



KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FINCA Microfinance Bank Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **FINCA Microfinance Bank Limited** ("the Bank") as at 30 June 2022, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim 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 the 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.

Emphasis of matter

We draw attention to Note 1.1 to the condensed interim financial statements which indicates that the Bank incurred loss before tax of Rs. 18.49 million for the six months ended 30 June 2022 and, the Capital Adequacy Ratio of the Bank may possibly be breached in the next twelve months. As stated in note 1.1, these events or conditions, along with other matters as set forth in note 1.1 indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



KPMG Taseer Hadi & Co.

Other matter

The figures for the quarters ended 30 June 2022 and 30 June 2021 in the condensed interim profit and loss account and condensed interim statement of comprehensive income 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 report is Fahad Bin Waheed.

Lahore

Date: 01 August 2022

UDIN: RR202210089lyVhvqLJA

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

FINCA Microfinance Bank Limited

Review of condensed interim financial statements
for the six months ended 30 June 2022

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Balance Sheet

As at 30 June 2022

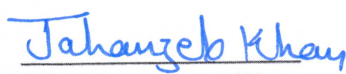
		(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
Assets			
Cash and balances with SBP and NBP	8	2,552,573,201	1,702,585,689
Balances with other banks / NBFIs / MFBs	9	178,298,376	278,598,549
Investments	10	7,987,705,542	10,229,997,480
Advances - net of provisions	11	19,674,439,223	18,827,193,888
Operating fixed assets	12	1,762,512,815	1,966,209,373
Other assets	13	2,929,656,701	3,033,007,520
Deferred tax assets	14	1,174,710,155	1,014,865,800
Total assets		36,259,896,013	37,052,458,299
Liabilities			
Deposits and other accounts	15	24,627,387,183	25,419,127,446
Borrowings	16	4,211,628,885	4,381,378,885
Subordinated debt	17	800,000,000	800,000,000
Other liabilities	18	2,686,982,906	2,714,340,019
Total liabilities		32,325,998,974	33,314,846,350
Net assets		3,933,897,039	3,737,611,949
Represented by:			
Share capital	19	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		301,708,765	286,448,527
Unappropriated profit		521,943,451	334,322,112
		3,952,380,466	3,749,498,889
Deficit on revaluation of assets - net of tax	20	(18,483,427)	(11,886,940)
Total capital		3,933,897,039	3,737,611,949

Memorandum / off-balance sheet items

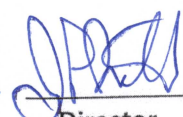
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The annexed notes from 1 to 35 form an integral part of these financial statements.

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Tahameeb Khan
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 2022

	Note	Six months ended		Three months ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		Rupees	Rupees	Rupees	Rupees
Mark-up / return / interest earned	22	2,744,988,175	3,143,271,316	1,140,011,806	1,322,380,989
Mark-up / return / interest expensed	23	(1,492,001,219)	(1,317,475,214)	(785,029,236)	(650,374,675)
Net mark-up / interest income		1,252,986,956	1,825,796,102	354,982,570	672,006,314
Reversal / (provision) against non-performing advances	11.4	164,460,634	(1,237,963,607)	(9,053,930)	(736,812,283)
Bad debts written off directly		(7,377,137)	(4,273,596)	(676,400)	(3,877,823)
		157,083,497	(1,242,237,203)	(9,730,330)	(740,690,106)
Net mark-up / interest income after provisions		1,410,070,453	583,558,899	345,252,240	(68,683,792)
Non mark-up / non interest income					
Fee, commission and brokerage income	24	297,668,406	295,474,346	153,737,468	148,881,004
Other income	25	210,114,004	115,182,260	129,322,734	60,742,120
Total non mark-up / non interest income		507,782,410	410,656,606	283,060,202	209,623,124
		1,917,852,863	994,215,505	628,312,442	140,939,332
Non mark-up / non interest expenses					
Administrative expenses	26	(1,902,971,489)	(1,804,739,759)	(989,078,236)	(946,478,574)
Other charges	27	(33,376,296)	(20,807,922)	(18,540,347)	(11,993,825)
Total non mark-up / non interest expenses		(1,936,347,785)	(1,825,547,681)	(1,007,618,583)	(958,472,399)
		(18,494,922)	(831,332,176)	(379,306,141)	(817,533,067)
Loss before taxation					
Taxation - Current		(40,659,632)	(44,424,098)	(17,858,717)	(14,093,831)
- Prior		92,348,152	-	92,348,152	-
- Deferred		154,427,741	335,431,295	231,355,315	297,399,268
	28	206,116,261	291,007,197	305,844,750	283,305,437
Profit / (loss) after taxation		187,621,339	(540,324,979)	(73,461,391)	(534,227,630)
Unappropriated profit brought forward		334,322,112	1,848,106,312	595,404,842	1,848,106,312
Profit available for appropriation		521,943,451	1,307,781,333	521,943,451	1,313,878,682
Appropriations:					
Transfer to:					
Statutory reserve		-	-	-	-
Capital reserve		-	-	-	-
Dividend		-	-	-	-
Contribution to depositors' protection fund		-	-	-	-
Revenue reserve		-	-	-	-
Unappropriated profit carried forward		521,943,451	1,307,781,333	521,943,451	1,313,878,682
Earnings / (Loss) per share		0.30	(0.85)	(0.12)	(0.84)

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Jahangzeb Khan
Chief Executive Officer

[Signature]
Chairman

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Director

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Director

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year and quarter ended 30 June 2022

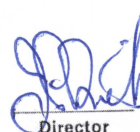
	Six months ended		Three months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) after taxation	187,621,339	(540,324,979)	(73,461,391)	(534,227,630)
Other comprehensive income / (loss) for the period				
<u>Components of comprehensive income for the period not transferred to equity:</u>				
<i>Items that may be reclassified subsequently to profit and loss account</i>				
Net change in fair value of 'available-for-sale' securities	(12,013,100)	2,268,000	(19,921,250)	5,376,400
Related tax impact	5,416,613	(858,340)	6,972,438	-
	(6,596,487)	1,409,660	(12,948,812)	5,376,400
Total comprehensive income / (loss) for the period	181,024,852	(538,915,319)	(86,410,203)	(528,851,230)

The annexed notes from 1 to 35 form an integral part of these financial statements.



Jahanzeb Khan
Chief Executive Officer


Chairman


Director


Director

FINCA MICROFINANCE BANK LIMITED

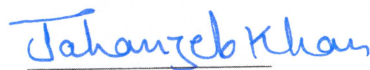
Condensed Interim Statement of Changes In Equity

For the half year ended 30 June 2022

	Capital reserves			Revenue reserves		
	Share capital	Discount on issue of shares	Statutory reserve	Depositors' protection fund	Unappropriated profit	Total
	----- Rupees -----					
Balance as at 31 December 2020 (Audited)	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	-	-	-	-	(540,324,979)	(540,324,979)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(540,324,979)	(540,324,979)
Transfer to statutory reserve	-	-	-	-	-	-
Return on depositors' protection fund's investments	-	-	-	9,797,718	-	9,797,718
Balance as at 30 June 2021 (Un-audited)	6,348,887,110	(4,089,040,293)	868,881,433	275,953,998	1,307,781,333	4,712,463,581
Balance as at 31 December 2021 (Audited)	6,348,887,110	(4,089,040,293)	868,881,433	286,448,527	334,322,112	3,749,498,889
Profit for the period	-	-	-	-	187,621,339	187,621,339
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	187,621,339	187,621,339
Transfer to statutory reserve	-	-	-	-	-	-
Return on depositors' protection fund's investments	-	-	-	15,260,238	-	15,260,238
Balance as at 30 June 2022 (Un-audited)	6,348,887,110	(4,089,040,293)	868,881,433	301,708,765	521,943,451	3,952,380,466

The annexed notes from 1 to 35 form an integral part of these financial statements.

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Chief Executive Officer


Chairman


Director


Director

FINCA MICROFINANCE BANK LIMITED

Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended 30 June 2022

Note	30 June 2022 Rupees	30 June 2021 Rupees
<u>Cash flow from operating activities</u>		
Loss before taxation	(18,494,922)	(831,332,176)
Adjustments for non-cash charges:		
Depreciation on property and equipment	95,114,693	109,328,302
Depreciation on right of use assets	118,027,984	119,682,256
Amortization on intangible assets	32,609,740	33,818,597
Notional interest on lease liability	65,199,473	79,269,706
(Reversal) / provision against non-performing advances	(164,460,634)	1,237,963,607
Markup earned on investments in government securities	(495,443,756)	(272,018,382)
Net gain on disposal of operating fixed assets	(280,977)	(6,014,142)
Gain on revaluation of held for trading securities	(850,598)	-
Loss / (gain) on disposal of government securities	18,450,495	(89,300)
Amortization of deferred grant	-	(300,000)
Provision for gratuity	43,518,090	42,000,000
	(288,115,490)	1,343,640,644
	(306,610,412)	512,308,468
Decrease / (increase) in operating assets:		
Net investments in held for trading securities	(714,970,715)	-
Advances	(682,784,701)	(918,111,985)
Others assets	205,417,186	501,717,414
	(1,192,338,230)	(416,394,571)
(Decrease) / increase in operating liabilities:		
Bills payable	55,544,158	(4,524,297)
Borrowings from financial institutions	(169,750,000)	(163,375,000)
Deposits	(791,740,263)	(854,030,946)
Other liabilities	34,669,701	51,868,898
	(871,276,404)	(970,061,345)
	(2,370,225,046)	(874,147,448)
Gratuity paid	(35,622,894)	(21,066,923)
Income tax paid	(83,540,362)	(112,332,157)
Net cash used in operating activities	(2,489,388,302)	(1,007,546,528)
<u>Cash flow from investing activities</u>		
Net investments in available for sale securities	3,438,353,650	(570,919,350)
Purchase of operating fixed assets	(40,202,439)	(23,064,260)
Sale proceeds of operating fixed assets	746,138	16,790,975
Net cash generated from / (used in) investing activities	3,398,897,349	(577,192,635)
<u>Cash flow from financing activities</u>		
Payment of lease liabilities	(159,821,708)	(177,799,783)
Net cash used in financing activities	(159,821,708)	(177,799,783)
Increase / (decrease) in cash and cash equivalents	749,687,339	(1,762,538,946)
Cash and cash equivalents at beginning of the period	1,981,184,238	4,421,178,460
Cash and cash equivalents at end of the period	2,730,871,577	2,658,639,514

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The annexed notes from 1 to 35 form an integral part of these financial statements.

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Jahangeb Khan
Chief Executive Officer

[Signature]
Chairman

[Signature]
Director

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Director

FINCA MICROFINANCE BANK LIMITED

Notes to the Condensed Interim Financial Statements (Un-audited)
For the half year ended 30 June 2022

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. The Bank received the certificate of commencement of business from SBP on 27 October 2008.

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 2022, the Bank has 130 branches (2021: 130 branches) operating in the provinces of Punjab, Khyber Pakhtunkhwa, Balochistan, 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 Impact Finance, a not-for-profit corporation incorporated in Washington DC, USA.

1.1 Going concern assumption

The Bank has incurred loss before tax amounting to Rs. 18.49 million during the six months in addition to the net loss incurred in 2021 amounting to Rs. 1,523 million due to the adverse effects of COVID-19 which has significantly affected the Bank's obligors' ability to repay the advances and resulted in reduction in markup income and the Capital Adequacy Ratio (CAR). Although, the Bank is in compliance with the regulatory requirements of CAR as at 30 June 2022 however there is a possibility that the threshold could breach in the forthcoming twelve months based on the projected results.

In order to avoid any such situation the Bank's management is in continuous liaison with the Ultimate Parent Company - Finca Impact Finance (FIF) and the State Bank of Pakistan. The management has devised a plan in collaboration with the ultimate parent to seek additional equity injections in the forthcoming twelve months so that the regulatory CAR threshold is not breached. The management believes that the above measures could enable the Bank to avoid potential breach of the regulatory threshold of CAR with timely capital injection by shareholder. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

However, the management acknowledges that there remains a material uncertainty pertaining to the timely achievement of plans and incase the plans are not materialized, the Bank may not be able to remain a going concern and realize its assets and discharge its liabilities in the normal course of business.

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 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof for the half year ended 30 June 2022.

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3 Basis of measurement

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.

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.

4 Statement of compliance and basis of preparation

4.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Microfinance Institutions Ordinance, 2001 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Wherever the requirements of the Microfinance Institution Ordinance, 2001, the Companies Act, 2017 or the directives issued by the SBP and SECP differ with the requirements of IFRS, the requirements of the Microfinance Ordinance, 2001, the Companies Act, 2017 and the said directives shall prevail.

4.2 These condensed interim financial statements do not include all of the information and disclosures required for the annual financial statements and should be read in conjunction with the annual audited financial statements of the Bank for the year ended 31 December 2021.

4.3 Comparative balance sheet numbers are extracted from the annual audited balance sheet of the Bank for the year ended 31 December 2021, whereas comparative figures of profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial statements of the Bank for the half year ended 30 June 2021.

4.4 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks.

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 disclosed in accordance with the requirements prescribed by SBP through various circulars.

4.5 Newly effective requirements of IFRS effective from 01 January 2022:

During the year certain amendments to currently effective IFRS have become effective. However these have no significant impact on the half yearly financial statements of the Bank.

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4.6 Standards, interpretations of and amendments to the published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and the interpretation thereto will be effective for accounting periods beginning on or after 01 January 2023:

<u>Standards or interpretation</u>	<u>Effective date (accounting periods beginning on or after)</u>
- IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01 January 2023
- <i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements</i>	01 January 2023
- Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2023
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
- The SECP, through SRO 229(I)/2019 dated February 14, 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. 03 of 2022 dated 05 July 2022 of SBP, effective date of IFRS 9 implementation for microfinance banks has been extended to 01 January 2024.	

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

5 Use of accounting estimates and judgements

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 of the Bank for the year ended 31 December 2021 except as explained in note 11.6.

6 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 of the Bank for the year ended 31 December 2021.

7 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 2021.

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	Note	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
8 Cash and balances with SBP and NBP			
Cash in hand	8.1	485,323,094	395,334,434
Balance with State Bank of Pakistan	8.2	1,501,206,591	1,123,669,630
<i>Balance with National Bank of Pakistan in:</i>			
Saving account	8.2	262,817	3,915,685
Current account	8.2	565,780,699	179,665,940
		<u>2,552,573,201</u>	<u>1,702,585,689</u>

8.1 The cash in hand is held by the Bank to comply with the statutory liquidity requirements as set out under the Prudential Regulations R-3 'Maintenance of cash reserve and liquidity'.

8.2 This represents the balance maintained with SBP and NBP to meet the minimum balance requirement equivalent to 5% (2021: 5%) as cash reserve and 10% (2021: 10%) as liquidity reserve of the Bank's time and demand liabilities in accordance with the Prudential Regulations. Saving accounts carry markup at 6% (2021: 5.50% to 7.25%) per annum.

	Note	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
9 Balances with other banks / NBFIs / MFBs			
In Pakistan:			
Saving accounts	9.1	28,266,463	132,134,051
Current accounts		150,031,913	146,464,498
		<u>178,298,376</u>	<u>278,598,549</u>

9.1 These accounts carry mark-up ranging from 8.25% to 12.25% (2021: 5.50% to 7.40%) per annum.

	Note	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
10 Investments			
<i>Federal Govt. Securities:</i>			
Market treasury bills (Available for sale)	10.1	6,886,423,700	9,879,609,700
Market treasury bills (Held for trading)	10.1	1,101,281,842	350,387,780
		<u>7,987,705,542</u>	<u>10,229,997,480</u>

10.1 These carry yield rate ranging from 12.21% to 14.91% (2021: 6.39% to 11.40%) per annum and have maturity upto 24 March 2023. These securities have an aggregate face value of Rs. 8,331.12 million (2021: Rs. 10,370 million). This includes Rs. 301.71 million (2021: Rs. 286.45 million) maintained with SBP under depositors' protection fund to comply with the statutory liquidity requirements as set under the Prudential Regulations.

11 Advances - net of provisions

	Note	30 June 2022 (Un-audited)		31 December 2021 (Audited)	
		Number	Rupees	Number	Rupees
Micro credit advances	11.1	176,037	20,051,092,485	200,967	19,615,335,012
Other advances	11.2	813	101,105,188	1,127	80,394,421
			<u>20,152,197,673</u>		<u>19,695,729,433</u>
Less: Provisions held:					
Specific	11.3 & 11.4	26,833	333,121,152	46,140	720,172,279
General	11.5		144,637,298		148,363,266
			<u>477,758,450</u>		<u>868,535,545</u>
			<u>19,674,439,223</u>		<u>18,827,193,888</u>

11.1 This includes fully secured advances amounting to Rs. 5,347.56 million (2021: Rs. 4,139.23 million) whereas the remaining advances are secured by personal guarantees.

11.2 These advances are staff loans and carry markup rate between 5% to 10% per annum (2021: 5% to 10%).

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11.3 Particulars of non-performing advances

The total advances of Rs. 2,054.7 million (2021: Rs. 2,922.15 million) placed under non-performing status includes Rs 71.10 million (2021: Rs 55.30 million) advances, secured against gold.

30 June 2022 (Un-audited)					
	%	Number	Amount outstanding Rupees	Provision required Rupees	Provision held Rupees
Microenterprise loans					
OAEM	10	12,158	1,163,856,890	115,910,119	115,910,119
Sub-standard	25	13,559	772,291,481	192,595,683	192,595,683
Doubtful	50	449	47,918,013	23,959,006	23,959,006
Loss	100	-	-	-	-
Total		26,166	1,984,066,384	332,464,808	332,464,808
General and house loans					
OAEM	0	203	23,307,263	-	-
Sub-standard	25	144	15,001,312	-	-
Doubtful	50	252	25,396,895	656,344	656,344
Loss	100	68	6,953,040	-	-
Total		667	70,658,510	656,344	656,344

31 December 2021 (Audited)					
		Number	Amount outstanding	Provision required	Provision held
	%		Rupees	Rupees	Rupees
OAEM	0	14,450	1,164,616,182	-	-
Sub-standard	25	9,716	644,220,001	156,440,940	156,440,940
Doubtful	50	21,388	1,082,189,547	532,608,423	532,608,423
Loss	100	586	31,122,916	31,122,916	31,122,916
Total		46,140	2,922,148,646	720,172,279	720,172,279

11.4 Particulars of non-performing advances

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

Note	30 June 2022 (Un-audited)			31 December 2021 (Audited)		
	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Balance as at 01 January	720,172,279	148,363,266	868,535,545	115,534,548	188,866,507	304,401,055
(Reversal) / charge for the period / year	(160,734,666)	(3,725,968)	(164,460,634)	2,210,729,731	(40,503,241)	2,170,226,490
Advances written off	(226,316,461)	-	(226,316,461)	(1,606,092,000)	-	(1,606,092,000)
	(387,051,127)	(3,725,968)	(390,777,095)	604,637,731	(40,503,241)	564,134,490
Balance as at	333,121,152	144,637,298	477,758,450	720,172,279	148,363,266	868,535,545

11.4.1 Particulars of write offs

Against provisions
Directly charged to profit and loss account

(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
226,316,461	1,606,092,000
7,377,137	22,531,552
233,693,598	1,628,623,552

11.5 This represents general provision equivalent to 1% (2021: 1%) of the outstanding advances net of specific provisions and those against which gold collaterals are taken.

11.6 During the period, the State Bank of Pakistan, vide AC&MFD Circular No. 02 of 2022 dated 16 March 2022, has relaxed the provisioning criteria against non-performing advances by updating prudential regulation R-8 'Classification of Assets and Provisioning Requirements' and R-10 'Charging-off Non-Performing Loans'. The relaxation has resulted in increase in days past due after which an advance needs to be classified as non-performing. The Bank has accounted this as a change in accounting estimate. The effect of this change on the provision against non performing advances and write offs for the period are as follows:

APR 2022

	30 June 2022 Rupees
Decrease in provision against non-performing advances	1,233,530,718
Decrease in bad debts written off directly	8,573,390
	<u>1,242,104,108</u>

The effect of this change in accounting estimate on future periods is not determinable.

		(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
12 Operating fixed assets	Note		
Capital work-in-progress	12.1	30,736,660	27,237,929
Intangible assets	12.2	166,308,914	185,311,071
Right of use assets	12.3	862,368,721	978,078,124
Property and equipment	12.4	703,098,520	775,582,249
		<u>1,762,512,815</u>	<u>1,966,209,373</u>
12.1 Capital work-in-progress			
Equipment		27,339,757	23,748,226
Advances to suppliers and contractors	12.1.1	3,398,903	3,489,703
		<u>30,736,660</u>	<u>27,237,929</u>
12.1.1	This represents advances to suppliers given against property and equipment.		
12.2 Intangible assets			
Computer Software			
Cost:			
Balance as at 01 January		645,791,527	600,288,488
Additions during the period / year		13,607,583	45,503,039
Balance as at		<u>659,399,110</u>	<u>645,791,527</u>
Amortization:			
Balance as at 01 January		480,480,456	394,386,106
Charge during the period / year	26	32,609,740	66,094,350
Balance as at		<u>493,090,196</u>	<u>460,480,456</u>
Carrying value		<u>166,308,914</u>	<u>185,311,071</u>
		<u>2022</u>	<u>2021</u>
Amortization rate		<u>10% - 20%</u>	<u>10% - 20%</u>
12.3 Right of use assets:			
The movement in right of use assets during the period is as follows:			
Opening net book value		978,078,124	1,222,372,194
Additions during the period / year		2,318,581	47,652,159
Right of use asset derecognized during the period / year		-	(63,391,044)
Modification of lease for the period / year		-	5,588,749
Depreciation charge for the period / year	26	(118,027,984)	(234,143,934)
Closing net book value		<u>862,368,721</u>	<u>978,078,124</u>
12.4 Property and equipment			
The movement in property and equipment during the period is as follows:			
Opening net book value		775,582,249	973,121,672
Additions during the period / year		23,095,888	45,958,921
Disposals during the period / year - net book value		(464,924)	(20,818,294)
Write offs during the period / year		-	(8,769,679)
Depreciation charged during the period / year		(95,114,693)	(213,910,371)
Closing net book value		<u>703,098,520</u>	<u>775,582,249</u>

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	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
13 Other assets		
Income / mark-up accrued on advances	2,289,914,534	2,589,642,115
Income / mark-up accrued on balance with banks	7,524,134	361,711
Prepayments	78,610,549	31,660,105
Security deposits	9,474,270	9,324,270
Stationary and stamps on hand	27,119,953	31,855,951
Advance tax - net	232,438,332	130,371,965
Receivable from SBP against crop insurance	149,450,545	188,280,825
Others	135,124,384	51,510,578
	2,929,656,701	3,033,007,520

14 Deferred tax asset

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

- Payable to defined benefit plan	106,908,141	93,179,885
- Provision against non performing advances	458,710,936	469,224,882
- Turnover tax credits	116,664,552	76,004,919
- Unadjusted tax losses	482,429,146	380,538,766
- Deficit on revaluation of 'available for sale' securities	11,817,273	6,400,660
	1,176,530,048	1,025,349,112

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

- Accelerated tax depreciation	(1,488,160)	(10,483,312)
- Gain on revaluation of 'available for sale' securities	(331,733)	-
	1,174,710,155	1,014,865,800

15 Deposits and other accounts

		30 June 2022 (Un-audited)		31 December 2021 (Audited)	
	Note	Number of accounts	Amount (Rupees)	Number of accounts	Amount (Rupees)
Fixed deposits	15.1	7,028	12,530,981,043	9,220	13,707,049,478
Saving deposits	15.2	124,422	9,309,022,793	123,712	9,024,669,682
Current deposits		1,643,320	2,787,383,347	1,575,558	2,687,408,286
		1,774,770	24,627,387,183	1,708,490	25,419,127,446

15.1 These represent fixed deposits having tenure of 1 to 60 months carrying profit rates ranging from 7.51% to 16.50% (2021: 7.25% to 14.00%) per annum.

15.2 The saving deposits represent accounts carrying interest rates ranging from 7.25% to 13.00% (2021: 6.50% to 9.50%) per annum.

15.3 Particulars of deposits by ownership

		30 June 2022 (Un-audited)		31 December 2021 (Audited)	
		Number of accounts	Amount (Rupees)	Number of accounts	Amount (Rupees)
Individual depositors		1,773,790	18,747,693,849	1,707,645	20,415,984,736
<i>Institutional depositors:</i>					
Corporations, firms and other such entities		910	3,015,850,598	780	3,766,187,373
Banks and financial institutions		70	2,863,842,736	65	1,236,955,337
		1,774,770	24,627,387,183	1,708,490	25,419,127,446

15.4 Deposits include deposits from related parties amounting to Rs. 166.84 million (2021: Rs. 209.12 million).

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		(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
16 Borrowings	Note		
Borrowings from banks / financial institutions in Pakistan - secured	16.1	1,211,628,885	1,381,378,885
Borrowings from the State Bank of Pakistan - <i>unsecured</i>	16.2	3,000,000,000	3,000,000,000
		<u>4,211,628,885</u>	<u>4,381,378,885</u>

16.1 Details of borrowings from financial institutions - secured

Secured

Running finance - Allied Bank Limited	247,000,105	248,000,105
Running finance - National Bank of Pakistan	499,003,780	499,003,780
Term finance - National Bank of Pakistan	312,500,000	437,500,000
Term finance - Allied Bank Limited	153,125,000	196,875,000
	<u>1,211,628,885</u>	<u>1,381,378,885</u>

16.2 This represents unsecured long term borrowing received from SBP under Financial Inclusion Infrastructure Program (FIIP) to provide access to long term market based funding that will enhance lending to microfinance borrowers including micro enterprises and micro housing especially women borrowers. The markup is payable at the rate of 6 months KIBOR minus 100 bps per annum (2021: 6 months KIBOR minus 100 bps per annum). Principal amount will be repaid in last four quarters of 5 years loan period or in bullet form at the end of said tenor.

		(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
17 Subordinated debt	Note		
Pakistan Microfinance Investment Company (PMIC)	17.1	<u>800,000,000</u>	<u>800,000,000</u>

17.1 This represents an unsecured and subordinated loan facility raised by the Bank during the year 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 300 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 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.

		(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
18 Other liabilities	Note		
Markup / return / interest payable	18.1	469,137,758	470,822,428
Bills payable		139,658,745	84,114,587
Accrued expenses		168,412,624	204,765,114
Payable to Finca Microfinance Holding Company LLC	18.2	95,494,069	-
Payable to defined benefit plan		274,123,438	266,228,242
Withholding tax payable		142,483,059	175,645,573
Sundry creditors		189,438,125	212,225,333
Lease liability against right of use assets		1,174,914,137	1,267,217,791
Workers' Welfare Fund		33,320,951	33,320,951
		<u>2,686,982,906</u>	<u>2,714,340,019</u>

18.1 This includes markup payable on deposits from related parties amounts to Rs. 7.39 million (2021: Rs. 15.74 million).

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

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19 Share Capital

19.1 Authorized capital

Ordinary shares of Rs 10 each

	(Un-audited) 30 June 2022 (Number of shares)	(Audited) 31 December 2021	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
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	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>15,000,000,000</u>	<u>15,000,000,000</u>
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19.2 Issued, subscribed and paid-up share capital

Ordinary shares of Rs 10 each
fully paid in cash

19.3

	<u>634,888,711</u>	<u>634,888,711</u>	<u>6,348,887,110</u>	<u>6,348,887,110</u>
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19.3 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>

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	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
20 Deficit on revaluation of assets		
<i>Deficit on revaluation of securities:</i>		
Federal government securities - market treasury bills (T-Bills - available for sale) - net of tax	<u>(18,483,427)</u>	<u>(11,886,940)</u>
20.1 Deficit on revaluation of available for sale investments is charged through statement of comprehensive income in accordance with the Prudential Regulation "R - 11 (c) Treatment of Surplus / (Deficit)".		
21 Memorandum / off-balance sheet items		
21.1 Contingencies and commitments		
There has been no change in the status of contingencies and commitments for the period, from those disclosed in the annual financial statements for the year ended 31 December 2021.		
	(Un-audited) 30 June 2022 Rupees	(Un-audited) 30 June 2021 Rupees
22 Mark-up / return / interest earned		
Interest / mark-up on advances	2,234,937,648	2,828,672,981
Markup earned on investments in government securities	495,443,756	272,018,382
Interest / mark-up on bank accounts	<u>14,606,771</u>	<u>42,579,953</u>
	<u>2,744,988,175</u>	<u>3,143,271,316</u>
23 Mark-up / return / interest expensed		
Deposits	1,117,240,128	1,042,780,208
Borrowings	234,275,262	152,889,848
Subordinated loan	75,286,356	42,535,452
Notional interest on lease liability	<u>65,199,473</u>	<u>79,269,706</u>
	<u>1,492,001,219</u>	<u>1,317,475,214</u>
24 Fee, commission and brokerage income		
Loan processing fee	217,191,563	245,055,928
Income on cheque book issuance	3,571,813	3,205,803
Over due charges	34,887,908	25,774,633
Early settlement charges	29,872,561	14,596,407
Others	<u>12,144,561</u>	<u>6,841,575</u>
	<u>297,668,406</u>	<u>295,474,346</u>
25 Other income		
Recovery against advances previously written off	208,721,683	108,691,371
Net gain on disposal of operating fixed assets	280,977	6,014,142
Capital gain on disposal of government securities	-	89,300
Gain on revaluation of held for trading securities	850,598	-
Others	<u>260,746</u>	<u>387,447</u>
	<u>210,114,004</u>	<u>115,182,260</u>

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		(Un-audited) 30 June 2022 Rupees	(Un-audited) 30 June 2021 Rupees
26	Administrative expenses		
	Note		
	26.1	1,048,216,510	950,027,472
		31,125,150	30,229,131
	Staff salaries and other benefits		
	Contribution to employee provident fund		
	Non-executive directors' fees, allowances and other expenses	3,000,000	2,850,000
	Printing, stationery and periodicals	21,071,717	22,293,468
	Advertisement	25,257,177	20,342,228
	Rent, rates and taxes	11,578,620	16,193,175
	Office running expenses	25,531,784	22,796,448
	Vehicle running expenses	29,628,125	20,583,049
	Insurance	57,226,142	45,239,317
	Office security / personnel services	60,019,777	62,080,496
	Repairs and maintenance	61,299,408	66,916,444
	Communication	39,214,822	52,259,717
	Travel and transportation	45,375,138	45,755,687
	Utilities	60,500,537	46,883,084
	IT expenses	96,516,067	84,670,046
	Legal and professional charges	35,560,701	42,167,486
	Auditors' remuneration	4,130,500	3,553,000
	Training and research	540,739	2,908,950
	Depreciation on property and equipment	95,114,693	109,328,302
	Depreciation on right of use assets	118,027,984	119,682,256
	Amortization on intangible assets	32,609,740	33,818,597
	Others	1,426,158	4,161,406
		<u>1,902,971,489</u>	<u>1,804,739,759</u>

26.1 This includes Rs. 43.51 million (2021: 42.00 million) in respect of staff gratuity expense.

		(Un-audited) 30 June 2022 Rupees	(Un-audited) 30 June 2021 Rupees
27	Other charges		
	Penalties imposed by SBP	30,000	1,250,000
	Bank charges	12,367,426	14,737,139
	Loss on sale of government securities	18,450,495	-
	Others	2,528,375	4,820,783
		<u>33,376,296</u>	<u>20,807,922</u>
28	Taxation		
	Current:		
	For the year	(40,659,632)	(44,424,098)
	For the prior year	92,348,152	-
		51,688,520	(44,424,098)
	Deferred:		
	For the year	47,860,859	335,431,295
	Effect of rate change	106,566,882	-
		154,427,741	335,431,295
	รวม	<u>206,116,261</u>	<u>291,007,197</u>

29 Related party transactions

The Bank's related parties comprise of directors, key management personnel, shareholders, associated company and employee retirement fund. Transactions with related parties during the period / year, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	30 June 2022 (Un-audited)			31 December 2021 (Audited)		
	Key management personnel Rupees	Directors Rupees	Kashf foundation provident fund trust Rupees	Key management personnel Rupees	Directors Rupees	Kashf foundation provident fund trust Rupees
<u>Deposits</u>						
Opening balance	18,370,068	10,723,084	180,030,306	11,564,072	14,557,501	165,000,750
Received during the period / year	73,654,554	-	169,460,006	50,038,098	24,558,669	205,734,448
Withdrawn during the period / year	(80,842,711)	-	(193,933,975)	(43,232,102)	(28,393,086)	(190,704,892)
Closing balance	11,181,911	10,723,084	155,556,337	18,370,068	10,723,084	180,030,306

Staff loans

Opening balance	7,307,383	-	-	7,307,383	-	-
Disbursement during the period / year	6,962,529	-	-	-	-	-
Repayments during the period / year	(8,122,496)	-	-	(6,166,025)	-	-
Closing balance	6,147,416	-	-	1,141,358	-	-

Transactions during the year

Mark-up/return/interest earned	266,328	-	-	113,262	-	-
Mark-up/return/interest expensed	213,194	1,033,851	7,356,857	655,162	1,308,193	37,115,751
Contribution to provident fund	3,343,835	-	-	4,421,034	-	-

30 Cash and cash equivalents

Cash and balances with SBP and NBP
Balances with other banks

Note	(Un-audited) 30 June 2022 Rupees	(Audited) 31 December 2021 Rupees
8	2,552,573,201	1,702,585,689
9	178,298,376	278,598,549
	2,730,871,577	1,981,184,238

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31 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:

30 June 2022 (Un-audited)									
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
Note	Rupees								
10	1,101,281,842	-	6,886,423,700	-	-	7,987,705,542	-	7,987,705,542	-
30	-	-	-	2,730,871,577	-	2,730,871,577	-	-	-
11	-	-	-	19,674,439,223	-	19,674,439,223	-	-	-
13	-	-	-	2,456,363,483	-	2,456,363,483	-	-	-
	-	-	-	24,861,674,283	-	24,861,674,283	-	-	-
15	-	-	-	-	24,627,387,183	24,627,387,183	-	-	-
16	-	-	-	-	4,211,628,885	4,211,628,885	-	-	-
17	-	-	-	-	800,000,000	800,000,000	-	-	-
18	-	-	-	-	2,544,499,847	2,544,499,847	-	-	-
	-	-	-	-	32,183,515,915	32,183,515,915	-	-	-

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32 Capital risk management

32.1 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. 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.

32.2 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.

32.3 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 2022. As at 30 June 2022, the paid up share capital net of discount, of the Bank stood at Rs. 2,259.85 million (2021: 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 2022, the Bank's capital adequacy ratio ("CAR") is 16.07% (2021: 15.19%) of its risk weighted assets, as against the minimum requirement of 15% prescribed by SBP.

33 Non adjusting event after the balance sheet date

There is no such event to disclose.

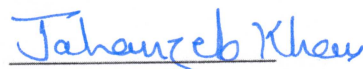
34 Date of authorization

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on 27 JUL 2022

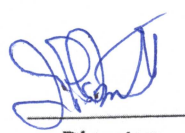
35 General

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

KPMG


Chief Executive Officer


Chairman


Director


Director