

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT 30 JUNE 2016

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Note	-----Rupees in '000'-----	
<u>ASSETS</u>		
Cash and balances with SBP and NBP	760,717	622,106
Balances with other Banks/NBFIs/MFBs	1,216,224	1,045,644
Investments - Net of Provisions	5 4,412,165	4,029,765
Advances - Net of Provisions	6 6,992,971	5,525,612
Operating fixed assets	7 415,285	382,967
Other assets	733,085	533,557
Deferred tax asset	8 47,686	47,686
Total assets	14,578,133	12,187,337
<u>LIABILITIES</u>		
Deposits and other accounts	9 10,544,002	9,661,088
Borrowings	-	645,576
Other liabilities	349,008	336,267
Deferred tax liabilities	-	-
Total liabilities	10,893,010	10,642,931
NET ASSETS	3,685,123	1,544,406
<u>REPRESENTED BY:</u>		
Issued, subscribed and paid-up capital	2,730,811	1,351,501
Share premium account	620,690	-
Statutory & general reserves	158,098	126,317
Depositors' Protection Fund	46,318	36,716
Accumulated profit	118,604	1,081
	3,674,521	1,515,615
Surplus on revaluation of assets	8,416	26,015
Deferred grants	2,186	2,776
TOTAL CAPITAL	3,685,123	1,544,406
MEMORANDUM / OFF-BALANCE SHEET ITEMS	10	

The annexed notes from 1 to 14 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 2016

	Note	Half year ended	
		30 June 2016	30 June 2015
-----Rupees in '000'-----			
Markup/return/interest earned	11	1,154,603	958,232
Markup/return/interest expensed		(279,104)	(310,456)
Net markup/interest income		<u>875,499</u>	<u>647,776</u>
Provision against non - performing loans and advances	6.3	(13,454)	(59,556)
Recovery against written off advances		16,328	14,538
		<u>2,874</u>	<u>(45,018)</u>
Net markup/interest income after provisions		878,373	602,758
Non markup/non interest income			
Fee, commission and brokerage income		72,446	59,074
Amortization of deferred grant		590	826
Other income		4,086	3,023
Total non markup/non interest income		<u>77,122</u>	<u>62,923</u>
Non markup/non interest expenses			
Administrative expenses		(737,887)	(504,596)
Grant related expenses		(590)	(826)
Loss on remeasurement of investments		-	(678)
Other charges		(1,392)	-
Total non-markup/non interest expenses		<u>(739,869)</u>	<u>(506,100)</u>
Profit before taxation		215,626	159,581
Taxation - Current		(56,720)	(27,128)
- Deferred		-	17,777
		<u>(56,720)</u>	<u>(9,351)</u>
Profit after taxation		158,906	150,230
Accumulated profit/(loss) brought forward		<u>1,081</u>	<u>(226,929)</u>
Profit/(loss) before appropriations		159,987	(76,699)
Appropriations - transfers to			
Statutory reserve		(31,781)	(30,046)
Contribution to depositors' protection fund:			
- 5% of Profit after tax		(7,945)	(7,512)
- Interest on investment		(1,657)	(958)
		<u>(41,383)</u>	<u>(38,516)</u>
Accumulated profit/(loss) carried forward		<u>118,604</u>	<u>(115,215)</u>
Earning per share (Rupee)		<u>0.96</u>	<u>1.11</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 2016

	Half year ended	
	30 June 2016	30 June 2015
	-----Rupees in '000'-----	
Profit after taxation for the period	158,906	150,230
Other comprehensive income that can not be reclassified into profit or loss in subsequent periods		
Remeasurement of defined benefit plan	-	(5,784)
Comprehensive income transferred to equity	158,906	144,446
Components of comprehensive income not reflected in equity		
Other comprehensive income that can be reclassified into profit or loss in subsequent periods		
(Deficit)/Surplus on revaluation of available for sale investments	(17,599)	17,492
	141,307	161,938

Surplus/(Deficit) on revaluation of available for sale investments is presented under a separate account below equity in accordance with the format of financial statements as prescribed under BSD Circular No. 11 dated 30 December, 2003 issued by the State Bank of Pakistan (SBP).

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 2016

	Capital reserves			General reserves	Total	
	Share capital	Share premium account	Statutory & general reserve	Depositors protection fund		Accumulated (loss)/profit
-----Rupees in '000'-----						
Balance as at 1 January 2015	1,351,501	-	63,974	19,588	(226,929)	1,208,134
Total comprehensive income for the half year ended 30 June 2015						
Net profit for the half year ended 30 June 2015	-	-	-	-	150,230	150,230
Remeasurement of defined benefit plan	-	-	-	-	(5,784)	(5,784)
	-	-	-	-	144,446	144,446
Contribution for the period	-	-	30,046	7,512	(37,558)	-
Interest earned on investment of depositors' protection fund	-	-	-	958	(958)	-
Balance as at 30 June 2015	<u>1,351,501</u>	<u>-</u>	<u>94,020</u>	<u>28,058</u>	<u>(120,999)</u>	<u>1,352,580</u>
Balance as at 1 January 2016	1,351,501	-	126,317	36,716	1,081	1,515,615
137,931,035 shares, having face value of Rs. 10, issued during the period at a premium of Rs. 4.5 each	1,379,310	620,690	-	-	-	2,000,000
Total comprehensive income for the half year ended 30 June 2016						
Net profit for the half year ended 30 June 2016	-	-	-	-	158,906	158,906
Remeasurement of defined benefit plan	-	-	-	-	-	-
	-	-	-	-	158,906	158,906
Contribution for the period	-	-	31,781	7,945	(39,726)	-
Interest earned on investment of depositors' protection fund	-	-	-	1,657	(1,657)	-
Balance as at 30 June 2016	<u>2,730,811</u>	<u>620,690</u>	<u>158,098</u>	<u>46,318</u>	<u>118,604</u>	<u>3,674,521</u>

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 2016

	Half year ended	
	30 June 2016	30 June 2015
	-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	215,626	159,581
Adjustment for non cash items:		
Depreciation of property and equipment	40,426	28,261
Amortization of intangible assets	3,641	1,828
Provision against non performing loans and advances	13,454	59,556
Gain on disposal of operating fixed assets	(812)	(319)
Amortization of deferred grant	(590)	(826)
Income on investments in term deposit receipts	(71,111)	(41,279)
Revaluation loss on investment - held for trading	-	678
Net amortization of premium on investments	-	76
Net amortization of discount on investments	(16,390)	(5,624)
Provision for gratuity	10,724	5,654
	<u>(20,658)</u>	<u>48,005</u>
	194,968	207,586
(Increase) / decrease in operating assets:		
Advances	(1,480,813)	(864,064)
Other assets (excluding advance taxation)	(214,020)	(114,934)
	<u>(1,694,833)</u>	<u>(978,998)</u>
Increase/(decrease) in operating liabilities:		
Deposits and other accounts	882,914	411,102
Borrowings	(645,576)	27,527
Other liabilities	16,280	(51,459)
	<u>253,618</u>	<u>387,170</u>
Cash outflow from operations	<u>(1,246,247)</u>	<u>(384,242)</u>
Contribution made to gratuity fund	(14,263)	(4,500)
Income tax paid	(42,228)	(26,942)
Net cash outflow from operating activities	<u>(1,302,738)</u>	<u>(415,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in held to maturity securities	(1,250,507)	(1,136,936)
Net investment in available for sale securities	-	(183,694)
Net investment in held for trading securities	-	(173,769)
Redemption of principal on Term Finance Certificates	-	22,488
Proceeds from sale / redemption of held to maturity securities	1,138,009	1,692,687
Proceeds from sale / redemption of available for sale securities	350,000	400,000
Proceeds from sale / redemption of held for trading securities	-	268,000
Investment in operating fixed assets	(76,842)	(143,470)
Sale proceeds of property and equipment disposed off	1,269	665
Net cash inflow from investing activities	<u>161,929</u>	<u>745,971</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,000,000	-
Grant received	-	1,404
Net cash inflow from financing activities	<u>2,000,000</u>	<u>1,404</u>
Net increase in cash and cash equivalents	859,191	331,691
Cash and cash equivalents at beginning of the period	2,017,750	1,232,150
Cash and cash equivalents at the end of the period	<u>2,876,941</u>	<u>1,563,841</u>
Cash and cash equivalents comprise of the following:		
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	760,717	609,882
Balances with other banks/NBFIs/MFBs	1,216,224	953,959
Cash Equivalents in investments	900,000	-
	<u>2,876,941</u>	<u>1,563,841</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 2016

1 STATUS AND NATURE OF BUSINESS

The First Microfinance Bank Limited (FMFB) was incorporated in The Islamic Republic of Pakistan on 5 November, 2001 as a public limited company under the Companies Ordinance, 1984. The FMFB received the certificate of commencement of business on 14 February 2002. 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. FMFB has 151 business locations comprising of 110 (2015: 109) branches/point of links/Permanent Booths (PBs), 41 (2015: 42) 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. During the period, FMFB issued 137,931,035 shares to Habib Bank Limited (HBL) at a premium of Rs. 4.5 per share on face value resulting in HBL acquires controlling interest of 50.51% in FMFB effective 20 May, 2016.

2 BASIS OF PREPARATION

This interim condensed financial informations of FMFB has 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). Where, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Microfinance Institutions Ordinance, 2001, or the requirements of the said directives prevail.

This interim condensed financial information does not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the annual financial statements of the FMFB as at 31 December 2015.

3 BASIS OF MEASUREMENT

This interim condensed financial information has been prepared under the historical cost basis except obligation under employee retirement benefit plan is measured at present value and investments available for sale and held for trading which are measured at fair value.

This interim condensed financial information has been presented in Pakistani Rupees, which is FMFB'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 31 December, 2015.

4.2 The financial risk management objectives and policies adopted by FMFB are consistent with those disclosed in the annual financial statements of FMFB for the year ended 31 December, 2015.

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
	Note	-----Rupees in '000'-----	
5 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Federal Government Securities			
Pakistan Investment Bonds	5.1	660,420	657,870
Market Treasury Bills	5.2	188,983	174,906
		849,403	832,776
Term Deposit Receipts (TDRs)	5.3	2,787,002	2,061,900
		3,636,405	2,894,676
Available for sale			
Federal Government Securities			
Pakistan Investment Bonds	5.1	571,200	918,828
Market Treasury Bills	5.2	196,144	190,246
		767,344	1,109,074
Surplus on revaluation of available for sale investments		8,416	26,015
		4,412,165	4,029,765

5.1 These represent three to ten year bonds carrying markup at rates ranging between 9.6% to 12% (2015: 9.6% to 12.0%) per annum, payable on a semi-annual basis, maturing during the year 2016 to 2018. This includes a ten years bond and a three years bond held for the purposes of Depositors' Protection Fund carrying mark-up at the rate of 9.6% and 11.25% (2015: 9.6% and 11.25%) per annum respectively, maturing in 2016 and 2017 respectively.

5.2 These securities have an original maturity period of one year with yields ranging between 5.28% to 6.52% (2015: 6.27% to 8.85%) per annum.

5.3 These represent TDRs with an original maturity of three months to one year carrying markup at rate ranging between 6.5% to 12% (2015: 6.65% to 10%) per annum, payable on maturity.

6 ADVANCES - NET OF PROVISIONS

		30 June 2016 (Unaudited)		31 December 2015 (Audited)	
		Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
	Note	Number	Rupees in '000'	Number	Rupees in '000'
Considered good	6.1	206,961	7,021,548	174,225	5,550,652
Considered doubtful		2,339	54,177	3,003	89,091
		209,300	7,075,725	177,228	5,639,743
Less:					
Specific provision	6.2		18,986		31,785
General provision					
- Mandatory provision at the rate of 1%	6.3		63,768		50,992
- Provision for flood effected clients	6.3		-		31,354
	6.2		63,768		82,346
			82,754		114,131
			6,992,971		5,525,612

6.1 This includes fully secured advances amounting to Rs. 620,889 thousand (31 December 2015: Rs. 539,875 thousands) whereas the remaining advances except staff loans are secured by personal guarantee. Advances includes 480 (31 December 2015: 490) staff loans, aggregating to Rs. 59,089 thousand (31 December 2015: Rs. 52,151 thousand), carrying markup at rates ranging between 3% to 5% per annum (31 December 2015: 3% to 5% per annum). This includes loans outstanding key management personnel of Rs. 8,291 thousand (31 December 2015: Rs. 4,624 thousand).

6.2 Particulars of provision against non performing advances

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000'-----			-----Rupees in '000'-----		
Opening balance	31,785	82,346	114,131	16,983	46,325	63,308
Charge for the period/year	32,032	(18,578)	13,454	60,947	36,021	96,968
Less: Amount written off	44,831	-	44,831	46,145	-	46,145
	(12,799)	(18,578)	58,284	14,802	36,021	50,823
Closing balance	18,986	63,768	172,415	31,785	82,346	114,131

6.3 The provision was maintained in respect of advances of natural calamity affected branches of Chitral region.

7 OPERATING FIXED ASSETS

	Note	30	31
		June 2016	December 2015
		(Unaudited)	(Audited)
		-----Rupees in '000'-----	
Carrying value at the beginning of the period/year		382,967	205,717
Add: Additions during the period/year	7.1	76,842	242,297
Less: Disposals/deletion during the period/year at carrying value		(457)	(745)
		459,352	447,269
Less: Depreciation and amortization for the period/year		(44,067)	(64,302)
Carrying value at the end of the period/year	7.2	415,285	382,967

7.1 Additions during the period/year

Direct additions:		
Office equipment	18,236	25,883
Furniture and fixture	7,672	12,876
Computer equipment	24,057	15,277
Vehicles	7,905	15,443
Leasehold improvements	18,972	39,387
Computer Software	-	2,770
	76,842	111,636
Additions in capital work-in-progress	-	130,661
	76,842	242,297

7.2 This include capital work-in-progress amounting to PKR 39,786 thousand (2015: PKR 155,798 thousand).

8 DEFERRED TAX ASSET

Arising in respect of following deductible temporary differences

Operating fixed asset	13,133	13,133
Provision against non-performing loans and advances	34,553	34,553
	47,686	47,686

	Note	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
		Number	Rupees in '000'	Number	Rupees in '000'
9 DEPOSITS AND OTHER ACCOUNTS					
Time liabilities					
Fixed Deposits		8,502	5,790,191	8,067	5,325,504
Saving deposits		106,311	3,597,249	104,485	3,316,856
Current deposits		246,453	1,156,562	183,696	1,018,728
	9.1	<u>361,266</u>	<u>10,544,002</u>	<u>296,248</u>	<u>9,661,088</u>

9.1 Particulars of deposits by ownership

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Number	Rupees in '000'	Number	Rupees in '000'
Individual depositors	347,172	5,444,170	282,931	6,066,208
Institutional depositors:				
Corporations/ firms	13,830	3,397,558	13,231	2,653,596
Banks and financial institutions	264	1,702,274	86	941,284
	<u>361,266</u>	<u>10,544,002</u>	<u>296,248</u>	<u>9,661,088</u>

10 MEMORANDUM/OFF BALANCE SHEET ITEMS

10.1 Contingencies

10.1.1 FMFB has filed tax returns up to tax year 2015, which are deemed assessed in terms of section 120(1) of the Income Tax Ordinance, 2001.

10.1.2 The Assistant Commissioner (AC), Sindh Revenue Board (SRB) has raised a demand of Rs 4,412 thousand on account of deposit of SRB sales tax/ returns into Federal Board of Revenue (FBR) and its penalty. The principal demand has subsequently been paid in SRB with a waiver of penalty. AC-SRB has raised a demand of Rs 5,775 thousand on account of disallowance input tax and its penalty. The Commissioner (Appeals) SRB has upheld the order of ACIR to the extent of penalty. The principal demand of Rs. 2,750 thousand has been paid by the vendor. FMFB has filed appeal before the Sind Appellate Tribunal Inland Revenue for both of the said cases which are pending adjudication.

10.2 Commitments

There are no commitments as at 30 June, 2016 (31 December, 2015: Nil)

	Half year ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
	-----Rupees in '000'-----	
11 MARKUP/RETURN/INTEREST EARNED		
Mark-up on advances	951,380	734,920
Income on investment in Government Securities	97,922	140,998
Income from Term Finance Certificates - net of premium	-	132
Income from Term Deposit Receipts	71,111	51,008
Mark-up on deposit accounts with treasury and other banks	34,190	31,174
	<u>1,154,603</u>	<u>958,232</u>

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 2016 (Unaudited)	30 June 2015 (Unaudited)
	-----Rupees in '000'-----	
Related party by virtue of significant influence over the Bank		
Mark-up expense on deposits received	2,619	6,979
Administrative expenses on services	10,466	10,472
Profit received on deposits with related parties	3,866	4,716
	<u>16,951</u>	<u>22,167</u>
	30 June 2016 (Unaudited)	31 Dec 2015 (Audited)
	-----Rupees in '000'-----	
Related party by virtue of significant influence over the Bank		
Deposits and other accounts	191,034	248,375
Accrued mark-up on deposits received	1,352	1,044
Bank balances with related parties	317,309	285,122
Borrowings from related parties	-	645,576
Other liabilities	1,553	288
Other assets	7,049	12,460
	<u>617,297</u>	<u>1,192,865</u>
	Half year ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
	-----Rupees in '000'-----	
Related party by virtue of common directorship		
Mark-up expense on deposits received	2,998	2,011
Administrative expenses on services	29,361	21,921
	<u>32,359</u>	<u>23,932</u>
	30 June 2016 (Unaudited)	31 Dec 2015 (Audited)
	-----Rupees in '000'-----	
Deposits and other accounts	581,182	417,734
Accrued mark-up on deposits received	1,083	5,971
Other assets	23,897	12,364
Other liabilities	6,605	6,552
	<u>612,767</u>	<u>436,621</u>

	<u>Half year ended</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>-----Rupees in '000'-----</u>	
Others		
Charge for defined contribution gratuity fund	<u>16,164</u>	<u>5,654</u>
Contribution to defined contribution provident fund	<u>10,724</u>	<u>12,585</u>
Remuneration of key management personnel	<u>23,064</u>	<u>21,611</u>
	<u>30 June 2016</u>	<u>31 Dec 2015</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>-----Rupees in '000'-----</u>	
Loan outstanding of key management personnel	<u>8,291</u>	<u>4,642</u>
Deposit of key management personnel	<u>547</u>	<u>669</u>
Accrued markup on deposit of key management personnel	<u>3</u>	<u>8</u>
Other liabilities	<u>10,727</u>	<u>6,141</u>

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 31, 2016.