

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2013

	Note	30 June 2013	31 December 2012
		(Unaudited)	(Audited) (Restated)
-----Rupees-----			
<u>ASSETS</u>			
Cash and Balances with SBP and NBP		436,786,190	375,433,751
Balances With Other Banks/NBFIs/MFBs		725,452,366	945,582,061
Lending to Financial Institutions		-	-
Investments - Net of Provisions	5	3,215,314,727	3,538,250,384
Advances - Net of Provisions	6	3,417,458,596	2,971,730,910
Operating Fixed Assets	7	113,502,934	130,120,461
Other Assets		360,379,964	302,481,576
Deferred Tax Asset		-	-
Total Assets		8,268,894,777	8,263,599,143
<u>LIABILITIES</u>			
Deposits and other accounts	8	7,005,644,620	6,570,628,001
Borrowings		-	383,403,781
Subordinated Debt		-	-
Other Liabilities		275,264,251	322,757,654
Total Liabilities		7,280,908,871	7,276,789,436
NET ASSETS		987,985,906	986,809,707
<u>REPRESENTED BY:</u>			
Share Capital		1,351,500,800	1,351,500,800
Statutory and General Reserves		13,472,412	13,472,412
Depositors' Protection Fund		5,591,182	5,368,357
Accumulated Loss		(400,906,627)	(409,969,543)
		969,657,767	960,372,026
Surplus on Revaluation of Assets		10,020,449	20,331,332
Deferred Grants		8,307,690	6,106,349
Total Capital		987,985,906	986,809,707
MEMEORANDUM / OFF-BALANCE SHEET ITEMS	9		

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	Half year ended	
		30 June 2013	30 June 2012
-----Rupees-----			
Markup/return/interest earned	10	667,920,291	540,138,399
Markup/return/interest expensed		(252,068,289)	(257,057,733)
Net markup/interest income		415,852,002	283,080,666
Provision against non - performing loans and advances		(100,984,944)	(183,354,453)
Recovery against written off advances		43,090,467	17,649,159
		(57,894,477)	(165,705,294)
Net markup/interest income after provisions		357,957,525	117,375,372
Non markup/non interest income			
Fee, commission and brokerage income		45,103,594	48,846,143
Dividend income		-	-
Amortization of differed capital grant		259,925	803,228
Other income		3,920,374	2,973,871
Total non markup/non interest income		49,283,893	52,623,242
Non markup/non interest expenses			
Administrative expenses		(390,470,466)	(355,266,771)
Depreciation - grant related assets		(259,925)	(803,228)
Reversals/other provisions/write offs		-	-
Loss on sale of investment		(1,875,929)	(107,492)
Loss on remeasurement of investments - Held for trading		(2,495,980)	(964,940)
Other charges		(179,346)	(320,726)
Total non-markup/non interest expenses		(395,281,646)	(357,463,157)
Profit / (Loss) before taxation		11,959,772	(187,464,543)
Taxation - Current		(7,000,000)	(5,919,584)
- Prior years		-	-
- Deferred		-	-
		(7,000,000)	(5,919,584)
Profit / (Loss) after taxation		4,959,772	(193,384,127)
Accumulated loss brought forward		(409,969,543)	(347,930,069)
Loss before appropriations		(405,009,771)	(541,314,196)
Appropriations - Transfers to:			
Effect of recognition of actuarial gain - note 13		-	-
Contribution to depositors' protection fund		(222,825)	(212,602)
Accumulated loss carried forward		(405,232,596)	(541,526,798)
Profit / (Loss) per share (Rupee)		0.037	(1.624)

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	<u>Half year ended</u>	
	<u>30 June 2013</u>	<u>30 June 2012</u>
	-----Rupees-----	
Profit / (Loss) after taxation	4,959,772	(193,384,127)
Other comprehensive income		
Effect of recognition of actuarial gain	4,325,969	-
Comprehensive income transferred to equity	<u>9,285,741</u>	<u>(193,384,127)</u>
Components of comprehensive income not reflected in equity		
Surplus on revaluation of investments	(10,310,883)	(4,134,321)
	<u>(1,025,142)</u>	<u>(197,518,448)</u>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Share capital	Statutory reserve	Depositor's protection fund	Accumulated loss	Total
	-----Rupees-----				
Balance at 01 January 2012 - as previously reported	1,111,500,800	13,472,412	4,943,862	(347,930,069)	781,987,005
Effect of retrospective change in accounting policy with respect to accounting for actuarial losses	-	-	-	3,848,000	3,848,000
Balance as at January 1, 2012 - restated	1,111,500,800	13,472,412	4,943,862	(344,082,069)	785,835,005
Issue of share capital	240,000,000				240,000,000
Interest earned on investment of Depositor Protection Fund			212,602	(212,602)	-
Total comprehensive income for the period ended 30 June 2012					
Loss for the period	-	-	-	(193,384,127)	(193,384,127)
Total comprehensive loss	-	-	-	(193,384,127)	(193,384,127)
Balance at 30 June 2012	1,351,500,800	13,472,412	5,156,464	(537,678,798)	832,450,878
Interest earned on investment of Depositor Protection Fund	-	-	211,893	(211,893)	-
Total comprehensive income for the half year ended December 31, 2012					
Net profit for the six months ended December 31, 2012	-	-	-	129,978,148	129,978,148
Effect of recognition of actuarial losses - note 13	-	-	-	(2,057,000)	(2,057,000)
	-	-	-	127,921,148	127,921,148
Balance as at December 31, 2012	1,351,500,800	13,472,412	5,368,357	(409,969,543)	960,372,026
Interest earned on investment of Depositor Protection Fund	-	-	222,825	(222,825)	-
Total comprehensive income for the period ended 30 June 2013					
Net profit for the half year ended June 30, 2013	-	-	-	4,959,772	4,959,772
Effect of recognition of actuarial gain - note 13	-	-	-	4,325,969	4,325,969
	-	-	-	9,285,741	9,285,741
Balance at 30 June 2013	1,351,500,800	13,472,412	5,591,182	(400,906,627)	969,657,767

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Half year ended	
	30 June 2013	30 June 2012
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	11,959,772	(187,464,543)
Adjustment for non cash items		
Depreciation of property and equipment	21,261,896	23,632,557
Amortization of intangible assets	1,686,261	1,007,083
Gain on sale of operating fixed assets	(1,623,128)	(431,913)
Provision against non performing loans and advances	100,984,944	183,354,453
Recovery against written off advances	(43,090,467)	(17,649,159)
Loss on sale of investments	1,875,929	107,492
Deficit on revaluation on held for trading investments	2,495,980	964,940
Amortization of deferred grant	(259,925)	(803,228)
Provision for gratuity	2,480,791	6,000,000
Income on investments in Government securities	(135,464,382)	(178,403,951)
Markup on reverse repo transactions	-	(8,102,811)
Other write offs	179,346	320,726
Net amortization of premium on investments	500,744	607,792
Net amortization of discount on investments	(5,915,435)	(4,231,059)
	(54,887,446)	6,372,922
	(42,927,674)	(181,091,621)
(Increase) / decrease in operating assets		
Other assets (excluding advance taxation and grant receivable)	(10,034,304)	36,543,099
Advances	(503,622,162)	(841,851,636)
Lending to financial institutions	-	245,941,500
	(513,656,466)	(559,367,037)
Increase/(decrease) in operating liabilities		
Deposits and other accounts	435,016,619	388,510,927
Borrowings	(383,403,781)	-
Other liabilities (excluding provision for taxation)	(22,711,028)	(14,141,276)
	28,901,810	374,369,651
Cash outflow from operations	(527,682,330)	(366,089,007)
Gratuity paid	(21,000,000)	(2,951,830)
Income tax paid	(11,477,195)	(1,180,513)
Net cash outflow from operating activities	(560,159,525)	(370,221,350)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(2,308,382,896)	(10,959,035,047)
Net investment in held for trading securities	(654,431,961)	(1,290,780,010)
Net investment in held to maturity securities	(1,250,000,000)	(893,532)
Proceeds from sale / redemption of available for sale securities	2,260,942,851	11,766,473,120
Proceeds from sale / redemption of held for trading securities	1,021,700,120	663,791,712
Proceeds from sale / redemption of held to maturity securities	1,320,024,863	1,000,000
Redemption of principal on available for sale securities	14,560,700	24,548,660
Investment in operating fixed assets	(7,603,986)	(15,691,306)
Sale proceeds of property and equipment disposed off	2,111,312	507,000
Net cash inflow from investing activities	398,921,003	189,920,597
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received against issuance of shares	-	240,000,000
Grant received	2,461,266	5,828,859
	2,461,266	245,828,859
Net (decrease) / increase in cash and cash equivalents	(158,777,256)	65,528,106
Cash and cash equivalents at beginning of the period	1,321,015,812	1,084,667,669
Cash and cash equivalents at the end of the period	1,162,238,556	1,150,195,775
Cash and cash equivalents comprise of the following:		
Cash and balances with SBP and NBP	436,786,190	435,237,487
Balances with other banks/NBFIs/MFBs	725,452,366	714,958,288
	1,162,238,556	1,150,195,775

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

1 STATUS AND NATURE OF BUSINESS

The First Microfinance Bank 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 133 business locations comprising of 81 branches/point of links, 48 Pakistan Post Office (PPO) and 4 HBL - sub offices (31 December 2012: 132 business locations comprising of 84 branches/point of links and 44 PPO - Sub Offices and 4 HBL - 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 the FMFB for the year ended 31 December 2012. Comparative balance sheet is extracted from the annual audited financial statements for the year ended 31 December 2012 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 2012.

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 2012 except for.

3.1 Change in accounting policy - staff retirement benefits

Defined benefit plans

IAS 19 (as revised in June 2011) Employees Benefits became effective during the period. The amendments to IAS 19 change accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The FMFB has applied IAS 19 (as revised in June 2011) retrospectively in accordance with the requirements of IAS 8. Accordingly, opening balance sheet of the earliest comparative period presented (January 01, 2012) has been restated.

	Cumulative effect upto December 31, 2012	Effect for the year ended December 31, 2012	Cumulative effect upto January 01, 2012
Rupees			
Increase / (decrease) in accumulated profit			
- Actuarial gain / (loss) on retirement benefit plans	1,791,000	(2,057,000)	3,848,000
(Decrease) / increase in other liabilities			
- Payable to defined benefit gratuity fund	(1,791,000)	2,057,000	(3,848,000)

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 2012.

THE FIRST MICROFINANCEBANK LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
 FOR THE HALF YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 (Unaudited)	31 December 2012 Audited
-----Rupees-----			
5 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Pakistan Investment Bonds	5.1	2,893,653	2,880,872
Market Treasury Bills	5.2	1,987,486	976,909
Term Deposit Receipts (TDRs)	5.3	753,738,562	805,204,521
		758,619,701	809,062,302
Held for trading			
Pakistan Investment Bonds	5.4	131,052,799	386,802,670
Market Treasury Bills	5.5	194,212,200	296,895,750
		325,264,999	683,698,420
Available for sale			
Pakistan Investment Bonds	5.4	621,579,094	616,315,612
Market Treasury Bills	5.5	1,428,766,846	1,322,520,709
Term Finance Certificates	5.6	71,063,638	86,322,009
		2,121,409,578	2,025,158,330
Add: Surplus on revaluation of available for sale investments		10,020,449	20,331,332
		3,215,314,727	3,538,250,384

- 5.1 This represents a ten year bond held for the purposes of the Depositors' Protection Fund carrying markup at the rate of 9.6% (31 December 2012: 9.6%) per annum, payable on semi-annual basis, maturing in 2017.
- 5.2 This security has original maturity period of eighty four days held for the purposes of the Depositors' Protection Fund carrying discount rate of 9.20% (31 December 2012: 11.94%) per annum, maturing in July 2013 (31 December 2012: March 2013).
- 5.3 These represent three month, six month and one year TDRs carrying markup rate ranging between 9.40% and 9.75% (31 December 2012: 9.8% and 9.9%) per annum, payable on maturity.
- 5.4 These represent three years bonds carrying markup at the rate of 11.25% (31 December 2012: 11.25%) per annum, payable on semi-annual basis.
- 5.5 These securities have original maturity period of 3 months to 1 year with yield ranging between 9.02% and 11.89% (31 December 2012: 9.18% and 11.89%) per annum.
- 5.6 All Term Finance Certificates are quoted and carry rate of return ranging between 10.95% and 13.65% (31 December 2012: 10.95% and 13.65%) per annum and have maturity period up to 2 years (31 December 2012: 2 years).

6 ADVANCES- NET OF PROVISIONS

	Note	30 June 2013		31 December 2012	
		(Unaudited)		Audited	
		Number	Rupees	Number	Rupees
Considered good - note 6.1		129,828	3,406,423,493	120,470	3,011,264,872
Considered doubtful		7,198	175,829,853	2,769	45,397,431
		137,026	3,582,253,346	123,239	3,056,662,303
Less: Specific provision			89,870,926		14,509,869
General provision					
-Mandatory provision at the rate of 1%			34,923,824		30,421,524
-Inherent impairment for flood affected portfolio			40,000,000		40,000,000
			74,923,824		70,421,524
			164,794,750		84,931,393
			3,417,458,596		2,971,730,910

6.1 Advances include staff loans aggregating to Rs. 23,855,267 (31 December 2012: Rs. 29,319,312).

6.2 Particulars of provision against non performing advances

	30 June 2013			31 December 2012		
	(Unaudited)			(Audited)		
	-----Rupees-----			-----Rupees-----		
	Specific	General	Total	Specific	General	Total
Opening balance	14,509,869	70,421,524	84,931,393	14,180,344	223,929,638	238,109,982
Charge for the period	96,482,644	4,502,300	100,984,944	263,320,821	(153,508,114)	109,812,707
Amount written off	(21,121,587)	-	(21,121,587)	(262,991,296)	-	(262,991,296)
	75,361,057	4,502,300	79,863,357	329,525	(153,508,114)	(153,178,589)
Closing balance	89,870,926	74,923,824	164,794,750	14,509,869	70,421,524	84,931,393

THE FIRST MICROFINANCEBANK LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
 FOR THE HALF YEAR ENDED 30 JUNE 2013

7 OPERATING FIXED ASSETS	Note	30 June 2013	31 Dec 2012
		(Unaudited)	(Audited)
-----Rupees-----			
Opening book value		130,120,461	127,434,975
Add: Additions during the period / year	7.1	7,603,986	62,193,126
Less: Deletions during the period / year		(1,273,356)	(13,279,865)
		<u>136,451,091</u>	<u>176,348,236</u>
Less: Depreciation for the period / year		(22,948,157)	(46,227,775)
Closing book value		<u>113,502,934</u>	<u>130,120,461</u>

7.1 Addition during the period / year represents:

Office equipment	1,259,600	5,913,546
Furniture and fixture	271,924	2,439,221
Computer equipment	620,000	7,146,940
Vehicles	311,712	21,144,708
Leasehold improvement	2,946,079	16,674,982
Computer Softwares	2,194,671	8,873,729
Capital work-in-progress	-	-
	<u>7,603,986</u>	<u>62,193,126</u>

8 DEPOSITS AND OTHER ACCOUNTS	Note	30 June 2013		31 December 2012	
		(Unaudited)		Audited	
		Number	Rupees	Number	Rupees
Time liabilities					
Term deposits		9,307	4,166,875,062	9,385	4,120,302,452
Demand liabilities					
PLS deposits		96,083	2,011,008,134	93,746	1,734,889,653
Current deposits		151,716	827,761,424	147,081	715,435,896
		247,799	2,838,769,558	240,827	2,450,325,549
	8.1	<u>257,106</u>	<u>7,005,644,620</u>	<u>250,212</u>	<u>6,570,628,001</u>
8.1 Particulars of deposits by ownership					
Individual depositors		250,036	5,488,790,137	239,077	5,022,940,001
Institutional depositors					
Corporations/ firms		7,055	1,420,711,089	11,109	1,260,581,000
Banks and financial institutions		15	96,143,394	26	287,107,000
		<u>257,106</u>	<u>7,005,644,620</u>	<u>250,212</u>	<u>6,570,628,001</u>

9 MEMORANDUM / OFF BALANCE SHEET ITEMS

9.1 Contingencies related to taxation:

Tax claims filed by the FMFB for and upto Tax years 2012 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 upto the level of Appellate Tribunal Inland Revenue and reference application filed by the Tax department is now pending decision by the Federal High Court. The management is confident of a favorable outcome.

9.2 Commitments:	Note	30 June 2013	31 December 2012
		(Unaudited)	Audited
-----Rupees-----			
Commitments in respect of repo transactions		-	400,000,000

THE FIRST MICROFINANCEBANK LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Half year ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
	-----Rupees-----	
10 MARKUP/RETURN/INTEREST EARNED		
Markup on advances	470,078,318	318,571,251
Income on investment in Government Securities	135,464,382	178,403,951
Income from Term Finance Certificate - net of premium	4,023,920	7,365,179
Income from Term Deposits Receipts (TDRs)	23,648,482	-
Mark up on reverse repo transactions	772,100	8,102,811
Markup on deposit accounts with treasury and other banks	33,933,089	27,695,207
	667,920,291	540,138,399

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 balance are as follows:

	Half year ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
	-----Rupees-----	
Related party by virtue of significant influence over the FMFB		
Mark-up expense on deposits received	11,847,090	10,133,127
Administrative expenses on services	8,599,935	8,561,322
Profit received on deposits with related parties	9,870,691	9,406,916

	30 June 2013	31 Dec 2012
	(Unaudited)	(Audited)
Deposits and other accounts	168,491,663	101,801,165
Accrued mark-up on deposits received	6,538,544	14,348,006
Bank balances with related parties	363,298,499	410,600,399
Borrowings from related parties	-	383,403,781
Other liabilities	543,470	2,824,868
Other assets	2,392,299	10,811,007

	Half year ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
Related party by virtue of common directorship		
Mark-up expense on deposits received	5,876,981	8,701,137
Administrative expenses on services	11,580,296	11,789,923

	30 June 2013	31 Dec 2012
	(Unaudited)	(Audited)
Deposits and other accounts	215,498,148	261,418,597
Accrued mark-up on deposits received	7,507,771	17,950,358
Other assets	1,728,777	589,896

Others

	Half year ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
Charge for defined contribution gratuity fund	2,480,791	6,000,000
Contribution to defined contribution provident fund	10,017,145	8,473,615
Remuneration of Key Management personnel	17,230,044	43,250,921

	30 June 2013	31 Dec 2012
	(Unaudited)	(Audited)
Loan outstanding of key Management personnel	3,682,823	3,529,538
Other liabilities	1,205,520	18,780,591
Other assets	6,387,593	-

12 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorized for issue by the Board of Directors of the FMFB on _____.