

# **FINCA MICROFINANCE BANK LTD**

CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

*For Nine Months ended 30 September 2021*

# FINCA MICROFINANCE BANK LIMITED

## Condensed Interim Balance Sheet

As at 30 Sep 2021

		(Un-Audited) 30 September 2021 Rupees	(Audited) 31 December 2020 Rupees
<b>Assets</b>			
Cash and balances with SBP and NBP	6	2,063,316,569	1,572,075,030
Balances with other banks / NBFIs / MFBs	7	315,366,622	2,849,103,430
Investments - net of provisions	8	9,145,152,800	6,448,871,800
Advances - net of provisions	9	19,804,692,447	21,246,108,856
Operating fixed assets		2,059,618,048	2,444,958,300
Other assets		3,698,107,388	5,171,405,664
Deferred tax asset	10	893,282,018	118,358,104
<b>Total assets</b>		<b>37,979,535,892</b>	<b>39,850,881,184</b>
<b>Liabilities</b>			
Deposits and other accounts	11	25,658,049,848	26,082,761,045
Borrowings	12	4,462,753,885	4,710,503,886
Subordinated debt		800,000,000	800,000,000
Other liabilities		3,133,708,002	3,014,141,411
<b>Total liabilities</b>		<b>34,054,511,735</b>	<b>34,607,406,342</b>
<b>Net assets</b>		<b>3,925,024,157</b>	<b>5,243,474,842</b>
<b>Represented by:</b>			
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		281,160,867	266,156,280
Unappropriated Profit		521,799,440	1,848,106,312
		<b>3,931,688,557</b>	<b>5,242,990,842</b>
Surplus on revaluation of assets		(6,664,400)	184,000
Deferred grants		-	300,000
<b>Total capital</b>		<b>3,925,024,157</b>	<b>5,243,474,842</b>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Director

## FINCA MICROFINANCE BANK LIMITED

Condensed Interim Profit and Loss Account (Un-audited)

For Nine months and quarter ended 30 Sep 2021

	Note	Nine months ended		Three months ended	
		30 Sep 2021 Rupees	30 Sep 2020 Rupees	30 Sep 2021 Rupees	30 Sep 2020 Rupees
Mark-up / return / interest earned	13	3,953,548,062	6,588,454,567	810,276,746	2,158,306,662
Mark-up / return / interest expensed	14	(1,970,417,305)	(2,347,929,937)	(652,942,091)	(714,507,449)
Net mark-up / interest income		1,983,130,757	4,240,524,630	157,334,655	1,443,799,213
Provision against non-performing loans and advances		(1,786,324,590)	(1,171,189,598)	(548,349,220)	(168,821,171)
Bad debts written off directly		(14,476,047)	277,920	(10,202,451)	5,869,415
Net mark-up / interest income after provisions		182,330,120	3,069,612,952	(401,217,016)	1,280,847,457
<b>Non mark-up / non interest income</b>					
Fee, commission and brokerage income	15	425,600,792	376,673,145	130,126,446	131,747,108
Other income		189,154,899	250,354,697	73,972,639	24,123,955
Total non mark-up / non interest income		614,755,691	627,027,842	204,099,085	155,871,063
		797,085,811	3,696,640,794	(197,117,931)	1,436,718,520
<b>Non mark-up / non interest expenses</b>					
Administrative expenses		(2,809,231,061)	(2,887,713,484)	(1,004,351,023)	(949,244,469)
Other charges		(31,981,739)	(23,807,830)	(11,173,817)	(7,549,038)
Total non mark-up / non interest expenses		(2,841,212,800)	(2,911,521,314)	(1,015,524,840)	(956,793,507)
<b>(Loss) / Profit before taxation</b>		(2,044,126,989)	785,119,480	(1,212,642,771)	479,925,013
Taxation - Current year		(57,103,797)	(299,014,995)	(12,679,699)	(159,354,851)
Prior years		-	(34,112,996)	-	(34,112,996)
Deferred		774,923,914	24,081,763	439,439,404	5,853,328
		717,820,117	(309,046,228)	426,759,705	(187,614,519)
<b>(Loss) / Profit after taxation</b>		(1,326,306,872)	476,073,252	(785,883,066)	292,310,494
<b>(Loss) / Earnings per share</b>		(2.09)	0.75	(1.24)	0.46

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements

Chief Executive Officer

Chairperson

Director

**FINCA MICROFINANCE BANK LIMITED**

Condensed Interim Statement of Comprehensive Income (Un-audited)

For Nine months and quarter ended 30 Sep 2021

	Nine months ended		Three months ended	
	30 Sep 2021 Rupees	30 Sep 2020 Rupees	30 Sep 2021 Rupees	30 Sep 2020 Rupees
<b>(Loss) / Profit after tax</b>	<b>(1,326,306,872)</b>	476,073,252	<b>(785,883,066)</b>	292,310,494
<b>Other comprehensive income for the year - net of tax</b>				
<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>				
Net change in fair value of 'available-for-sale' securities	(6,664,400)	(397,400)	(8,932,400)	(3,076,300)
Impact of deferred tax	2,332,540	-	3,190,880	-
	(4,331,860)	(397,400)	(5,741,520)	(3,076,300)
<b>Total comprehensive (loss) / income for the period</b>	<b>(1,330,638,732)</b>	475,675,852	<b>(791,624,586)</b>	289,234,194

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\_\_\_\_\_  
Chief Executive Officer\_\_\_\_\_  
Chairperson\_\_\_\_\_  
Director

**FINCA MICROFINANCE BANK LIMITED**  
Condensed Interim Cash Flow Statement (Un-audited)  
For Nine months ended 30 Sep 2021

	30 Sep 2021 Rupees	30 Sep 2020 Rupees
<b><u>Cash flows from operating activities</u></b>		
Loss before taxation	(2,044,126,989)	785,119,480
<i>Adjustments for non-cash charges:</i>		
Depreciation on operating fixed asset	162,515,420	187,584,852
Depreciation on right of use assets	179,442,803	180,432,298
Amortization on intangible assets	50,076,458	53,073,054
Notional interest on lease liability	117,144,548	104,959,515
Provision against non-performing advances	1,786,324,590	1,171,189,598
Operating fixed assets written off	-	1,441,199
Net gain on disposal of operating fixed assets	(5,429,687)	(115,561,766)
Markup earned on investments in government securities	(417,228,060)	(417,675,078)
Gain on disposal of government securities	(468,648)	(55,898,500)
Gain on revaluation of held for trading securities	-	(660,300)
Grant amortized	(300,000)	(1,961,137)
Provision for gratuity	63,000,000	66,000,000
	<b>1,935,077,424</b>	<b>1,172,923,735</b>
	<b>(109,049,565)</b>	<b>1,958,043,215</b>
<i>(Increase) / decrease in operating assets:</i>		
Net investments in held for trading securities	-	4,770,914,941
Advances	(344,908,181)	(954,108,728)
Others assets	1,603,174,278	(2,540,469,159)
	<b>1,258,266,097</b>	<b>1,276,337,054</b>
<i>Increase / (decrease) in operating liabilities:</i>		
Bills payable	59,303,865	26,987,069
Borrowings from financial institutions	(247,750,001)	(116,350,228)
Deposits	(424,711,197)	1,342,156,856
Other liabilities (excluding withholding tax, dividend payable and provision for gratuity)	230,615,228	(161,974,431)
	<b>(382,542,105)</b>	<b>1,090,819,266</b>
	<b>766,674,427</b>	<b>4,325,199,535</b>
Gratuity paid	(33,761,913)	(23,421,865)
Income tax paid	(267,077,160)	(144,497,935)
<b>Net cash generated from operating activities</b>	<b>465,835,354</b>	<b>4,157,279,735</b>
<b><u>Cash flows from investing activities</u></b>		
Net investments in available for sale securities	(2,288,606,877)	(4,873,529,563)
Interest income on depositors protection fund	15,004,587	14,296,022
Investments in operating fixed assets	(17,348,034)	(42,397,177)
Sale proceeds of property and equipment disposed-off	16,790,979	276,426,234
<b>Net cash generated used in investing activities</b>	<b>(2,274,159,345)</b>	<b>(4,625,204,484)</b>
<b><u>Cash flows from financing activities</u></b>		
Payment of lease liabilities	(234,171,278)	(165,252,623)
Payment of dividends	-	(410,000,000)
<b>Net cash used in financing activities</b>	<b>(234,171,278)</b>	<b>(575,252,623)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(2,042,495,269)</b>	<b>(1,043,177,372)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,421,178,460</b>	<b>3,238,192,041</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,378,683,191</b>	<b>2,195,014,669</b>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements

Chief Executive Officer

Chairperson

Director

## FINCA MICROFINANCE BANK LIMITED

Condensed Interim Statement of Changes in Equity  
For Nine months ended 30 Sep 2021

	Capital reserves			Revenue reserves	Total	
	Share capital	Discount on issue of shares	Statutory reserve	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)
<b>Balance as at 31 December 2020</b>	<b>6,348,887,110</b>	<b>(4,089,040,293)</b>	<b>868,881,433</b>	<b>266,156,280</b>	<b>1,848,106,312</b>	<b>5,242,990,842</b>
Loss for the period	-	-	-	-	(1,326,306,872)	(1,326,306,872)
<i>Other comprehensive income</i>						
Remeasurement of post defined benefit obligation - net of tax	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(1,326,306,872)	(1,326,306,872)
Transfer to statutory reserve	-	-	-	-	-	-
Transfer to depositors' protection fund	-	-	-	-	-	-
Return on depositors' protection fund's investments - net of tax	-	-	-	15,004,587	-	15,004,587
<i>Transactions with owners:</i>						
- Dividend paid	-	-	-	-	-	-
<b>Balance as at 30 September 2021</b>	<b>6,348,887,110</b>	<b>(4,089,040,293)</b>	<b>868,881,433</b>	<b>281,160,867</b>	<b>521,799,440</b>	<b>3,931,688,557</b>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

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Chairperson

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Director

## FINCA MICROFINANCE BANK LIMITED

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

For Nine months ended 30 Sep 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 30 Sep 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.

#### 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 7.25% 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.

	Note	(Un-Audited)	(Audited)
		30 September 2021	31 December 2020
		Rupees	Rupees
<b>6. Cash and balances with SBP and NBP</b>			
Cash in hand		483,929,057	397,273,014
Balance with State Bank of Pakistan	6.1	1,469,293,737	1,006,847,600
<i>Balance with National Bank of Pakistan in :</i>			
Deposit account	6.1	282,175	725,909
Current account	6.1	109,811,600	167,228,507
		<u>2,063,316,569</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. 281.16 million (2020: Rs. 266.16 million) maintained with SBP under depositors' protection fund. Saving account carry markup at 5.50% (2020: 5.50% to 8.75%) per annum.

	Note	(Un-Audited)	(Audited)
		30 September 2021	31 December 2020
		Rupees	Rupees
<b>7. Balances with other banks / NBFIs / MFBs</b>			
In Pakistan:			
Saving accounts	7.1	170,808,480	1,787,325,942
Deposit accounts	7.2	-	900,000,000
Current accounts		144,558,142	161,777,488
		<u>315,366,622</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.

		(Un-Audited)	(Audited)
		30 September 2021	31 December 2020
		Rupees	Rupees
<b>8. Investments-net of provisions</b>			
<i>Federal Govt. Securities:</i>			
Market treasury bills (Available for sale)	8.1	9,145,152,800	6,448,871,800
		<u>9,145,152,800</u>	<u>6,448,871,800</u>

8.1 These carry yield rate ranging between 7.15% to 7.53% (2020: 6.39% to 13.48%) per annum and have maturity upto 10 March 2022. These securities have an aggregate face value of Rs. 9,350 million (2020: Rs. 6,500 million)

	30 September 2021		31 December 2020	
	(Un-Audited)		(Audited)	
	Number	Rupees	Number	Rupees
<b>9. Advances - net of provisions</b>				
Micro credit advances	218,299	20,567,094,133	223,904	21,418,849,345
Other advances	1,213	95,815,077	1,384	131,660,566
		<u>20,662,909,210</u>		<u>21,550,509,911</u>
Less: Provisions held:				
Specific	47,194	693,467,723	10,363	115,534,548
General	-	164,749,040		188,866,507
		<u>858,216,763</u>		<u>304,401,055</u>
		<u>19,804,692,447</u>		<u>21,246,108,856</u>



**10. Deferred tax asset**

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

- Gratuity payable	<b>98,981,973</b>	88,748,642
- Advances - net of provisions	<b>317,933,571</b>	54,320,875
- Minimum taxation	<b>57,103,797</b>	-
- Deficit on revaluation of "available for sale" securities	<b>2,332,540</b>	-
- Business losses	<b>430,107,007</b>	-
	<b>906,458,888</b>	143,069,517

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

Operating fixed assets	<b>(13,176,870)</b>	(24,711,413)
	<b>(13,176,870)</b>	(24,711,413)
	<b>893,282,018</b>	118,358,104

**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	30 September 2021 (Un-Audited)		31 December 2020 (Audited)	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
Fixed deposits	11.1	<b>10,206</b>	<b>14,840,739,631</b>	12,006	14,893,607,123
Saving deposits	11.1	<b>123,381</b>	<b>8,304,081,135</b>	121,963	8,426,673,326
Current deposits		<b>1,542,855</b>	<b>2,513,229,082</b>	1,393,031	2,762,480,596
		<b>1,676,442</b>	<b>25,658,049,848</b>	1,527,000	26,082,761,045

**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.

11.2	Particulars of deposits by ownership	30 September 2021 (Un-Audited)		31 December 2020 (Audited)	
		Number of accounts	Amount Rupees	Number of accounts	Amount Rupees
	1) Individual depositors	1,675,582	20,056,203,391	1,526,110	20,349,643,172
	2) Institutional depositors				
	a) Corporations, firms and other such entities	798	4,121,942,333	802	3,353,578,104
	b) Banks and financial institutions	62	1,479,904,124	88	2,379,539,769
		<u>1,676,442</u>	<u>25,658,049,848</u>	<u>1,527,000</u>	<u>26,082,761,045</u>
				(Un-Audited)	(Audited)
				<u>30 September 2021</u>	<u>31 December 2020</u>
				Rupees	Rupees
12.	<b>Borrowings</b>				
	Running Finance - Allied Bank Limited			245,000,105	249,000,105
	Running Finance - National Bank of Pakistan			499,003,780	499,003,781
	Term Finance - Allied Bank Limited			218,750,000	275,000,000
	Term Finance - National Bank of Pakistan			500,000,000	687,500,000
	SBP Loan under FIIP			3,000,000,000	3,000,000,000
				<u>4,462,753,885</u>	<u>4,710,503,886</u>
				(Un-Audited)	(Un-Audited)
				<u>30 September 2021</u>	<u>30 September 2020</u>
				Rupees	Rupees
13.	<b>Mark-up / return / interest earned</b>				
	Interest / mark-up on advances			3,478,272,640	6,058,216,621
	Markup earned on investments in government securities			417,228,060	417,675,078
	Interest / mark-up on bank accounts			58,047,362	112,562,868
				<u>3,953,548,062</u>	<u>6,588,454,567</u>
14.	<b>Mark-up / return / interest expensed</b>				
	Deposits			1,553,430,490	1,825,581,711
	Borrowings			235,605,116	354,591,122
	Subordinated loan			64,237,151	62,797,589
	Notional interest on lease liability			117,144,548	104,959,515
				<u>1,970,417,305</u>	<u>2,347,929,937</u>
15.	<b>Fee, commission and brokerage income</b>				
	Loan processing fee			349,305,723	295,973,648
	Income on cheque book issuance			5,177,419	4,371,887
	Over due charges			40,896,231	48,452,427
	Early settlement charges			19,653,801	17,006,746
	Others			10,567,618	10,868,437
				<u>425,600,792</u>	<u>376,673,145</u>
16.	<b>General</b>				

- 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.