

**THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2009**

	Note	<u>30 June 2009</u> (Unaudited)	<u>31 December 2008</u> (Audited)
-----Rupees-----			
<u>ASSETS</u>			
Cash and balance with SBP and NBP		409,802,982	332,676,173
Balances with other banks/NBFIs/MFBs		526,364,810	777,283,849
Lending to financial institution	5	197,092,543	-
Investments - net of provisions	6	766,086,949	549,214,503
Advances - net of provisions	7	2,954,782,864	2,067,750,648
Operating fixed assets	8	175,954,913	195,984,338
Other assets		202,166,336	171,343,259
Total assets		5,232,251,397	4,094,252,770
<u>LIABILITIES</u>			
Deposits and other accounts	9	4,516,147,881	3,304,742,382
Borrowing		-	100,000,000
Other liabilities		182,356,307	120,631,812
Total liabilities		4,698,504,188	3,525,374,194
Net assets		533,747,209	568,878,576
REPRESENTED BY:			
Share capital		660,000,500	660,000,500
Statutory reserve		8,040,156	8,040,156
Depositors' protection fund		2,646,890	2,470,534
Accumulated loss		(124,860,488)	(104,231,456)
		545,827,058	566,279,734
Deficit on revaluation of assets		(22,467,126)	(8,759,343)
Deferred grants		10,387,276	11,358,185
		533,747,209	568,878,576
MEMORANDUM/OFF BALANCE SHEET ITEMS	10		

The annexed notes 1 to 13 form an integral part of these interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Note	Half year ended	
		30 June 2009	30 June 2008
-----Rupees-----			
MARKUP INCOME			
Markup/return/interest earned	11	426,427,462	220,037,104
Markup/return/interest expensed		<u>(174,237,560)</u>	<u>(61,418,212)</u>
Net markup /interest income		252,189,902	158,618,892
Provision against non performing loans and advances	7.3	<u>(31,588,763)</u>	<u>(21,380,020)</u>
Net markup/interest income after provisions		220,601,139	137,238,872
NON MARKUP/NON INTEREST INCOME			
Fee, commission and brokerage income		62,215,000	26,081,996
Grant income - net of related expenses		1,922,249	621,356
Gain on sale of investment		-	1,935,744
Other income		2,146,273	1,236,916
Total non markup/non interest income		66,283,522	29,876,012
NON MARK UP/NON INTEREST EXPENSES			
Administrative expenses		<u>(307,513,693)</u>	<u>(209,487,045)</u>
Total non-markup/non interest expenses		(307,513,693)	(209,487,045)
LOSS BEFORE TAXATION		(20,629,032)	(42,372,161)
Taxation - Current		-	(1,100,186)
- Prior years		-	(677,237)
		-	<u>(1,777,423)</u>
LOSS AFTER TAXATION		(20,629,032)	(44,149,584)
Unappropriated profit brought forward		<u>(104,231,456)</u>	<u>2,361,763</u>
ACCUMULATED LOSS CARRIED FORWARD		(124,860,488)	(41,787,821)
Loss per share		<u>(0.313)</u>	<u>(0.669)</u>

The annexed notes 1 to 13 form an integral part of these interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Half year ended	
	30 June 2009	30 June 2008
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(20,629,032)	(42,372,161)
Adjustment for non cash items		
Depreciation	35,696,283	25,041,325
Amortization of intangible assets	410,987	411,602
Provision against non performing loans and advances	31,588,763	21,380,020
Amortization of deferred grant	(3,524,170)	(5,414,431)
Provision for gratuity	3,565,002	1,484,500
Interest on treasury bills	(25,755,805)	(4,840,204)
Interest on reverse repo transaction	(5,249,546)	-
Gain on sale of investment	-	(1,935,744)
Amortization of premium on investment in government securities	(118,927)	(146,741)
	<u>36,612,587</u>	<u>35,980,327</u>
	15,983,555	(6,391,834)
Increase in operating assets		
Other assets	(30,133,894)	(33,371,577)
Advances	(918,620,979)	(688,947,204)
Lending to financial institutions	(197,092,543)	(50,358,500)
	<u>(1,145,847,416)</u>	<u>(772,677,281)</u>
Increase/(decrease) in operating liabilities		
Deposits and other accounts	1,211,405,499	516,434,903
Other liabilities	67,710,532	(21,221,615)
	<u>1,279,116,031</u>	<u>495,213,288</u>
Cash inflow/(outflow)/inflow from operations	149,252,170	(284,267,429)
Gratuity paid	(8,306,540)	(2,969,000)
Income tax paid	(1,510,290)	(2,747,549)
Net cash inflow/(outflow) from operating activities	139,435,340	(289,983,978)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(16,132,858)	(36,417,746)
Proceeds from sale/redemption of securities	2,060,702,450	240,673,792
Net investment in securities	(2,261,171,530)	(2,893,403)
Net cash (outflows)/inflow from investing activities	(216,601,938)	201,362,643
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	3,374,368	11,310,932
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73,792,230)	(77,310,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,009,960,022	725,837,317
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>936,167,792</u>	<u>648,526,914</u>
Cash and cash equivalents comprise of the following:		
Cash and balance with SBP and NBP	409,802,982	284,576,405
Balances with other banks/NBFIs/MFBs	526,364,810	363,950,509
	<u>936,167,792</u>	<u>648,526,914</u>

The annexed notes 1 to 13 form an integral part of these interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Share capital	Statutory reserve	Depositor's protection fund	Unappropriated profit/ (Accumulated loss)	Total
	-----Rupees-----				
Balance as at 1 January 2008	660,000,500	8,040,156	2,155,819	2,361,763	672,558,238
Total comprehensive income for the six months period					
Loss for the six months period	-	-	-	(44,149,584)	(44,149,584)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(44,149,584)	(44,149,584)
Other transactions recorded directly in equity					
Interest earned on investment of fund	-	-	135,434	-	135,434
Total of other transactions recorded directly in equity	-	-	135,434	-	135,434
Balance as at 30 June 2008	660,000,500	8,040,156	2,291,253	(41,787,821)	628,544,088
Balance as at 1 January 2009	660,000,500	8,040,156	2,470,534	(104,231,456)	566,279,734
Total comprehensive income for the period					
Loss for the six months period	-	-	-	(20,629,032)	(20,629,032)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(20,629,032)	(20,629,032)
Other transactions recorded directly in equity					
Interest earned on investment of fund	-	-	176,356	-	176,356
Total of other transactions recorded directly in equity	-	-	176,356	-	176,356
Balance as at 30 June 2009	660,000,500	8,040,156	2,646,890	(124,860,488)	545,827,058

The annexed notes 1 to 13 form an integral part of these interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

1 STATUS AND NATURE OF BUSINESS

The First MicrofinanceBank Limited (the FMFB) was incorporated in the Islamic Republic of Pakistan on 5 November 2001 as a public company under the Companies Ordinance, 1984. The FMFB received the certificate of commencement of business on 14 February 2002. The 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. The FMFB has 157 business locations including 68 sub offices as at 30 June 2009 (31 December 2008: 157 business locations including 68 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 PREPARATION

- 2.1** This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.
- 2.2** The FMFB has adopted revised IAS-1 "Presentation of Financial Statements" which became effective for annual period beginning on or after 01 January 2009 which requires that:
- (a) all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owners changes in equity.
 - (b) income and expenses to be presented in one statement or two statements, separately from owners owner changes in equity.
 - (c) components of other comprehensive income to be displayed in the statement of comprehensive income.
 - (d) total comprehensive income to be presented in the financial statements.

The above presentation has been applied in this condensed interim financial information and comparative information has been represented to comply with the requirement of IAS-1

- 2.3** The condensed interim financial information is unaudited and should be read in conjunction with annual audited financial statements of the FMFB for the year ended 31 December 2008. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2008 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are extracted from unaudited condensed interim financial information for six months period ended 30 June 2008.

3 ACCOUNTING POLICIES AND ESTIMATES

Accounting policies, related judgements, estimates and assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the FMFB for the year ended 31 December 2008.

4 FINANCIAL RISK MANAGEMENT

The FMFB's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year 31 December 2008.

- 5** This represents purchase of market treasury bills of face value of Rs. 200,000,000 (2008:Nil) under resale agreement at the rate of 12.3% (2008:Nil) per annum, with maturity on 06 July 2009.

	Note	30 June 2009 (Unaudited)	31 December 2008 Audited
-----Rupees-----			
6 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Pakistan Investment Bonds	6.1	2,791,099	2,778,386
Available for sale			
Market Treasury Bills	6.2	598,663,800	291,613,624
Pakistan Investment Bonds		-	74,881,073
Term Finance Certificates	6.3	164,632,050	179,941,420
		763,295,850	546,436,117
		766,086,949	549,214,503

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

- 6.1 This represents ten year bond held for the purposes of the depositor's protection fund, carrying profit at the rate of 11% p.a (2008: 11% p.a), payable on semi-annual basis, maturing in 2017.
- 6.2 These securities have original maturity period of six months to one year (2008:three months), with yield between 11.65% and 13.7% (2008:12.5% and 13.85%) per annum.
- 6.3 These are quoted securities and carry rates of return ranging from 14.21% to 16.58% (2008: 15.4% to 17.17%) per annum, having maturity period upto 7 years (2008: 7 years).

7 ADVANCES- NET OF PROVISIONS

	Note	30 June 2009		31 December 2008	
		(Unaudited)		Audited	
		Number	Rupees	Number	Rupees
Considered good		210,272	2,974,919,999	165,457	2,084,387,459
Considered doubtful	7.2	5,354	49,671,481	2,734	27,015,345
		<u>215,626</u>	<u>3,024,591,480</u>	<u>168,191</u>	<u>2,111,402,804</u>
Less: Specific provision	7.3		24,560,864		12,163,568
General provision	7.3		45,247,752		31,488,588
			<u>69,808,616</u>		<u>43,652,156</u>
			<u>2,954,782,864</u>		<u>2,067,750,648</u>

7.1 Advances include staff loans aggregating to Rs. 28,341,681 (2008: Rs. 29,774,221)

7.2 Particulars of non performing advances

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

Classification	30 JUNE 2009			
	(Unaudited)			
	Amount	Provisions	Provisions	Provisions held
	Rupees	%	required	Rupees
			Rupees	
Sub-standard	15,367,816	25	3,841,954	3,841,954
Doubtful	27,169,511	50	13,584,756	13,584,756
Loss	7,134,154	100	7,134,154	7,134,154
Total	<u>49,671,481</u>		<u>24,560,864</u>	<u>24,560,864</u>

7.3 Particulars of provision against non performing advances

	30 June 2009			31 December 2008		
	(Unaudited)			(Audited)		
Rupees.....		Rupees.....		
	Specific	General	Total	Specific	General	Total
Opening balance	12,163,568	31,488,588	43,652,156	9,773,189	18,176,791	27,949,980
Charge for the period	17,829,598	13,759,164	31,588,762	16,759,922	13,311,797	30,071,719
Amount written off	(5,432,302)	-	(5,432,302)	(14,369,543)	-	(14,369,543)
	12,397,296	13,759,164	26,156,460	2,390,379	13,311,797	15,702,176
Closing balance	<u>24,560,864</u>	<u>45,247,752</u>	<u>69,808,616</u>	<u>12,163,568</u>	<u>31,488,588</u>	<u>43,652,156</u>

8 OPERATING FIXED ASSETS

	Note	Half year ended	
		30 June 2009 (Unaudited)	30 June 2008 (Unaudited)
		-----Rupees-----	
Opening book value		195,984,338	169,202,301
Add: Additions during the period	8.1	16,132,858	36,417,746
Less: Deletions during the period		(466,000)	-
		211,651,196	205,620,047
Less: Depreciation for the period		(35,696,283)	(25,041,325)
Closing book value		175,954,913	180,578,722

8.1 Additions during the period represents:

Office equipment	509,036	5,019,375
Furniture and fixture	333,300	190,200
Computer equipment	1,568,000	10,446,746
Vehicles	10,601,700	32,200
Leasehold improvement	3,120,822	490,267
Capital work-in- progress	-	20,238,958
	16,132,858	36,417,746

	30 June 2009 (Unaudited)		31 December 2008 Audited	
	Number	Rupees	Number	Rupees
9 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Term deposits	14,362	2,822,699,470	9,711	1,712,711,226
Demand liabilities				
PLS deposits	69,086	1,005,017,166	58,204	1,034,068,892
Current deposits	90,447	688,431,245	76,983	557,962,264
	159,533	1,693,448,411	135,187	1,592,031,156
	173,895	4,516,147,881	144,898	3,304,742,382
9.1 Particulars of deposits by ownership				
Individual depositors	167,398	3,046,529,724	139,517	2,270,916,398
Institutional depositors				
Corporations/ firms	6,491	1,466,845,956	5,377	1,029,034,700
Banks and financial institutions	6	2,772,201	4	4,791,284
	173,895	4,516,147,881	144,898	3,304,742,382

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2009

10 MEMORANDUM/OFF BALANCE SHEET ITEMS

10.1 Contingencies:

There is no change in the status of contingencies, as set out in note 22.1 to the annual financial statements of the FMFB for the year ended 31 December, 2008 except for the following.

Tax returns filed by the FMFB for the tax years 2003 to 2008 were assessed under section 120 of the Income Tax Ordinance, 2001. Tax authorities amended the assessment for the tax year 2004 by disallowing exemption of grant income of Rs. 976,289 claimed by the FMFB however; appeal filed by the FMFB against this order was accepted by the Appellate Tribunal. The tax authorities also amended assessment for tax year 2003 by charging tax at the tax rate applicable to a banking company however; the FMFB's appeal was accepted by the Commissioner (Appeals) where against the tax authorities have filed appeal to the Appellate Tribunal which is pending decision. No provision has been made in the financial statements; as the management is confident about the favourable outcome of this matter.

	<u>30 June 2009</u> (Unaudited)	<u>31 December 2008</u> Audited
	-----Rupees-----	
10.2 Commitments in respect of rev-repo transactions:		
- Resale	<u>197,092,543</u>	<u>-</u>

	Half year ended	
	<u>30 June 2009</u>	<u>30 June 2008</u>
	(Unaudited)	(Unaudited)
	-----Rupees-----	
11 MARKUP/RETURN/INTEREST EARNED		
Markup on advances	352,372,174	182,306,225
Income on investment in Government Securities	28,459,464	8,406,971
Income from Term Finance Certificate	14,588,054	10,531,846
Mark up on reverse repo transactions	5,249,546	3,329,050
Markup on deposit accounts with treasury and other banks	25,758,224	15,463,012
	<u>426,427,462</u>	<u>220,037,104</u>

12 TRANSACTIONS WITH RELATED PARTIES

Transactions during the period

Markup/return/interest earned	-	188,568
Markup/return/interest expensed	16,949,722	7,054,069
Administrative expenses	3,563,759	-
Cost charged by associated undertaking for use of vehicle	915,000	970,100
Contribution to defined contribution provident fund	7,184,535	8,578,270
Contribution to defined contribution gratuity fund	3,565,002	1,484,500
Remuneration of key management personnel	17,970,716	15,195,573

12.0 TRANSACTIONS WITH RELATED PARTIES(Continued)

	<u>Half year ended</u>	
	<u>30 June 2009</u>	<u>30 June 2008</u>
	(Unaudited)	(Unaudited)
	-----Rupees-----	
Balances with related parties		
Balances with other banks	-	339,905,310
Other assets	5,003,997	339,369
Deposits and other accounts	227,123,492	144,421,409
Accrued markup on deposits	7,547,268	4,698,902
Other liabilities	4,780,002	1,830,000

13 DATE OF AUTHORIZATION

This condensed interim financial information was authorized for issue by the Board of Directors of the FMFB on **August 19, 2009.**