

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2012

	Note	<u>30 June 2012</u> (Unaudited)	<u>31 December 2011</u> (Audited)
-----Rupees-----			
<u>ASSETS</u>			
Cash and Balances with SBP and NBP		435,237,487	355,511,274
Balances With Other Banks/NBFIs/MFBs		714,958,288	729,156,395
Lending to financial Institution		-	245,941,500
Investments - Net of Provisions	5	3,019,994,964	3,040,176,591
Advances - Net of Provisions	6	2,845,180,546	2,169,034,204
Operating Fixed Assets	7	118,411,554	127,434,975
Other Assets		270,484,255	310,722,703
Total Assets		7,404,267,094	6,977,977,642
<u>LIABILITIES</u>			
Deposits and other accounts	8	6,308,229,227	5,919,718,300
Other Liabilities		259,557,929	267,411,587
Total Liabilities		6,567,787,156	6,187,129,887
Net Assets		836,479,938	790,847,755
<u>REPRESENTED BY:</u>			
Share Capital	9	1,351,500,800	1,111,500,800
Statutory and General Reserves		13,472,412	13,472,412
Depositors' Protection Fund		5,156,464	4,943,862
Accumulated Loss		(541,526,798)	(347,930,069)
		828,602,878	781,987,005
Surplus on Revaluation of Investments		897,754	5,032,075
Deferred Grants		6,979,306	3,828,675
Total Capital		836,479,938	790,847,755

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 2012

	Note	Half year ended	
		30 June 2012	30 June 2011
-----Rupees-----			
Mark-up / Return / Interest Earned	11	540,138,399	528,843,194
Mark-up / Return / Interest Expensed		(257,057,733)	(238,956,774)
Net Mark-up / Interest Income		283,080,666	289,886,420
Provision against non-performing loans and advances		(165,705,294)	(36,152,853)
Recovery from write off advances		-	98,857,367
		(165,705,294)	62,704,514
Net Markup / Interest Income after provisions		117,375,372	352,590,934
Non Mark-up / Non Interest Income			
Fee, Commission and Brokerage Income		48,846,143	50,793,994
Amortization of Deferred Capital Grant		803,228	1,859,057
Gain on sale of Investments		-	11,225
Other Income		2,973,871	3,139,531
Total Non Mark-up / Non Interest Income		52,623,242	55,803,806
Non Mark-up / Non Interest Expenses			
Administrative expenses		(355,266,771)	(379,992,475)
Depreciation - grant related assets		(803,228)	(1,859,057)
Loss on sale of investments		(107,492)	-
Loss on remeasurement of investments - Held for trading		(964,940)	-
Other write offs		(320,726)	(210,543)
Total Non Mark-up/Non Interest Expenses		(357,463,157)	(382,062,075)
(Loss) / profit before taxation		(187,464,543)	26,332,666
Taxation - Current		(5,919,584)	(5,846,470)
- Prior years		-	-
	12	(5,919,584)	(5,846,470)
(Loss) / profit after taxation		(193,384,127)	20,486,196
Unappropriated loss brought forward		(347,930,069)	(254,104,656)
Loss before appropriations		(541,314,196)	(233,618,460)
Appropriations - Transfers to:			
Contribution to Depositors Protection Fund		(212,602)	(211,100)
Accumulated loss carried forward		(541,526,798)	(233,829,560)
(Loss) / Profit per share		(1.624)	0.207

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

	Half year ended	
	30 June 2012	30 June 2011
	-----Rupees-----	
(Loss) / profit after taxation	(193,384,127)	20,486,196
Other comprehensive income	-	-
Comprehensive (loss) / income transferred to equity	(193,384,127)	20,486,196
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of investments	(4,134,321)	2,658,000
Total comprehensive (loss) / income for the period	(197,518,448)	23,144,196

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 2012

	Share capital	Statutory reserve	Depositor's protection fund	Accumulated loss	Total
-----Rupees-----					
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					
Profit for the six months	-	-	-	20,486,196	20,486,196
Total comprehensive income	-	-	-	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
Balance at 01 January 2012	1,111,500,800	13,472,412	4,943,862	(347,930,069)	781,987,005
Issue of share capital	240,000,000	-	-	-	240,000,000
Interest earned on investment of fund	-	-	212,602	(212,602)	-
Total comprehensive income for the period ended 30 June 2012					
Loss for the six months	-	-	-	(193,384,127)	(193,384,127)
Total comprehensive income - (loss)	-	-	-	(193,384,127)	(193,384,127)
Balance at 30 June 2012	1,351,500,800	13,472,412	5,156,464	(541,526,798)	828,602,878

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

	Half year ended	
	30 June 2012	30 June 2011
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(187,464,543)	26,332,666
Adjustment for non cash items		
Depreciation of property and equipment	23,632,557	27,649,834
Amortization of intangible assets	1,007,083	598,110
(Gain) / loss on sale of operating fixed assets	(431,913)	56,435
Provision against non performing loans and advances	165,705,294	36,152,853
Loss / (gain) on sale of investments	107,492	(11,225)
Loss on remeasurement of investments - Held for trading	964,940	-
Amortization of deferred grant	(803,228)	(1,859,057)
Provision for gratuity	6,000,000	18,749,399
Income on investments in Government securities	(178,403,951)	(165,006,076)
Markup on reverse repo transactions	(8,102,811)	(12,734,349)
Other write offs	320,726	210,543
Net amortization of premium on investments	607,792	-
Net amortization of discount on investments	(4,231,059)	(643,357)
	6,372,922	(96,836,890)
	(181,091,621)	(70,504,224)
(Increase) / decrease in operating assets		
Other assets (excluding advance taxation and grant receivable)	36,543,099	418,342
Advances	(841,851,636)	(303,579,270)
Lending to financial institutions	245,941,500	97,543,801
	(559,367,037)	(205,617,127)
Increase / (decrease) in operating liabilities		
Deposits and other accounts	388,510,927	493,644,481
Other liabilities (excluding provision for taxation)	(14,141,276)	(14,171,333)
	374,369,651	479,473,148
Cash (outflow) / inflow from operations	(366,089,007)	203,351,797
Gratuity paid	(2,951,830)	(17,175,000)
Income tax paid	(1,180,513)	(1,251,304)
Net cash (outflow) / inflow from operating activities	(370,221,350)	184,925,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(10,959,035,047)	(13,295,611,217)
Net investment in held for trading securities	(1,290,780,010)	-
Net investment in held to maturity securities	(893,532)	(882,369)
Proceeds from sale / redemption of available for sale securities	11,766,473,120	13,312,400,750
Proceeds from sale / redemption of held for trading securities	663,791,712	-
Proceeds from sale / redemption of held to maturity securities	1,000,000	-
Redemption of principal on available for sale securities	24,548,660	10,020,000
Investment in operating fixed assets	(15,691,306)	(3,914,518)
Sale proceeds of property and equipment disposed off	507,000	188,978
Net cash inflow from investing activities	189,920,597	22,201,624
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received against issuance of shares	240,000,000	-
Grant received	5,828,859	1,000,000
Net cash inflow from financing activities	245,828,859	1,000,000
Net increase in cash and cash equivalents	65,528,106	208,127,116
Cash and cash equivalents at beginning of the period	1,084,667,669	841,758,309
Cash and cash equivalents at the end of the period	1,150,195,775	1,049,885,425
Cash and cash equivalents comprise of the following:		
Cash and balances with SBP and NBP	435,237,487	310,735,168
Balances with other banks/NBFIs/MFBs	714,958,288	739,150,257
	1,150,195,775	1,049,885,425

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

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

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 130 business locations comprising of 80 branches / point of links and 50 Pakistan Post Office (PPO) - sub offices as at 30 June 2012 (31 December 2011: 130 business locations comprising of 80 branches / point of links and 50 Pakistan Post Office (PPO) - sub offices) in operation with registered office at 16 - 17 Floor Habib Bank Tower, 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 FMFB for the year ended 31 December 2011. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2011 whereas comparative profit and loss account, statement of changes in equity, cash flow statement and statement of comprehensive income are stated from unaudited condensed interim financial information for the six months period ended 30 June 2011.

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 2011.

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 2011.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 (Unaudited)	31 December 2011 Audited
-----Rupees-----			
5 INVESTMENTS - NET OF PROVISIONS			
<i>Investments held to maturity</i>			
Pakistan Investment Bonds	5.1	2,867,946	2,855,232
Market Treasury Bills	5.2	923,123	973,309
		3,791,069	3,828,541
<i>Investments at fair value through profit or loss - Held for trading</i>			
Pakistan Investment Bonds	5.3	49,454,720	-
Market Treasury Bills	5.4	605,129,475	-
		654,584,195	-
<i>Investments available for sale</i>			
Pakistan Investment Bonds	5.5	439,758,013	337,353,645
Market Treasury Bills	5.6	1,819,572,181	2,567,414,893
Term Finance Certificates	5.7	101,391,752	126,547,437
		2,360,721,946	3,031,315,975
Add: Surplus on revaluation of available for sale investments		897,754	5,032,075
		3,019,994,964	3,040,176,591

- 5.1** This represents ten years bond held for the purposes of the Depositor's Protection Fund, carrying profit at the rate of 9.6% (31 December 2011: 9.6%) per annum, payable on semi-annual basis, maturing in 2017.
- 5.2** This security has original maturity period of one year held for the purposes of the Depositor's Protection Fund, with yield of 11.94% (31 December 2011: 13.63%) per annum, maturing in March 2013 (31 December 2011: March 2012).
- 5.3** This represent three years bond having yield 12.21% per annum (31 December 2011: Nil), maturing in 2013.
- 5.4** These securities have original maturity period of three months to one year (31 December 2011: Nil), with yield between 11.67% and 11.90% (31 December 2011: nil) per annum.
- 5.5** This represent three years bonds with yield ranging between 12.21% and 14.07% (31 December 2011: 11.25 %) per annum, payable on semi-annual basis, maturing in 2014.
- 5.6** These securities have original maturity period of three months to one year (31 December 2011: three months to one year), with yield between 11.75% and 13.91% (31 December 2011: 11.72% and 13.91%) per annum.
- 5.7** All Term Finance Certificates are quoted and carry rates of return ranging between 13.61% and 13.78% (31 December 2011: 13.42% and 15.33%) per annum, having maturity period up to 3 years (31 December 2011: 3 years).

6 ADVANCES- NET OF PROVISIONS

	30 June 2012 (Unaudited)		31 December 2011 Audited	
	Number	Rupees	Number	Rupees
Considered good - note 6.1	126,202	2,858,933,447	115,765	2,338,374,441
Considered doubtful	14,335	366,865,210	3,439	68,769,745
	140,537	3,225,798,657	119,204	2,407,144,186
Less: Specific provision		189,050,631		14,180,344
General provision				
- Mandatory provision at the rate of 1%		30,367,480		23,929,638
- Inherent impairment for flood affected portfolio		161,200,000		200,000,000
		191,567,480		223,929,638
		380,618,111		238,109,982
		2,845,180,546		2,169,034,204

- 6.1** Advances include staff loans aggregating to Rs. 25,076,673 (31 December 2011: Rs. 30,325,899).

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

7 OPERATING FIXED ASSETS

	Note	Half year ended	
		30 June 2012	30 June 2011
		-----Rupees-----	
Opening book value		127,434,975	151,468,900
Add: Additions during the period	7.1	15,691,306	3,914,518
Less: Deletions during the period		(75,087)	(1,883,769)
		<u>143,051,194</u>	<u>153,499,649</u>
Less: Depreciation for the period		(24,639,640)	(28,247,944)
Closing book value		<u>118,411,554</u>	<u>125,251,705</u>

7.1 Addition during the period represents:

Office equipment	5,637,565	1,029,003
Furniture and fixture	811,200	40,393
Computer equipment	903,636	702,408
Vehicles	4,480,538	33,100
Leasehold improvement	3,858,367	260,175
Computer Softwares	-	55,166
Capital work-in-progress	-	1,794,273
	<u>15,691,306</u>	<u>3,914,518</u>

8 DEPOSITS AND OTHER ACCOUNTS

	Note	30 June 2012		31 December 2011	
		(Unaudited)		Audited	
		Number	Rupees	Number	Rupees
Time liabilities					
Term deposits		9,460	3,857,964,873	9,407	3,653,199,087
Demand liabilities					
PLS deposits		91,018	1,705,079,450	89,770	1,632,048,974
Current deposits		142,336	745,184,904	141,217	634,470,239
		233,354	2,450,264,354	230,987	2,266,519,213
	8.1	<u>242,814</u>	<u>6,308,229,227</u>	<u>240,394</u>	<u>5,919,718,300</u>

8.1 Particulars of deposits by ownership

Individual depositors	232,315	4,720,239,441	230,622	4,228,332,454
Institutional depositors				
Corporations/ firms	10,471	1,251,485,424	9,737	1,487,390,914
Banks and financial institutions	28	336,504,362	35	203,994,932
	<u>242,814</u>	<u>6,308,229,227</u>	<u>240,394</u>	<u>5,919,718,300</u>

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

9 SHARE CAPITAL

During the period, FMFB issued 24,000,000 shares amounting to Rs. 240,000,000 to Japan International Cooperation Agency (JICA).

10 MEMORANDUM / OFF BALANCE SHEET ITEMS

10.1 Contingencies related to taxation:

Tax claims filed by the FMFB for the and up to Tax years 2011 stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, the tax authorities are empowered to question / amend the return within five (05) years of the end of the financial year in which the related return was filed.

Assessment for the Tax year 2004 was amended by the Tax authorities by disallowing exemption claimed by FMFB on grant income of Rs. 2,381,193 and reducing credit for tax payments by Rs. 1,183,671. These matters have been decided in favour of the FMFB up to the level of Appellate Tribunal Inland Revenue and reference application filed by the Tax department are now pending decision by the Federal High Court. The management is confident of a favorable outcome.

10.2 Commitments in respect of reverse repo transactions

- Resale

<u>30 June</u> <u>2012</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2011</u> <u>(Audited)</u>
-----Rupees-----	
-	250,000,000

11 MARKUP/RETURN/INTEREST EARNED

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

<u>Half year ended</u>	
<u>30 June 2012</u>	<u>30 June 2011</u>
-----Rupees-----	
318,571,251	319,221,326
178,403,951	165,006,076
7,365,179	10,503,115
8,102,811	12,734,349
27,695,207	21,378,328
<u>540,138,399</u>	<u>528,843,194</u>

12 PROVISION FOR TAXATION

Income of the FMFB was exempt up to 30 June 2012 under clause 66 (XVIII) of Part 1 of second schedule of the Income Tax Ordinance, 2001, subject to the condition that the FMFB shall not distribute its profits to its shareholders and that profits are utilized for microfinance services. Provision for minimum tax at one percent (2011: one percent) of the turnover has been provided in terms of Section 113 of the Income Tax Ordinance, 2001.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2012

13 TRANSACTIONS WITH RELATED PARTIES

64.48% (31 December 2011: 78.40%) of the FMFB shares are held by AKAM and AKRSP which are part of Aga Khan Development Network (AKDN), therefore all subsidiaries and associated undertakings of AKAM, AKRSP and AKDN are the related parties of the FMFB. Other related parties comprise of IFC, JICA (other 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:

	Half year ended	
	30 June 2012	30 June 2011
	-----Rupees-----	
<i>Related party by virtue of significant influence over the FMFB</i>		
Mark-up expense on deposits received	10,133,127	114,081
Administrative expenses on services	8,561,322	7,677,996
Profit received on deposits with related parties	9,406,916	9,146,510
Deposits and other accounts	113,659,321	5,692,842
Deposits and other accounts	8,901,027	-
Bank balances with related parties	266,090,763	236,811,705
Other liabilities	960,922	5,821,129
Other assets	2,992,850	2,355,955
<i>Related party by virtue of common director ship</i>		
Mark-up expense on deposits received	8,701,137	6,357,160
Administrative expenses on services	11,789,923	11,147,514
Deposits and other accounts	181,695,238	313,963,685
Accrued mark-up on deposits received	7,470,452	5,307,037
Other assets	2,136,114	-
<i>Others</i>		
Mark-up expense on deposits received	-	1,062,316
Charge for defined contribution gratuity fund	6,000,000	18,715,377
Contribution to defined contribution provident fund	8,473,615	8,991,865
Other liabilities	13,467,960	12,749,399
<i>Remuneration of Key Management personnel</i>	43,250,921	29,446,609

14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorized for issue by the Board of Directors of the FMFB on August 26, 2012.