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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FINCA Microfinance Bank Limited

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **FINCA Microfinance Bank Limited ("the Bank")** as at 30 June 2020 and the related condensed interim profit and loss account and condensed interim statement of other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the financial statements for the six-month period then ended (here-in-after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures of the condensed interim profit and loss account and condensed interim statement of other comprehensive income for the quarters ended 30 June 2019 and 30 June 2020, have not been reviewed by us and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is Kamran Iqbal Yousafi.

Lahore

Date: 28 August 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

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FINCA MICROFINANCE BANK LIMITED
Condensed Interim Balance Sheet
As at 30 June 2020

		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
	Note		
Assets			
Cash and balances with SBP and NBP	7	1,783,571,945	1,595,527,281
Balances with other banks/NBFIs/MFBs	8	2,543,766,258	1,642,664,760
Lending to financial institutions		-	-
Investments - net of provisions	9	6,500,427,400	6,244,458,500
Advances - net of provisions	10	20,738,372,522	22,038,804,318
Operating fixed assets	11	2,729,185,678	3,131,121,056
Other assets	12	4,074,405,095	2,613,415,832
Deferred tax asset	13	64,125,702	45,897,267
Total assets		38,433,854,600	37,311,889,014
Liabilities			
Deposits and other accounts	14	25,484,386,412	23,911,341,828
Borrowings	15	4,112,546,953	4,752,852,994
Subordinated debt	16	800,000,000	800,000,000
Other liabilities	17	3,533,531,696	3,129,387,288
Total liabilities		33,930,465,061	32,593,582,110
Net assets		4,503,389,539	4,718,306,904
Represented by:			
Share capital	18	6,348,887,110	6,348,887,110
Discount on issue of shares		(4,089,040,293)	(4,089,040,293)
Advance against issue of shares		-	-
Statutory reserve		724,701,370	687,948,818
Depositors' protection fund		222,861,392	203,099,973
Unappropriated profit		1,291,531,304	1,563,709,236
		4,498,940,883	4,714,604,844
Surplus on revaluation of assets	19	4,226,000	1,547,100
Deferred grants	20	222,656	2,154,960
Total capital		4,503,389,539	4,718,306,904
Memorandum / off-balance sheet items	21		

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

Kamran Syed

Lahore 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 2020

	Note	Six months ended		Three months ended	
		30 June 2020 Rupees	30 June 2019 Rupees	30 June 2020 Rupees	30 June 2019 Rupees
Mark-up / return / interest earned	22	4,430,147,905	4,045,840,016	2,262,274,745	2,057,356,165
Mark-up / return / interest expensed	23	(1,633,422,488)	(1,343,794,869)	(793,706,508)	(669,194,793)
Net mark-up / interest income		2,796,725,417	2,702,045,147	1,468,568,237	1,388,161,372
Provision against non-performing loans and advances	10.4	(1,002,368,427)	(411,451,867)	(431,865,844)	(215,275,323)
Provision for diminution in the value of investments		-	-	-	-
Bad debts written off directly		(5,591,495)	(4,541,777)	(3,691,522)	(2,604,216)
		(1,007,959,922)	(415,993,644)	(435,557,366)	(217,879,539)
Net mark-up / interest income after provisions		1,788,765,495	2,286,051,503	1,033,010,871	1,170,281,833
Non mark-up / non interest income					
Fee, commission and brokerage income	24	244,926,037	366,977,441	36,532,724	198,518,608
Dividend income		-	-	-	-
Other income	25	226,230,742	73,101,366	186,061,513	50,615,744
Total non mark-up / non interest income		471,156,779	440,078,807	222,594,237	249,134,352
		2,259,922,274	2,726,130,310	1,255,605,108	1,419,416,185
Non mark-up / non interest expenses					
Administrative expenses	26	(1,938,469,015)	(1,968,984,402)	(915,939,276)	(1,046,046,303)
Other charges	27	(16,258,792)	(17,188,297)	(6,549,067)	-
Total non mark-up / non interest expenses		(1,954,727,807)	(1,986,172,699)	(922,488,343)	(1,046,046,303)
Profit before taxation		305,194,467	739,957,611	333,116,765	373,369,882
Taxation - Current year		(139,660,144)	(337,669,991)	(103,487,558)	(171,125,164)
Prior years		-	(55,914,680)	-	(55,914,680)
Deferred		18,228,435	41,090,259	(27,689,558)	26,700,473
		(121,431,709)	(352,494,412)	(131,177,116)	(200,339,371)
Profit after taxation		183,762,758	387,463,199	201,939,649	173,030,511
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		183,762,758	387,463,199	201,939,649	173,030,511
Unappropriated profit brought forward		1,563,709,236	1,061,863,072	1,563,709,236	1,061,863,072
Profit available for appropriation		1,747,471,994	1,449,326,271	1,765,648,885	1,234,893,583
Transfer to:					
Statutory reserve		(36,752,552)	(77,492,640)	(40,387,930)	(34,606,102)
Capital reserve		-	-	-	-
Dividend		(410,000,000)	-	(410,000,000)	-
Contribution to depositors' protection fund		(9,188,138)	(19,373,160)	(10,096,982)	(8,651,526)
Revenue reserve		-	-	-	-
		(455,940,690)	(96,865,800)	(460,484,912)	(43,257,628)
Unappropriated profit carried forward		1,291,531,304	1,352,460,471	1,305,163,973	1,191,635,955
Earnings per share		0.29	0.61	0.32	0.27

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

NOTES

Lahore

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 2020

	Six months ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Rupees	Rupees	Rupees	Rupees
Profit after tax	183,762,758	387,463,199	201,939,649	173,030,511
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	-	-	-	-
	-	-	-	-
Comprehensive income for the period transferred to equity	183,762,758	387,463,199	201,939,649	173,030,511
Components of comprehensive income for the period not transferred to equity:				
<i>Items that may be reclassified subsequently to profit and loss account</i>				
Net change in fair value of 'available-for-sale' securities	2,678,900	-	(19,023,000)	-
Total comprehensive income for the period	186,441,658	387,463,199	182,916,649	173,030,511

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

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Lahore

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED
Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2020

	Note	30 June 2020 Rupees	30 June 2019 Rupees
<u>Cash flows from operating activities</u>			
Profit before taxation		305,194,467	739,957,611
<i>Adjustments for non-cash items:</i>			
Depreciation on property and equipment	11.3	125,986,469	108,545,906
Depreciation on right of use assets	11.4	120,373,306	121,950,000
Amortization on intangible assets	11.2	35,330,359	31,737,748
Notional interest on lease liability	23	65,436,931	75,800,725
Provision against non-performing advances	10.4	1,002,368,427	411,451,867
Markup earned on investments in government securities	22	(295,264,819)	(222,947,128)
Net gain on disposal of operating fixed assets	25	(115,556,721)	(468,605)
Gain on disposal of government securities	25	(55,849,500)	-
Gain on revaluation of held for trading securities	25	(4,086,900)	(1,722,032)
Grant amortized		(1,932,304)	(1,662,772)
Provision for gratuity		44,000,000	44,454,362
		920,805,248	567,140,071
		1,225,999,715	1,307,097,682
<i>Decrease / (increase) in operating assets:</i>			
Net investments in held for trading securities		1,452,540,619	(3,866,782,858)
Advances		298,063,369	(1,545,330,133)
Others assets		(1,473,061,117)	(950,388,576)
		277,542,871	(6,362,501,567)
<i>Increase / (decrease) in operating liabilities:</i>			
Bills payable		(533,485)	75,169,009
Borrowings from financial institutions		(640,306,041)	2,589,643,827
Deposits		1,573,044,584	1,110,088,804
Other liabilities (excluding withholding tax, dividend payable and provision for gratuity)		148,929,693	165,457,968
		1,081,134,751	3,940,359,608
		2,584,677,337	(1,115,044,277)
Gratuity paid		(15,522,392)	(10,127,104)
Income tax paid		(166,083,748)	(301,647,875)
Net cash generated from / (used in) operating activities		2,403,071,197	(1,426,819,256)
<u>Cash flows from investing activities</u>			
Net investments in held-to-maturity securities		-	73,682,580
Net investments in available for sale securities		(1,406,478,900)	-
Interest income on depositors' protection fund		10,573,281	8,311,486
Investments in operating fixed assets		(21,645,160)	(177,721,181)
Sale proceeds of property and equipment disposed-off		267,699,716	9,482,985
Net cash used in investing activities		(1,149,851,063)	(86,244,130)
<u>Cash flows from financing activities</u>			
Payment of lease liabilities		(108,284,787)	(75,800,725)
Payment of dividends		(55,789,185)	-
Net cash used in financing activities		(164,073,972)	(75,800,725)
Increase in cash and cash equivalents		1,089,146,162	(1,588,864,111)
Cash and cash equivalents at beginning of the period		3,238,192,041	4,128,711,023
Cash and cash equivalents at end of the period	29	4,327,338,203	2,539,846,912

The annexed notes from I to 34 form an integral part of these condensed interim financial statements.

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Lahore

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED
Condensed Interim Statement of Changes in Equity
For the half year ended 30 June 2020

Balance as at 31 December 2018 (Audited)

Profit for the period
Other comprehensive income
Remeasurement of post defined benefit obligation - net of tax
Total comprehensive income for the period

Transfer to statutory reserve
Transfer to depositors' protection fund
Return on depositors' protection fund's investments - net of tax

Transactions with owners:
- Dividend

Balance as at 30 June 2019 (Un-audited)

Balance as at 31 December 2019 (Audited)

Profit for the period
Other comprehensive income
Remeasurement of post defined benefit obligation - net of tax
Total comprehensive income for the period

Transfer to statutory reserve
Transfer to depositors' protection fund
Return on depositors' protection fund's investments - net of tax

Transactions with owners:
- Dividend

Balance as at 30 June 2020 (Un-audited)

Share capital	Capital reserves			Revenue reserves	Total
	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit	
----- Rupees -----					
6,348,887,110	(4,089,040,293)	557,278,327	150,988,407	1,061,863,072	4,029,976,623
-	-	-	-	387,463,199	387,463,199
-	-	-	-	-	-
-	-	-	-	387,463,199	387,463,199
-	-	77,492,640	-	(77,492,640)	-
-	-	-	19,373,160	(19,373,160)	-
-	-	-	8,311,486	-	8,311,486
-	-	-	-	-	-
<u>6,348,887,110</u>	<u>(4,089,040,293)</u>	<u>634,770,967</u>	<u>178,673,053</u>	<u>1,352,460,471</u>	<u>4,425,751,308</u>
6,348,887,110	(4,089,040,293)	687,948,818	203,099,973	1,563,709,236	4,714,604,844
-	-	-	-	183,762,758	183,762,758
-	-	-	-	-	-
-	-	-	-	183,762,758	183,762,758
-	-	36,752,552	-	(36,752,552)	-
-	-	-	9,188,138	(9,188,138)	-
-	-	-	10,573,281	-	10,573,281
-	-	-	-	(410,000,000)	(410,000,000)
<u>6,348,887,110</u>	<u>(4,089,040,293)</u>	<u>724,701,370</u>	<u>222,861,392</u>	<u>1,291,531,304</u>	<u>4,498,940,883</u>

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

Warming by

Lahore

Chief Executive Officer

Chairman

Director

Director

FINCA MICROFINANCE BANK LIMITED

Notes to the condensed interim financial statements (Un-audited)

For the half year ended 30 June 2020

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 2020, the Bank has 130 branches (2019: 130 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 2020 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 2020.

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 the following which are stated at fair values / present values:

- Investments in government securities;
- Right of use assets and corresponding lease liabilities; and
- Payable to defined benefit plan.



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.
- 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 2019.
- 3.4 Comparative balance sheet numbers are extracted from the annual audited balance sheet of the Bank for the year ended 31 December 2019, 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 2019.
- 3.5 The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 9, '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 accounting standards / amendments and IFRS interpretations that are effective for the period ended on or after 01 July 2020**

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>
– Amendment to IFRS 16 - 'Leases'	01 June 2020
– Amendment to IAS 37 - 'Onerous Contracts'	01 January 2022
– Amendments to IAS 1 - 'Presentation of Financial Statements'	01 January 2022
– Amendment to IAS 16 - 'Property, Plant and Equipment'	01 January 2022
– Annual improvements to IFRS Standards 2018-2020	01 January 2022

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- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. According to SBP circular referred to above, the Banks/DFIs/MFBs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019. The SECP, through SRO 229(I)/2019 dated 14 February 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after 30 June 2019. However, as per BPRD Circular No. 04 of 2019 dated 23 October 2019 of SBP, effective date of IFRS 9 implementation is 01 January 2021.

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 2019.

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 2019.

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 2019, except as mentioned below:

The COVID-19 pandemic has impacted all economies and emerged as a contagion risk around the globe. Various preventive strategies adopted by the governments including the general lockdown resulted into halt in the operations of various industries, which has translated into negative GDP growth rate. These measures have also impacted the Pakistan economy in different ways and disrupted the supply chain and operations of almost all industries resulting into liquidity crises.

The State Bank of Pakistan responded in a timely manner and undertook various initiatives like:

- Reduction of the policy rate from 13.25% to 7% since the start of the pandemic.
- Allowing banks to defer borrowers principal loan payments by one year and or restructure / reschedule loans to borrowers who require relief of principal repayment exceeding one year and / or mark up with no reflection on credit history; and
- Introduction of refinancing scheme for payments of wages and salaries.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to loans and advances portfolio, reduced fee income due to free of cost service offering and overall slowdown in economic activity, continuity of business operations and managing cyber security threats.

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6.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting the assessment of the credit portfolio to identify obligors most likely to get affected due to changes in the business and economic environment resulting from the COVID-19 outbreak. The Bank is continuously strengthening its credit review procedures. The Bank expects that some of its obligors will be severely impacted by this pandemic. Since some of the obligors have also availed the SBP enabled deferment, restructuring and rescheduling relief, the full potential effect of the economic stress is difficult to predict. The Bank's management feels confident to withstand any potential loss emanating out of the ongoing COVID-19 pandemic.

6.2 Liquidity Risk Management

SBP initiatives such as deferral of principal and rescheduling / restructuring of loans may have an adverse effect on liquidity and maturity profile of the Bank, however the Bank holds sufficient liquidity buffer to absorb any unforeseen shocks during the prevailing situation. Moreover, the Asset and Liability Committee (ALCO) of the Bank continues to regularly monitor the liquidity position of the Bank in view of emerging risks.

6.3 Operational Risk

The Bank, like all financial institutions, is exposed to operational risk and the risk of Business Continuity in current pandemic situation. The management of the Bank is closely monitoring the situation and taking prompt decisions to ensure the uninterrupted services to the customers.

Business Continuity Plans (BCP) for all critical processes is already in place and are being tested on regular basis. However, during pandemic, the Bank has significantly enhanced monitoring of risk related to business continuity and disruption. The Bank recognizes that pandemic can cause varying degrees of disruption to normal business processes and that it has the responsibility to its customers to continue critical operations during this event. The Bank's goal is to meet this obligation with no or minimal interruption, given the circumstances and scope of disruptive event.

Employees of the Bank were mandated to work from home and their respective BCP sites where required as part of the de-crowding plan. Therefore, the Bank developed a secure and comprehensive strategy including enhanced monitoring to deal with Cybersecurity risks during these times. Related risk and control measures including regulatory protocols were assessed so as to ensure that the Bank's information assets are protected from emerging cyber threats. Various COVID - 19 related awareness campaigns took place as part of the strategy. As the Bank is majorly communicating with its customers through digital channels to ensure their safety and health, all measures were, therefore taken for the security of these channels and to ensure that complaints are resolved and turnaround times are monitored to meet the expectations of the customers.

7	Cash and balances with SBP and NBP	Note	(Un-audited) 30 June 2020	(Audited) 31 December 2019
			Rupees	Rupees
	Cash in hand		389,035,572	409,379,752
	Balance with State Bank of Pakistan	7.1	1,116,319,643	885,765,190
	Balance with National Bank of Pakistan in:			
	Deposit account	7.1	150,575,971	50,507,149
	Current account	7.1	127,640,759	249,875,190
			<u>1,783,571,945</u>	<u>1,595,527,281</u>

16/06/2020

10.1 This includes fully secured advances amounting to Rs. 1,880.08 million (2019: Rs. 1,457.57 million) whereas the remaining advances are secured by personal guarantees.

10.2 These advances are staff loans and carry markup rate between 5% to 10% per annum (2019: 5%).

10.3 Particulars of non-performing advances

The total advances of Rs. 2,006.48 million (2019: Rs. 1,055.10 million) placed under non-performing status includes Rs 33.36 million (2019: Rs 11.536 million) advances, secured against gold:

30 June 2020 (Un-audited)					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	15,351	1,275,624,527	-	-
Sub-standard	25	3,221	278,015,867	67,968,802	67,968,802
Doubtful	50	5,209	436,064,504	215,708,441	215,708,441
Loss	100	156	16,775,827	16,775,827	16,775,827
		23,937	2,006,480,725	300,453,070	300,453,070

31 December 2019 (Audited)					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
OAEM	0	5,562	477,532,376	-	-
Sub-standard	25	2,632	217,831,744	53,532,431	53,532,431
Doubtful	50	4,911	355,914,178	176,086,256	176,086,256
Loss	100	44	3,811,885	3,701,885	3,701,885
Total		13,149	1,055,090,183	233,320,572	233,320,572

10.4 Particulars of non-performing advances

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

Note	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Balance as at January 1	233,320,572	207,891,276	441,211,848	85,182,091	203,223,762	288,405,853
Charge / (reversal) for the period / year	1,020,539,489	(18,171,062)	1,002,368,427	1,082,086,565	4,667,514	1,086,754,079
Amounts written off	(953,406,991)	-	(953,406,991)	(933,948,084)	-	(933,948,084)
	67,132,498	(18,171,062)	48,961,436	148,138,481	4,667,514	152,805,995
Balance as at June 30 / December 31	300,453,070	190,417,364	490,870,434	233,320,572	207,891,276	441,211,848

	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
10.4.1 Particulars of write offs		
Against provisions	953,406,991	933,948,084
Directly charged to profit and loss account	5,591,495	2,839,918
	958,998,486	936,788,002

10.5 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.

10.6 State Bank of Pakistan (SBP) vide its circular AC&MFD No. 1 of 2020 dated 26 March 2020 advised all microfinance banks that Microfinance Banks (MFBs), upon a written request of an obligor received before 30 June 2020, will defer repayment of principal loan amount by one year; provided that the obligor will continue to service the mark-up amount as per agreed terms and conditions. The financing facilities of such borrowers, who are unable to service the mark-up amount or need deferment exceeding one year, may be rescheduled / restructured upon their request. If the rescheduling / restructuring is done within 90 days of the loans being past due, such financing facility will continue to be treated as regular and reported in the ECIB. Accordingly pursuant to the regulatory relief given by SBP to dampen the effects of COVID-19, the Bank has deferred / rescheduled advances and markup amounting to Rs. 10.05 billion and Rs. 1.67 billion, respectively, of its 116,332 customers.

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- 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. 222.86 million (2019: Rs. 203.10 million) maintained with SBP under depositors' protection fund. Deposit accounts carry markup ranging from 6.5% to 9.75% (2019: 10% to 11.25%).

	Note	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
8 Balances with other banks/NBFIs/MFBs			
In Pakistan:			
Saving accounts	8.1	1,819,716,486	1,195,962,571
Deposit accounts	8.2	500,000,000	200,000,000
Current accounts		224,049,772	246,702,189
		<u>2,543,766,258</u>	<u>1,642,664,760</u>

- 8.1 These accounts carry mark-up ranging from 6.75% to 13.60% (2019: 10.75% to 13.60%) per annum.

- 8.2 These term deposits carry mark-up ranging from 8.10% to 14% (2019: 10% to 14%) per annum with maturity up to one month.

	Note	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
9 Investments - net of provisions			
<i>Federal Govt. Securities:</i>			
Market treasury bills (Held for trading)	9.1	4,743,868,600	5,968,466,000
Market treasury bills (Available for sale)	9.1	1,756,558,800	275,992,500
		<u>6,500,427,400</u>	<u>6,244,458,500</u>

- 9.1 These carry yield rate ranging between 7.06% 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. 6,660 million (2019: Rs. 6,350 million).

10 Advances - net of provisions

	Note	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
		Number	Rupees	Number	Rupees
Micro credit advances	10.1	224,221	21,098,088,069	236,910	22,328,927,421
Other advances	10.2	1,333	131,154,887	1,427	151,088,745
			<u>21,229,242,956</u>		<u>22,480,016,166</u>
Less: Provisions held:					
Specific	10.3 & 10.4	23,937	300,453,070	13,149	233,320,572
General	10.4 & 10.5		190,417,364		207,891,276
			<u>490,870,434</u>		<u>441,211,848</u>
			<u>20,738,372,522</u>		<u>22,038,804,318</u>

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		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
11 Operating fixed assets			
Capital work-in-progress	11.1	48,422,115	59,905,707
Intangible assets	11.2	223,037,396	246,566,510
Property and equipment	11.3	1,077,132,388	1,333,934,345
Right of use assets	11.4	1,380,593,779	1,490,714,494
		<u>2,729,185,678</u>	<u>3,131,121,056</u>
11.1 Capital work-in-progress			
Civil works		-	14,817,596
Equipment		34,005,724	42,149,963
Advances to suppliers and contractors		14,416,391	2,938,148
		<u>48,422,115</u>	<u>59,905,707</u>
11.2 Intangible assets			
Computer Software			
Cost:			
Balance as at January 1		569,809,339	522,329,418
Additions during the period / year		11,801,245	47,479,921
Balance as at June 30 / December 31		<u>581,610,584</u>	<u>569,809,339</u>
Less: Amortization:			
Balance as at January 1		323,242,829	257,521,914
Charge during the period / year	26	35,330,359	65,720,915
Balance as at June 30 / December 31		<u>358,573,188</u>	<u>323,242,829</u>
Carrying value		<u>223,037,396</u>	<u>246,566,510</u>
Amortization rate		<u>10% - 20%</u>	<u>10% - 20%</u>
11.3 Property and equipment			
Net book value at beginning		1,333,934,345	1,090,754,773
Additions during the period / year		21,393,463	532,049,559
Disposals during the period / year - net book value		(152,208,955)	(58,307,396)
Depreciation charged during the period / year	26	(125,986,469)	(230,562,591)
Net book value at end		<u>1,077,132,388</u>	<u>1,333,934,345</u>
11.4 Right of use Assets			
Net book value at 01 January 2020		1,490,714,494	1,669,161,057
Addition		10,252,591	60,763,421
Depreciation charge for the period	26	(120,373,306)	(239,209,984)
Closing net book value		<u>1,380,593,779</u>	<u>1,490,714,494</u>

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		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
12 Other assets			
Income / mark-up accrued on loans and advances		3,403,991,725	2,000,507,607
Income / mark-up accrued on balance with banks		13,343,783	10,052,135
Prepayments		86,249,629	57,130,946
Security deposits		11,028,470	10,848,470
Stationary and stamps on hand		25,610,553	18,067,967
Advance tax - net		137,614,999	149,686,853
Receivable from FINCA International Inc.	12.1	5,614,351	5,614,351
Receivable from SBP against crop loan insurance		240,091,909	214,104,678
Others		150,859,676	147,402,825
		<u>4,074,405,095</u>	<u>2,613,415,832</u>

12.1 This represents amount receivable from Finca International Inc. for reimbursement of integration, travelling and advertisement expenses. It is incorporated in United States of America and its registered office is situated at 1201, 15th street NW, 8th floor Washington, DC 20005.

		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
13 Deferred tax asset			
<i>Deferred tax asset on deductible temporary differences arising in respect of:</i>			
- gratuity payable		87,366,252	77,399,089
		<u>87,366,252</u>	<u>77,399,089</u>
<i>Deferred tax liability on taxable temporary differences arising in respect of:</i>			
- property and equipment		23,240,550	31,501,822
		<u>23,240,550</u>	<u>31,501,822</u>
		<u>64,125,702</u>	<u>45,897,267</u>

		30 June 2020 (Un-audited)		31 December 2019 (Audited)	
	Note	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
14 Deposits and other accounts					
Fixed deposits	14.1	13,489	18,114,708,012	13,094	16,434,411,852
Saving deposits	14.1	120,518	4,954,824,812	119,043	5,251,953,020
Current deposits		1,259,343	2,414,853,588	1,151,540	2,224,976,956
		<u>1,393,350</u>	<u>25,484,386,412</u>	<u>1,283,677</u>	<u>23,911,341,828</u>

14.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 8% to 14.25% (2019: 8.2% to 14.25%) per annum. The saving deposits represent accounts carrying interest rates ranging from 8% to 11.5% (2019: 0% to 10.25%) per annum.

14.2 Particulars of deposits by ownership

		30 June 2020 (Un-audited)		31 December 2019 (Audited)	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
Individual depositors		1,392,585	19,164,092,567	1,283,085	18,636,595,845
<i>Institutional depositors:</i>					
Corporations, firms and other such entities		633	3,066,853,275	525	3,546,710,591
Banks and financial institutions		132	3,253,440,570	67	1,728,035,392
		<u>1,393,350</u>	<u>25,484,386,412</u>	<u>1,283,677</u>	<u>23,911,341,828</u>

14.3 Deposits include deposits from related parties amounting to Rs. 185.53 million (2019: Rs. 134.71 million).

		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
15 Borrowings	<i>Note</i>		
Borrowings from banks / financial institutions in Pakistan	15.1	<u>4,112,546,953</u>	<u>4,752,852,994</u>

15.1 Borrowings from banks / financial institutions in Pakistan
Secured

Running Finance - UBL Bank Limited		46,918	350,000,991
Running Finance - Allied Bank Limited		35	240,352,003
Term Finance - Pak Oman Investment Company Limited		-	50,000,000
Term Finance - Allied Bank Limited		300,000,000	175,000,000
Term Finance - National Bank of Pakistan		812,500,000	937,500,000
SBP loan under FIIP	15.2	<u>3,000,000,000</u>	<u>3,000,000,000</u>
		<u>4,112,546,953</u>	<u>4,752,852,994</u>

- 15.2** The State Bank of Pakistan disbursed loan facility to the Bank to 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
State Bank of Pakistan	6mk - 1.00*	05 Years	05 Years

* 6mk (6 months kibar)

		(Un-audited) 30 June 2020 Rupees	Audited 31 December 2019 Rupees
16 Subordinated debt	<i>Note</i>		
Pakistan Microfinance Investment Company (PMIC)	16.1	<u>800,000,000</u>	<u>800,000,000</u>

- 16.1** This represents an unsecured and subordinated loan facility raised by the bank during year ended 2019, amounting to Rs. 800 million to contribute towards the Bank's Tier II capital. The fund so raised will be utilized in the Bank's business operations. Mark-up is payable half yearly at the rate of 6 months KIBOR plus 3 bps per annum. The instrument is structured to redeem in 6 semi-annual installments in arrears starting from 6th year after the end of grace period of 5 years, as follows:

- 6th Year : 1% of total issue amount payable in 2 equal installments;
- 7th Year : 1% of total issue amount payable in 2 equal installments;
- 8th Year : 98% of total issue amount payable in 2 equal installments.

The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits, and it is not redeemable before maturity without prior approval of SBP.

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		(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
17 Other liabilities	<i>Note</i>		
Markup / return / interest payable	17.1	689,743,459	686,284,781
Bills payable		57,654,172	58,187,657
Accrued expenses		289,798,525	184,816,331
Payable to FINCA Microfinance Holding Company LLC	17.2	16,730,576	3,281,350
Payable to defined benefit plan		249,617,863	221,140,255
Withholding tax payable		50,049,044	88,544,501
Unpaid Dividend		354,210,815	-
Sundry creditors		259,667,754	288,477,660
Lease liability against right of use assets		1,566,059,488	1,598,654,753
		<u>3,533,531,696</u>	<u>3,129,387,288</u>

17.1 This includes markup payable on deposits from key management personnel amounts to Rs. 2,186 (2019: Rs. 4,620).

17.2 This represents amount payable to the Finca Microfinance Holding Company LLC for consultancy services. It is incorporated in United States of America and its registered office is situated at 1201, 15th street NW, 8th floor Washington, DC 20005.

	<i>Note</i>	(Un-audited) 30 June 2020 (Number of shares)	(Audited) 31 December 2019	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
18 Share Capital					
18.1 Authorized capital					
Ordinary shares of Rs 10 each		<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>15,000,000,000</u>	<u>15,000,000,000</u>
18.2 Issued, subscribed and paid-up share capital					
Ordinary shares of Rs 10 each fully paid in cash	18.3	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>
18.3 Share capital has been subscribed by the following:					
Kashf Holdings (Private) Limited	5.22%	33,119,747	33,119,747	331,197,470	331,197,470
International Finance Corporation	4.85%	30,771,739	30,771,739	307,717,390	307,717,390
Triodos Fair Share Fund	2.73%	17,368,319	17,368,319	173,683,190	173,683,190
Acumen Fund	0.81%	5,130,253	5,130,253	51,302,530	51,302,530
FINCA Microfinance Cooperatief U.A	86.39%	548,498,653	548,498,653	5,484,986,530	5,484,986,530
	100.00%	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>

	<i>Note</i>	(Un-audited) 30 June 2020 Rupees	(Audited) 31 December 2019 Rupees
19 Surplus on revaluation of assets			
<i>Surplus on revaluation of securities:</i>			
Federal Government securities - market treasury bills (T-Bills)		<u>4,226,000</u>	<u>1,547,100</u>

20 Deferred Grants

Balance as at 01 January		2,154,960	2,412,228
Grant received from Karandaz for women empowerment	20.1	-	2,107,430
Less: Grant amortized		(1,932,304)	(2,364,698)
		<u>222,656</u>	<u>2,154,960</u>
Balance as at 31 December		<u>222,656</u>	<u>2,154,960</u>

20.1 This represents grant from Karandaz for women awareness about the use of SIMSIM wallet in rural / peri urban areas.

Amended by

21 Memorandum / off-balance sheet items**21.1 Contingencies**

There are no material contingencies as at 30 June 2020.

	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
22 Mark-up / return / interest earned		
Interest / mark-up on advances	4,043,357,572	3,802,164,706
Markup earned on investments in government securities	295,264,819	222,947,128
Interest / mark-up on bank accounts	91,525,514	20,728,182
	<u>4,430,147,905</u>	<u>4,045,840,016</u>
23 Mark-up / return / interest expensed		
Deposits	1,241,344,260	1,135,945,557
Borrowings	284,388,804	132,048,587
Subordinated loan	42,252,493	-
Notional interest on lease liability	65,436,931	75,800,725
	<u>1,633,422,488</u>	<u>1,343,794,869</u>
24 Fee, commission and brokerage income		
Loan processing fee	192,781,333	300,599,004
Income on cheque book issuance	2,597,357	20,615,331
Over due charges	32,675,232	26,957,689
Early settlement charges	10,139,419	12,945,176
Others	6,732,696	5,860,241
	<u>244,926,037</u>	<u>366,977,441</u>
25 Other income		
Recovery of debts previously written off	50,625,044	70,777,586
Net gain on disposal of operating fixed assets	115,556,721	468,605
Capital gain on disposal of government securities	55,849,500	-
Gain on revaluation of held for trading securities	4,086,900	1,722,032
Others	112,577	133,143
	<u>226,230,742</u>	<u>73,101,366</u>

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		(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
26 Administrative expenses	<i>Note</i>		
Staff salaries and other benefits	26.1	1,104,243,705	1,057,350,443
Contribution to employee provident fund		38,831,975	46,372,943
Non-executive directors' fees, allowances and other expenses		850,000	600,000
Printing, stationery and periodicals		25,247,548	29,994,697
Advertisement		31,803,481	39,006,340
Rent, rates and taxes		16,771,467	15,293,884
Office running expenses		24,550,414	23,241,029
Vehicle running expenses		25,522,447	27,778,647
Insurance expenses		40,373,444	44,738,615
Office security / personnel services		59,951,070	56,679,291
Repairs and maintenance		60,120,567	59,591,952
Communication		51,871,394	49,858,478
Travel and transportation		78,715,866	98,999,189
Utilities		37,348,385	40,182,470
Legal and professional		42,977,598	72,041,213
Donation	26.2	589,720	-
Auditors' remuneration		920,000	880,000
Training and research		4,698,985	6,370,875
Depreciation on property and equipment	11.3	125,986,469	108,545,906
Depreciation on right of use assets	11.4	120,373,306	121,950,000
Amortization on intangible assets	11.2	35,330,359	31,737,748
Others	26.3	11,390,815	37,770,682
		<u>1,938,469,015</u>	<u>1,968,984,402</u>

26.1 This includes Rs. 87.39 million (2019: 65.18 million) in respect of staff gratuity expense and Rs. 2.81 million (2019: 2.72 million) in respect of gratuity expense of Chief Executive Officer.

	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
26.2 Donations		
Donation to Prime Minister's COVID-19 Pandemic Relief Fund-2020	213,720	-
Donation to Institute of Public Health for arranging Diagnostic COVID 19 kits.	376,000	-
	<u>589,720</u>	<u>-</u>

26.3 This represents miscellaneous head office expense, local or provincial taxes, FINJA misc. expenses and free banking services i.e. cheque etc.

	(Un-audited) 30 June 2020 Rupees	(Un-audited) 30 June 2019 Rupees
27 Other charges		
Penalties imposed by SBP	-	55,500
Bank charges	13,361,450	13,379,074
Others	2,897,342	3,753,723
	<u>16,258,792</u>	<u>17,188,297</u>

16,000,000

28 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 period, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Key management personnel Rupees	Associated company / parent Rupees	Kashf foundation Rupees	Key management personnel Rupees	Associated company / parent Rupees	Kashf foundation Rupees
<u>Deposits</u>						
Opening balance	5,113,331	-	130,032,622	27,040,200	-	30,391,594
Received during the year	42,791,636	-	341,867,256	98,136,930	-	230,825,889
Withdrawn during the year	(27,370,058)	-	(306,899,151)	(120,063,799)	-	(131,184,861)
Closing balance	20,534,909	-	165,000,727	5,113,331	-	130,032,622
<u>Staff loans</u>						
Opening balance	12,147,284	-	-	18,140,322	-	-
Disbursement during the year	500,000	-	-	18,204,386	-	-
Repayments during the year	(3,069,873)	-	-	(24,197,424)	-	-
Closing balance	9,577,411	-	-	12,147,284	-	-
<u>Transactions during the year</u>						
Mark-up/return/interest earned	251,636	-	-	719,609	-	-
Mark-up/return/interest expensed	759,642	-	25,848,305	601,441	-	15,777,739
Contribution to provident fund	1,859,718	-	-	8,912,431	-	-

29 Cash and cash equivalents

Cash and balances with SBP and NBP
Balances with other banks

Note	(Un-audited) 30 June 2020 Rupees	Audited 31 December 2019 Rupees
7	1,783,571,945	1,595,527,281
8	2,543,766,258	1,642,664,760
	4,327,338,203	3,238,192,041

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30 Fair value measurement of financial instruments

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments including their levels in the fair value hierarchy:

		Carrying amount					Fair value			
		Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
On-Balance sheet financial instruments	Note	----- Rupees -----								
<u>30 June 2020</u>										
<u>Financial assets measured at fair value</u>										
Investments - net of provisions	9	4,743,868,600	-	1,756,558,800	-	-	6,500,427,400	-	6,500,427,400	-
<u>Financial assets not measured at fair value</u>										
Cash and cash equivalents	29	-	-	-	4,327,338,203	-	4,327,338,203	-	-	-
Advances - net of provisions	10	-	-	-	20,738,372,522	-	20,738,372,522	-	-	-
Other assets	12 & 30.1	-	-	-	3,824,929,914	-	3,824,929,914	-	-	-
	30.3	-	-	-	28,890,640,639	-	28,890,640,639	-	-	-
<u>Financial liabilities measured at fair value</u>										
		-	-	-	-	-	-	-	-	-
<u>Financial liabilities not measured at fair value</u>										
Deposits and other accounts	14	-	-	-	-	25,484,386,412	25,484,386,412	-	-	-
Borrowings	15	-	-	-	-	4,112,546,953	4,112,546,953	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-
Other liabilities	17 & 30.2	-	-	-	-	1,569,970,467	1,569,970,467	-	-	-
	30.3	-	-	-	-	31,966,903,832	31,966,903,832	-	-	-

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		Carrying amount					Fair value			
		Held for trading	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3
		----- Rupees -----								
On-Balance sheet financial instruments	Note									
<u>31 December 2019</u>										
Financial assets measured at fair value										
Investments - net of provisions	9	5,968,466,000	-	275,992,500	-	-	6,244,458,500	-	6,244,458,500	-
<u>Financial assets not measured at fair value</u>										
Cash and cash equivalents	29	-	-	-	3,238,192,041	-	3,238,192,041	-	-	-
Advances - net of provisions	10	-	-	-	22,038,804,318	-	22,038,804,318	-	-	-
Other assets	12 & 30.1	-	-	-	2,388,530,066	-	2,388,530,066	-	-	-
	30.3	-	-	-	27,665,526,425	-	27,665,526,425	-	-	-
Financial liabilities measured at fair value										
		-	-	-	-	-	-	-	-	-
<u>Financial liabilities not measured at fair value</u>										
Deposits and other accounts	14	-	-	-	-	23,911,341,828	23,911,341,828	-	-	-
Borrowings	15	-	-	-	-	4,752,852,994	4,752,852,994	-	-	-
Subordinate debt	16	-	-	-	-	800,000,000	800,000,000	-	-	-
Other liabilities	17 & 30.2	-	-	-	-	1,199,184,046	1,199,184,046	-	-	-
	30.3	-	-	-	-	30,663,378,868	30,663,378,868	-	-	-

30.1 These exclude stationary and stamp on hand, prepayments and taxes.

30.2 These exclude bills payable, accrued expenses and taxes.

30.3 Fair value versus carrying amounts

The Bank has not disclosed the fair values of these financial assets and liabilities as these are for short term or re-priced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

Noted by

31 Capital risk management

31.1 The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns and benefits to stakeholders by pricing products and services commensurately with the level of risk and comply with capital requirements set by SBP. It is the policy of the Bank to maintain a strong capital base at a reasonable cost so as to maintain investor, creditor and market confidence, sustain future development of the business and achieve low overall cost of capital with appropriate mix of cost of capital. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

31.2 The Bank's objectives with when managing its capital are:

- To comply with the capital requirements set by the SBP.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

31.3 Statutory minimum capital requirement and management of capital

As per amendments on Prudential Regulations (R-1) issued vide BPRD Circular No. 10 of 2015 dated 03 June 2015, the minimum paid up capital requirement (MCR), free of losses for Microfinance Banks operating at national level is Rs. 1,000 million as at 30 June 2020. As at 30 June 2020, the paid up share capital net of discount, of the Bank stood at Rs. 2,259.85 million (2019: Rs. 2,259.85 million).

The capital of the Bank is managed keeping in view the minimum CAR (15%) required by the Prudential Regulations for the Microfinance Banks / Institutions. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank. The calculation of capital adequacy ratio enables the Bank to assess the long-term soundness. As the Bank conducts business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization.

The Bank manages its capital structure and makes adjustments to it in light of changes in regulatory and economic conditions. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

As at 30 June 2020, the Bank's capital adequacy ratio ("CAR") is appropriately 19.33% (2019: 19.78%) of its risk weighted assets, as against the minimum requirement of 15% prescribed by SBP.

32 Non adjusting event after the balance sheet date

There is no such event to disclose.

33 Date of authorization

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on 20 August 2020

34 General

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

16/08/20

Lahore

Chief Executive Officer

Chairman

Director

Director