

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Balance Sheet

As at 31 March 2021

		(Un-Audited) 31 March 2021	(Audited) 31 December 2020
	Note	Rupees	Rupees
Assets			
Cash and balances with SBP and NBP	6	1,612,725,439	1,572,075,030
Balances with other banks/NBFIs/MFBs	7	1,893,937,823	2,849,103,430
Lending to financial institutions		-	-
Investments - net of provisions	8	7,350,211,600	6,448,871,800
Advances - net of provisions	9	21,012,426,285	21,246,108,856
Operating fixed assets		2,306,039,976	2,444,958,300
Other assets		5,274,825,152	5,171,405,664
Deferred tax asset	10	156,390,131	118,358,104
Total assets		39,606,556,406	39,850,881,184
Liabilities			
Deposits and other accounts	11	25,962,432,526	26,082,761,045
Borrowings	12	4,636,003,886	4,710,503,886
Subordinated debt		800,000,000	800,000,000
Other liabilities		2,968,254,944	3,014,141,411
Total liabilities		34,366,691,356	34,607,406,342
Net assets		5,239,865,050	5,243,474,842
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		868,881,433	868,881,433
Depositors' protection fund		270,866,291	266,156,280
Unappropriated Profit		1,842,894,509	1,848,106,312
		5,242,489,050	5,242,990,842
Surplus on revaluation of assets		(2,924,000)	184,000
Deferred grants		300,000	300,000
Total capital		5,239,865,050	5,243,474,842

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 31 March 2021

	Note	Quarter ended (Un-Audited)	
		31 March 2021	31 March 2020
		Rupees	Rupees
Mark-up / return / interest earned	13	1,820,980,327	2,167,873,160
Mark-up / return / interest expensed	14	(667,100,539)	(839,715,980)
Net mark-up / interest income		1,153,879,788	1,328,157,180
Provision against non-performing loans and advances		(501,151,324)	(570,502,583)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		395,773	(1,899,973)
		(500,755,551)	(572,402,556)
Net mark-up / interest income after provisions		653,124,237	755,754,624
Non mark-up / non interest income			
Fee, commission and brokerage income	15	146,593,342	208,393,313
Dividend income		-	-
Other income		54,444,140	40,169,229
Total non mark-up / non interest income		201,037,482	248,562,542
		854,161,719	1,004,317,166
Non mark-up / non interest expenses			
Administrative expenses		(858,261,185)	(1,022,529,739)
Other charges		(8,814,097)	(9,709,725)
Total non mark-up / non interest expenses		(867,075,282)	(1,032,239,464)
Loss before taxation		(12,913,563)	(27,922,298)
Taxation - Current year		(30,330,267)	(36,172,586)
Prior years		-	-
Deferred		38,032,027	45,917,993
		7,701,760	9,745,407
Loss after taxation		(5,211,803)	(18,176,891)
Loss per share		(0.01)	(0.03)

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 Other Comprehensive Income (Un-audited)

For the Quarter ended 31 March 2021

	Quarter ended (Un-Audited)	
	31 March 2021	31 March 2020
	Rupees	Rupees
Loss after tax	(5,211,803)	(18,176,891)
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>	(2,924,000)	21,701,900
	(2,924,000)	21,701,900
Total comprehensive income / (loss) for the period	(8,135,803)	3,525,009

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 31 March 2021

	31 March 2021 Rupees	31 March 2020 Rupees
<u>Cash flows from operating activities</u>		
Loss before taxation	(12,913,563)	(27,922,298)
<i>Adjustments for non-cash charges:</i>		
Depreciation on operating fixed asset	55,677,299	63,818,213
Depreciation on right of use assets	59,950,060	59,732,955
Amortization on intangible assets	17,066,814	17,491,467
Notional interest on lease liability	39,797,595	41,603,058
Provision against non-performing advances	501,440,393	570,502,583
Net gain on disposal of operating fixed assets	(6,014,141)	(6,833)
Amortization of discount on government securities	(132,460,389)	(146,296,427)
Gain on disposal of government securities	112,800	-
Provision for gratuity	21,000,000	22,000,000
	556,570,431	628,845,016
	543,656,868	600,922,718
<i>(Increase) / decrease in operating assets:</i>		
Net investments in held for trading securities	-	2,157,228,277
Advances	(267,757,822)	(641,674,154)
Others assets	(103,419,488)	(347,856,986)
	(371,177,310)	1,167,697,137
<i>Increase / (decrease) in operating liabilities:</i>		
Bills payable	(191,725)	(24,073,926)
Borrowings from financial institutions	(74,500,000)	23,693,478
Deposits	(120,328,519)	(727,186,393)
Other liabilities (excluding withholding tax, dividend payable and provision for gratuity)	(15,158,839)	7,578,550
	(210,179,083)	(719,988,291)
	(37,699,525)	1,048,631,564
Gratuity paid	(8,914,082)	(6,893,715)
Income tax paid	(40,726,586)	(92,053,882)
Net cash generated from / (used in) operating activities	(87,340,193)	949,683,967
<u>Cash flows from investing activities</u>		
Net investments in available for sale securities	(772,100,211)	(1,065,413,100)
Interest income on depositors protection fund	4,710,011	5,392,373
Investments in operating fixed assets	52,396	(9,920,272)
Sale proceeds of property and equipment disposed-off	12,309,129	4,369,291
Net cash generated from / (used in) investing activities	(755,028,675)	(1,065,571,708)
<u>Cash flows from financing activities</u>		
Payment of lease liabilities	(72,146,330)	(66,535,895)
Grant received	-	(924,304)
Payment of dividends	-	-
Net cash used in financing activities	(72,146,330)	(67,460,199)
Decrease in cash and cash equivalents	(914,515,198)	(183,347,940)
Cash and cash equivalents at beginning of the period	4,421,178,460	3,238,192,041
Cash and cash equivalents at end of the period	3,506,663,262	3,054,844,101

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 31 March 2021

	Capital reserves			Revenue reserves	Total	
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund		Unappropriated profit
	----- Rupees -----					
Balance as at 31 December 2019	6,348,887,110	(4,089,040,293)	687,948,818	203,099,973	1,563,709,236	4,714,604,844
Profit for the year	-	-	-	-	904,663,076	904,663,076
<i>Other comprehensive income</i>						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	15,899,769	15,899,769
Total comprehensive income for the year	-	-	-	-	920,562,845	920,562,845
Transfer to statutory reserve	-	-	180,932,615	-	(180,932,615)	-
Transfer to depositors' protection fund	-	-	-	45,233,154	(45,233,154)	-
Return on depositors' protection fund's investments - net of tax	-	-	-	17,823,153	-	17,823,153
<i>Transactions with owners:</i>						
- Dividend paid	-	-	-	-	(410,000,000)	(410,000,000)
Balance as at 31 December 2020	6,348,887,110	(4,089,040,293)	868,881,433	266,156,280	1,848,106,312	5,242,990,842
Loss for the period	-	-	-	-	(5,211,803)	(5,211,803)
<i>Other comprehensive income</i>						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,211,803)	(5,211,803)
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	4,710,011	-	4,710,011
<i>Transactions with owners:</i>						
- Dividend paid	-	-	-	-	-	-
Balance as at 31 March 2021	6,348,887,110	(4,089,040,293)	868,881,433	270,866,291	1,842,894,509	5,242,489,050

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 (Un-audited)

For the Quarter ended 31 March 2021

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 31 March 2021, the Bank has 130 branches (2020: 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 2020, except for those disclosed below:

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 2020, 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 no different way 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.

Pakistan Bankers Association (PBA) has approached the State Bank of Pakistan and has requested for the deferment of IFRS 9 applicability. SBP's decision on this is expected in near future. So far, no bank has applied IFRS-9 in Pakistan.

Hence these Financial Statements are as per prevailing regulations excluding IFRS 9 requirements.

	Note	(Un-Audited)	(Audited)
		31 March 2021	31 December 2020
		Rupees	Rupees
6. Cash and balances with SBP and NBP			
Cash in hand		434,016,276	397,273,014
Balance with State Bank of Pakistan	6.1	1,095,058,167	1,006,847,600
<i>Balance with National Bank of Pakistan in :</i>			
Deposit account	6.1	554,359	725,909
Current account	6.1	83,096,637	167,228,507
		<u>1,612,725,439</u>	<u>1,572,075,030</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. 270.87 million (2020: Rs. 266.16 million) maintained with SBP under depositors' protection fund. Saving account carries markup ranging from 5.75% to 6.25% (2020: 5.50% to 8.75%).

	Note	(Un-Audited)	(Audited)
		31 March 2021	31 December 2020
		Rupees	Rupees
7. Balances with other banks/NBFIs/MFBs			
<i>In Pakistan:</i>			
Saving accounts	7.1	868,723,143	1,787,325,942
Deposit accounts	7.2	900,000,000	900,000,000
Current accounts		125,214,680	161,777,488
		<u>1,893,937,823</u>	<u>2,849,103,430</u>

7.1 These accounts carry mark-up ranging from 5.50% to 7.20% (2020: 5.50% to 13.60%) per annum.

7.2 This term deposit carries mark-up 7.4% (2020: 7.3%) per annum with maturity of one month.

	Note	(Un-Audited)	(Audited)
		31 March 2021	31 December 2020
		Rupees	Rupees
8. Investments-net of provisions			
<i>Federal Govt. Securities:</i>			
Market treasury bills (Held for trading)	8.1	-	-
Market treasury bills (Available for sale)	8.1	7,350,211,600	6,448,871,800
		<u>7,350,211,600</u>	<u>6,448,871,800</u>

8.1 These carry yield rate ranging between 7.11% to 7.54% (2020: 6.39% to 13.48%) per annum and have maturity upto 26 August 2021. These securities have an aggregate face value of Rs. 7,500 million (2020: Rs. 6,500 million)

	Note	31 March 2021		31 December 2020	
		(Un-Audited)		(Audited)	
		Number	Rupees	Number	Rupees
9. Advances - net of provisions					
Micro credit advances	9.1	231,240	21,526,701,380	223,904	21,418,849,345
Micro lease			-		-
Other advances	9.2	1,388	126,231,929	1,384	131,660,566
			21,652,933,309		21,550,509,911
Less: Provisions held:					
Specific	9.3 & 9.4	18,534	456,587,818	10,363	115,534,548
General	9.4 & 9.5	-	183,919,206		188,866,507
			640,507,024		304,401,055
			<u>21,012,426,285</u>		<u>21,246,108,856</u>

9.1 This includes fully secured advances amounting to Rs. 2,799.87 million (2020: Rs. 2,543.42 million) whereas the remaining advances are secured by personal guarantees.

9.2 These advances are staff loans and carry markup rate between 5% to 10% per annum (2020: 5% to 10%).

9.3 Particulars of non-performing advances

The total advances of Rs. 1,336.90 million (2020: Rs. 739.18 million) placed under non-performing status includes Rs 29.61 million (2020: Rs 9.60 million million) advances, secured against gold:

	31 March 2021 (Un-Audited)				
	Number	Amount outstanding Rupees	%	Provision required Rupees	Provision held Rupees
OAEM	4,222	300,355,217	0	-	-
Sub-standard	3,883	282,829,191	25	68,749,138	68,749,138
Doubtful	10,417	782,003,041	50	386,589,162	386,589,162
Loss	12	1,329,654	100	1,249,518	1,249,518
Total	<u>18,534</u>	<u>1,366,517,103</u>		<u>456,587,818</u>	<u>456,587,818</u>

	31 December 2020 (Audited)				
	Number	Amount outstanding Rupees	%	Provision required Rupees	Provision held Rupees
OAEM	5,782	443,605,541	0	-	-
Sub-standard	1,858	124,916,396	25	30,633,155	30,633,155
Doubtful	2,698	168,217,806	50	82,458,188	82,458,188
Loss	25	2,443,205	100	2,443,205	2,443,205
Total	<u>10,363</u>	<u>739,182,948</u>		<u>115,534,548</u>	<u>115,534,548</u>

9.4 This represents general provision equivalent to 1% (2020: 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	31 March 2021 (Un-Audited)			31 December 2020 (Audited)		
	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Opening balance	115,534,548	188,866,507	304,401,055	233,320,572	207,891,276	441,211,848
Charge for the year	506,098,625	(4,947,301)	501,151,324	1,245,169,737	(19,024,769)	1,226,144,968
Reversal during the year	-	-	-	-	-	-
Amounts written off	(165,045,355)	-	(165,045,355)	(1,362,955,761)	-	(1,362,955,761)
	<u>341,053,270</u>	<u>(4,947,301)</u>	<u>336,105,969</u>	<u>(117,786,024)</u>	<u>(19,024,769)</u>	<u>(136,810,793)</u>
Closing balance	<u>456,587,818</u>	<u>183,919,206</u>	<u>640,507,024</u>	<u>115,534,548</u>	<u>188,866,507</u>	<u>304,401,055</u>

9.5.1 Particulars of write offs

	(Un-Audited) 31 March 2021 Rupees	(Audited) 31 December 2020 Rupees
Against provisions	165,045,355	1,362,955,761
Directly charged to profit and loss account	(395,773)	2,227,563
	<u>164,649,582</u>	<u>1,365,183,324</u>

10. Deferred tax asset

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

Gratuity payable	92,978,713	88,748,642
Advances - net of provisions	54,320,875	54,320,875
Minimum taxation	30,330,267	-
	<u>177,629,855</u>	<u>143,069,517</u>

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

Operating fixed assets	21,239,724	24,711,413
	<u>21,239,724</u>	<u>24,711,413</u>
	<u>156,390,131</u>	<u>118,358,104</u>

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	31 March 2021 (Un-Audited)		31 December 2020 (Audited)	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
Fixed deposits	11.1	11,542	12,006	14,893,607,123
Saving deposits	11.1	122,427	121,963	8,426,673,326
Current deposits		1,448,634	1,393,031	2,762,480,596
		<u>1,582,603</u>	<u>1,527,000</u>	<u>26,082,761,045</u>

11.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.05% to 14.25% (2020: 6.85% to 14.25%) per annum. The saving deposits represent accounts carrying interest rates ranging from 6.50% to 8.00% (2020: 6.50% to 11.50%) per annum.

	31 March 2021 (Un-Audited)		31 December 2020 (Audited)	
	Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
11.2 Particulars of deposits by ownership				
1) Individual depositors	1,581,651	20,217,579,966	1,526,110	20,349,643,172
2) Institutional depositors				
a) Corporations, firms and other such entities	865	3,862,173,645	802	3,353,578,104
b) Banks and financial institutions	87	1,882,678,915	88	2,379,539,769
	1,582,603	25,962,432,526	1,527,000	26,082,761,045
			(Un-Audited)	(Audited)
			31 March 2021	31 December 2020
			Rupees	Rupees
12. Borrowings				
Running Finance - Allied Bank Limited			249,500,105	249,000,105
Running Finance - National Bank of Pakistan			499,003,781	499,003,781
Term Finance - Allied Bank Limited			262,500,000	275,000,000
Term Finance - National Bank of Pakistan			625,000,000	687,500,000
SBP Loan under FIIP			3,000,000,000	3,000,000,000
			4,636,003,886	4,710,503,886
			(Un-Audited)	(Audited)
			31 March 2021	31 March 2020
			Rupees	Rupees
13. Mark-up / return / interest earned				
Interest / mark-up on advances			1,662,976,745	1,961,691,740
Markup earned on investments in government securities			132,460,389	146,296,427
Interest / mark-up on bank accounts			25,543,193	59,884,993
			1,820,980,327	2,167,873,160
14. Mark-up / return / interest expensed				
Deposits			529,042,658	625,365,540
Borrowings			77,182,807	139,937,520
Subordinated loan			21,077,479	32,809,862
Notional interest on lease liability			39,797,595	41,603,058
			667,100,539	839,715,980
15. Fee, commission and brokerage income				
Loan processing fee			119,468,255	167,464,696
Income on cheque book issuance			1,696,104	1,730,823
Over due charges			13,901,436	28,246,187
Early settlement charges			7,919,271	6,972,731
Others			3,608,276	3,978,876
			146,593,342	208,393,313
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.