

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2019

	Note	September 30 2019 (Un-Audited)	December 31 2018 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	1,454,609,620	1,639,249,051
Balances with other banks/NBFIs/MFBs	7	233,847,189	2,489,461,972
Lending to financial institutions		-	-
Investments - net of provisions	8	6,801,523,999	3,827,477,298
Advances - net of provisions	9	21,899,459,155	20,580,529,143
Operating fixed assets		3,167,045,406	1,748,345,423
Other assets		2,894,545,447	1,970,560,758
Deferred tax asset	10	81,585,427	24,136,895
Total assets		36,532,616,243	32,279,760,540
LIABILITIES			
Deposits and other accounts	11	23,396,863,981	23,741,811,865
Borrowings	12	5,431,481,843	3,318,500,544
Subordinated debt		-	-
Other liabilities		3,133,223,922	1,187,059,280
Total liabilities		31,961,569,746	28,247,371,689
Net assets		4,571,046,497	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		164,872,528	150,988,407
Unappropriated Profit		1,588,822,569	1,061,863,072
		4,570,820,241	4,029,976,623
Deferred grants		226,256	2,412,228
Total capital		4,571,046,497	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 NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Nine months ended (Un-Audited)		Quarter ended (Un-Audited)		
	September 30	September 30	September 30	September 30	
	2019	2018	2019	2018	
	(Rupees)		(Rupees)		
Mark-up / return / interest earned	13	6,231,595,025	4,718,288,911	2,185,755,009	1,699,901,895
Mark-up / return / interest expensed	14	(2,067,122,209)	(1,305,042,165)	(799,128,065)	(474,228,236)
Net mark-up / interest income		4,164,472,816	3,413,246,746	1,386,626,944	1,225,673,659
Provision against non-performing loans and advances		(709,804,481)	(290,619,249)	(298,685,889)	(123,180,727)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(1,259,513)	(9,527,486)	3,282,264	(524,931)
		(711,063,994)	(300,146,735)	(295,403,625)	(123,705,658)
Net mark-up / interest income after provisions		3,453,408,822	3,113,100,011	1,091,223,319	1,101,968,001
Non mark-up / non interest income					
Fee, commission and brokerage income	15	553,596,712	443,451,619	186,619,271	155,769,805
Dividend income		-	-	-	-
Other income		103,048,383	90,677,992	29,947,017	43,872,874
Total non mark-up / non interest income		656,645,095	534,129,611	216,566,288	199,642,679
		4,110,053,917	3,647,229,622	1,307,789,607	1,301,610,680
Non mark-up / non interest expenses					
Administrative expenses		(3,124,338,093)	(2,462,974,372)	(1,079,552,966)	(862,397,731)
Other charges		(26,013,376)	(28,365,635)	(8,825,079)	(9,137,038)
Total non mark-up / non interest expenses		(3,150,351,469)	(2,491,340,007)	(1,088,378,045)	(871,534,769)
Profit before taxation		959,702,448	1,155,889,615	219,411,562	430,075,911
Taxation - Current year		(433,704,878)	(444,930,303)	(96,034,887)	(167,508,027)
Prior years		(55,914,697)	-	(17)	-
Deferred		57,448,531	10,337,426	16,358,272	(2,352,765)
		(432,171,044)	(434,592,877)	(79,676,632)	(169,860,792)
Profit after taxation		527,531,404	721,296,738	139,734,930	260,215,119
Earning per share		0.83	1.14	0.22	0.41

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

	Nine months ended (Un-Audited)		Quarter ended (Un-Audited)	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
	(Rupees)		(Rupees)	
Profit after taxation	527,531,404	721,296,738	139,734,930	260,215,119
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>				
<i>Net change in fair value of 'available-for-sale' securities</i>	(571,907)	-	-	-
	(571,907)	-	-	-
Total comprehensive income for the period	526,959,497	721,296,738	139,734,930	260,215,119

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

	September 30 2019 Un-Audited	September 30 2018 Un-Audited
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	959,702,448	1,155,889,615
Less : Dividend income	-	-
	959,702,448	1,155,889,615
Adjustments for non-cash charges		
Depreciation	347,466,839	114,159,538
Amortisation	48,185,504	48,967,740
Provision against non-performing advances	709,804,481	290,619,249
Loss / (gain) on disposal of fixed assets	(468,605)	2,323,562
Amortisation of discount on held to maturity investment	(461,702,793)	(237,919,791)
Deferred grant recognised as income	-	(8,516,106)
Provision for gratuity	66,681,542	47,773,541
	709,966,968	257,407,733
	1,669,669,416	1,413,297,348
(Increase)/decrease in operating assets		
Net investments in held for trading securities	(3,437,492,054)	(150,000,000)
Advances	(2,028,734,493)	(3,743,360,229)
Others assets	(923,984,689)	(854,343,732)
	(6,390,211,236)	(4,747,703,961)
Increase/(decrease) in operating liabilities		
Bills payable	(14,104,675)	(4,493,458)
Borrowings from financial institutions	2,112,981,299	1,111,380,588
Deposits	(344,947,884)	2,855,563,963
Other liabilities	158,461,399	(148,508,059)
	1,912,390,139	3,813,943,034
	(2,808,151,681)	479,536,421
Gratuity paid	(17,024,948)	(7,847,401)
Income tax paid	(432,320,762)	(337,821,208)
Net cash flow from operating activities	(3,257,497,391)	133,867,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held-to-maturity securities	924,576,239	1,024,349,691
Interest income on depositors protection fund	13,884,121	4,678,709
Investments in operating fixed assets	(136,529,832)	(288,488,465)
Sale proceeds of property and equipment disposed-off	17,498,621	6,802,832
Net cash flow from investing activities	819,429,149	747,342,767
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Grant received from donors	(2,185,972)	-
Net cash flow from financing activities	(2,185,972)	-
Increase/(decrease) in cash and cash equivalents	(2,440,254,214)	881,210,579
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	1,688,456,809	3,414,333,923

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 NINE MONTHS ENDED SEPTEMBER 30, 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	-	-	-	-	527,531,404	527,531,404
Other comprehensive income	-	-	-	-	-	-
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Net change in fair value of 'available-for-sale' securities	-	-	-	-	(571,907)	(571,907)
Total comprehensive income for the year	-	-	-	-	526,959,497	526,959,497
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	13,884,121	-	13,884,121
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 30 September 2019	6,348,887,110	(4,089,040,293)	557,278,327	164,872,528	1,588,822,569	4,570,820,241

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 THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2019, the Bank has 135 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.

		September 30 2019	December 31 2018
	Note	(Un-Audited)	(Audited)
		(Rupees)	
6. Cash and balances with SBP and NBP			
Cash in hand		339,782,431	277,302,020
Balance with State Bank of Pakistan	6.1	810,947,911	1,204,067,018
Balance with National Bank of Pakistan in :			
Deposit account	6.1	75,950,925	23,818,798
Current account	6.1	227,928,353	134,061,215
		<u>1,454,609,620</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. 165 million (2018: Rs. 151 million) maintained with SBP under depositors' protection fund. Deposit accounts carry markup ranging from 8% to 10.25% (2018: 3.75% to 8%).

		September 30 2019	December 31 2018
	Note	(Un-Audited)	(Audited)
		(Rupees)	
7. Balances with other banks/NBFIs/MFBs			
In Pakistan:			
Saving accounts	7.1	39,641,461	956,403,890
Deposit accounts		-	1,100,000,000
Current accounts		194,205,728	433,058,082
		<u>233,847,189</u>	<u>2,489,461,972</u>

7.1 These accounts carry mark-up ranging from 8% to 11.25% (2018: 3.75% to 10.45%) per annum.

8. **Investments-net of provisions**

		September 30 2019	December 31 2018
		(Un-Audited)	(Audited)
		(Rupees)	
Federal Govt. Securities:			
Market treasury bills (Held for trading)	8.1	3,514,482,538	2,441,491,077
Market treasury bills (Available for sale)	8.1	2,394,864,883	-
Market treasury bills (Held to maturity)	8.1	892,176,578	1,385,986,221
		<u>6,801,523,999</u>	<u>3,827,477,298</u>

8.1 These carry yield rate ranging between 10.30% to 14.22% (2018: 5.99% to 10.30%) per annum and have maturity upto 27 August 2020. These securities have an aggregate face value of Rs. 7,150 million (2018: Rs.3,850 million)

	Note	September 30, 2019		December 31, 2018	
		Number	(Rupees)	Number	(Rupees)
9. Advances - net of provisions					
Micro credit advances	9.1	243,394	22,195,113,027	234,472	20,742,069,542
Micro lease			-	-	-
Other advances	9.2	1,335	154,565,182	1,160	126,865,454
			<u>22,349,678,209</u>		<u>20,868,934,996</u>
Less: Provisions held:					
Specific	9.3	8,546	239,745,102	5,269	85,182,091
General	9.4		210,473,952		203,223,762
			<u>450,219,054</u>		<u>288,405,853</u>
			<u>21,899,459,155</u>		<u>20,580,529,143</u>

9.1 This includes fully secured advances amounting to Rs. 1,063 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. 12.03 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. 666.02 million (2018: Rs. 392.18 million) placed under non-performing status includes Rs 11.61 million (2018: Rs. 10.57 million) against secured gold loans:

	September 30, 2019 (Un-Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	1,775	121,959,920	0	-	-
Sub-standard	1,560	120,568,129	25	29,037,346	29,037,346
Doubtful	5,190	422,227,336	50	209,440,944	209,440,944
Loss	21	1,266,812	100	1,266,812	1,266,812
Total	<u>8,546</u>	<u>666,022,197</u>		<u>239,745,102</u>	<u>239,745,102</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	September 30, 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	702,554,291	7,250,190	709,804,481	387,707,170	35,834,989	423,542,159
Reversal during the year	-	-	-	-	-	-
Amounts written off	(547,991,280)	-	(547,991,280)	(382,439,605)	-	(382,439,605)
	154,563,011	7,250,190	161,813,201	5,267,565	35,834,989	41,102,554
Closing balance	239,745,102	210,473,952	450,219,054	85,182,091	203,223,762	288,405,853

9.5.1 Particulars of write offs

	September 30 2019 (Un-Audited)	December 31 2018 (Audited)
Against provisions	547,991,280	382,439,605
Directly charged to profit and loss account	1,259,513	11,373,889
	549,250,793	393,813,494

10. Deferred tax asset

Deferred taxation asset arising in respect of :

Gratuity payable	85,664,590	68,284,784
Lease Liability	565,309,253	-
	650,973,843	68,284,784

Deferred tax liability in respect of:

Operating fixed assets	39,180,283	44,147,889
ROU Asset	530,208,133	-
	569,388,416	44,147,889
	81,585,427	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	September 30, 2019		December 31, 2018		
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)	
Fixed deposits	11.1	12,923	16,064,040,480	13,606	16,690,264,737
Saving deposits	11.1	118,586	5,397,294,536	116,533	5,050,834,519
Current deposits		1,071,554	1,935,528,965	920,421	2,000,712,609
		1,203,063	23,396,863,981	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 7.50% to 14.25% (2018: 5.25% to 13.75%) per annum. The saving deposits represent accounts carrying interest rates ranging from 0% to 10.25% (2018: 0% to 8%) per annum.

	September 30, 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	1,202,464	18,028,198,981	1,050,049	18,221,859,397
2) Institutional depositors				
a) Corporations, firms and other such entities	522	3,524,429,000	403	2,853,736,216
b) Banks and financial institutions	77	1,844,236,000	108	2,666,216,252
	<u>1,203,063</u>	<u>23,396,863,981</u>	<u>1,050,560</u>	<u>23,741,811,865</u>
			September 30	December 31
			2019	2018
			Un-Audited	(Audited)
			(Rupees)	
12. Borrowings				
Running Finance - UBL Bank Limited			266,437,883	399,118,731
Running Finance - FBL Bank Limited			61,222,686	398,005,400
Running Finance - Allied Bank Limited			94,017,424	99,372,055
Running Finance - National Bank of Pakistan			322,303,850	497,004,358
Term Finance - Pak Oman Investment			75,000,000	150,000,000
Term Finance - Faysal Bank Limited			18,750,000	75,000,000
Term Finance - Allied Bank Limited			187,500,000	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			406,250,000	500,000,000
SBP Loan under FIIP			3,000,000,000	-
			<u>5,431,481,843</u>	<u>3,318,500,544</u>
			September 30	September 30
			2019	2018
			(Un-Audited)	
			(Rupees)	
13. Mark-up / return / interest earned				
Interest / mark-up on advances			5,743,072,489	4,431,684,400
Markup earned on investments in government securities			461,702,793	237,919,791
Interest / mark-up on bank accounts			26,819,743	48,684,720
			<u>6,231,595,025</u>	<u>4,718,288,911</u>
14. Mark-up / return / interest expensed				
Deposits			1,754,043,852	1,234,327,441
Borrowings			313,078,357	70,714,724
			<u>2,067,122,209</u>	<u>1,305,042,165</u>
15. Fee, commission and brokerage income				
Loan processing fee			435,079,386	362,877,248
Income on Cheque Book issuance			29,778,819	31,257,138
Others			88,738,507	49,317,233
			<u>553,596,712</u>	<u>443,451,619</u>
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.