

THE FIRST MICROFINANCEBANK LIMITED
INTERIM CONDENSED BALANCE SHEET
AS AT 30 JUNE 2008

	Note	<u>30 June 2008</u> (Un-audited)	<u>31 December 2007</u> (Audited)
-----Rupees-----			
<u>ASSETS</u>			
Cash and balance with SBP and NBP		284,576,405	198,325,188
Balances with other banks/NBFIs/MFBs		363,950,509	527,512,129
Lending to financial institution		123,318,050	72,959,550
Investments - net of provisions	4	311,948,755	545,684,356
Advances - net of provisions	5	1,861,176,458	1,193,609,274
Operating fixed assets		180,578,722	169,202,301
Other assets		133,584,451	99,869,596
Total assets		3,259,133,350	2,807,162,394
<u>LIABILITIES</u>			
Deposits and other accounts	6	2,552,019,256	2,035,584,353
Other liabilities		71,195,116	94,220,171
Total liabilities		2,623,214,372	2,129,804,524
Net assets		635,918,978	677,357,870
REPRESENTED BY:			
Share capital		660,000,500	660,000,500
Statutory reserve		8,040,156	8,040,156
(Accumulated loss)/unappropriated profit		(41,787,821)	2,361,763
		626,252,835	670,402,419
Deficit on revaluation of assets		(4,371,667)	(1,677,272)
Deferred grants		11,746,557	6,476,904
Depositors' protection fund		2,291,253	2,155,819
		635,918,978	677,357,870
MEMORANDUM/OFF BALANCE SHEET ITEMS	7		

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

THE FIRST MICROFINANCEBANK LIMITED
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2008

	Note	Half year ended	
		30 June 2008	30 June 2007
-----Rupees-----			
MARKUP INCOME			
Markup/return/interest earned	8	220,037,104	138,806,414
Markup/return/interest expensed		<u>(61,418,212)</u>	<u>(39,162,329)</u>
Net markup /interest income		158,618,892	99,644,085
Provision against non performing loans and advances	5.3	<u>(21,380,020)</u>	<u>(8,035,256)</u>
Net markup/interest income after provisions		137,238,872	91,608,829
NON MARKUP/NON INTEREST INCOME			
Fee, commission and brokerage income		26,081,996	12,155,809
Grant income - net of related expenses		621,356	651,110
Gain on sale of investment		1,935,744	-
Other income		1,236,916	415,693
Total non markup/non interest income		29,876,012	13,222,612
NON MARK UP/NON INTEREST EXPENSES			
Administrative expenses		<u>(209,487,045)</u>	<u>(110,866,480)</u>
Total non-markup/non interest expenses		(209,487,045)	(110,866,480)
LOSS BEFORE TAXATION		(42,372,161)	(6,035,039)
Taxation - Current		(1,100,186)	(350,000)
- Prior years		(677,237)	-
		<u>(1,777,423)</u>	<u>(350,000)</u>
LOSS AFTER TAXATION		(44,149,584)	(6,385,039)
Unappropriated profit brought forward		<u>2,361,763</u>	<u>30,150,582</u>
(ACCUMULATED LOSS)/UNAPPROPRIATED PROFIT CARRIED FORWARD		(41,787,821)	23,765,543
Loss per share		<u>(0.669)</u>	<u>(0.097)</u>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

THE FIRST MICROFINANCEBANK LIMITED
INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2008

	Half year ended	
	30 June 2008	30 June 2007
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(42,372,161)	(6,035,039)
Adjustment for non cash items		
Depreciation	24,678,140	10,936,824
Amortization of intangible assets	411,602	293,844
Provision against non performing loans and advances	21,380,020	6,660,623
Amortization of deferred grant	(5,414,431)	(4,940,388)
Provision for gratuity	1,484,500	-
Interest on treasury bills	(4,840,204)	(114,858)
Gain on sale of investment	(1,935,744)	-
Amortization of premium on investment in government securities	(146,741)	(155,977)
	<u>35,617,142</u>	<u>12,680,068</u>
	(6,755,019)	6,645,029
Increase in operating assets		
Other assets	(33,371,577)	(3,072,992)
Advances	(688,947,204)	(323,275,762)
Lending to financial institutions	(50,358,500)	(24,782,400)
	<u>(772,677,281)</u>	<u>(351,131,154)</u>
Increase/(decrease) in operating liabilities		
Deposits and other accounts	516,434,903	667,069,746
Other liabilities	(21,221,615)	8,571,803
	<u>495,213,288</u>	<u>675,641,549</u>
Cash (outflow)/inflow from operations	<u>(284,219,012)</u>	<u>331,155,424</u>
Gratuity paid	(2,969,000)	-
Income tax paid	(2,747,549)	(4,399,983)
Net cash (outflow)/inflow from operating activities	<u>(289,935,561)</u>	<u>326,755,441</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(36,466,163)	(45,035,579)
Proceeds from sale/redemption of securities	240,673,792	-
Net investment in securities	(2,893,403)	(45,968,500)
Net cash inflow/(outflows) from investing activities	<u>201,314,226</u>	<u>(91,004,079)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	11,310,932	5,080,901
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(77,310,403)</u>	<u>240,832,263</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>725,837,317</u>	<u>744,454,411</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>648,526,914</u></u>	<u><u>985,286,674</u></u>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

THE FIRST MICROFINANCEBANK LIMITED
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2008

	SHARE CAPITAL	STATUTORY RESERVE	UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)	TOTAL
	-----Rupees-----			
Balance as at 1 January 2007	660,000,500	8,040,156	30,150,582	698,191,238
Loss for the half year ended 30 June 2007	-	-	(6,385,039)	(6,385,039)
Balance as at 30 June 2007	<u>660,000,500</u>	<u>8,040,156</u>	<u>23,765,543</u>	<u>691,806,199</u>
Balance as at 1 January 2008	660,000,500	8,040,156	2,361,763	670,402,419
Loss for the half year ended 30 June 2008	-	-	(44,149,584)	(44,149,584)
Balance as at 30 June 2008	<u>660,000,500</u>	<u>8,040,156</u>	<u>(41,787,821)</u>	<u>626,252,835</u>

The annexed notes 1 to 11 form an integral part of these interim condensed financial statements.

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2008

1. STATUS AND NATURE OF BUSINESS

The First MicrofinanceBank Limited (the Bank) was incorporated in the Islamic Republic of Pakistan on 5 November 2001 as a public company under the Companies Ordinance, 1984. The Bank received the certificate of commencement of business on 14 February 2002. The Bank'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. The Bank has 111 business locations including 28 sub offices as at 30 June 2008 (31 December 2007: 80 business locations including nil sub offices) in operation with registered office at Evacuee Trust Complex, Aga Khan Road, Plot No. 4, Sector F-5/1, Islamabad, Pakistan and is licensed to operate nationwide.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are Un-audited but subject to a limited scope review by the external auditors and have been presented in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2007.

3. ACCOUNTING POLICIES

The accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended 31 December 2007.

	Note	30 June 2008 (Un-audited)	31 December 2007 Audited
-----Rupees-----			
4. INVESTMENTS - NET OF PROVISIONS			
Held-for-trading			
Mutual Funds		-	162,738,048
Held to maturity			
Pakistan Investment Bonds	4.1	2,736,197	1,007,538
Available for sale			
Market Treasury Bills	4.2	48,704,719	118,843,600
Pakistan Investment Bonds	4.3	73,328,334	74,555,934
Term Finance Certificates	4.4	187,179,505	188,539,236
		309,212,558	381,938,770
		311,948,755	545,684,356

4.1 This represents ten year bond held for the purposes of the depositor's protection fund, carrying profit at the rate of 11% p.a (2007: 8% p.a), payable on semi-annual basis, maturing in 2017.

4.2 This represents twelve months treasury bill, carrying profit at the rate of 9.30% (2007: 9.02% to 9.29%) per annum, maturing in September 2008.

4.3 This represents three year bond, carrying profit at the rate of 9.10 % (2007: 9.10%) per annum, payable on semi annual basis, maturing in 2009.

4.4 These are quoted securities and carry rates of return ranging from 11.97% to 15.3% (2007: 11.67% to 12.45%) per annum, having maturity period upto 8 years (2007: 8 years).

THE FIRST MICROFINANCEBANK LIMITED

5. ADVANCES- NET OF PROVISIONS

	Note	30 June 2008		31 December 2007	
		(Un-audited)		Audited	
		Number	Rupees	Number	Rupees
Considered good		149,151	1,872,391,430	97,508	1,196,457,681
Considered doubtful	5.2	3,270	31,172,186	3,886	25,101,573
		<u>152,421</u>	<u>1,903,563,616</u>	<u>101,394</u>	<u>1,221,559,254</u>
Less: Specific provision	5.3		14,044,368		9,773,189
General provision	5.3		28,342,790		18,176,791
			<u>42,387,158</u>		<u>27,949,980</u>
			<u>1,861,176,458</u>		<u>1,193,609,274</u>

5.1 Advances include staff loans aggregating to Rs. 25,307,568 (2007: Rs. 22,306,478) and advance against revolving fund aggregating to Rs. 8,023,780 (2007: Rs. 10,083,042).

5.2 Particulars of non performing advances

Following is the detail of advances which have been placed under non performing status:

Classification	30 JUNE 2008			
	(Un-audited)			
	Amount Rupees	Provisions %	Provisions required Rupees	Provisions held Rupees
Sub-standard	15,111,308	25	3,777,827	3,777,827
Doubtful	11,588,675	50	5,794,338	5,794,338
Loss	4,472,203	100	4,472,203	4,472,203
Total	<u>31,172,186</u>		<u>14,044,368</u>	<u>14,044,368</u>

5.3 Particulars of provision against non performing advances

	30 June 2008			31 December 2007		
	Specific Rupees	General Rupees	Total Rupees	Specific Rupees	General Rupees	Total Rupees
Opening balance	9,773,189	18,176,791	27,949,980	2,426,191	10,267,228	12,693,419
Charge for the period	11,214,021	10,165,999	21,380,020	12,513,572	7,909,563	20,423,135
Amount written off	(6,942,842)	-	(6,942,842)	(5,166,574)	-	(5,166,574)
	<u>4,271,179</u>	<u>10,165,999</u>	<u>14,437,178</u>	<u>7,346,998</u>	<u>7,909,563</u>	<u>15,256,561</u>
Closing balance	<u>14,044,368</u>	<u>28,342,790</u>	<u>42,387,158</u>	<u>9,773,189</u>	<u>18,176,791</u>	<u>27,949,980</u>

6. DEPOSITS AND OTHER ACCOUNTS	30 June 2008		31 December 2007	
	(Un-audited)		Audited	
	Number	Rupees	Number	Rupees
Time liabilities				
Term deposits	3,512	1,144,464,611	2,005	1,148,256,860
Demand liabilities				
PLS deposits	46,318	891,092,042	34,657	603,397,269
Current deposits	64,392	516,462,603	43,445	283,930,224
	<u>110,710</u>	<u>1,407,554,645</u>	<u>78,102</u>	<u>887,327,493</u>
	<u>114,222</u>	<u>2,552,019,256</u>	<u>80,107</u>	<u>2,035,584,353</u>

6.1 Particulars of deposits by ownership

Individual depositors	109,013	1,615,477,037	77,090	1,119,602,588
Institutional depositors				
Corporations/ firms	5,206	934,251,791	3,013	914,728,233
Banks and financial institutions	3	2,290,428	4	1,253,532
	<u>114,222</u>	<u>2,552,019,256</u>	<u>80,107</u>	<u>2,035,584,353</u>

THE FIRST MICROFINANCEBANK LIMITED

	<u>30 June 2008</u> <u>(Un-audited)</u>	<u>31 December 2007</u> <u>Audited</u>
	-----Rupees-----	
7. MEMORANDUM/OFF BALANCE SHEET ITEMS		
7.1 Contingencies:		
There is no change in the status of contingencies, as set out in note 23.1 to the annual financial statements of the Company for the year ended December 31, 2007.		
7.2 Commitments in respect of rev-repo transactions:		
- Resale	125,000,000	75,000,000
	<u>125,000,000</u>	<u>75,000,000</u>
	Half year ended	
	<u>30 June 2008</u>	<u>30 June 2007</u>
	<u>(Un-audited)</u>	<u>(Un-audited)</u>
	-----Rupees-----	
8. MARKUP/RETURN/INTEREST EARNED		
Markup on advances	182,306,225	97,998,516
Income on investment in Government Securities	8,406,971	3,691,157
Income from Term Finance Certificate	10,531,846	-
Mark up on reverse repo transactions	3,329,050	2,556,798
Markup on deposit accounts with treasury and other banks	15,463,012	34,559,943
	<u>220,037,104</u>	<u>138,806,414</u>
	<u>220,037,104</u>	<u>138,806,414</u>
9. TRANSACTIONS WITH RELATED PARTIES		
Transactions during the period		
Markup/return/interest earned	188,568	131,241
Markup/return/interest expensed	7,054,069	102,442
Cost charged by associated undertaking for use of vehicle	970,100	-
Contribution to defined contribution provident fund	8,578,270	5,456,717
Contribution to defined contribution gratuity fund	1,484,500	-
	<u>30 June 2008</u>	<u>31 December 2007</u>
	<u>(Un-audited)</u>	<u>(Audited)</u>
	-----Rupees-----	
Balances with related parties		
Balances with other banks	211,560,134	174,173,024
Other assets	432,988	432,988
Deposits and other accounts	157,782,628	286,848,119
Accrued markup on deposits	6,365,014	7,478,745
Other liabilities	970,100	1,830,000

10. CORRESPONDING FIGURES

In accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements as of 31 December 2007, whereas profit and loss account and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year i.e. 30 June 2007.

Following corresponding figure has been reclassified for the purposes of better presentation:

From	To	Rupees
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Revolving fund for micro credit	Other liabilities	10,083,043

11. Figures

Figures have been rounded off to the nearest rupee.