of Pakistan	6mk - 1.00*	05 Years	05 Years	<u>3,000,000,000</u>

* 6mk (6 months kibar)

	<i>Note</i>	(Un-audited) 30 June 2019 Rupees	(Audited) 31 December 2018 Rupees
16 Other liabilities			
Markup / return / interest payable	<i>16.1</i>	506,299,646	372,422,212
Bills payable		136,525,356	61,356,347
Accrued expenses		245,163,729	190,677,605
Current taxation		126,706,017	34,769,221
Payable to defined benefit plan		229,426,636	195,099,379
Withholding tax payable		106,903,979	23,353,281
Sundry creditors		261,684,389	309,381,235
Lease liability against right of use asset		1,634,935,843	-
		<u>3,247,645,595</u>	<u>1,187,059,280</u>

16.1 This includes markup payable on deposits from key management personnel amounting to Rs. 94,134 (2018: Rs. 21,096).

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	30 June 2019 (Number of shares)	31 December 2018	30 June 2019 Rupees	31 December 2018 Rupees
17 Share Capital				
17.1 Authorized capital				
Ordinary shares of Rs 10 each	<u>1,500,000,000</u>	<u>750,000,000</u>	<u>15,000,000,000</u>	<u>7,500,000,000</u>
17.2 Issued, subscribed and paid-up share capital				
Ordinary shares of Rs 10 each fully paid in cash	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>
17.3	During the period, the authorized share capital of the Bank has increased by Rs.7,500 million.			
18 Memorandum / Off-balance sheet items				
18.1 Contingencies				
	The status of contingency is same as it was disclosed in financial statements for the year ended on 31 December 2018.			
			(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees
19 Mark-up / return / interest earned				
Interest / mark-up on advances			3,802,164,706	2,835,531,553
Markup earned on investments in government securities			222,947,128	146,553,340
Interest / mark-up on bank accounts			20,728,182	36,302,123
			<u>4,045,840,016</u>	<u>3,018,387,016</u>
20 Mark-up / return / interest expensed				
Deposits			1,135,945,557	787,564,522
Borrowings			132,048,587	43,249,407
			<u>1,267,994,144</u>	<u>830,813,929</u>
21 Fee, commission and brokerage income				
Loan processing fee			300,599,004	235,920,695
Income on cheque book issuance			20,615,331	20,412,278
Over due charges			26,957,689	17,528,152
Early settlement charges			12,945,176	7,023,358
Others			5,860,241	6,797,331
			<u>366,977,441</u>	<u>287,681,814</u>
22 Other income				
Grant income			-	2,211,288
Recovery of debts previously written off			70,777,586	44,593,830
Net gain on disposal / deletion of operating fixed assets			468,605	-
Others			1,855,175	-
			<u>73,101,366</u>	<u>46,805,118</u>

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25 Related party transactions

The Bank's related parties comprise of directors, key management personnel, shareholders and entities over which the directors are able to exercise significant influence and employee gratuity fund. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	30 June 2019 (Un-audited)			31 December 2018 (Audited)		
	Key management personnel	Associated company / parent	Kashf foundation	Key management personnel	Associated company / parent	Kashf foundation
	-----Rupees-----			-----Rupees-----		
<u>Deposits</u>						
Opening balance	27,040,200	-	30,391,594	16,992,924	-	40,572,695
Received during the period / year	88,777,055	-	230,821,946	136,566,187	-	63,820,992
Withdrawn during the period / year	(91,045,603)	-	(131,182,214)	(126,518,911)	-	(74,002,093)
Closing balance	24,771,652	-	130,031,326	27,040,200	-	30,391,594
<u>Staff loans</u>						
Opening balance	18,140,322	-	-	13,956,339	-	-
Disbursement during the period / year	25,868,231	-	-	19,800,000	-	-
Repayments during the period / year	(24,772,323)	-	-	(15,616,017)	-	-
Closing balance	19,236,230	-	-	18,140,322	-	-
<u>Transactions during the period / year</u>						
Mark-up/return/interest earned	722,825	-	-	896,795	-	-
Mark-up/return/interest expensed	698,310	-	7,420,695	1,648,385	-	122,680
Contribution to provident fund	7,913,134	-	-	7,123,967	-	-

26 Cash and cash equivalents

Cash and balances with SBP and NBP
Balances with other banks

		(Un-audited) 30 June 2019	(Audited) 31 December 2018
	Note	Rupees	Rupees
	7	2,127,296,599	1,639,249,051
	8	412,550,313	2,489,461,972
		<u>2,539,846,912</u>	<u>4,128,711,023</u>

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	<i>Note</i>	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees
23 Administrative expenses			
Staff salaries and other benefits	23.1	1,057,350,443	852,828,104
Contribution to employee provident fund		46,372,943	40,111,558
Non-executive directors' fees, allowances and other expenses		600,000	425,000
Printing, stationery and periodicals		29,994,697	25,266,196
Advertisement		39,006,340	64,219,966
Rent, rates and taxes		15,293,884	113,142,836
Notional interest on lease liability		75,800,725	-
Office running expenses		23,241,029	20,732,850
Vehicle running expenses		27,778,647	18,869,852
Insurance		44,738,615	23,755,400
Office security / personnel services		56,679,291	50,880,785
Repairs and maintenance		59,591,952	32,473,033
Communication		49,858,478	34,722,090
Travel and transportation		98,999,189	79,757,848
Utilities		40,182,470	29,556,193
Legal and professional		72,041,213	67,384,728
Auditors' remuneration		880,000	-
Training and research		6,370,875	17,956,328
Depreciation	23.2	230,495,906	71,702,742
Amortization		31,737,748	31,716,674
Others		37,770,682	25,074,458
		<u>2,044,785,127</u>	<u>1,600,576,641</u>

23.1 This includes Rs. 44.45 million (2018: 65.18 million) in respect of staff gratuity expense and Rs. 1.20 million (2018: 2.72 million) in respect of gratuity expense of Chief Executive Officer.

23.2 This includes depreciation charge during the period on right of use asset amounting to Rs. 121.95 million (2018: nil).

	(Un-audited) 30 June 2019 Rupees	(Un-audited) 30 June 2018 Rupees
24 Other charges		
Penalties imposed by SBP	55,500	-
Bank charges	13,379,074	10,481,147
Net loss on disposal / deletion of operating fixed assets	-	2,472,815
Others	3,753,723	6,274,635
	<u>17,188,297</u>	<u>19,228,597</u>

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27 Non adjusting event after the balance sheet date

There is no such event to disclose.

28 Date of authorization

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on 29 August, 2019.

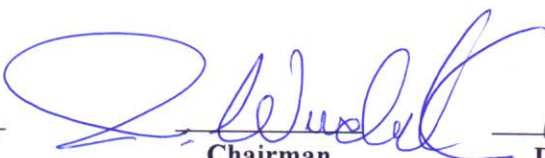
29 General

- Figures have been rounded to the nearest Rupee unless otherwise specified.

2019/10/14



Chief Executive Officer



Chairman



Director



Director