

FINCA MICROFINANCE BANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2020

	Note	March 30 2020 (Un-Audited)	December 31 2019 (Audited)
(Rupees)			
ASSETS			
Cash and balances with SBP and NBP	6	1,564,337,966	1,595,527,281
Balances with other banks/NBFIs/MFBs	7	1,490,506,135	1,642,664,760
Lending to financial institutions		-	-
Investments - net of provisions	8	5,319,094,550	6,244,458,500
Advances - net of provisions	9	22,109,975,889	22,038,804,318
Operating fixed assets		2,995,636,235	3,131,121,056
Other assets		3,016,773,096	2,613,415,832
Deferred tax asset	10	91,815,261	45,897,267
Total assets		36,588,139,132	37,311,889,014
LIABILITIES			
Deposits and other accounts	11	23,184,155,435	23,911,341,828
Borrowings	12	4,776,546,472	4,752,852,994
Subordinated debt		800,000,000	800,000,000
Other liabilities		3,102,684,343	3,129,387,288
Total liabilities		31,863,386,250	32,593,582,110
Net assets		4,724,752,882	4,718,306,904
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		687,948,818	687,948,818
Depositors' protection fund		208,492,346	203,099,973
Unappropriated Profit		1,545,532,345	1,563,709,236
		4,701,820,326	4,714,604,844
Surplus on revaluation of assets		21,701,900	1,547,100
Deferred grants		1,230,656	2,154,960
Total capital		4,724,752,882	4,718,306,904

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, 2020

	Note	Quarter ended (Un-Audited)	
		Mar 31 2020	Mar 31 2019
		(Rupees)	
Mark-up / return / interest earned	13	2,167,873,160	1,988,483,851
Mark-up / return / interest expensed	14	(839,715,980)	(598,799,351)
Net mark-up / interest income		1,328,157,180	1,389,684,500
Provision against non-performing loans and advances		(570,502,583)	(196,176,544)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		(1,899,973)	(1,937,561)
		(572,402,556)	(198,114,105)
Net mark-up / interest income after provisions		755,754,624	1,191,570,395
Non mark-up / non interest income			
Fee, commission and brokerage income	15	208,393,313	168,458,833
Dividend income		-	-
Other income		40,169,229	22,485,622
Total non mark-up / non interest income		248,562,542	190,944,455
		1,004,317,166	1,382,514,850
Non mark-up / non interest expenses			
Administrative expenses		(1,022,529,739)	(974,392,131)
Other charges		(9,709,725)	(8,323,268)
Total non mark-up / non interest expenses		(1,032,239,464)	(982,715,399)
Profit / (Loss) before taxation		(27,922,298)	399,799,451
Taxation - Current year		(36,172,586)	(166,544,827)
Prior years		-	-
Deferred		45,917,993	14,389,786
		9,745,407	(152,155,041)
Profit / (Loss) after taxation		(18,176,891)	247,644,410
Earning / (Loss) per share		(0.03)	0.39

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, 2020

	Quarter ended (Un-Audited)	
	Mar 31 2020	Mar 31 2019
	(Rupees)	
Profit / (Loss) after taxation	(18,176,891)	247,644,410
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>	21,701,900	-
	21,701,900	-
Total comprehensive income for the period	3,525,009	247,644,410

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, 2020

	Mar 31 2020 Un-Audited	Mar 31 2019 Un-Audited
(Rupees)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(27,922,298)	399,799,451
Less : Dividend income	-	-
	(27,922,298)	399,799,451
Adjustments for non-cash charges		
Depreciation on operating fixed asset	63,818,213	51,492,702
Depreciation on right of use assets	59,732,955	-
Amortisation	17,491,467	16,046,508
Notional interest on lease liability	41,603,058	-
Provision against non-performing advances	570,502,583	196,176,544
Loss / (gain) on disposal of fixed assets	(6,833)	(360,270)
Amortization of discount on government securities	(146,296,427)	(98,787,232)
Provision for gratuity	22,000,000	22,227,181
	628,845,016	186,795,433
	600,922,718	586,594,884
(Increase)/decrease in operating assets		
Net investments in held for trading securities	2,157,228,277	-
Advances	(641,674,154)	(1,381,285,562)
Others assets (excluding advance taxation)	(347,856,986)	(611,436,223)
	1,167,697,137	(1,992,721,785)
Increase/(decrease) in operating liabilities		
Bills payable	(24,073,926)	(3,826,371)
Borrowings from financial institutions	23,693,478	(941,557,829)
Deposits	(727,186,393)	521,234,992
Other liabilities (excluding current taxation and provision for gratuity)	7,578,550	69,405,704
	(719,988,291)	(354,743,504)
	1,048,631,564	(1,760,870,405)
Gratuity paid	(6,893,715)	(3,350,777)
Income tax paid	(92,053,882)	(138,994,966)
Net cash flow from operating activities	949,683,967	(1,903,216,148)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	-	(350,000,000)
Net investments in held-to-maturity securities	-	(93,018,519)
Net investments in available for sale securities	(1,065,413,100)	-
Interest income on depositors protection fund	5,392,373	3,090,468
Investments in operating fixed assets	(9,920,272)	(97,003,473)
Sale proceeds of property and equipment disposed-off	4,369,291	4,079,834
Net cash flow from investing activities	(1,065,571,708)	(532,851,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Payment of lease liabilities	(66,535,895)	-
Grant received from donors	(924,304)	(1,062,194)
Net cash flow from financing activities	(67,460,199)	(1,062,194)
Increase/(decrease) in cash and cash equivalents	(183,347,940)	(2,437,130,032)
Cash and cash equivalents at beginning of the year	3,238,192,041	4,128,711,023
Cash and cash equivalents at end of the year	3,054,844,101	1,691,580,991

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, 2020

	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 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	-	-	-	-	653,352,457	653,352,457
Other comprehensive income						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Net change in fair value of 'available-for-sale' securities	-	-	-	-	11,831,821	11,831,821
Total comprehensive income for the year	-	-	-	-	665,184,278	665,184,278
Transfer to statutory reserve	-	-	130,670,491	-	(130,670,491)	-
Transfer to depositors' protection fund	-	-	-	32,667,623	(32,667,623)	-
Return on depositors' protection fund's investments - net of tax	-	-	-	19,443,943	-	19,443,943
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 31 December 2019	6,348,887,110	(4,089,040,293)	687,948,818	203,099,973	1,563,709,236	4,714,604,844
Profit / (Loss) for the year	-	-	-	-	(18,176,891)	(18,176,891)
Other comprehensive income						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Net change in fair value of 'available-for-sale' securities	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(18,176,891)	(18,176,891)
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	5,392,373	-	5,392,373
<i>Transactions with owners:</i>						
- Dividend	-	-	-	-	-	-
Balance as at 31 March 2020	6,348,887,110	(4,089,040,293)	687,948,818	208,492,346	1,545,532,345	4,701,820,326

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 QUARTER ENDED MARCH 31, 2020 (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 March 31, 2020, the Bank has 130 branches (2019: 130 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 2019.

		March 31 2020	December 31 2019
	Note	(Un-Audited)	(Audited)
		(Rupees)	
6. Cash and balances with SBP and NBP			
Cash in hand		385,124,488	409,379,752
Balance with State Bank of Pakistan	6.1	1,010,886,513	885,765,190
<i>Balance with National Bank of Pakistan in :</i>			
Deposit account	6.1	796,870	50,507,149
Current account	6.1	167,530,095	249,875,190
		<u>1,564,337,966</u>	<u>1,595,527,281</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. 208.5 million (2019: Rs. 203.1 million) maintained with SBP under depositors' protection fund. Deposit accounts carry markup ranging from 10% to 10.75% (2019: 10% to 11.25%).

		March 31 2020	December 31 2019
	Note	(Un-Audited)	(Audited)
		(Rupees)	
7. Balances with other banks/NBFIs/MFBs			
<i>In Pakistan:</i>			
Saving accounts	7.1	1,303,809,614	1,195,962,571
Deposit accounts		-	200,000,000
Current accounts		186,696,521	246,702,189
		<u>1,490,506,135</u>	<u>1,642,664,760</u>

7.1 These accounts carry mark-up ranging from 10.25% to 13.60% (2019: 10.75% to 13.60%) per annum.

8. **Investments-net of provisions**

		March 31 2020 (Un-Audited)	December 31 2019 (Audited)
(Rupees)			
<i>Federal Govt. Securities:</i>			
Market treasury bills (Held for trading)	8.1	3,937,243,350	5,968,466,000
Market treasury bills (Held to maturity)	8.1	-	-
Market treasury bills (Available for sale)	8.1	<u>1,381,851,200</u>	<u>275,992,500</u>
		<u>5,319,094,550</u>	<u>6,244,458,500</u>

8.1 These carry yield rate ranging between 10.90% to 14.22% (2019: 10.30% to 14.22%) per annum and have maturity upto 27 August 2020. These securities have an aggregate face value of Rs. 5,500 million (2019: Rs.6,350 million)

	Note	March 31, 2020 (Un-Audited)		December 31, 2019 (Audited)	
		Number	(Rupees)	Number	(Rupees)
9. Advances - net of provisions					
Micro credit advances	9.1	238,208	22,678,079,821	236,910	22,328,927,421
Other advances	9.2	1,403	133,762,344	1,427	151,088,745
			<u>22,811,842,165</u>		<u>22,480,016,166</u>
Less: Provisions held:					
Specific	9.3 & 9.4	13,811	496,781,548	13,149	233,320,572
General	9.4 & 9.5	-	205,084,728		207,891,276
			<u>701,866,276</u>		<u>441,211,848</u>
			<u>22,109,975,889</u>		<u>22,038,804,318</u>

9.1 This includes fully secured advances amounting to Rs. 1,800.70 million (2019: Rs. 1,457.57 million) whereas the remaining advances are secured by personal guarantees.

9.2 These advances are staff loans and carry markup rate of 10% per annum (2019: 5%).

9.3 **Particulars of non-performing advances**

The total advances of Rs. 1,282.78 million (2019: Rs. 1,055.10 million) placed under non-performing status includes Rs 15.100 million (2019: Rs 11.536 million) advances, secured against gold:

	March 31, 2020 (Un-Audited)				
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	2,513	197,639,070	0	-	-
Sub-standard	2,055	179,325,120	25	44,155,469	44,155,469
Doubtful	9,185	900,833,541	50	447,648,313	447,648,313
Loss	58	4,977,766	100	4,977,766	4,977,766
Total	<u>13,811</u>	<u>1,282,775,497</u>		<u>496,781,548</u>	<u>496,781,548</u>
December 31, 2019 (Audited)					
	Number	Amount outstanding (Rupees)	%	Provision required (Rupees)	Provision held (Rupees)
OAEM	5,562	477,532,376	0	-	-
Sub-standard	2,632	217,831,744	25	53,532,431	53,532,431
Doubtful	4,911	355,914,178	50	176,086,256	176,086,256
Loss	44	3,811,885	100	3,701,885	3,701,885
Total	<u>13,149</u>	<u>1,055,090,183</u>		<u>233,320,572</u>	<u>233,320,572</u>

9.4 This represents general provision equivalent to 1% (2019: 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, 2020 (Un-Audited)			December 31, 2019 (Audited)		
	Specific	General (Rupees)	Total	Specific	General (Rupees)	Total
Opening balance	233,320,572	207,891,276	441,211,848	85,182,091	167,388,773	247,303,299
Charge for the year	573,309,131	(2,806,548)	570,502,583	1,082,086,565	35,834,989	1,117,921,554
Reversal during the year	-	-	-	-	-	-
Amounts written off	(309,848,155)	-	(309,848,155)	(933,948,084)	-	(933,948,084)
	263,460,976	(2,806,548)	260,654,428	148,138,481	4,667,514	152,805,995
Closing balance	496,781,548	205,084,728	701,866,276	233,320,572	172,056,287	400,109,294

9.5.1	Particulars of write offs	March 31	December 31
		2020 (Un-Audited)	2019 (Audited)
	Against provisions	309,848,155	933,948,084
	Directly charged to profit and loss account	1,899,973	2,839,918
		311,748,128	936,788,002

10. Deferred tax asset

Deferred tax asset on deductible temporary differences arising in respect of:

Gratuity payable	82,686,289	77,399,089
Minimum taxation	36,097,486	-
	118,783,775	77,399,089

Deferred tax liability on taxable temporary differences arising in respect of:

Operating fixed assets	26,968,514	31,501,822
	26,968,514	31,501,822
	91,815,261	45,897,267

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, 2020		December 31, 2019	
		(Un-Audited)		(Audited)	
		Number of accounts	(Rupees)	Number of accounts	(Rupees)
Fixed deposits	11.1	12,979	16,326,937,049	13,094	16,434,411,852
Saving deposits	11.1	119,579	4,395,108,897	119,043	5,251,953,020
Current deposits		1,238,356	2,462,109,489	1,151,540	2,224,976,956
		1,370,914	23,184,155,435	1,283,677	23,911,341,828

11.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 8.2% to 14.25% (2019: 8.2% to 14.25%) per annum. The saving deposits represent accounts carrying interest rates ranging from 0% to 11.5% (2019: 0% to 10.25%) per annum.

	March 31, 2020		December 31, 2019	
	(Un-Audited)		(Audited)	
	Number of accounts	(Rupees)	Number of accounts	(Rupees)
11.2 Particulars of deposits by ownership				
1) Individual depositors	1,370,272	17,973,410,297	1,283,085	18,636,595,845
2) Institutional depositors				
a) Corporations, firms and other such entities	551	2,857,571,293	525	3,546,710,591
b) Banks and financial institutions	91	2,353,173,845	67	1,728,035,392
	1,370,914	23,184,155,435	1,283,677	23,911,341,828

	March 31	December 31
	2020	2019
	Un-Audited	(Audited)
	(Rupees)	
12. Borrowings		
Running Finance - UBL Bank Limited	315,046,038	350,000,991
Running Finance - FBL Bank Limited	399	-
Running Finance - Allied Bank Limited	249,000,035	240,352,003
Term Finance - Pak Oman Investment	25,000,000	50,000,000
Term Finance - Allied Bank Limited	312,500,000	175,000,000
Term Finance - National Bank of Pakistan	875,000,000	937,500,000
SBP Loan under FIIP	3,000,000,000	3,000,000,000
	4,776,546,472	4,752,852,994
	March 31	March 31
	2020	2019
	Un-Audited	(Audited)
	(Rupees)	

13. Mark-up / return / interest earned		
Interest / mark-up on advances	1,961,691,740	1,872,218,500
Markup earned on investments in government securities	146,296,427	98,787,232
Interest / mark-up on bank accounts	59,884,993	17,478,119
	2,167,873,160	1,988,483,851

14. Mark-up / return / interest expensed		
Deposits	625,365,540	539,444,745
Borrowings	214,350,440	59,354,606
	839,715,980	598,799,351

15. Fee, commission and brokerage income		
Loan processing fee	167,464,696	136,201,242
Income on Cheque Book issuance	1,730,823	10,927,666
Others	39,197,794	21,329,925
	208,393,313	168,458,833

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.