

**THE FIRST MICROFINANCEBANK LIMITED**

**CONDENSED INTERIM FINANCIAL  
STATEMENTS**

**FOR THE PERIOD ENDED  
SEPTEMBER 30, 2020**

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

		September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	Note	-----Rupees in '000'-----	
<b><u>ASSETS</u></b>			
Cash and balances with SBP and NBP		2,999,199	2,875,826
Balances with other banks/NBFIs/MFBs		4,627,416	3,404,932
Lending to financial institutions		-	-
Investments - net of provisions	7	11,934,488	4,512,898
Advances - net of provisions	8	37,111,021	30,936,267
Operating fixed assets	9	2,735,182	2,819,654
Other assets		4,889,138	2,462,334
Deferred tax asset	10	457,905	220,110
<b>Total assets</b>		<b>64,754,349</b>	<b>47,232,021</b>
<b><u>LIABILITIES</u></b>			
Deposits and other accounts	11	51,376,169	38,403,643
Borrowings	12	1,552,953	-
Subordinated debt		2,000,000	-
Other liabilities		3,287,429	2,780,946
Deferred tax liabilities		-	-
<b>Total liabilities</b>		<b>58,216,551</b>	<b>41,184,589</b>
<b>NET ASSETS</b>		<b>6,537,798</b>	<b>6,047,432</b>
<b><u>REPRESENTED BY:</u></b>			
Share capital	13	2,730,811	2,730,811
Share premium		620,690	620,690
Reserves		948,382	824,003
Unappropriated profit		2,189,076	1,872,561
		<b>6,488,959</b>	<b>6,048,065</b>
Surplus/ (deficit) on revaluation of assets		48,839	(633)
Deferred grants		-	-
<b>TOTAL CAPITAL</b>		<b>6,537,798</b>	<b>6,047,432</b>
<b>MEMORANDUM / OFF-BALANCE SHEET ITEMS</b>	<b>14</b>		

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.

**THE FIRST MICROFINANCEBANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

Note	Nine months period ended		Quarter ended September 30	
	2020	2019	2020	2019
-----Rupees in '000'-----				
Markup/return/interest earned	8,235,183	6,225,161	3,034,703	2,254,199
Markup/return/interest expensed	(3,466,293)	(2,418,790)	(1,229,976)	(1,000,995)
Net markup/interest income	4,768,890	3,806,371	1,804,727	1,253,204
Provision against non - performing loans and advances	(1,242,912)	(519,376)	(582,272)	(251,835)
Recovery against written off advances	184,805	20,018	140,557	2,039
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	(1,058,107)	(499,358)	(441,715)	(249,796)
<b>NET MARKUP/INTEREST INCOME AFTER PROVISIONS</b>	<b>3,710,783</b>	<b>3,307,013</b>	<b>1,363,012</b>	<b>1,003,408</b>
<b>Non markup/non interest income</b>				
Fee, commission and brokerage income	525,311	506,809	220,896	159,012
Dividend income	-	-	-	-
Other income	3,580	782	2,729	363
<b>Total non markup/non interest income</b>	<b>528,891</b>	<b>507,591</b>	<b>223,625</b>	<b>159,375</b>
<b>Non markup/non interest expenses</b>				
Administrative expenses	(3,638,472)	(3,092,296)	(1,270,568)	(1,096,823)
Other provisions/ write offs	-	-	-	-
Other charges	(2)	-	-	-
<b>Total non-markup/non interest expenses</b>	<b>(3,638,474)</b>	<b>(3,092,296)</b>	<b>(1,270,568)</b>	<b>(1,096,823)</b>
	601,200	722,308	316,069	65,960
Extra ordinary/unusual items	-	-	-	-
<b>Profit before taxation</b>	<b>601,200</b>	<b>722,308</b>	<b>316,069</b>	<b>65,960</b>
Taxation - Current	(416,975)	(304,521)	(229,331)	(57,714)
- Prior years	-	-	-	-
- Deferred	237,795	95,992	135,778	38,586
	(179,180)	(208,529)	(93,553)	(19,128)
<b>PROFIT AFTER TAXATION</b>	<b>422,020</b>	<b>513,779</b>	<b>222,516</b>	<b>46,832</b>
Unappropriated profit brought forward	1,872,561	1,477,604	2,022,189	1,821,659
<b>Profit available for appropriations</b>	<b>2,294,581</b>	<b>1,991,383</b>	<b>2,244,705</b>	<b>1,868,491</b>
<b>APPROPRIATIONS:</b>				
Transfers to:				
Statutory reserve	(84,404)	(102,756)	(44,503)	(9,366)
Capital reserve	-	-	-	-
Contribution to depositors' protection fund	-	-	-	-
5% of Profit after tax	(21,101)	(25,689)	(11,126)	(2,342)
Interest on investment	-	(10,329)	-	(4,173)
Revenue reserve	-	-	-	-
Proposed Cash Dividend Rs. Nil per share (2019: Rs Nil per share)	-	-	-	-
Others	-	-	-	-
	(105,505)	(138,774)	(55,629)	(15,881)
<b>Unappropriated profit carried forward</b>	<b>2,189,076</b>	<b>1,852,609</b>	<b>2,189,076</b>	<b>1,852,610</b>
Earning per share (Rupee)	1.55	1.88	0.81	0.17

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.

**THE FIRST MICROFINANCEBANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	<u>Nine months period ended</u>		<u>Quarter ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	-----Rupees in '000'-----			
Profit after taxation for the period	<b>422,020</b>	513,779	222,516	46,832
<b>Other comprehensive income that can not be reclassified into profit or loss in subsequent periods</b>				
Remeasurement of defined benefit plan	-	-	-	-
<b>Comprehensive income transferred to equity</b>	<b>422,020</b>	513,779	<b>222,516</b>	46,832
<b>Components of comprehensive income not reflected in equity</b>				
<b>Other comprehensive income that can be reclassified into profit or loss in subsequent periods</b>				
Surplus on revaluation of available for sale investments	<b>49,472</b>	<b>1,120</b>	(33,308)	2,650
	<b>471,492</b>	514,899	<b>189,208</b>	49,482

Surplus 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 18 form an integral part of this condensed interim financial statements.

**THE FIRST MICROFINANCEBANK LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Share capital	Capital Reserves			Unappropriated profit	Total
		Share premium account	Statutory & General reserve	Depositors Protection Fund		
-----Rupees in '000'-----						
<b>Balance as at December 31, 2018</b>	<b>2,730,811</b>	<b>620,690</b>	<b>526,737</b>	<b>148,892</b>	<b>1,477,604</b>	<b>5,504,734</b>
<b>Total comprehensive income for the nine months ended September 30, 2019</b>						
Net profit for the nine months ended September 30, 2019	-	-	-	-	513,779	513,779
Remeasurement of defined benefit plan	-	-	-	-	-	-
	-	-	-	-	513,779	513,779
Interest earned on investment of fund depositors' protection fund	-	-	-	10,329	(10,329)	-
Contribution for the period	-	-	102,756	25,689	(128,445)	-
<b>Balance as at September 30, 2019</b>	<b>2,730,811</b>	<b>620,690</b>	<b>629,493</b>	<b>184,910</b>	<b>1,852,609</b>	<b>6,018,513</b>
<b>Total comprehensive income for the three months ended December 31, 2019</b>						
Net profit for the three months ended December 31, 2019	-	-	-	-	18,933	18,933
Remeasurement of defined benefit plan	-	-	-	-	10,619	10,619
	-	-	-	-	29,552	29,552
Interest earned on investment of fund depositors' protection fund	-	-	-	4,867	(4,867)	-
Contribution for the three months ended December 31, 2019	-	-	3,786	947	(4,733)	-
<b>Balance as at December 31, 2019</b>	<b>2,730,811</b>	<b>620,690</b>	<b>633,279</b>	<b>190,724</b>	<b>1,872,561</b>	<b>6,048,065</b>
<b>Total comprehensive income for the nine months ended September 30, 2020</b>						
Net profit for the nine months ended September 30, 2020	-	-	-	-	422,020	422,020
Remeasurement of defined benefit plan	-	-	-	-	-	-
	-	-	-	-	422,020	422,020
Interest earned on investment of fund depositors' protection fund	-	-	-	18,874	-	18,874
Contribution for the period	-	-	84,404	21,101	(105,505)	-
<b>Balance as at September 30, 2020</b>	<b>2,730,811</b>	<b>620,690</b>	<b>717,683</b>	<b>230,699</b>	<b>2,189,076</b>	<b>6,488,959</b>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.

**THE FIRST MICROFINANCEBANK LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

	Nine months period ended	
	2020	2019
	-----Rupees in '000'-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>601,200</b>	722,308
<b>Less: Dividend Income</b>	-	-
	<b>601,200</b>	722,308
<b>Adjustment for non cash items:</b>		
Depreciation of property and equipment	463,743	222,334
Depreciation on right of use assets	198,740	181,024
Amortization of intangible assets	33,524	29,288
Provision against non performing loans and advances	1,242,912	519,376
(Gain)/ loss on disposal of operating fixed assets	(3,015)	840
Finance charges on right to use assets	134,880	130,468
Revaluation loss/ (income) on held for trading investments	320	-
Income on investments in term deposit receipts	(185,660)	(123,551)
Amortization of discount on investments	(108,638)	(226,725)
Markup expense on Borrowings	81,983	-
Provision for gratuity	50,746	41,793
	<b>1,909,535</b>	<b>774,847</b>
	<b>2,510,735</b>	1,497,155
<b>(Increase) in operating assets:</b>		
Lending to financial institutions	-	-
Advances	(7,417,666)	(4,848,941)
Other Assets (excluding advance taxation)	(2,551,395)	(788,199)
	<b>(9,969,061)</b>	(5,637,140)
<b>Increase in operating liabilities:</b>		
Borrowings from financial institutions	1,552,953	-
Deposits	12,972,526	4,448,542
Other Liabilities (excluding gratuity)	550,057	251,342
	<b>15,075,536</b>	4,699,884
	<b>7,617,210</b>	559,899
<b>Cash outflow from operations</b>		
Payments against provisions held against off-balance sheet obligations	-	-
Contribution made to gratuity fund	(38,925)	(44,722)
Markup expense on borrowings paid	(51,825)	-
Tax paid	(292,384)	(363,024)
	<b>7,234,076</b>	152,153
<b>Net cash inflow from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in available for sale securities	(3,112,302)	-
Investment in held to maturity securities	(1,746,657)	(845,093)
Investment in held for trading securities	-	-
Proceeds from sale of available for sale securities	350,000	295,368
Proceeds from sale of held to maturity securities	1,515,000	502,822
Proceeds from sale of held for trading securities	-	-
Investments in operating fixed assets	(334,355)	(474,822)
Sale proceeds of property and equipment disposed off	4,767	1,706
	<b>(3,323,547)</b>	(520,019)
<b>Net cash outflow from investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts/ (payments) of Sub-ordinated loan	2,000,000	-
Payment of lease liability on right of use assets	(288,804)	(230,315)
Issue of share capital	-	-
Dividend paid	-	-
	<b>1,711,196</b>	(230,315)
<b>Net cash Inflow/outflow from financing activities</b>		
<b>Net increase/ (decrease) in cash and cash equivalents</b>		
	<b>5,621,725</b>	(598,181)
<b>Cash and cash equivalents at beginning of the period</b>		
	<b>8,657,171</b>	10,681,835
<b>Cash and cash equivalents at the end of the period</b>		
	<b>14,278,896</b>	10,083,654
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	2,999,199	2,161,892
Balances with other banks/NBFIs/MFBs	4,627,416	5,255,700
Cash Equivalents in investments	6,652,281	2,666,062
	<b>14,278,896</b>	10,083,654

The annexed notes from 1 to 18 form an integral part of this condensed interim financial statements.

**THE FIRST MICROFINANCEBANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 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 210 (2019: 206) business locations comprising of 206 (2019: 199) branches/ Permanent Booths (PBs) and 4 (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 managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever-increasing number of customers are being encouraged to use digital channels.



### **6.3 Assets quality and credit risk**

The Risk Management function of FMFB has further strengthened its credit review procedures in the light of COVID-19 and is regularly conducting assessments of the portfolio, to identify borrowers most likely to be affected due to changes in the business and economic environment.

FMFB expects that several borrowers will be severely impacted by this pandemic. the potential impact of the economic stress is difficult to predict as many of such borrowers have availed the SBP enabled deferment/ restructuring & rescheduling relief. Hence, management feels that it is appropriate to maintain additional general provision up to 2% 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. 750,847 thousand has been recognized in the condensed interim profit and loss account.

### **6.4 Liquidity management**

Bank has received applications for deferral of principal and markup amounting to Rs 13.8 billion till September 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 the Bank as estimated previously. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

### **6.5 Operations**

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels as well as enhancing customer awareness pertaining to online fraud risks. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

### **6.6 Capital adequacy ratio**

Under the current scenario, the Banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. CAR as at September 2020 was 17.0% whereas it was 15.1% as at June 30, 2020 is. The Bank has received unsecured, subordinated debt amounting to Rs. 2 billion from HBL, the Parent Company in July 2020. The facility tenure is 8 years and is priced at 6 Month KIBOR + 2%. The loan is availed as TIER – II subordinated debt for inclusion in the Bank'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 the Bank and shall not be repayable before maturity and without the prior approval of the SBP. The mark up is payable semi-annually. Furthermore, subject to receipt of written approval from SBP and compliance with Minimum Capital Requirements and CAR, the Bank has an option to prepay in full or part the Subordinated Loan amount on or after a period of 5 (five) years from the Drawdown Date.

		September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	Note	-----Rupees in '000'-----	
<b>7 INVESTMENTS - NET OF PROVISIONS</b>			
<b>Held to maturity</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	7.1	264,193	204,753
<b>Term Deposit Receipts (TDRs)</b>	7.2	<u>1,581,917</u>	<u>1,558,427</u>
		<u>1,846,110</u>	1,763,180
<b>Available for sale</b>			
<b>Federal Government Securities</b>			
Pakistan Investment Bonds	7.3	<u>1,566,717</u>	-
Market Treasury Bills	7.1	<u>7,927,753</u>	<u>2,210,455</u>
		<u>9,494,470</u>	2,210,455
<b>Held for trading</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	7.1	<u>545,069</u>	539,896
		<u>545,069</u>	539,896
Add: Surplus/ deficit on revaluation of available for sale investments		<u>48,839</u>	(633)
		<u><u>11,934,488</u></u>	<u><u>4,512,898</u></u>

7.1 These represent securities with original maturity period of three months to one year carry markup at the rates ranging between 6.95% 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.264,193 thousand (2019: Rs.204,753 thousand) and carry markup at the rates ranging between 7.15% 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 11.65% (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 7.50% to 11.25% per annum, payable on a semi-annual basis, with maturities falling due during 2021 and 2022.

## 8 ADVANCES - NET OF PROVISIONS

	Note	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
		Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
		Number	Rupees in '000'	Number	Rupees in '000'
Considered good	8.1	530,540	37,721,873	456,527	30,507,746
Considered doubtful		<u>17,223</u>	<u>748,850</u>	<u>30,077</u>	<u>1,106,004</u>
		<u>547,763</u>	<u>38,470,723</u>	<u>486,604</u>	31,613,750
Less:					
Specific provision	8.2		<u>234,189</u>		<u>371,227</u>
General provision			<u>374,487</u>		<u>306,154</u>
- Mandatory provision at the rate of 1%			<u>751,026</u>		<u>102</u>
- Additional provision	8.2		<u>1,125,513</u>		<u>306,256</u>
			<u>1,359,702</u>		677,483
			<u><u>37,111,021</u></u>		<u><u>30,936,267</u></u>

8.1 These include advances for an aggregate amount of Rs. 63,577 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 1,332 (2019: 1,099) staff loans, aggregating to Rs. 725,865 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

	September 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	423,655	819,257	1,242,912	811,029	73,690	884,719
Less: Amount written off	560,693	-	560,693	509,894	-	509,894
Less: Reversal of provision	-	-	-	-	-	-
	<u>(137,038)</u>	<u>819,257</u>	<u>682,219</u>	<u>301,135</u>	<u>73,690</u>	<u>374,825</u>
Closing balance	<u>234,189</u>	<u>1,125,513</u>	<u>1,359,702</u>	<u>371,227</u>	<u>306,256</u>	<u>677,483</u>

8.3 During the period, additional provision for an amount of Rs. 750,847 thousand has been made above the statutory requirement of 1% on advances net of specific provision and loans secured against gold or other collateral with appropriate margin.

## 9 OPERATING FIXED ASSETS

	Note	September 30, 2020	December 31, 2019
		(Un-audited)	(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	414,547	925,022
Disposals / deletion during the period/year at carrying value		<u>(1,752)</u>	<u>(22,464)</u>
		<u>3,232,449</u>	<u>3,419,042</u>
Depreciation or amortization for the period/ year		<u>(497,267)</u>	<u>(599,388)</u>
Carrying value at the end of the period/ year	9.2	<u>2,735,182</u>	<u>2,819,654</u>

## 9.1 Additions during the period/ year

Direct additions:		
Office equipment		67,004
Furniture and fixture		11,173
Computer equipment		47,187
Vehicles		11,338
Leasehold improvement		43,411
Intangible assets		10,459
Right of use assets		80,192
Capital work in progress		186,868
		<u>457,632</u>
Transfer from capital work in progress		<u>(43,085)</u>
		<u>414,547</u>

9.2 This include capital work in progress amounting to Rs. 287,794 thousand (December 31, 2019: Rs. 144,011 thousand).

	September 30, 2019	December 31, 2019
	(Un-audited)	(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	80,192	291,801
Deletions during the year	-	(19,536)
Depreciation charged during the period	<u>(198,740)</u>	<u>(250,707)</u>
Net book value at the end	<u>1,231,910</u>	<u>1,350,458</u>



		September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	Note	-----Rupees in '000'-----	
<b>12 BORROWINGS</b>			
National Bank of Pakistan (NBP)	12.1	200,000	-
Allied Bank Limited (ABL)	12.2	500,000	-
Pakistan Mortgage Refinance Company (PMRC)	12.3	352,953	-
Pakistan Mortgage Refinance Company (PMRC)	12.4	500,000	-
		<u>1,552,953</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 September 30, 2020 (December 31, 2019: Nil).

#### 14.2 Commitments

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

### 15 MARKUP/RETURN/INTEREST EARNED

	<u>For the nine months ended</u>	
	<u>2020</u>	<u>2019</u>
	<u>(Un-audited)</u>	
	<u>-----Rupees in '000'-----</u>	
Mark-up on advances	<b>7,462,756</b>	5,593,330
Income on investment in Government Securities	<b>335,698</b>	229,989
Income from Term Deposit Receipts	<b>186,579</b>	123,551
Mark-up on deposit accounts with treasury and other banks	<b>250,150</b>	278,291
	<b><u>8,235,183</u></b>	<u>6,225,161</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 September 30, 2020 (Unaudited)				
Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds	
----- Rupees '000-----				
<b>Balance sheet</b>				
<b>Balances with other Banks/NBFIs/MFBs</b>				
on deposit accounts	324,493	-	-	-
<b>Advances</b>				
Opening balance	-	-	37,862	-
Addition during the year	-	-	40,769	-
Repaid during the year	-	-	16,466	-
Markup/ Return/ Interest earned	-	-	2,447	-
Closing balance	-	-	64,612	-
<b>Operating fixed assets</b>				
Capital Work in progress	-	10,214	-	-
Right of use assets	65,243	-	-	-
	65,243	10,214	-	-
<b>Other assets</b>				
Income/ Markup accrued	856	-	132	-
Prepayments	-	-	-	-
Other receivable	3,488	20,283	-	-
Receivable from defined benefit gratuity fund	-	-	-	-
	4,344	20,283	132	-
<b>Deposits</b>				
Opening balance	3,163,586	2,186,470	235	-
Received during the year	8,740,090	11,052,274	18,821	-
Withdrawn during the year	10,013,635	10,525,762	18,760	-
Markup/ Return/ Interest expensed	124,075	200,137	59	-
Closing balance	2,014,116	2,913,119	355	-
<b>Borrowings</b>				
Term Finance	-	853,830	-	-
Subordinated debt	2,000,000	-	-	-
	2,000,000	853,830	-	-
<b>Other liabilities</b>				
Markup/ Return/ Interest payable	88,769	40,382	-	-
Accrued liabilities	1,350	33,039	-	-
Lease liability on right of use assets	40,953	-	-	-
Payable to defined benefit gratuity fund	-	-	-	-
Payable to defined contribution provident fund	-	-	-	3
	131,072	73,421	-	3
<b>For the nine months ended September 30, 2020 (Unaudited)</b>				
Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds	
----- Rupees '000-----				
<b>Profit and loss account</b>				
<b>Income</b>				
Markup/ Return/ Interest earned	26,835	-	2,447	-
<b>Expense</b>				
Markup/ Return/ Interest expensed	160,130	224,108	59	-
Administration expenses				
Remuneration	-	-	110,964	-
Charge for defined contribution gratuity fund	-	-	-	50,746
Contribution to defined contribution provident fund	-	-	-	71,075
Depreciation on right of use assets	27,570	-	-	-
Finance cost of lease liability on right of use assets	5,972	-	-	-
Bank charges	2,932	-	-	-
Vehicle rentals expense	1,350	-	-	-
Insurance expense	-	51,574	-	-
Other expenses	42	9,392	-	-
	197,996	285,074	111,023	121,821

	As at December 31, 2019 (Audited)			
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
----- Rupees '000-----				
<b>Balance sheet</b>				
<b>Balances with other Banks/NBFIs/MFBs</b>				
on deposit accounts	420,216	-	-	-
<b>Advances</b>				
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	-
<b>Operating fixed assets</b>				
Capital Work in progress	-	10,214	-	-
Right of use assets	109,969	-	-	-
	109,969	10,214	-	-
<b>Other assets</b>				
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
<b>Deposits</b>				
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	-
<b>Other liabilities</b>				
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	-	-
<b>For the nine months period ended September 30, 2019 (Unaudited)</b>				
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
----- Rupees '000-----				
<b>Profit and loss account</b>				
<b>Income</b>				
Markup/ Return/ Interest earned	24,928	435	1,418	-
<b>Expense</b>				
Markup/ Return/ Interest expensed	243,183	154,530	106	-
Administration expenses				
Remuneration	-	-	126,950	-
Charge for defined contribution gratuity fund	-	-	-	41,793
Contribution to defined contribution provident fund	-	-	-	57,132
Depreciation on right of use assets	25,940	-	-	-
Finance cost of lease liability on right of use assets	1,136	-	-	-
Bank charges	4,505	-	-	-
Vehicle rentals expense	1,191	-	-	-
Insurance expense	-	48,042	-	-
Other expenses	134	3,507	-	-
	276,088	206,079	127,056	98,926



**17 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

**18 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 **October 21, 2020**.