

**THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	30 June 2010	31 December 2009
		(Unaudited)	(Audited)
-----Rupees-----			
<u>ASSETS</u>			
Cash and balance with SBP and NBP		265,752,350	406,467,354
Balances with other banks/NBFIs/MFBs		498,072,741	507,726,727
Lending to financial institution		-	244,402,250
Investments - net of provisions	5	1,739,411,933	1,775,331,171
Advances - net of provisions	6	3,249,466,477	2,725,562,041
Operating fixed assets	7	156,486,563	178,186,704
Other assets		272,725,892	230,330,530
Total assets		6,181,915,956	6,068,006,777
<u>LIABILITIES</u>			
Deposits and other accounts	8	5,359,570,316	5,219,007,844
Other liabilities		246,666,853	255,789,263
Total liabilities		5,606,237,169	5,474,797,107
Net assets		575,678,787	593,209,670
REPRESENTED BY:			
Share capital		660,000,500	660,000,500
Statutory reserve		13,472,412	13,472,412
Depositors' protection fund		4,298,075	4,142,236
Accumulated loss		(101,299,351)	(84,174,132)
		576,471,636	593,441,016
Deficit on revaluation of assets		(11,348,576)	(9,259,818)
Deferred grants		10,555,727	9,028,472
		575,678,787	593,209,670
MEMORANDUM/OFF BALANCE SHEET ITEMS	9		

The annexed notes 1 to 12 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 2010

	Note	Half year ended	
		30 June 2010	30 June 2009
		-----Rupees-----	
Markup/return/interest earned	10	562,055,580	426,603,818
Markup/return/interest expensed		(243,712,852)	(174,237,560)
Net markup /interest income		318,342,728	252,366,258
Provision against non performing loans and advances	6.5	(70,080,029)	(31,588,763)
Net markup/interest income after provisions		248,262,699	220,777,495
Non Markup/Non Interest Income			
Fee, commission and brokerage income		59,591,217	62,215,000
Amortization of deferred capital grant		1,814,563	1,922,249
Gain on sale of investment		-	-
Other income		3,029,516	2,146,273
Total non markup/non interest income		64,435,296	66,283,522
Non mark Up/non Interest Expenses			
Administrative expenses		(324,782,812)	(305,591,444)
Depreciation- grant related assets		(1,814,563)	(1,922,249)
Total non-markup/non interest expenses		(326,597,375)	(307,513,693)
Loss before Taxation		(13,899,380)	(20,452,676)
Taxation - Current		(3,070,000)	-
- Prior years		-	-
		(3,070,000)	-
Loss After Taxation		(16,969,380)	(20,452,676)
Unappropriated profit brought forward		(84,174,132)	(104,231,456)
Loss before appropriations		(101,143,512)	(124,684,132)
Appropriations - Transfers to:			
Contribution to depositors protection fund		(155,839)	(176,356)
Accumulated loss carried forward		(101,299,351)	(124,860,488)
Loss per share		(0.211)	(0.310)

The annexed notes 1 to 12 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 2010

	Half year ended	
	30 June 2010	30 June 2009
-----Rupees-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(13,899,380)	(20,452,676)
Adjustment for non cash items		
Depreciation	30,830,830	35,285,296
Amortization of intangible assets	410,988	410,987
Gain on sale of operating fixed assets	(629,897)	(95,983)
Provision against non performing loans and advances	70,080,029	31,588,763
Amortization of deferred grant	(1,814,563)	(1,922,249)
Provision for gratuity	3,615,413	3,565,002
Income on investments in Government securities	(84,981,396)	(25,755,805)
Interest on reverse repo transaction	(10,132,906)	(5,249,546)
Amortization of premium on investment in government securities	(790,589)	(118,927)
	<u>6,587,909</u>	<u>37,707,538</u>
	(7,311,471)	17,254,862
Increase/(decrease) in operating assets		
Other assets	(41,202,339)	(31,735,815)
Advances	(593,984,464)	(918,620,979)
Lending to financial institutions	244,402,250	(197,092,543)
	<u>(390,784,553)</u>	<u>(1,147,449,337)</u>
Increase/(decrease) in operating liabilities		
Deposits and other accounts	140,562,472	1,211,405,499
Other liabilities	(5,607,287)	67,479,163
	<u>134,955,185</u>	<u>1,278,884,662</u>
Cash (inflow)/outflow from operations	<u>(263,140,839)</u>	<u>148,690,187</u>
Gratuity paid	(7,130,000)	(8,306,540)
Income tax paid	(957,889)	(1,510,290)
Net cash inflow/(outflow) from operating activities	<u>(271,228,728)</u>	<u>138,873,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in operating fixed assets	(9,541,677)	(16,132,858)
Proceeds from sale/redemption of securities	7,999,697,755	2,060,702,450
Proceeds from sale of operating fixed assets	629,897	561,983
Net investment in securities	(7,872,113,190)	(2,261,171,530)
Net cash inflow/ (outflows) from investing activities	<u>118,672,785</u>	<u>(216,039,955)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	2,186,953	3,374,368
Net decrease in cash and cash equivalents	<u>(150,368,990)</u>	<u>(73,792,230)</u>
cash and cash equivalents at the beginning of the period	<u>914,194,081</u>	<u>1,009,960,022</u>
cash and cash equivalents at the end of the period	<u><u>763,825,091</u></u>	<u><u>936,167,792</u></u>
cash and cash equivalents comprise of the following:		
cash and balance with Sbp And Nbp	<u>265,752,350</u>	<u>409,802,982</u>
Balances with other banks/NBFIs/MFBs	<u>498,072,741</u>	<u>526,364,810</u>
	<u><u>763,825,091</u></u>	<u><u>936,167,792</u></u>

The annexed notes 1 to 12 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 2010

	Share capital	Statutory reserve	Depositor's protection fund	Accumulated loss	Total
	-----Rupees-----				
Balance as at 1 January 2009	660,000,500	8,040,156	2,470,534	(104,231,456)	566,279,734
Interest earned on investment of fund	-	-	176,356	(176,356)	-
Total comprehensive income for the period ended 30 June 2009					
Loss for the six months period	-	-	-	(20,452,676)	(20,452,676)
Total comprehensive income	-	-	-	(20,452,676)	(20,452,676)
Balance at 30 June 2009	660,000,500	8,040,156	2,646,890	(124,860,488)	545,827,058
Balance at 1 January 2010	660,000,500	13,472,412	4,142,236	(84,174,132)	593,441,016
Interest earned on investment of fund	-	-	155,839	(155,839)	-
Total comprehensive income for the period ended 30 June 2010					
Loss for the six months period	-	-	-	(16,969,380)	(16,969,380)
Total comprehensive income.	-	-	-	(16,969,380)	(16,969,380)
Balance at 30 June 2010	660,000,500	13,472,412	4,298,075	(101,299,351)	576,471,636

The annexed notes 1 to 12 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 2010

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 154 business locations including 68 sub offices as at 30 June 2010 (31 December 2009: 156 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 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 2009. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2009 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 2009.

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 preparation of the annual financial statements of the FMFB for the year ended 31 December 2009.

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 2009.

	Note	30 June 2010 (Unaudited)	31 December 2009 Audited
-----Rupees-----			
5 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Pakistan Investment Bonds	5.1	2,816,736	2,804,023
Market Treasury Bills	5.2	918,068	-
Available for sale			
Market Treasury Bills	5.3	1,578,480,889	1,604,028,175
Term Finance Certificates	5.4	157,196,240	168,498,973
		1,735,677,129	1,772,527,148
		1,739,411,933	1,775,331,171

- 5.1** This represents ten year bond held for the purposes of the depositor's protection fund, carrying profit at the rate of 9.6% p.a (31 December 2009: 9.6% p.a), payable on semi-annual basis, maturing in 2017.
- 5.2** This Security has original maturity period of six month to one year with yield 12.25% per annum (31 December 2009 :nil)
- 5.3** These securities have original maturity period of six months to one year (31 December 2009:one year), with yield between 11.47% and 12.59 % per annum (31 December 2009:11% and 13.23% per annum).
- 5.4** These are quoted securities and carry rates of return ranging from 13.70% to 14.20% per annum (31 December 2009: 14.05% to 14.26% per annum), having maturity period upto 5 years (31 December 2009: 6 years).

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2010

6 ADVANCES- NET OF PROVISIONS

	Note	30 June 2010		31 December 2009	
		(Unaudited)		Audited	
		Number	Rupees	Number	Rupees
Considered good		207,066	3,218,003,834	195,779	2,740,360,926
Considered doubtful	6.3	9,278	137,583,230	4,013	37,991,249
		<u>216,344</u>	<u>3,355,587,064</u>	<u>199,792</u>	<u>2,778,352,175</u>
Less: Specific provision	6.4		56,636,326		11,284,113
General provision	6.4		49,484,261		41,506,021
			<u>106,120,587</u>		<u>52,790,134</u>
			<u>3,249,466,477</u>		<u>2,725,562,041</u>

6.1 Advances include staff loans aggregating to Rs. 28,187,296 (31 December 2009: Rs. 27,179,176).

6.2 Pursuant to the State of bank of Pakistan (SBP) letter no.ACD/12-24-2010-253 dated 26 March 2010, the Relief package announced by the Prime Minister at the Kissan Convention 2009 for the war affected areas of NWFP and FATA has been extended by the Government of Pakistan to the borrower of Microfinance Banks. FMFB was advised by the SBP to submit its claims under the scheme to SBP. Accordingly, claims amounting to Rs. 29,143,131 were computed by FMFB in respect of its agri loans and service charges outstanding as on 31 December 2009 for loans disbursed up to 30 June 2009. SBP vide its letter no. ACD/12-24-2010-389 dated 04 May 2010 accepted the said claims of FMFB and remitted the said claims of FMFB and remitted the said amount to FMFB on 18 May 2010. Out of total amount received from SBP, Rs 1,442,671 was refunded by FMFB to SBP representing the amounts subsequently recovered from certain borrowers. The net amount of these claims aggregating Rs. 27,700,460 have been settled with the borrowers' outstanding balances.

6.3 Particulars of non performing advances

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

Classification	30 JUNE 2010			
	(Unaudited)			
	Amount	Provisions	Provisions	Provisions held
	Rupees	%	required	Rupees
			Rupees	
Other Assets Especially Mentioned(OAEM)	24,724,589	-	-	-
Sub-standard	26,966,300	25	6,741,575	6,741,575
Doubtful	71,995,181	50	35,997,591	35,997,591
Loss	13,897,160	100	13,897,160	13,897,160
Total	<u>137,583,230</u>		<u>56,636,326</u>	<u>56,636,326</u>
Classification	31 December 2009			
	(Audited)			
	Amount	Provisions	Provisions	Provisions held
	Rupees	%	required	Rupees
			Rupees	
Other Assets Especially Mentioned(OAEM)	13,206,855	-	-	-
Sub-standard	10,620,912	25	2,655,228	2,655,228
Doubtful	11,069,194	50	5,534,597	5,534,597
Loss	3,094,288	100	3,094,288	3,094,288
Total	<u>37,991,249</u>		<u>11,284,113</u>	<u>11,284,113</u>

6.4 Particulars of provision against non performing advances

	30 June 2010			31 December 2009		
	(Unaudited)			(Audited)		
	-----Rupees-----			-----Rupees-----		
	Specific	General	Total	Specific	General	Total
Opening balance	11,284,113	41,506,021	52,790,134	12,163,568	31,488,588	43,652,156
Charge for the period	61,777,740	7,978,240	69,755,980	30,734,603	10,017,433	40,752,036
Amount written off	(16,425,527)	-	(16,425,527)	(31,614,058)	-	(31,614,058)
	45,352,213	7,978,240	53,330,453	(879,455)	10,017,433	9,137,978
Closing balance	<u>56,636,326</u>	<u>49,484,261</u>	<u>106,120,587</u>	11,284,113	41,506,021	52,790,134

6.5 Particulars against non performing loans and advances

	Half year ended	
	30 June 2010	30 June 2009
	(Unaudited)	(Unaudited)
	-----Rupees-----	
Particulars against non performing loans	69,755,980	31,588,763
Particulars against other receivables	324,049	-
	<u>70,080,029</u>	<u>31,588,763</u>

7 OPERATING FIXED ASSETS

	Half year ended	
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)
	-----Rupees-----	
Opening book value	178,186,704	195,984,338
Add: Additions during the period	9,541,677	16,132,858
Less: Deletions during the period	-	(466,000)
	187,728,381	211,651,196
Less: Depreciation for the period	(31,241,818)	(35,696,283)
Closing book value	156,486,563	175,954,913

7.1 Additions during the period represents:

Office equipment	723,961	509,036
Furniture and fixture	558,500	333,300
Computer equipment	935,524	1,568,000
Vehicles	3,557,104	10,601,700
Leasehold improvement	3,766,588	3,120,822
	9,541,677	16,132,858

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Number	Rupees	Number	Rupees
8 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Term deposits	12,761	3,293,200,547	13,587	3,595,331,533
Demand liabilities				
PLS deposits	81,416	1,518,707,722	74,746	1,088,709,082
Current deposits	124,331	547,662,047	101,545	534,967,229
	205,747	2,066,369,769	176,291	1,623,676,311
	218,508	5,359,570,316	189,878	5,219,007,844
8.1 Particulars of deposits by ownership				
Individual depositors	211,041	3,705,547,797	181,573	3,428,687,203
Institutional depositors				
Corporations/ firms	7,461	1,649,610,907	8,299	1,783,372,144
Banks and financial institutions	6	4,411,612	6	6,948,497
	218,508	5,359,570,316	189,878	5,219,007,844

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2010

9 MEMORANDUM/OFF BALANCE SHEET ITEMS

9.1 Contingencies:

There is no change in the status of contingencies, as set out in note 20.1 to the annual financial statements of the FMFB for the year ended 31 December, 2009. The tax Department has filed reference application to the High court in relation to tax exemption on grant income received in Tax year 2004 which is pending decision. The Department's appeal to the Appellate Tribunal Inland Revenue which reference to the application of the tax rate for banking companies to FMFB for Tax years 2003 to 2006 is also pending decision. The management is confident of favourable outcome.

9.2 Commitments in respect of rev-repo transactions:

- Resale

<u>30 June 2010</u> (Unaudited)	<u>31 December 2009</u> Audited
-----Rupees-----	
-	250,000,000

10 MARKUP/RETURN/INTEREST EARNED

Markup on advances
Income on investment in Government Securities
Income from Term Finance Certificate
Mark up on reverse repo transactions
Markup on deposit accounts with treasury and other banks

Half year ended	
<u>30 June 2010</u> (Unaudited)	<u>30 June 2009</u> (Unaudited)
-----Rupees-----	
441,043,769	352,372,174
85,144,916	28,635,820
10,990,546	14,588,054
10,132,906	5,249,546
14,743,443	25,758,224
<u>562,055,580</u>	<u>426,603,818</u>

11 TRANSACTIONS WITH RELATED PARTIES

The FMFB's related parties comprise of major shareholders, directors and entities over which the directors are able to exercise significant influence, staff retirement funds and key management personnel. The details of transactions with related parties along with the balances are as follows:

Transactions during the period

	<u>30 June 2010</u> (Unaudited)	<u>30 June 2009</u> (Unaudited)
-----Rupees-----		
Markup/return/interest expensed	15,053,883	16,949,722
Administrative expenses	2,834,579	3,563,759
Cost charged by associated undertaking for use of vehicle	970,100	915,000
Contribution to defined contribution provident fund	7,693,110	7,184,535
Contribution to defined contribution gratuity fund	3,615,413	3,565,002

Balances with related parties as at period end

Other assets	26,665	5,003,997
Deposits and other accounts	233,706,705	227,123,492
Accrued markup on deposits	8,462,070	7,547,268
Other liabilities	4,584,977	4,780,002
Remuneration of key management personnel including executives	10,086,675	13,372,001

12 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the FMFB on