

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT JUNE 30, 2020

| | | June 30, 2020 (Un-audited) | December 31, 2019 (Audited) |
|---|-----------|----------------------------------|-----------------------------------|
| | Note | -----Rupees in '000'----- | |
| <u>ASSETS</u> | | | |
| Cash and balances with SBP and NBP | | 3,051,249 | 2,875,826 |
| Balances with other banks/NBFIs/MFBs | | 3,375,475 | 3,404,932 |
| Lending to financial institutions | | - | - |
| Investments - net of provisions | 7 | 5,665,532 | 4,512,898 |
| Advances - net of provisions | 8 | 33,846,983 | 30,936,267 |
| Operating fixed assets | 9 | 2,677,626 | 2,819,654 |
| Other assets | | 3,931,886 | 2,462,334 |
| Deferred tax asset | 10 | 322,127 | 220,110 |
| Total assets | | 52,870,878 | 47,232,021 |
| <u>LIABILITIES</u> | | | |
| Deposits and other accounts | 11 | 41,764,034 | 38,403,643 |
| Borrowings | 12 | 1,858,611 | - |
| Subordinated debt | | - | - |
| Other liabilities | | 2,906,177 | 2,780,946 |
| Deferred tax liabilities | | - | - |
| Total liabilities | | 46,528,822 | 41,184,589 |
| NET ASSETS | | 6,342,056 | 6,047,432 |
| <u>REPRESENTED BY:</u> | | | |
| Share capital | 13 | 2,730,811 | 2,730,811 |
| Share premium | | 620,690 | 620,690 |
| Reserves | | 886,219 | 824,003 |
| Unappropriated profit | | 2,022,189 | 1,872,561 |
| | | 6,259,909 | 6,048,065 |
| Surplus/ (deficit) on revaluation of assets | | 82,147 | (633) |
| Deferred grants | | - | - |
| TOTAL CAPITAL | | 6,342,056 | 6,047,432 |
| MEMORANDUM / OFF-BALANCE SHEET ITEMS | 14 | | |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial statements.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

| | | Half year ended June 30 | |
|---|-------------|----------------------------------|-------------|
| | | 2020 | 2019 |
| | | -----Rupees in '000'----- | |
| | Note | | |
| Markup/return/interest earned | 15 | 5,200,480 | 3,970,962 |
| Markup/return/interest expensed | | (2,236,317) | (1,417,795) |
| Net markup/interest income | | 2,964,163 | 2,553,167 |
| Provision against non - performing loans and advances | 9.2 | (660,640) | (267,541) |
| Recovery against written off advances | | 44,248 | 17,979 |
| Provision for diminution in the value of investments | | - | - |
| Bad debts written off directly | | - | - |
| | | (616,392) | (249,562) |
| NET MARKUP/INTEREST INCOME AFTER PROVISIONS | | 2,347,771 | 2,303,605 |
| Non markup/non interest income | | | |
| Fee, commission and brokerage income | | 304,415 | 347,797 |
| Dividend income | | - | - |
| Other income | | 851 | 419 |
| Total non markup/non interest income | | 305,266 | 348,216 |
| Non markup/non interest expenses | | | |
| Administrative expenses | | (2,367,904) | (1,995,473) |
| Other provisions/ write offs | | - | - |
| Other charges | | (2) | - |
| Total non-markup/non interest expenses | | (2,367,906) | (1,995,473) |
| Extra ordinary/unusual items | | 285,131 | 656,348 |
| Profit before taxation | | 285,131 | 656,348 |
| Taxation - Current | | (187,644) | (246,807) |
| - Prior years | | - | - |
| - Deferred | | 102,017 | 57,406 |
| | | (85,627) | (189,401) |
| PROFIT AFTER TAXATION | | 199,504 | 466,947 |
| Unappropriated profit brought forward | | 1,872,561 | 1,477,604 |
| Profit available for appropriations | | 2,072,065 | 1,944,551 |
| APPROPRIATIONS: | | | |
| Transfers to: | | | |
| Statutory reserve | | (39,901) | (93,389) |
| Capital reserve | | | |
| Contribution to depositors' protection fund | | | |
| 5% of Profit after tax | | (9,975) | (23,347) |
| Interest on investment | | - | (6,156) |
| Revenue reserve | | - | - |
| Proposed Cash Dividend Rs. Nil per share (2019: Rs Nil per share) | | - | - |
| Others | | - | - |
| | | (49,876) | (122,892) |
| Unappropriated profit carried forward | | 2,022,189 | 1,821,659 |
| Earning per share (Rupee) | | 0.73 | 1.71 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial statements.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

| | <u>Half year ended June 30</u> | |
|--|--------------------------------|-----------------------|
| | 2020 | 2019 |
| | -----Rupees in '000'----- | |
| Profit after taxation for the period | 199,504 | 466,947 |
| Other comprehensive income that can not be reclassified into profit or loss in subsequent periods | | |
| Remeasurement of defined benefit plan | - | - |
| Comprehensive income transferred to equity | <u>199,504</u> | <u>466,947</u> |
| Components of comprehensive income not reflected in equity | | |
| Other comprehensive income that can be reclassified into profit or loss in subsequent periods | | |
| Surplus/ (deficit) on revaluation of available for sale investments | <u>82,780</u> | <u>(1,530)</u> |
| | <u><u>282,284</u></u> | <u><u>465,417</u></u> |

Surplus/ (deficit) on revaluation of available for sale investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated December 30, 2003 issued by the State Bank of Pakistan (SBP).

The annexed notes from 1 to 19 form an integral part of this condensed interim financial statements.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

| | Share capital | Capital Reserves | | | Unappropriated profit | Total |
|--|------------------|-----------------------|-----------------------------|----------------------------|-----------------------|------------------|
| | | Share premium account | Statutory & General reserve | Depositors Protection Fund | | |
| -----Rupees in '000'----- | | | | | | |
| Balance as at December 31, 2018 | 2,730,811 | 620,690 | 526,737 | 148,892 | 1,477,604 | 5,504,734 |
| Total comprehensive income for the six months ended June 30, 2019 | | | | | | |
| Net profit for the six months ended June 30, 2019 | - | - | - | - | 466,947 | 466,947 |
| Remeasurement of defined benefit plan | - | - | - | - | - | - |
| | - | - | - | - | 466,947 | 466,947 |
| Interest earned on investment of fund depositors' protection fund | - | - | - | 6,156 | (6,156) | - |
| Contribution for the period | - | - | 93,389 | 23,347 | (116,736) | - |
| Balance as at June 30, 2019 | 2,730,811 | 620,690 | 620,126 | 178,395 | 1,821,659 | 5,971,681 |
| Total comprehensive income for the six months ended December 31, 2019 | | | | | | |
| Net profit for the six months ended December 31, 2019 | - | - | - | - | 65,765 | 65,765 |
| Remeasurement of defined benefit plan | - | - | - | - | 10,619 | 10,619 |
| | - | - | - | - | 76,384 | 76,384 |
| Interest earned on investment of fund depositors' protection fund | - | - | - | 9,040 | (9,040) | - |
| Contribution for the six months ended December 31, 2019 | - | - | 13,153 | 3,289 | (16,442) | - |
| Balance as at December 31, 2019 | 2,730,811 | 620,690 | 633,279 | 190,724 | 1,872,561 | 6,048,065 |
| Total comprehensive income for the six months ended June 30, 2020 | | | | | | |
| Net profit for the six months ended June 30, 2020 | - | - | - | - | 199,504 | 199,504 |
| Remeasurement of defined benefit plan | - | - | - | - | - | - |
| | - | - | - | - | 199,504 | 199,504 |
| Interest earned on investment of fund depositors' protection fund | - | - | - | 12,340 | - | 12,340 |
| Contribution for the period | - | - | 39,901 | 9,975 | (49,876) | - |
| Balance as at June 30, 2020 | 2,730,811 | 620,690 | 673,180 | 213,039 | 2,022,189 | 6,259,909 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial statements.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

| | Half year ended June 30 | |
|---|---------------------------|--------------------|
| | 2020 | 2019 |
| | -----Rupees in '000'----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 285,131 | 656,348 |
| Less: Dividend Income | - | - |
| | 285,131 | 656,348 |
| Adjustment for non cash items: | | |
| Depreciation of property and equipment | 174,712 | 140,941 |
| Depreciation on right of use assets | 132,120 | 119,095 |
| Amortization of intangible assets | 22,675 | 17,627 |
| Provision against non performing loans and advances | 660,640 | 267,541 |
| (Gain)/ loss on disposal of operating fixed assets | (407) | 1,047 |
| Finance charges on right to use assets | 91,605 | 85,154 |
| Revaluation loss/ (income) on held for trading investments | 234 | - |
| Income on investments in term deposit receipts | (122,163) | (57,193) |
| Amortization of discount on investments | (159,464) | (138,694) |
| Markup expense on Borrowings | 32,164 | - |
| Provision for gratuity | 31,921 | 26,793 |
| | 864,037 | 462,311 |
| | 1,149,168 | 1,118,659 |
| (Increase) in operating assets: | | |
| Lending to financial institutions | - | - |
| Advances | (3,571,356) | (4,816,196) |
| Other Assets (excluding advance taxation) | (1,561,569) | (707,283) |
| | (5,132,925) | (5,523,479) |
| Increase in operating liabilities: | | |
| Borrowings from financial institutions | 1,858,611 | - |
| Deposits | 3,360,391 | 4,073,886 |
| Other Liabilities (excluding gratuity) | 134,720 | 13,251 |
| | 5,353,722 | 4,087,137 |
| | 1,369,965 | (317,683) |
| Cash outflow from operations | | |
| Payments against provisions held against off-balance sheet obligations | - | - |
| Contribution made to gratuity fund | (21,280) | (29,152) |
| Markup expense on borrowings paid | (14,982) | - |
| Tax paid | (94,380) | (284,742) |
| Net cash inflow/ (outflow) from operating activities | 1,239,323 | (631,577) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in available for sale securities | (3,112,302) | (480,847) |
| Investment in held to maturity securities | (1,756,732) | - |
| Investment in held for trading securities | - | - |
| Proceeds from sale of available for sale securities | 355,876 | 571,937 |
| Proceeds from sale of held to maturity securities | 1,331,230 | 219,791 |
| Proceeds from sale of held for trading securities | 17,506 | - |
| Investments in operating fixed assets | (140,115) | (320,590) |
| Sale proceeds of property and equipment disposed off | 1,583 | 1,367 |
| Net cash outflow from investing activities | (3,302,954) | (8,342) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipts/ (payments) of Sub-ordinated loan | - | - |
| Payment of lease liability on right of use assets | (166,816) | (121,234) |
| Issue of share capital | - | - |
| Dividend paid | - | - |
| Net cash outflow from financing activities | (166,816) | (121,234) |
| Net decrease in cash and cash equivalents | (2,230,447) | (761,153) |
| Cash and cash equivalents at beginning of the period | 8,657,171 | 10,681,835 |
| Cash and cash equivalents at the end of the period | 6,426,724 | 9,920,682 |
| Cash and cash equivalents comprise of the following: | | |
| Cash and balances with State Bank of Pakistan and National Bank of Pakistan | 3,051,249 | 2,554,236 |
| Balances with other banks/NBFIs/MFBs | 3,375,475 | 4,921,496 |
| Cash Equivalents in investments | - | 2,444,950 |
| | 6,426,724 | 9,920,682 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial statements.

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

The First MicroFinanceBank Limited (FMFB) was incorporated in the Islamic Republic of Pakistan on November 5, 2001 as a public limited company under the Companies Ordinance, 1984 (repealed by the Companies Act, 2017). The registered office of FMFB is at 16-17 Floor Habib Bank Tower, Blue Area, Islamabad, Pakistan. FMFB obtained license from the State Bank of Pakistan (SBP) on January 10, 2002 to operate nationwide. Certificate of commencement of business was issued by Securities and Exchange of Pakistan (SECP) on February 14, 2002. FMFB's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. FMFB has 206 (2019: 206) business locations comprising of 199 (2019: 199) branches/ Permanent Booths (PBs) and 7 (2019: 7) Pakistan Post Office (PPO) sub offices in operation.

Habib Bank Limited (HBL) is the holding company of FMFB which has 50.51% (2019: 50.51%) shares of FMFB.

2 BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

2.2 These condensed interim financial statements of FMFB have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Where, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, or the requirements of the said directives prevail.

These condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2019 which have been prepared in accordance with approved accounting standards as applicable in Pakistan, which comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Wherever, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Act, 2017, the Microfinance Institutions Ordinance, 2001, or the requirements of the said directives prevail. Further, the aforesaid financial statements also comply with the disclosure guidelines for financial reporting by Microfinance Institutions which are voluntary norms recommended by the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network (SEEP).

2.3 Amendments to existing accounting and reporting standards that have become effective in the current period.

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to FMFB for accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on FMFB's operations and are therefore not detailed in these condensed interim financial statements.

2.4 Amendments to existing accounting and reporting standards that have become effective in the current

As per the SBP's BPRD Circular Letter No. 4 dated October 23, 2019, the applicability of IFRS 9 to Microfinance Banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021.

3 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost basis except:

- Investments classified as held-for-trading and available-for-sale are measured at fair value.
- Net obligations in respect of defined benefit schemes are carried at their present values.
- Right of use asset and lease liability initially measured at their present values.

3.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (PKR), which is FMFB's functional currency. All financial information presented in PKR has been rounded off to the nearest thousand PKR, unless otherwise stated.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2019.

5 ACCOUNTING ESTIMATES

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of FMFB for the year ended December 31, 2019 as mentioned below:

Till December 31, 2019, FMFB was maintaining general provision as per the required rate of 1 %, under the Prudential Regulations for Microfinance Banks, by considering the net outstanding balance (advances net of specific provisions and loans secured against gold or other collateral with appropriate margin). In the current period, FMFB has also made additional general provision against its portfolio of advances as fully explained in note 6.3 to these condensed interim financial statements.

6 FINANCIAL RISK MANAGEMENT

6.1 The financial risk management objectives and policies adopted by FMFB are consistent with those disclosed in the financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and FMFB is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with the emerging risks.

6.2 The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include allowing Banks to defer clients' payment of principal on loan obligations by one year and relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

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

6.3 Assets quality and credit risk

The Risk Management function of FMFB is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. FMFB has further strengthened its credit review procedures in the light of COVID-19. FMFB is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

FMFB expects that several borrowers will be severely impacted by this pandemic. Borrowers have availed the deferment / restructuring and rescheduling relief as provided by SBP, therefore the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, management feels that it is appropriate to maintain additional general provision up to 0.75% on advances net of specific provisions and loans secured against gold or other collateral with appropriate margin, in addition to the statutory requirement of 1%.

This provision is based on management's best estimate and, in the current period, additional general provision of Rs. 253,149 thousand has been recognized in the condensed interim profit and loss account.

6.4 Liquidity management

FMFB has received applications for deferral of principal and restructuring/ rescheduling of the outstanding balance including markup of the loans amounting to Rs. 13,517,501 thousand till June 30, 2020 and is expected to receive further such applications. These applications are being reviewed by the bank as per its established policies. The above will have an impact on the maturity profile of FMFB as estimated previously. The Asset and Liability Committee (ALCO) of FMFB is continuously monitoring the liquidity position and is taking due precautionary measures where needed. FMFB has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by FMFB is sufficient to cater any adverse movement in cash flow maturity profile.

6.5 Operations

FMFB is closely monitoring the situation and has invoked required actions to ensure safety and security of FMFB staff and an uninterrupted service to our customers. The senior management of FMFB is continuously monitoring the situation and is taking timely decision to resolve any concerns to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and FMFB continues to meet the expectations of its employees and customers.

6.6 Capital adequacy ratio

Under the current scenario, attracted as a consequence of COVID-19 pandemic, while overall deteriorating credit risk and increased Non-Performing Loans (NPL) may also put additional pressures on the financial institutions from Capital Adequacy Ratio perspective (CAR). As at June 30, 2020 FMFB's unaudited CAR stands around 15.11% which is above the regulatory limit of 15%.

Further, FMFB has also received debt for an amount of Rs. 2,000,000 thousand from HBL, Parent Company in July 2020. The facility tenure is eight years and is priced at 6 month KIBOR + 2%. The loan is availed as TIER – II subordinated debt for inclusion in FMFB's Supplementary/ Tier II Capital and CAR as per the guidelines/ regulations set for Microfinance Banks by SBP. The facility is unsecured, and subordinated as to payment of principal and profit to all other indebtedness of FMFB and shall not be repayable before maturity and without the prior approval of the SBP. The mark up is payable semiannually. Furthermore, subject to receipt of written approval from SBP and compliance with Minimum Capital Requirements and CAR, FMFB has an option to prepay in full or part the Subordinated Loan amount on or after a period of five years from the Drawdown Date.

| | | June 30, 2020 (Un-audited) | December 31, 2019 (Audited) |
|--|------|----------------------------------|-----------------------------------|
| | Note | -----Rupees in '000'----- | |
| 7 INVESTMENTS - NET OF PROVISIONS | | | |
| Held to maturity | | | |
| Federal Government Securities | | | |
| Market Treasury Bills | 7.1 | 223,825 | 204,753 |
| | | 223,825 | 204,753 |
| Term Deposit Receipts (TDRs) | | | |
| | 7.2 | 2,099,358 | 1,558,427 |
| | | 3,223,183 | 1,763,180 |
| Available for sale | | | |
| Federal Government Securities | | | |
| Pakistan Investment Bonds | 7.3 | 1,560,265 | - |
| Market Treasury Bills | 7.1 | 1,699,937 | 2,210,455 |
| | | 3,260,202 | 2,210,455 |
| Held for trading | | | |
| Federal Government Securities | | | |
| Market Treasury Bills | 7.1 | - | 539,896 |
| | | - | 539,896 |
| Add: Surplus/ deficit on revaluation of available for sale investments | | 82,147 | (633) |
| | | <u>5,665,532</u> | <u>4,512,898</u> |

7.1 These represent securities with original maturity period of six months to one year carry markup at the rates ranging between 7.27% to 13.26% (2019: 13.08% to 13.68%) per annum. These also include securities with original maturity period of six months to one year held for the purposes of Depositors' Protection Fund with carrying amount of Rs.223,825 thousand (2019: Rs.204,753 thousand) and carry markup at the rates ranging between 8.00% to 13.05% (2019: 13.10% to 13.64%) per annum.

7.2 These represent TDR's with original maturity of upto one year carrying markup at rates ranging between 11.60% to 15.00% (2019: 11.65% to 15.50%) per annum, payable on maturity.

7.3 These represent bonds held with maturity of three years and carry markup at rates ranging between 7.25% to 9.00% per annum, payable on a semi-annual basis, with maturities falling due during 2021 and 2022.

8 ADVANCES - NET OF PROVISIONS

| | | June 30, 2020 (Un-audited) | | December 31, 2019 (Audited) | |
|---|------|-----------------------------------|---|-----------------------------------|---|
| | Note | Number of loans outstanding | Amount of loans outstanding Rupees in '000' | Number of loans outstanding | Amount of loans outstanding Rupees in '000' |
| Considered good | 8.1 | 492,534 | 33,917,073 | 456,527 | 30,507,746 |
| Considered doubtful | | 19,854 | 833,673 | 30,077 | 1,106,004 |
| | | <u>512,388</u> | <u>34,750,746</u> | <u>486,604</u> | <u>31,613,750</u> |
| Less: | | | | | |
| Specific provision | 8.2 | | 312,901 | | 371,227 |
| General provision | | | 337,533 | | 306,154 |
| - Mandatory provision at the rate of 1% | | | 253,329 | | 102 |
| - Additional provision | 8.2 | | 590,862 | | 306,256 |
| | | | 903,763 | | 677,483 |
| | | | <u>33,846,983</u> | | <u>30,936,267</u> |

8.1 These include advances for an aggregate amount of Rs. 59,863 thousand (2019: Rs. 65,192 thousand) secured against gold collaterals and cash deposits whereas the remaining advances except staff and key management personnel loans are secured by personal guarantee. Advances includes 1,193 (2019: 1,099) staff loans, aggregating to Rs. 611,049 thousand (2019: Rs. 547,620 thousand), carrying markup at the rates ranging between 3% to 5% per annum (2019: 3% to 5% per annum). These also include outstanding loans of the key management personnel (KMP) which have been disclosed in note 16.

8.2 Particulars of provision against non performing advances

| | June 30, 2020 (Un-audited) | | | December 31, 2019 (Audited) | | |
|-----------------------------|-------------------------------|----------------|----------------|--------------------------------|----------------|----------------|
| | Specific | General | Total | Specific | General | Total |
| | -----Rupees in '000'----- | | | -----Rupees in '000'----- | | |
| Opening balance | 371,227 | 306,256 | 677,483 | 70,092 | 232,566 | 302,658 |
| Charge for the period/year | 376,034 | 284,606 | 660,640 | 811,029 | 73,690 | 884,719 |
| Less: Amount written off | 434,360 | - | 434,360 | 509,894 | - | 509,894 |
| Less: Reversal of provision | - | - | - | - | - | - |
| | <u>(58,326)</u> | <u>284,606</u> | <u>226,280</u> | <u>301,135</u> | <u>73,690</u> | <u>374,825</u> |
| Closing balance | <u>312,901</u> | <u>590,862</u> | <u>903,763</u> | <u>371,227</u> | <u>306,256</u> | <u>677,483</u> |

8.3 During the period, FMFB has enhanced the estimate for general provision to 1.75% against the statutory requirement of 1%. Therefore additional provision has been maintained amounting to Rs. 253,149 thousand as discussed in note 6.3.

9 OPERATING FIXED ASSETS

| | Note | June 30, | December 31, |
|---|------|---------------------------|-------------------|
| | | 2020 (Un-audited) | 2019 (Audited) |
| | | -----Rupees in '000'----- | |
| Carrying value at the beginning of the period/ year | | 2,819,654 | 1,187,584 |
| Right of use assets - Initial Recognition under IFRS-16 | | - | 1,328,900 |
| Additions during the period/ year | 9.1 | 188,655 | 925,022 |
| Disposals / deletion during the period/year at carrying value | | <u>(1,176)</u> | <u>(22,464)</u> |
| | | <u>3,007,133</u> | <u>3,419,042</u> |
| Depreciation or amortization for the period/ year | | <u>(329,507)</u> | <u>(599,388)</u> |
| Carrying value at the end of the period/ year | 9.2 | <u>2,677,626</u> | <u>2,819,654</u> |

9.1 Additions during the period/ year

| | | | |
|--|--|-----------------|------------------|
| Direct additions: | | | |
| Office equipment | | 26,543 | 141,334 |
| Furniture and fixture | | 3,893 | 46,207 |
| Computer equipment | | 21,305 | 135,146 |
| Vehicles | | 54 | 64,188 |
| Leasehold improvement | | 18,025 | 198,125 |
| Intangible assets | | 9,120 | 59,439 |
| Right of use assets | | 48,540 | 291,801 |
| Capital work in progress | | 75,261 | 314,729 |
| | | <u>202,741</u> | <u>1,250,969</u> |
| Transfer from capital work in progress | | <u>(14,086)</u> | <u>(325,947)</u> |
| | | <u>188,655</u> | <u>925,022</u> |

9.2 This include capital work in progress amounting to Rs. 205,186 thousand (December 31, 2019: Rs. 144,011 thousand).

| | June 30, | December 31, |
|--|---------------------------|-------------------|
| | 2020 (Un-audited) | 2019 (Audited) |
| | -----Rupees in '000'----- | |
| Net book value at the beginning/ Initial recognition under IFRS-16 | 1,350,458 | 1,328,900 |
| Additions during the period | 48,540 | 291,801 |
| Deletions during the year | - | (19,536) |
| Depreciation charged during the period | <u>(132,120)</u> | <u>(250,707)</u> |
| Net book value at the end | <u>1,266,878</u> | <u>1,350,458</u> |

9.3 Right of Use Assets

| | |
|----------------------------------|------------------------------|
| June 30, 2020 | December 31, 2019 |
| (Un-audited) | (Audited) |
| -----Rupees in '000'----- | |

10 DEFERRED TAX ASSET

Deferred tax asset arising on account of deductible temporary differences on:

| | | |
|---|----------------|----------------|
| Provision against non-performing loans and advances | 262,091 | 196,470 |
| Lease liability net of right of use assets | 60,351 | 40,946 |
| Contract liability | 12,233 | 8,700 |
| | 334,675 | 246,116 |

Deferred tax liability arising on account of taxable temporary differences on:

| | | |
|-----------------------|----------------|----------------|
| Operating fixed asset | (12,548) | (26,006) |
| | 322,127 | 220,110 |

| | Note | June 30, 2020 (Un-audited) | | December 31, 2019 (Audited) | |
|---------------------------------------|------|-------------------------------|--------------------|--------------------------------|--------------------|
| | | Number | Rupees in '000' | Number | Rupees in '000' |
| 11 DEPOSITS AND OTHER ACCOUNTS | | | | | |
| Time liabilities | | | | | |
| Fixed Deposits | | 16,031 | 23,588,084 | 15,419 | 19,706,543 |
| Demand liabilities | | | | | |
| Saving deposits | | 116,631 | 14,754,409 | 115,608 | 15,165,784 |
| Current deposits | | 1,164,217 | 3,421,541 | 1,090,674 | 3,531,316 |
| | 11.1 | 1,296,879 | 41,764,034 | 1,221,701 | 38,403,643 |

11.1 Particulars of deposits by ownership

| | June 30, 2020 (Un-audited) | | December 31, 2019 (Audited) | |
|----------------------------------|-------------------------------|--------------------|--------------------------------|--------------------|
| | Number | Rupees in '000' | Number | Rupees in '000' |
| Individual depositors | 1,285,642 | 16,305,765 | 1,193,866 | 15,231,974 |
| Institutional depositors | | | | |
| Corporations/ firms | 10,753 | 10,684,590 | 27,366 | 14,832,710 |
| Banks and financial institutions | 484 | 14,773,679 | 469 | 8,338,959 |
| | 11,237 | 25,458,269 | 27,835 | 23,171,669 |
| | 1,296,879 | 41,764,034 | 1,221,701 | 38,403,643 |

| | Note | June 30, 2020 (Un-audited) -----Rupees in '000'----- | December 31, 2019 (Audited) |
|---|------|---|-----------------------------------|
| 12 BORROWINGS | | | |
| National Bank of Pakistan (NBP) | 12.1 | 350,000 | - |
| Allied Bank Limited (ABL) | 12.2 | 150,000 | - |
| Pakistan Mortgage Refinance Company (PMRC) | 12.3 | 383,206 | - |
| Pakistan Mortgage Refinance Company (PMRC) | 12.4 | 500,000 | - |
| Purchase under resale agreements (reverse repo) | | 475,405 | - |
| | | <u>1,858,611</u> | <u>-</u> |

- 12.1** FMFB entered into running finance facility agreement amounting to a maximum facility limit of Rs. 1,000,000 thousand with NBP to meet operational and business requirements of FMFB. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 0.80% per annum payable on quarterly basis.

Facility is secured against first charge on all present and future current assets of FMFB (excluding cash and balances with SBP to maintain statutory liquidity ratio and Cash reserve requirement) to the extent of Rs. 1,333,334 thousand.

- 12.2** FMFB entered into running finance facility agreement amounting to a maximum facility limit of Rs. 1,000,000 thousand with ABL to meet short term funding requirements with respect to growth in advances / micro credits / agricultural loans, including but not limited to loans in KPK and Balochistan. The principal amount is repayable at the end of the term and carries mark-up at the rate of three months KIBOR + 0.78% per annum payable on quarterly basis.

Facility is secured against first pari passu hypothecation charge on all present and future current advances / microcredits receivables and investments of FMFB to the extent of Rs. 1,333,333 thousand.

- 12.3** FMFB entered into Refinance facility agreement amounting to the extent of Rs. 400,000 thousand with PMRC to refinance FMFB's housing loans. The period of loan is for five years payable in installments and carries mark-up at the rate of 5 year PKRV (prevailing on the last working day prior to disbursement) - 3% - 0.2% (additionally, where equal to or more than 10% of the low income housing loans originated by the refinance facility have women as borrowers) per annum payable on quarterly basis.

Facility is secured against a demand promissory note and an exclusive assignment over the housing portfolio rights with 30% margin.

- 12.4** FMFB entered into Refinance facility agreement amounting to the extent of Rs. 500,000 thousand with PMRC to refinance FMFB's housing loans. The period of loan is for five years payable in installments and carries mark-up at the rate of 5 year PKRV (prevailing on the last working day prior to disbursement) - 1% (additionally, where equal to or more than 40% of the low income housing loans are originated by the refinance facility) - 0.2% (additionally, where equal to or more than 10% of the low income housing loans originated by the refinance facility have women as borrowers) per annum payable on quarterly basis.

Facility is secured against a demand promissory note and an exclusive assignment over the housing portfolio rights with 30% margin.

13 SHARE CAPITAL

During the period, FMFB has increased its authorized share capital to Rs. 4,000,000 thousand by passing special resolution in the annual general meeting dated March 11, 2020. However, there has been no issuance or subscription of further share capital.

14 MEMORANDUM/OFF BALANCE SHEET ITEMS

14.1 Contingencies

There are no known material contingencies as at June 30, 2020 (December 31, 2019: Nil).

14.2 Commitments

There are no known material commitments as at June 30, 2020 (December 31, 2019: Nil).

15 MARKUP/RETURN/INTEREST EARNED

| | Half Year ended | |
|---|----------------------------------|------------------|
| | June 30, | June 30, |
| | 2020 | 2019 |
| | (Un-audited) | |
| | -----Rupees in '000'----- | |
| Mark-up on advances | 4,728,651 | 3,600,908 |
| Income on investment in Government Securities | 186,053 | 141,958 |
| Income from Term Deposit Receipts | 122,163 | 57,193 |
| Mark-up on deposit accounts with treasury and other banks | 163,613 | 170,903 |
| | <u>5,200,480</u> | <u>3,970,962</u> |

16 RELATED PARTY TRANSACTIONS

Related parties of FMFB comprise of its major shareholders, associates (including entities having directors in common with FMFB), directors, key management personnel which include CEO and Head of Departments (HOD's) and staff retirement funds. Transactions with the related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including markup rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

Details of transactions and balances with related parties as at the year end, other than disclosed elsewhere in these financial statements, are as follows:

| | As at June 30, 2020 | | | |
|--|---------------------------------------|--|-----------------------------|---------------------------|
| | Shareholders | Group entities/ common directorship | Key Management Personnel | Staff retirement funds |
| Rupees '000 | | | | |
| Balance sheet | | | | |
| Balances with other Banks/NBFIs/MFBs | | | | |
| on deposit accounts | 375,246 | - | - | - |
| Advances | | | | |
| Opening balance | - | - | 37,862 | - |
| Addition during the year | - | - | 30,121 | - |
| Repaid during the year | - | - | 12,059 | - |
| Markup/ Return/ Interest earned | - | - | 976 | - |
| Closing balance | - | - | 56,900 | - |
| Operating fixed assets | | | | |
| Capital Work in progress | - | 10,214 | - | - |
| Right of use assets | 74,559 | - | - | - |
| | 74,559 | 10,214 | - | - |
| Other assets | | | | |
| Income/ Markup accrued | 798 | - | 97 | - |
| Prepayments | - | - | - | - |
| Other receivable | 3,488 | 36,241 | - | - |
| Receivable from defined benefit gratuity fund | - | - | - | 1,180 |
| | 4,286 | 36,241 | 97 | 1,180 |
| Deposits | | | | |
| Opening balance | 3,163,586 | 2,186,470 | 235 | - |
| Received during the year | 5,192,506 | 7,276,146 | 12,319 | - |
| Withdrawn during the year | 7,442,570 | 6,997,339 | 11,185 | - |
| Markup/ Return/ Interest expensed | 72,757 | 136,364 | 39 | - |
| Closing balance | 986,279 | 2,601,641 | 1,408 | - |
| Borrowings | | | | |
| | - | 883,206 | - | - |
| Other liabilities | | | | |
| Markup/ Return/ Interest payable | 30,614 | 55,656 | - | - |
| Accrued liabilities | 900 | 14,131 | - | - |
| Lease liability on right of use assets | 72,295 | - | - | - |
| Payable to defined benefit gratuity fund | - | - | - | - |
| Payable to defined contribution provident fund | - | - | - | 52 |
| | 103,809 | 69,787 | - | 52 |
| | For the Half Year Ended June 30, 2020 | | | |
| | Shareholders | Group entities/ common directorship | Key Management Personnel | Staff retirement funds |
| Rupees '000 | | | | |
| Profit and loss account | | | | |
| Income | | | | |
| Markup/ Return/ Interest earned | 20,055 | - | 976 | - |
| Expense | | | | |
| Markup/ Return/ Interest expensed | 76,493 | 144,483 | 39 | - |
| Administration expenses | | | | |
| Remuneration | - | - | 80,490 | - |
| Charge for defined contribution gratuity fund | - | - | - | 31,921 |
| Contribution to defined contribution provident fund | - | - | - | 46,657 |
| Depreciation on right of use assets | 18,255 | - | - | - |
| Finance cost of lease liability on right of use assets | 4,635 | - | - | - |
| Bank charges | 1,287 | - | - | - |
| Vehicle rentals expense | 900 | - | - | - |
| Insurance expense | - | 33,846 | - | - |
| Other expenses | 27 | 5,925 | - | - |
| | 101,597 | 184,254 | 80,529 | 78,578 |

| | As at December 31, 2019 | | | |
|--|-------------------------|--|-----------------------------|---------------------------|
| | Shareholders | Group entities/ common directorship | Key Management Personnel | Staff retirement funds |
| | Rupees '000 | | | |
| Balance sheet | | | | |
| Balances with other Banks/NBFIs/MFBs | | | | |
| on deposit accounts | 420,216 | - | - | - |
| Advances | | | | |
| Opening balance | - | - | 37,774 | - |
| Addition during the year | - | - | 10,246 | - |
| Repaid during the year | - | - | 11,929 | - |
| Markup/ Return/ Interest earned | - | - | 1,771 | - |
| Closing balance | - | - | 37,862 | - |
| Operating fixed assets | | | | |
| Capital Work in progress | - | 10,214 | - | - |
| Right of use assets | 109,969 | - | - | - |
| | 109,969 | 10,214 | - | - |
| Other assets | | | | |
| Income/ Markup accrued | 1,006 | - | 62 | - |
| Prepayments | - | - | - | - |
| Other receivable | 29 | 922 | - | - |
| Receivable from defined benefit gratuity fund | - | - | - | 11,821 |
| | 1,035 | 922 | 62 | 11,821 |
| Deposits | | | | |
| Opening balance | 3,012,556 | 2,104,062 | 5,385 | - |
| Received during the year | 7,415,415 | 19,248,856 | 9,679 | - |
| Withdrawn during the year | 7,599,993 | 19,399,533 | 14,936 | - |
| Markup/ Return/ Interest expensed | 335,608 | 233,085 | 107 | - |
| Closing balance | 3,163,586 | 2,186,470 | 235 | - |
| Other liabilities | | | | |
| Markup/ Return/ Interest payable | 102,857 | 41,273 | - | - |
| Accrued liabilities | 2,580 | 3,068 | - | - |
| Lease liability on right of use assets | 59,225 | - | - | - |
| Payable to defined benefit gratuity fund | - | - | - | - |
| Payable to defined contribution provident fund | - | - | - | - |
| | 164,662 | 44,341 | - | - |
| For the Half Year Ended June 30, 2019 | | | | |
| | Shareholders | Group entities/ common directorship | Key Management Personnel | Staff retirement funds |
| | Rupees '000 | | | |
| Profit and loss account | | | | |
| Income | | | | |
| Markup/ Return/ Interest earned | 14,733 | 398 | 949 | - |
| Expense | | | | |
| Markup/ Return/ Interest expensed | 154,466 | 93,807 | 95 | - |
| Administration expenses | | | | |
| Remuneration | - | - | 95,830 | - |
| Charge for defined contribution gratuity fund | - | - | - | 26,793 |
| Contribution to defined contribution provident fund | - | - | - | 37,400 |
| Depreciation on right of use assets | 17,163 | - | - | - |
| Finance cost of lease liability on right of use assets | 337 | - | - | - |
| Bank charges | 3,180 | - | - | - |
| Vehicle rentals expense | 794 | - | - | - |
| Insurance expense | - | 29,023 | - | - |
| Other expenses | 113 | 1,290 | - | - |
| | 176,053 | 124,120 | 95,925 | 64,193 |

17 GENERAL

Figures have been rounded off to the nearest thousand rupee.

18 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

After obtaining approval from SBP in July 2020, FMFB obtained a subordinated term finance facility of Rs 2,000,000 thousand from its Parent company, Habib Bank Limited at the rate of six months KIBOR + 2.00% per annum, for a tenor of 8 years with an option to make bullet repayment after the expiry of 5 years. FMFB has obtained this facility to contribute towards FMFB's Supplementary/Tier II Capital and Capital Adequacy Ratio (CAR) as per regulations for Microfinance Banks. The funds raised will be utilized for the FMFB's on-going business expansion and growth plans as permitted by its memorandum and articles of association in line with applicable laws and regulations.

19 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the FMFB in their meeting held on August 26, 2020.