

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2011

	Note	<u>30 June 2011</u> (Unaudited)	<u>31 December 2010</u> (Audited)
-----Rupees-----			
<u>ASSETS</u>			
Cash and balance with SBP and NBP		310,735,168	292,158,613
Balances with other banks/NBFIs/MFBs		739,150,257	549,599,696
Lending to financial institution		-	97,543,801
Investments - net of provisions	5	2,940,906,581	2,785,780,736
Advances - net of provisions	6	2,489,196,229	2,221,769,813
Operating fixed assets	7	125,251,705	151,468,900
Other assets		249,956,191	254,456,643
Total assets		6,855,196,130	6,352,778,202
<u>LIABILITIES</u>			
Deposits and other accounts	8	5,837,842,677	5,344,198,196
Other liabilities		243,316,953	255,845,194
Total liabilities		6,081,159,630	5,600,043,390
Net assets		774,036,500	752,734,812
<u>REPRESENTED BY:</u>			
Share capital		990,000,750	990,000,750
Statutory reserve		13,472,412	13,472,412
Depositors' protection fund		4,725,125	4,514,025
Accumulated loss		(233,829,560)	(254,104,656)
		774,368,727	753,882,531
Deficit on revaluation of assets	5	(6,672,917)	(9,330,917)
Deferred grants		6,340,690	8,183,198
		774,036,500	752,734,812
MEMORANDUM/OFF BALANCE SHEET ITEMS	10		

The annexed notes 1 to 14 form an integral part of this interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	Half year ended	
		30 June 2011	30 June 2010
		-----Rupees-----	
Markup / return / interest earned	11	528,843,194	562,055,580
Markup / return / interest expensed		(238,956,774)	(243,712,852)
Net markup /interest income		289,886,420	318,342,728
Provision against non performing loans and advances	6.5	(36,152,853)	(70,080,029)
Recovery from write off advances	6.2	98,857,367	-
		62,704,514	(70,080,029)
Net markup / interest income after provisions		352,590,934	248,262,699
Non markup / non interest income			
Fee, commission and brokerage income		50,793,994	68,761,135
Grant income - net of related expenses		1,859,057	1,814,563
Gain on sale of investment		11,225	-
Other income		3,139,531	3,029,516
Total non markup / non interest income		55,803,806	73,605,214
Non markup / non interest expenses			
Administrative expenses		(379,992,475)	(333,952,730)
Depreciation-grant related assets		(1,859,057)	(1,814,563)
Other write off		(210,543)	-
Total non-markup/non interest expenses		(382,062,075)	(335,767,293)
Loss before taxation		26,332,666	(13,899,380)
Taxation - Current		5,846,470	3,070,000
- Prior years		-	-
		5,846,470	3,070,000
Loss after taxation		20,486,196	(16,969,380)
Unappropriated profit brought forward		(254,104,656)	(84,174,132)
Loss before appropriations		(233,618,460)	(101,143,512)
Appropriations - Transfers to:			
Contribution to depositors protection fund		211,100	155,839
Accumulated loss carried forward		(233,829,560)	(101,299,351)
Profit / (Loss) per share		0.207	(0.211)

The annexed notes 1 to 14 form an integral part of this interim condensed financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Share capital	Statutory reserve	Depositor's protection fund	Unappropriated profit/ (Accumulated loss)	Total
-----Rupees-----					
Balance at 01 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	-	-	-	(16,969,380)	(16,969,380)
Total comprehensive loss	-	-	-	(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
Balance at 01 January 2011	990,000,750	13,472,412	4,514,025	(254,104,656)	753,882,531
Interest earned on investment of fund	-	-	211,100	(211,100)	-
Total comprehensive income for the period ended 30 June 2011					
Loss for the six months	-	-	-	20,486,196	20,486,196
Total comprehensive loss	-	-	-	20,486,196	20,486,196
Balance at 30 June 2011	990,000,750	13,472,412	4,725,125	(233,829,560)	774,368,727

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended	
	30 June 2011	30 June 2010
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	26,332,666	(16,969,380)
Adjustment for non cash items		
Depreciation	27,649,834	35,696,283
Amortization of intangible assets	598,110	410,987
Provision against non performing loans and advances	36,152,853	31,588,763
Amortization of deferred grant	(1,859,057)	(3,524,170)
Provision for gratuity	13,715,377	3,565,002
Interest on treasury bills	(157,397,857)	(25,755,805)
Interest on reverse repo transaction	(12,734,349)	(5,249,546)
Amortization of premium and discount on investments	(643,357)	(118,927)
	<u>(94,518,446)</u>	<u>36,612,587</u>
	(68,185,780)	19,643,208
Increase in operating assets		
Other assets	628,883	(30,133,894)
Advances	(303,579,269)	(918,620,979)
Lending to financial institutions	97,543,801	(197,092,543)
	<u>(205,406,584)</u>	<u>(1,145,847,416)</u>
Increase/(decrease) in operating liabilities		
Deposits and other accounts	493,644,481	1,211,405,499
Other liabilities	(14,346,934)	67,710,532
	<u>479,297,547</u>	<u>1,279,116,031</u>
Cash inflow/ (outflow) from operations	<u>205,705,182</u>	<u>152,911,823</u>
Gratuity paid	(5,000,000)	(8,306,540)
Income tax paid	(1,304,834)	(1,510,290)
Net cash inflow/ (outflow) from operating activities	<u>199,400,348</u>	<u>143,094,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in operating fixed assets	(3,914,518)	(16,132,858)
Proceeds from sale of available for sale securities including Rev. Repo	13,312,400,750	2,050,686,410
Refund of principal on available for sale securities	10,020,000	10,016,040
Net investment in securities	(13,302,940,624)	(2,261,171,530)
Net cash (outflows)/ inflow from investing activities	<u>15,565,608</u>	<u>(216,601,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	-	3,374,368
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>214,965,956</u>	<u>(70,132,577)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>841,758,309</u>	<u>1,009,960,022</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,056,724,265</u>	<u>939,827,445</u>

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

1 STATUS AND NATURE OF BUSINESS

The First MicrofinanceBank Limited (the FMFB) was incorporated in the Islamic Republic of Pakistan on 05 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 132 business locations including 52 sub offices as at 30 June 2011 (31 December 2010: 147 business locations including 64 sub offices) in operation with registered office at 16 - 17 Floor Habib Bank Tower, Near China Chowk, Blue Area, 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** This 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 2010. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2010 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the six months period ended 30 June 2010.

3 ACCOUNTING POLICIES AND ESTIMATES

Accounting policies, related judgments, 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 2010.

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 ended 31 December 2010.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Note	30 June 2011 (Unaudited)	31 December 2010 Audited
-----Rupees-----			
5 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Pakistan Investment Bonds	5.1	2,842,307	2,829,732
Market Treasury Bills	5.2	912,683	975,051
		3,754,990	3,804,783
Available for sale			
Pakistan Investment Bonds	5.3	380,831,157	-
Market Treasury Bills	5.4	2,419,414,964	2,637,077,265
Term Finance Certificates	5.5	143,578,387	154,229,605
		2,943,824,508	2,791,306,870
Less: Deficit on revaluation of available for sale investments		(6,672,917)	(9,330,917)
		<u>2,940,906,581</u>	<u>2,785,780,736</u>

- 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% per annum (31 December 2010: 9.6% p.a), payable on semi-annual basis, maturing in 2017.
- 5.2** This security has original maturity period of one year with yield 13.63% (31 December 2010: 12.25%) per annum, maturing in 2012
- 5.3** This represent three years securities with yield ranging between 13.98% and 14.07% per annum (2010: Nil), maturing in 2013.
- 5.4** These securities have original maturity period of six month to one year (2010:one year), with yield between 12.46% and 13.91% (31 December 2010: 11.98% and 13.25%) per annum.
- 5.5** These are quoted securities and carry rates of return ranging between 15.18% and 15.71% (2010: 14.57% and 14.82%) per annum, having maturity period up to 4 years (31 December 2010: 4 years).

6 ADVANCES- NET OF PROVISIONS

	Note	30 June 2011 (Unaudited)		31 December 2010 Audited	
		Number	Rupees	Number	Rupees
Considered good		125,152	2,495,566,405	141,215	2,240,401,466
Considered doubtful	6.2	7,733	110,842,794	10,582	133,478,831
		132,885	2,606,409,199	151,797	2,373,880,297
Less: Specific provision	6.3		51,895,261		64,469,319
General provision					
-Mandatory provision at the rate of 1.5%			38,317,709		34,641,165
-Inherent impairment for flood affected portfolio			27,000,000		53,000,000
	6.3		65,317,709		87,641,165
			117,212,970		152,110,484
			2,489,196,229		2,221,769,813

- 6.1** Advances include staff loans aggregating to Rs. 26,604,862 (2010: Rs. 21,229,031).
- 6.2** Pursuant to the SBP SMEFD Circular No. 1 dated 02 February 2011, FMFB filed claim amounting to Rs. 148,843,967, which was reimbursed by SBP. Out of this, Rs. 16,575,397 has been refunded to borrowers against recoveries made and Rs. 381,769, being death claims received from insurance company, will be reimbursed to SBP. Out of the remaining amount of Rs. 131,606,752, Rs. 32,749,385 have been settled with the borrowers' outstanding balances and Rs. 98,857,367 has been taken to profit and loss account as recovery against written off advances.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

6.3 Particulars of non performing advances

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

Classification	30 June 2011			
	(Unaudited)			
	Amount	Provisions	Provisions	Provisions held
	Rupees	%	required	Rupees
			Rupees	
Other Assets Especially Mentioned (OAEM)	11,034,226	-	-	-
Sub-standard	9,313,994	25	2,328,499	2,328,499
Doubtful	81,855,623	50	40,927,812	40,927,812
Loss	8,638,951	100	8,638,951	8,638,951
Total	<u>110,842,794</u>		<u>51,895,261</u>	<u>51,895,261</u>
Classification	31 December 2010			
	(Audited)			
	Amount	Provisions	Provisions	Provisions held
	Rupees	%	required	Rupees
			Rupees	
Other Assets Especially Mentioned (OAEM)	21,356,639	-	-	-
Sub-standard	19,346,078	25	4,836,519	4,836,519
Doubtful	66,286,629	50	33,143,315	33,143,315
Loss	26,489,485	100	26,489,485	26,489,485
Total	<u>133,478,831</u>		<u>64,469,319</u>	<u>64,469,319</u>

6.4 Particulars of provision against non performing advances

	30 June 2011			31 December 2010		
	(Unaudited)			(Audited)		
	-----Rupees-----			-----Rupees-----		
	Specific	General	Total	Specific	General	Total
Opening balance	64,469,319	87,641,165	152,110,484	11,284,113	41,506,021	52,790,134
Charge / reversal for the period	58,476,309	(22,323,456)	36,152,853	178,298,273	46,135,144	224,433,417
Amount written off	(71,050,367)		(71,050,367)	(125,113,067)	-	(125,113,067)
	(12,574,058)	(22,323,456)	(34,897,514)	53,185,206	46,135,144	99,320,350
Closing balance	<u>51,895,261</u>	<u>65,317,709</u>	<u>117,212,970</u>	<u>64,469,319</u>	<u>87,641,165</u>	<u>152,110,484</u>
	Half year ended					
	30 June 2011			30 June 2010		
	(Unaudited)			(Unaudited)		
	-----Rupees-----					
Provision against non performing loans	36,152,853			69,755,980		
Provision against other receivables	-			324,049		
	<u>36,152,853</u>			<u>70,080,029</u>		

6.5 Provision against non performing loans and advances

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

7 OPERATING FIXED ASSETS

	Note	Half year ended	
		30 June 2011	30 June 2010
		(Unaudited)	(Unaudited)
-----Rupees-----			
Opening book value		151,468,900	178,186,704
Add: Additions during the period	7.1	3,914,518	9,541,677
Less: Deletions during the period		(1,883,769)	-
		<u>153,499,649</u>	<u>187,728,381</u>
Less: Depreciation for the period		(28,247,944)	(31,241,818)
Closing book value	0	<u>125,251,705</u>	<u>156,486,563</u>

7.1 Addition during the period represents:

Office equipment	1,029,003	723,961
Furniture and fixture	40,393	558,500
Computer equipment	702,408	935,524
Vehicles	33,100	3,557,104
Leasehold improvement	260,175	3,766,588
Computer Softwares	55,166	-
Capital work-in-progress	1,794,273	-
	<u>3,914,518</u>	<u>9,541,677</u>

8 DEPOSITS AND OTHER ACCOUNTS

	30 June 2011		31 December 2010	
	Number	Rupees	Number	Rupees
Time liabilities				
Term deposits	12,741	3,509,562,952	13,099	3,371,743,936
Demand liabilities				
PLS deposits	87,250	1,590,019,927	83,712	1,369,771,882
Current deposits	135,766	738,259,798	130,228	602,682,378
	<u>223,016</u>	<u>2,328,279,725</u>	<u>213,940</u>	<u>1,972,454,260</u>
	<u>235,757</u>	<u>5,837,842,677</u>	<u>227,039</u>	<u>5,344,198,196</u>

8.1 Particulars of deposits by ownership

Individual depositors	226,527	4,064,498,938	218,921	3,936,835,163
Institutional depositors				
Corporations/ firms	9,220	1,552,164,603	8,113	1,401,568,385
Banks and financial institutions	10	221,179,136	5	5,794,648
	<u>235,757</u>	<u>5,837,842,677</u>	<u>227,039</u>	<u>5,344,198,196</u>

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

9 SHARE CAPITAL

During the period, FMFB has increased its authorised share capital from 100,000,000 to 150,000,000 shares of Rs.10 each.

10 MEMORANDUM / OFF BALANCE SHEET ITEMS

10.1 Contingencies:

Return filed by the FMFB for tax year 2004 (financial year 2003) has been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance 2001. While finalizing assessment for the said tax year, the Taxation Officer has issued notice u/s 122(5A) of the Income Tax Ordinance 2001, intending to disallow exemption on grant income of Rs. 2,381,193 and income tax deduction at source of Rs. 1,183,671 thus reducing income tax refund for the said year by Rs. 2,159,960. The taxation officer applied tax rate of 41% applicable to the banking companies. Appeals filed by FMFB were accepted by the Income Tax Appellate Tribunal. The tax department has filed reference application to the High Court in relation to exemption on grant income which is pending decision.

	30 June 2011	31 December 2010
	(Unaudited)	Audited
	-----Rupees-----	
10.2 Commitments in respect of rev-repo transactions:		
- Resale	-	97,543,801

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2011

	Half year ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)
11 MARKUP/RETURN/INTEREST EARNED	-----Rupees-----	
Markup on advances	319,221,326	441,043,769
Income on investment in Government Securities	165,006,076	85,144,916
Income from Term Finance Certificate	10,503,115	10,990,546
Mark up on reverse repo transactions	12,734,349	10,132,906
Markup on deposit accounts with treasury and other banks	21,378,328	14,743,443
	528,843,194	562,055,580

12 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 balance are as follows

	Half year ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)
	-----Rupees-----	
Related party by virtue of significant influence over the FMFB		
Markup/return/interest expensed	114,081	3,316,573
Deposits and other accounts	5,692,842	57,906,746
Accrued markup on deposits	-	3,161,300
Other assets	779,448	26,665
Administrative expenses	609,996	970,100
Other liabilities	5,821,129	970,100
Related party by virtue of common director ship		
Markup/return/interest expensed	6,357,160	7,594,308
Deposits and other accounts	313,963,685	87,594,437
Accrued markup on deposits	5,307,037	2,135,287
Administrative expenses	11,147,514	12,004,497
Other liabilities	-	-
Others		
Markup/return/interest expensed	1,062,316	4,143,002
Deposits and other accounts	-	88,205,522
Accrued markup on deposits	-	3,165,483
Administrative expenses	36,682,864	11,308,523
Other liabilities	12,749,399	3,614,877
Remuneration of key management personnel including executives	29,446,609	10,086,675

13 CORRESPONDING FIGURES

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

From	To	Rupees
Fee, commission and brokerage income	Administrative expenses	9,169,918

13 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorized for issue by the Board of Directors of the FMFB on August 05, 2011 .