



**THE FIRST MICROFINANCEBANK LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2014**

	Note	Half year ended	
		30 June 2014	30 June 2013
-----Rupees in '000'-----			
<b>Markup/return/interest earned</b>	11	770,131	667,920
<b>Markup/return/interest expensed</b>		<b>(277,976)</b>	<b>(252,068)</b>
Net markup/interest income		<u>492,155</u>	<u>415,852</u>
Provision against non - performing loans and advances		<b>(77,826)</b>	<b>(100,985)</b>
Provision for diminution in the value of investments		-	-
Recovery against written off advances		<b>17,638</b>	<b>43,090</b>
		<b>(60,188)</b>	<b>(57,895)</b>
<b>Net markup/interest income after provisions</b>		<u>431,967</u>	<u>357,957</u>
<b>Non markup/non interest income</b>			
Fee, commission and brokerage income		<b>48,093</b>	<b>45,104</b>
Dividend income		-	-
Amortization of deferred capital grant		<b>595</b>	<b>260</b>
Other income		<b>5,042</b>	<b>3,920</b>
<b>Total non markup/non interest income</b>		<u>53,730</u>	<u>49,284</u>
<b>Non markup/non interest expenses</b>			
Administrative expenses		<b>(441,948)</b>	<b>(390,470)</b>
Depreciation - grant related assets		<b>(595)</b>	<b>(260)</b>
Loss on sale of investment		-	<b>(1,876)</b>
Loss on remeasurement of investments - Held for trading		<b>(1,292)</b>	<b>(2,496)</b>
Other charges		<b>(520)</b>	<b>(179)</b>
<b>Total non-markup/non interest expenses</b>		<u>(444,355)</u>	<u>(395,281)</u>
<b>Profit before taxation</b>		<b>41,342</b>	<b>11,960</b>
Taxation - Current		<b>(8,233)</b>	<b>(7,000)</b>
- Prior years		-	-
- Deferred		-	-
		<b>(8,233)</b>	<b>(7,000)</b>
Extraordinary/unusual items		-	-
<b>Profit after taxation</b>		<u>33,109</u>	<u>4,960</u>
Accumulated loss brought forward		<b>(304,486)</b>	<b>(409,970)</b>
<b>Loss before appropriations</b>		<b>(271,377)</b>	<b>(405,010)</b>
<b>Appropriations - transfers to;</b>			
Statutory reserve		<b>(6,622)</b>	<b>(223)</b>
Contribution to depositors' protection fund		<b>(1,655)</b>	
5% of Profit after tax		<b>(446)</b>	
Interest on investment		<b>(8,723)</b>	<b>(223)</b>
<b>Accumulated loss carried forward</b>		<u>(280,100)</u>	<u>(405,233)</u>
Earning per share (Rupee)		<u>0.24</u>	<u>0.04</u>

The annexed notes from 1 to 14 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 2014**

	Half year ended	
	30 June 2014	30 June 2013
	-----Rupees in '000'-----	
Profit after taxation for the period	33,109	4,960
<b>Other comprehensive income that can not be reclassified into profit or loss in subsequent periods</b>		
Remeasurement of defined benefit plan	(2,488)	4,326
<b>Comprehensive income transferred to equity</b>	<b>30,621</b>	9,286
<b>Components of comprehensive income not reflected in equity</b>		
<b>Other comprehensive income that can be reclassified into profit or loss in subsequent periods</b>		
Deficit on revaluation of investments	(3,686)	(10,311)
	<b>26,935</b>	(1,025)

The annexed notes from 1 to 14 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 2014**

	Share capital	Statutory reserve	Depositors protection fund	Accumulated loss	Total
	-----Rupees '000-----				
<b>Balance as at 30 June 2013</b>	<b>1,351,501</b>	<b>13,472</b>	<b>5,591</b>	<b>(400,907)</b>	<b>969,657</b>
	-	-	-	-	-
Interest earned on investment of fund	-	-	209	(209)	-
Contribution made	-	28,620	7,155	(35,775)	-
Net profit for the six months ended December 31, 2013	-	-	-	133,814	133,814
Other comprehensive income	-	-	-	(1,409)	(1,409)
	-	-	-	132,405	132,405
<b>Balance as at 31 December 2013</b>	<b>1,351,501</b>	<b>42,092</b>	<b>12,955</b>	<b>(304,486)</b>	<b>1,102,062</b>
Net profit for the half year ended 30 June 2014	-	-	-	33,109	33,109
Remeasurement of defined benefit plan	-	-	-	(2,488)	(2,488)
	-	-	-	30,621	30,621
Interest earned on investment of fund	-	-	446	(446)	-
<b>Contribution for the period</b>		6,622	1,655	(8,277)	
<b>Balance as at 30 June 2014</b>	<b>1,351,501</b>	<b>48,714</b>	<b>15,056</b>	<b>(282,588)</b>	<b>1,132,683</b>

The annexed notes from 1 to 14 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 2014**

	Half year ended	
	30 June 2014	30 June 2013
	-----Rupees in '000'-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	41,342	11,960
<b>Adjustment for non cash items:</b>		
Depreciation of property and equipment	22,878	21,262
Amortization of intangible assets	1,715	1,686
Gain on disposal of operating fixed assets	(3,718)	(1,623)
Amortization of deferred grant	(595)	(260)
Income on investments in government securities	(110,908)	(135,464)
(Gain) / loss on sale of investments	(305)	1,876
Revaluation loss on investments - held for trading	1,292	2,496
Net amortization of premium on investments	2,128	501
Net amortization of discount on investments	(2,304)	(5,915)
Provision against non performing loans and advances	77,826	100,985
Recovery against written off advances	(17,638)	(43,090)
Provision for gratuity	7,047	2,481
Other write offs	-	179
	<u>(22,582)</u>	<u>(54,887)</u>
	18,760	(42,928)
<b>(Increase) / decrease in operating assets:</b>		
Other assets (excluding advance taxation)	(134,206)	(10,034)
Advances	(589,129)	(503,622)
	<u>(723,335)</u>	<u>(513,656)</u>
<b>Increase/(decrease) in operating liabilities:</b>		
Deposits and other accounts	315,356	435,017
Borrowings	(296,042)	(383,404)
Other liabilities	4,778	(22,711)
	<u>24,092</u>	<u>28,902</u>
<b>Cash outflow from operations</b>	<u>(680,483)</u>	<u>(527,682)</u>
Gratuity paid	(3,862)	(21,000)
Income tax paid	(26,591)	(11,477)
<b>Net cash outflow from operating activities</b>	<u>(710,936)</u>	<u>(560,160)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in held to maturity securities	(2,352,617)	(1,250,000)
Net investment in available for sale securities	(409,000)	(2,308,383)
Net investment in held for trading securities	(1,384,085)	(654,432)
Redemption of principal on Term Finance Certificates	8,326	14,561
Proceeds from sale / redemption of held to maturity securities	3,206,410	1,320,025
Proceeds from sale / redemption of available for sale securities	-	2,260,943
Proceeds from sale / redemption of held for trading securities	1,398,108	1,021,700
Investment in operating fixed assets	(8,615)	(7,604)
Sale proceeds of property and equipment disposed off	3,718	2,111
<b>Net cash inflow from investing activities</b>	<u>462,245</u>	<u>398,921</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Grant received	-	2,461
<b>Net (decrease) in cash and cash equivalents</b>	<u>(248,691)</u>	<u>(158,777)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>1,523,671</u>	<u>1,321,016</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>1,274,980</u></u>	<u><u>1,162,239</u></u>
<b>Cash and cash equivalents comprise of the following:</b>		
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	529,242	436,786
Balances with other banks/NBFIs/MFBs	689,311	725,452
	<u>1,218,553</u>	<u>1,162,239</u>

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

**THE FIRST MICROFINANCEBANK LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL information (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 30 JUNE 2014**

**1 STATUS AND NATURE OF BUSINESS**

The First Microfinance Bank Limited (The Bank) was incorporated in The Islamic Republic of Pakistan on 05 November 2001 as a public company under the Companies Ordinance, 1984. The Bank received the certificate of commencement of business on 14 February 2002. The Bank'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 Bank has 133 business locations comprising of 87 branches/point of links, 46 Pakistan Post Office (PPO - sub office) (31 December 2013: 137 business locations comprising of 87 branches/point of links and 50 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**

These interim condensed financial informations of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Ordinance, 1984, the Microfinance Institution Ordinance, 2001 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Microfinance Institution Ordinance, 2001 and the said directives have been followed.

These interim condensed financial information do not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the annual financial information of the Bank as at 31 December 2013.

**3 BASIS OF MEASUREMENT**

These interim condensed financial information have been prepared under historical cost convention except for available for sale investments which are measured at fair value.

These interim condensed financial information have been presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

**4 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

**4.1** The accounting policies adopted for the preparation of these interim condensed financial information are the same as those applied in the preparation of the annual financial information for the year ended

**New, Amended And Revised Standards And Interpretations of IFRSs**

The Bank has adopted the following revised standards, amendments and interpretation of IFRSs which became effective during the period:

IAS 32 – Financial Instruments : Presentation – (Amendment)

IAS 36 – Impairment of Assets – (Amendment)

IFRIC 21 – Levies

IFAS 3 – Profit and Loss Sharing on Deposits

The adoption of the above standards / amendments did not have any effect on the interim condensed financial information.

- 4.2** The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial information of the Bank for the year ended 31 December 2013.

		30 June 2014	31 December 2013
		(Unaudited)	(Audited)
	Note	-----Rupees in '000'-----	
<b>5 INVESTMENTS - NET OF PROVISIONS</b>			
<b>Held to maturity</b>			
<b>Federal Government Securities</b>			
Pakistan Investment Bonds - DPF	5.1	12,761	2,914
Pakistan Investment Bonds	5.2	443,552	-
Market Treasury Bills	5.3	286,197	-
		<u>742,510</u>	<u>2,914</u>
<b>Term Deposit Receipts (TDRs)</b>	5.4	<u>1,307,891</u>	2,876,166
		<u>2,050,401</u>	2,879,080
<b>Available for sale</b>			
<b>Federal Government Securities</b>			
Pakistan Investment Bonds	5.2	828,343	434,872
Market Treasury Bills	5.3	734,484	592,864
		<u>1,562,827</u>	1,027,736
<b>Term Finance Certificates - Listed</b>	5.5	<u>53,676</u>	62,424
		<u>1,616,503</u>	1,090,160
<b>Held for trading</b>			
<b>Federal Government Securities</b>			
Pakistan Investment Bonds	5.2	79,720	80,490
		<u>79,720</u>	80,490
Add: (Deficit)/Surplus on revaluation of available for sale investments		<u>(2,565)</u>	1,121
		<u>3,744,059</u>	<u>4,050,851</u>

5.1 These represent bonds held for the purposes of the Depositors' Protection Fund carrying markup at the rate of 11.25% and 9.6% (31 December 2013: 9.6%) per annum, payable on semi-annual basis. The term of these bond ranges from three to ten years, maturing latest by August 2017.

5.2 These represent one to three years bonds carrying markup at the rate of 11.25% - 11.50% (31 December 2013: 11.25% - 11.50%) per annum, payable on semi-annual basis. The term of these bond ranges from one to three years, maturing latest by July 2016.

5.3 These securities have original maturity period of three months to one year with yield ranging between 9.91% and 9.98% (31 December 2013: 9.54% - 9.73%) per annum

5.4 These represent Term Deposit Receipts with original maturity of one month to six months carrying markup rate 10.25% (31 December 2013: 9.55% - 10.2%) per annum, payable on maturity.

5.5 These Term Finance Certificates are quoted and carry rate of return ranging between 10.72% and 12.13% (31 December 2013: 10.72% and 11.04%) per annum and maturing in September 2014 and February 2015.

## 6 ADVANCES - NET OF PROVISIONS

		30 June 2014 (Unaudited)		31 December 2013 (Audited)	
		Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
	Note	-----Rupees in '000'-----		-----Rupees in '000'-----	
Considered good	6.1	141,941	3,953,146	128,759	3,467,955
Considered doubtful	6.2	4,891	137,024	1,638	31,362
		<u>146,832</u>	<u>4,090,170</u>	<u>130,397</u>	<u>3,499,317</u>
Less:					
Specific provision	6.4		66,533		7,921
General provision			37,748		34,448
- Mandatory provision at the rate of 1%			6,530		6,530
- Inherent impairment for flood affected portfolio	6.3		44,278		40,978
	6.4		<u>110,811</u>		<u>48,899</u>
			<u>3,979,359</u>		<u>3,450,418</u>



- 6.1 Advances include staff loans aggregating to Rs. 42,147 thousand (31 December 2013: Rs. 33,653 thousand).
- 6.2 These include fully secured loans amounting to Rs. 201,723 thousand (31 December 2013: Rs. 46,590 thousand).
- 6.3 Following prudent risk management against the rescheduled advances of rain/flood affected portfolio for the year ended 31 December 2011 and 31 December 2012, an amount of Rs. 6.5 million has been maintained in addition to 1% general provision required under the prudential regulations.
- 6.4 Particulars of provision against non performing advances

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000'-----			-----Rupees in '000'-----		
Opening balance	7,921	40,978	48,899	14,510	70,422	84,932
Charge for the period	74,526	3,300	77,826	154,203	(29,444)	124,759
Less: Amount written off	15,914	-	15,914	160,792	-	160,792
	58,612	3,300	61,912	(6,589)	(29,444)	(36,033)
Closing balance	66,533	44,278	110,811	7,921	40,978	48,899

## 7 OPERATING FIXED ASSETS

	Note	30 June 2014 (Unaudited) -----Rupees in '000'-----	31 Dec 2013 (Audited)
Carrying value at the beginning of the period / year		141,607	130,120
Add: Additions during the period / year	7.1	8,615	58,335
Less: Disposals during the period / year at carrying value		-	(2,353)
		150,222	186,102
Less: Depreciation for the period / year		(24,593)	(44,495)
Carrying value at the end of the period / year		125,629	141,607

### 7.1 Additions during the period/year

Office equipment	1,848	9,767
Furniture and fixture	4,855	3,528
Computer equipment	1,306	11,201
Vehicles	382	19,168
Leasehold improvement	224	16,065
Computer Software	-	2,086
Capital work-in-progress	-	(3,480)
	8,615	58,335

## 8 DEFERRED TAX ASSET

Bank has recognised deferred tax asset on unabsorbed tax depreciation amounting to Rs.106,170 thousand (31 December 2013: Rs.106,170 thousand) and unabsorbed tax amortization amounting to Rs. 2,410 thousand (31 December 2013: Rs. 2,410 thousand) in view of availability and realisation of taxable profits in the future against which these can be absorbed. The Bank has not recognized deferred tax asset on deductible temporary differences of to be inserted by client (31 December 2013: Rs. 69,504 thousand rupee).

	30 June 2014		31 December 2013	
	(Unaudited)		(Audited)	
Note	Number	Rupees '000'	Number	Rupees '000
<b>9 DEPOSITS AND OTHER ACCOUNTS</b>				
<b>Time liabilities</b>				
Term deposits	8,808	4,846,231	9,118	4,794,836
<b>Demand liabilities</b>				
PLS deposits	100,242	2,363,977	98,488	2,214,449
Current deposits	159,119	920,129	155,831	805,696
	259,361	3,284,106	254,319	3,020,145
9.1	268,169	8,130,337	263,437	7,814,981

#### 9.1 Particulars of deposits by ownership

	30 June 2014		31 December 2013	
	(Unaudited)		(Audited)	
	Number	Rupees '000	Number	Rupees '000
Individual depositors	255,532	5,561,250	251,217	5,695,613
Institutional depositors				
Corporations/ firms	12,596	2,051,184	12,151	1,759,278
Banks and financial institutions	41	517,903	69	360,090
	12,637	2,569,087	12,220	2,119,368
	268,169	8,130,337	263,437	7,814,981

30 June 2013  
(Unaudited)  
-----Rupees in '000'-----

31 December 2013  
(Audited)  
-----Rupees in '000'-----

#### 10 MEMORANDUM/OFF BALANCE SHEET ITEMS

##### 10.1 Commitments

Commitments in respect of repo transactions	-	300,000
---	---	---------

##### 10.2 Contingencies

There were no contingencies at the period end which merit disclosure in the condensed interim financial information.

#### Half year ended

30 June 2014	30 June 2013
(Unaudited)	(Unaudited)
-----Rupees in '000'-----	

#### 11 MARKUP/RETURN/INTEREST EARNED

Markup on advances	545,076	470,078
Income on investment in Government Securities	158,692	135,464
Income from Term Finance Certificate - net of premium	2,868	4,024
Income from Term Deposits Receipts	38,778	23,649
Mark up on reverse repo transactions	1,900	772
Markup on deposit accounts with treasury and other banks	22,817	33,933
	770,131	667,920

## 12 RELATED PARTY TRANSACTIONS

The Bank'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 2014	30 June 2013
	(Unaudited)	(Unaudited)
	-----Rupees in '000'-----	
<b>Related party by virtue of significant influence over the Bank</b>		
Mark-up expense on deposits received	1,232	11,847
Administrative expenses on services	9,728	8,600
Profit received on deposits with related parties	7,842	9,871
	30 June 2014	31 Dec 2013
	(Unaudited)	(Audited)
	-----Rupees in '000'-----	
<b>Related party by virtue of significant influence over the Bank</b>		
Deposits and other accounts	79,503	152,545
Accrued mark-up on deposits received	-	557
Bank balances with related parties	239,293	367,555
Borrowings from related parties	-	296,042
Other liabilities	21,339	7,264
Other assets	3,191	10,806
	Half year ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
<b>Related party by virtue of common directorship</b>		
Mark-up expense on deposits received	6,962	5,877
Administrative expenses on services	18,061	11,580
	30 June 2014	31 Dec 2013
	(Unaudited)	(Audited)
Deposits and other accounts	334,549	225,897
Accrued mark-up on deposits received	4,607	1,952
Other assets	13,412	2,786
Other liabilities	13,979	2,850
	Half year ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
<b>Others</b>		
Charge for defined contribution gratuity fund	7,047	2,481
Contribution to defined contribution provident fund	11,334	10,017
Remuneration of key management personnel	22,233	17,230
	30 June 2014	31 Dec 2013
	(Unaudited)	(Audited)
Loan outstanding of key management personnel	4,015	3,602
Deposit of key management personnel	450	1,250
Accrued markup on deposit of key management personnel	-	10
Other liabilities	6,654	3,528

**13 GENERAL**

Figures have been rounded off to the nearest thousand rupee.

**14 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial information were authorized for issue by the Board of Directors of the Bank on August 29, 2014.