

**THE FIRST MICROFINANCE BANK LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2010**

	Note	2010	2009
		<u>Rupees</u>	<u>Rupees</u>
<u>ASSETS</u>			
Cash and Balances with SBP and NBP	6	292,158,613	406,467,354
Balances With Other Banks/NBFIs/MFBs	7	549,599,696	507,726,727
Lending to financial Institutions	8	97,543,801	244,402,250
Investments – Net Of Provisions	9	2,785,780,736	1,775,331,171
Advances – Net Of Provisions	10	2,221,769,813	2,725,562,041
Operating Fixed Assets	11	151,468,900	178,186,704
Other Assets	12	254,456,643	230,330,530
Deferred Tax Asset	13	-	-
Total assets		6,352,778,202	6,068,006,777
<u>LIABILITIES</u>			
Deposits and other accounts	14	5,344,198,196	5,219,007,844
Borrowing		-	-
Subordinated Debt		-	-
Other Liabilities	15	255,845,194	255,789,263
Deferred Tax Liabilities		-	-
Total liabilities		5,600,043,390	5,474,797,107
Net Assets		752,734,812	593,209,670
<u>REPRESENTED BY:</u>			
Share Capital	16	990,000,750	660,000,500
Statutory and General Reserves		13,472,412	13,472,412
Depositors' Protection Fund		4,514,025	4,142,236
Accumulated Loss		(246,104,656)	(84,174,132)
		761,882,531	593,441,016
Deficit on Revaluation of Assets	17	(9,330,917)	(9,259,818)
Deferred Grants	18	8,183,198	9,028,472
		760,734,812	593,209,670
MEMORANDUM / OFF-BALANCE SHEET ITEMS	19		

The annexed notes from 1 to 39 form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
Markup/Return/Interest Earned	20	1,146,752,583	969,040,782
Markup/Return/Interest Expensed	21	(487,056,565)	(407,753,170)
Net markup/interest income		659,696,018	561,287,612
Provision against non-performing loans and advances	10.3	(224,433,417)	(40,752,036)
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(224,433,417)	(40,752,036)
Net Markup/Interest Income after provisions		435,262,601	520,535,576
Non mark-up/non interest income			
Fee, Commission and Brokerage Income	22	99,485,464	120,959,066
Dividend Income		-	-
Amortization of deferred capital grant	23	4,805,925	3,799,677
Other Income		7,430,542	5,023,529
Total non-markup/non interest income		111,721,931	129,782,272
		546,984,532	650,317,848
Non mark-up/non interest expenses			
Administrative expenses	24	(690,517,091)	(613,411,751)
Depreciation - grant related assets	24	(4,805,925)	(3,799,677)
Other provisions/write offs		(588,506)	-
Other charges	25	(47,000)	(553,438)
Total non-markup/non interest expenses		(695,958,522)	(617,764,866)
		(148,973,990)	32,552,982
Extra ordinary/unusual items		-	-
(Loss) / profit before taxation		(148,973,990)	32,552,982
Taxation			
- Current		(12,584,745)	(5,391,700)
- Prior years		-	-
- Deferred		-	-
	26	(12,584,745)	(5,391,700)
(Loss) / profit after taxation		(161,558,735)	27,161,282
Unappropriated Loss brought forward		(84,174,132)	(104,231,456)
Loss before appropriations		(245,732,867)	(77,070,174)
Appropriations - Transfers to:			
Statutory Reserve		-	(5,432,256)
Capital Reserve		-	-
Contribution to Depositors' Protection Fund		(371,789)	(1,671,702)
Revenue Reserve		-	-
Dividend		-	-
		(371,789)	(7,103,958)
Accumulated Loss carried forward		(246,104,656)	(84,174,132)
	31	(2.55)	0.41

The annexed notes from 1 to 39 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010	2009
		Rupees	Rupees
(Loss) / profit after taxation		(161,558,735)	27,161,282
Other comprehensive income		-	-
Comprehensive (loss) / income transferred to equity		(161,558,735)	27,161,282
Components of comprehensive income not reflected in equity			
Deficit on revaluation of investments	9.5	(71,099)	500,475
		(161,629,834)	27,661,757

The annexed notes from 1 to 39 form an integral part of these financial statements.



THE FIRST MICROFINANCEBANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 Rupees	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(148,973,990)	32,552,982
<i>Adjustments for non-cash charges</i>			
Depreciation of property and equipment	11.2	60,020,808	60,093,510
Amortization of intangible assets	11.3	1,011,634	832,808
Gain on disposal of operating fixed assets		(2,176,718)	(95,933)
Loss on write off/disposal of property and equipment		5,949,172	441,261
Amortization of deferred capital grant		(9,425,544)	(9,070,346)
Income on investment in Government securities		(186,480,133)	(77,712,721)
Net amortization of premium on investments		1,436,438	1,692,407
Mark up on reverse repo transactions		(21,314,087)	(19,100,434)
Provision against non performing loans and advances		224,433,417	40,752,036
Other provisions/write offs		588,506	-
Provision for gratuity		11,175,000	7,130,000
		85,218,493	4,962,588
		(63,755,497)	37,515,570
<i>(Increase)/decrease in operating assets</i>			
Lending to financial institutions		146,858,449	(244,402,250)
Advances		279,358,811	(698,563,429)
Other assets (excluding advance taxation and grant receivable)		(33,960,161)	(59,338,875)
		392,257,099	(1,002,304,554)
<i>Increase in operating liabilities</i>			
Deposits and other accounts		125,190,352	1,914,265,462
Other liabilities		(3,989,069)	136,333,451
		121,201,283	2,050,598,913
<i>Cash inflows from operations</i>		449,702,885	1,085,809,929
Gratuity paid		(7,130,000)	(8,306,000)
Income tax paid		(2,355,751)	(4,567,547)
Net cash inflow from operating activities		440,217,134	1,072,936,382
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investment in available for sale securities including reverse repo		(19,034,104,242)	(9,758,742,925)
Refund of principal on available for sale securities		20,032,080	10,029,920
Proceeds from sale/redemption of available for sale securities including reverse repo		18,209,909,280	8,617,216,610
Proceeds received against right issue		330,000,250	-
Investments in operating fixed assets		(41,088,204)	(45,144,315)
Sale proceeds of property and equipment disposed-off		3,001,112	360,000
Net cash outflow from investing activities		(512,249,724)	(1,176,280,710)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		7,596,818	7,578,387
Net increase in cash and cash equivalents		(64,435,772)	(95,765,941)
Cash and cash equivalents at the beginning of the year		914,194,081	1,009,960,022
Cash and cash equivalents at the end of the year	33	849,758,309	914,194,081

The annexed notes from 1 to 39 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	SHARE CAPITAL	STATUTORY RESERVE	DEPOSITORS' PROTECTION FUND	UNAPPROPRIATED PROFIT/ (ACCUMULATED LOSS)	TOTAL
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance at 01 January 2009	660,000,500	8,040,156	2,470,534	(104,231,456)	566,279,734
Contribution for the year	-	5,432,256	1,358,064	(6,790,320)	-
Interest earned on investment of fund	-	-	313,638	(313,638)	-
Total comprehensive income	-	-	-	27,161,282	27,161,282
Balance at 31 December 2009	660,000,500	13,472,412	4,142,236	(84,174,132)	593,441,016
Balance at 01 January 2010	660,000,500	13,472,412	4,142,236	(84,174,132)	593,441,016
Issue of share capital	330,000,250	-	-	-	330,000,250
Interest earned on investment of fund	-	-	371,789	(371,789)	-
Total comprehensive loss	-	-	-	(161,558,735)	(161,558,735)
Balance at 31 December 2010	990,000,750	13,472,412	4,514,025	(246,104,656)	761,882,531

The annexed notes from 1 to 39 form an integral part of these financial statements.

1 STATUS AND NATURE OF BUSINESS

The First MicroFinanceBank Limited (the 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. 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 147 business locations comprising of 83 branches/point of links and 64 Pakistan Post Office (PPO) - sub offices (2009: 156 business locations comprising of 88 branches/point of links and 68 PPO - sub offices) in operation with registered office at 16 - 17 Floor HBL Tower, Near China Chowk, Blue Area Islamabad, Pakistan and is licensed to operate nationwide.

2 BASIS OF PRESENTATION

These financial statements have been presented in accordance with the Banking Supervision Department (BSD) circular number 11 dated 30 December 2003 issued by the State Bank of Pakistan (SBP).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever, the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, or directives issued by the SECP and the SBP differ with the requirements of IFRSs the requirements of the Companies Ordinance, 1984, the Micro Finance Institutions Ordinance, 2001, or the requirements of the said directives shall prevail.

These financial statements also comply with the Disclosure Guidelines for financial reporting by Microfinance Institutions which guidelines are voluntary norms recommended by a consultative group of international donors including the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network (SEEP).

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been measured in accordance with the Prudential Regulations ("the Regulations") of the SBP and presented in accordance with the requirements of SBP BSD circular number 11 dated 30 December 2003. Further, the SECP vide its S.R.O No. 411 (I)/ 2008 dated 28 April 2008 has deferred the applicability of International Financial Reporting Standard (IFRS) 7 "Financial Instruments" which is applicable for annual periods beginning on or after 01 July 2008 till further orders.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost basis except that obligations under employee retirement benefit plan are measured at present value and investments available for sale are measured at fair market value.

5 SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

5.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the FMFB's functional currency. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

5.2 Significant accounting estimates

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments/estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments/estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying value of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the financial statements relates to valuation and impairment of investments, advances, provision for income taxes, staff retirement benefits, determination of useful lives of depreciable assets and intangible assets and other provisions which are discussed in following paragraphs:

5.2.1 Impairment of investments

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Regulations issued by the SBP.

5.2.2 Advances

The FMFB reviews its micro credit loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirements, the Regulations of SBP are taken into consideration.

5.2.3 Operating fixed assets/ intangible assets

Estimates of residual values and useful lives of operating fixed assets are reassessed annually and any change in estimate is taken into account in the determination of depreciation charge and impairment loss. Changes in estimates are accounted for over the estimated remaining economic life of the assets.

5.2.4 Employee benefits

Defined benefit plan is provided for employees of the FMFB. For defined benefit a deferred liability is recognized in the FMFB's financial statements. The calculation of defined benefit plan requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used vary as they are determined by independent actuary. Calculations are sensitive to changes in the underlying adjustments.

5.2.5 Other provisions

Estimates of the amount of provisions recognized are based on current legal and constructive requirements. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

5.3 Significant accounting policies

5.3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with SBP, balances with National Bank of Pakistan (NBP), balance with other banks and short-term deposits.

5.3.2 Lending to / borrowing from financial institutions

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investment securities. The counter party liability for consideration received is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up /return/interest expense over the period of transaction. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized as investments in the balance sheet. Amounts paid under these agreements are included in lending to financial institutions. The difference between purchase and resale price is treated as markup/ return/interest income over the period of transaction.

5.3.3 Investment

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the FMFB. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the FMFB has transferred substantially all the risks and rewards of ownership.

Investments of the FMFB are classified into the following categories:

(a) Held for trading

These are investments acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin. These are marked to market based on quoted market prices and surplus/deficit arising from changes in the fair value of securities classified as held for trading is taken to profit and loss account. Unquoted securities are valued at cost less impairment, if any.

(b) Held for maturity

Investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held to maturity. Subsequent to initial recognition at cost, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account effective interest rate method. Profit on held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Premium or discount on acquisition of held to maturity investments is amortized through profit and loss account over the remaining period till maturity.

5.3.3 Investment (continued)

(c) Available-for-sale

Investments which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Available-for-sale investments are initially recognized at cost and subsequently measured at fair value.

The surplus/ (deficit) arising on revaluation of available for sale investments is kept in “Surplus/ (deficit) on revaluation of assets” and is shown in the balance sheet below equity. The surplus/ (deficit) arising on these investments is taken to profit and loss account, when actually realized upon disposal.

5.3.4 Advances

These are stated net of provision for non-performing advances, if any. The outstanding principal of the advances, payments against which are overdue for 30 days or more are classified as non-performing and divided into following four categories:

(a) Other Assets Especially Mentioned:

These are advances in arrears (payments/installments overdue) for 30 days or more but less than 60 days.

(b) Substandard:

These are advances in arrears (payments/installments overdue) for 60 days or more but less than 90 days.

(c) Doubtful:

These are advances in arrears (payments/installments overdue) for 90 days or more but less than 180 days.

(d) Loss:

These are advances in arrears (payments/installments overdue) for 180 days or more.

In accordance with the requirement of the Regulations, the FMFB maintains specific provision for potential loan losses for all non-performing advances as follows:

(i) Other Assets Especially Mentioned	Nil
(ii) Substandard	25% of outstanding principal net of cash collaterals
(iii) Doubtful	50% of outstanding principal net of cash collaterals
(iv) Loss	100% of outstanding principal net of cash collaterals

In addition to above, a general provision is made equivalent to 1.5% of the net outstanding balance (advances net of specific provisions).

General and specific provisions are charged to the profit and loss account in the period in which they occur.

Non-performing advances are written off one month after the loan is classified as “Loss”. However, the FMFB continues its efforts for recovery of the written off balances.

5.3.5 Operating fixed assets

(a) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

(b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and the costs of dismantling and removing the items and restoring the site on which they are located, if any.

Depreciation is charged on the straight line method at rate specified in note 11.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

Subsequent costs are included in the assets carrying amount when it is probable that future economic benefits associated with the item will flow to the FMFB and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognized. All other repair and maintenance are charged to income during the period.

Gain or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of fixed asset. Gains are recognized within "other income" while losses are recognized in administrative expenses in the profit and loss account.

(c) Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the FMFB and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets comprise of computer software and related applications. Intangible assets are amortized over their estimated useful lives at rate specified in note 11.3 to the financial statements. Subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognized in profit and loss account as incurred.

5.3.6 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits, if any is recognized separately as part of other liabilities, and is charged to the profit and loss account over the period.

5.3.7 Taxation

Income tax expense/income comprises current and deferred tax. Income tax expense/ income is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or below equity, in which case it is recognized in equity or below equity.

The FMFB takes into account the current income tax law and decisions taken by appellate authorities. Instances where the FMFB's view differs from the view taken by the income tax department at the assessment stage and where the FMFB considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

5.3.7 Taxation (continued)

(a) Current

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, taking into account tax credits, rebates and tax losses, if any, and any adjustment to tax payable in respect of previous years.

(b) Deferred

Deferred tax is accounted for on all major taxable temporary differences between the carrying amounts of assets for financial reporting purposes and their taxation base. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, the FMFB reassesses the carrying and the unrecognized amount of deferred tax assets.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus/ (deficit) arising on such revaluation.

5.3.8 Staff retirement benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the FMFB. The main features of the schemes operated by the FMFB for its employees are as follows:

(a) Defined benefit plan

The FMFB operates an approved non-contributory defined benefit gratuity fund for all employees with a qualifying service period of 5 years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. Annual provision has been made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

(b) Defined contribution plan

The FMFB operates a defined contribution provident fund scheme for its eligible employees. Contributions are made by the FMFB and the employees in accordance with rules of the fund.

5.3.9 Reserves

(a) Statutory reserve

The FMFB is required to maintain a statutory reserve to which an appropriation equivalent to 20% of its annual profit after tax is made till such time the reserve fund equals the paid-up capital of the FMFB and thereafter, an appropriation of a sum not less than 5% of its annual profit after taxes in accordance with statutory requirements under the Microfinance Institutions Ordinance, 2001.

(b) Depositors protection fund

The FMFB contributes 5% of its annual after tax profit along with related income on investment to the Depositors Protection Fund, as required under the Microfinance Institutions Ordinance, 2001

5.3.10 Provisions

A provision is recognized when, and only when, the FMFB has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.3.11 Grants

Income from grants is recognized according to the related terms and conditions. Income related to grants for the funding of projects and programs is recognized as the expenditure is incurred on projects and programs.

The grants which involve funding for fixed assets are deferred and amortized to the profit and loss account when the related fixed asset is depreciated.

Grants to be utilized for providing loans are shown as a liability. Other grants are recognized as income in the year of receipt.

5.3.12 Foreign currency transactions

The financial statements are presented in Pakistani Rupees, which is the FMFB's functional currency. Transactions in foreign currencies are translated into Rupees at exchange rate on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange approximating those ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss account.

5.3.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.3.14 Revenue recognition

(a) Markup/income on advances

Markup/income/return/service charge on advances is recognized on accrual/ time proportion basis using effective interest rate method at the FMFB's prevailing interest rates for the loan products. Markup/income on advances is collected with loan installments. Due but unpaid service charges/income are accrued on overdue advances for period up to 30 days. After 30 days, overdue advances are classified as non-performing and further accrual of unpaid service charges/income ceases. Further, accrued markup on non-performing advances are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances is recognized on a receipt basis in accordance with the requirements of the Regulations.

(b) Income from investments

Markup/ return on investments is recognized on accrual/ time proportion basis using the effective interest rate method. Where debt securities are purchased at premium or discount, those premiums/ discounts are amortized through profit and loss account over the remaining period of maturity.

(c) Dividend income

Dividend income is recognized when the FMFB's right to receive the dividend is established.

(d) Gain and loss on sale of investments

Gains and losses on sale of investments are included in income currently.

(e) Fee, commission and brokerage income

Fee, commission and brokerage income is recognized when the related services are rendered.

(f) Income from lending to financial institutions

The income on reverse repo transactions arising from the difference between the sale and repurchase price is recognized using the effective yield method.

(g) Income from inter bank deposits

Income from inter bank deposits in saving accounts is recognized in the profit and loss account as it accrues using the effective interest method .

(h) Gain/ loss on sale of operating fixed assets investments

(i) Gain on sale of operating fixed assets are recognized under other income in the profit and loss account.

(ii) Loss on sale of operating fixed assets are recognized under administrative expenses in the profit and loss account.

5.3.15 Related party transactions

Transactions between the FMFB and its related parties are carried out on arm's length basis using the comparable uncontrolled price method.

5.3.16 Financial instruments

Financial assets and liabilities are recognized when the FMFB becomes a party to the contractual provisions of the instrument. These are derecognized when the FMFB ceases to be the party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or historical cost, as the case may be.

(a) Financial assets

Financial assets are cash and balances with SBP and NBP, balances with other banks/NBFIs/MFBs, lending to financial institutions, investments, advances and other receivables. Advances are stated at their nominal value as reduced by appropriate provisions against non-performing advances, while other financial assets excluding investments are stated at cost. Investments classified as available for sale are valued at year end prices and investments classified as held to maturity are stated at amortized cost.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Financial liabilities include deposit and other accounts, borrowings and other liabilities which are stated at their nominal value. Financial charges are accounted for on accrual basis.

Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

5.3.17 Off-setting

Financial assets and financial liabilities and tax assets and tax liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognized amount and the FMFB intends either to settle on net basis or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.3.18 Borrowing costs

Mark up, interest and other charges on borrowings are charged to income in the period in which they are incurred.

5.3.19 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition mark-up bearing borrowings are stated at original cost less subsequent repayments.

5.4 Forthcoming changes in approved accounting standards which are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the FMFB's current operations or are not expected to have significant impact on the FMFB's financial statements other than certain additional disclosures:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 01 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the FMFB's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on FMFB's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 01 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. This amendment is not likely to have any impact on FMFB's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 01 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the FMFB.

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	Note	2010 Rupees	2009 Rupees
6 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand-local currency		71,118,729	68,728,583
Balance with State Bank of Pakistan (SBP) in local currency	6.1	139,665,588	284,443,273
Balance with National Bank of Pakistan (NBP) in local currency			
Current account		-	100,000
Deposit accounts	6.2	81,374,296	53,195,498
		<u>292,158,613</u>	<u>406,467,354</u>

6.1 This represents balance maintained in current account with SBP to meet the requirement of maintaining Cash Reserve Requirement ("CRR").

6.2 These carry mark up at the rate of 2.5% (2009: 2.5%) per annum.

	Note	2010 Rupees	2009 Rupees
7 BALANCES WITH OTHER BANKS/NBFIs/MFBs			
In Pakistan			
on current accounts		28,756,991	51,951,379
on deposit accounts	7.1	520,842,705	455,775,348
		<u>549,599,696</u>	<u>507,726,727</u>

7.1 All deposit accounts carry markup ranging between 9% and 11% (2009: 5% and 10.5%) per annum.

	Note	2010 Rupees	2009 Rupees
8 LENDING TO FINANCIAL INSTITUTIONS			
Repurchase agreement lending (Reverse Repo)	8.1	97,543,801	244,402,250

8.1 This represents Market Treasury Bills of Rs. 100,000,000 (2009: Rs. 250,000,000) purchased under a resale agreement at the rate of 12.55% per annum (2009: 11.7% to 11.75%). This was subsequently matured on 03 January 2011.

	Note	2010 Rupees	2009 Rupees
9 INVESTMENTS – net of provision			
Held to maturity – Federal Government Security			
<i>Pakistan Investment Bonds</i>	9.1	2,829,732	2,804,023
<i>Market Treasury Bills</i>	9.2	975,051	-
		3,804,783	2,804,023
Available for sale			
<i>Federal Government Securities – Market Treasury Bills</i>	9.3	2,637,077,265	1,606,088,864
<i>Term Finance Certificates – listed</i>	9.4	154,229,605	175,698,102
		2,791,306,870	1,781,786,966
Less: Deficit on revaluation of available for sale investments	9.5	(9,330,917)	(9,259,818)
		<u>2,785,780,736</u>	<u>1,775,331,171</u>

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- 9.1 This represents a ten year bond held for the purposes of the depositors' protection fund carrying markup at the rate of 9.6% per annum (2009: 9.6% per annum), payable on semi-annual basis, maturing in 2017.
- 9.2 This represents a 1 year Treasury Bill held for the purposes of the depositors' protection fund carrying discount rate of 12.25% per annum (2009: Nil), maturing in March 2011.
- 9.3 These securities have original maturity period of one year with yield ranging between 11.98% and 13.25% per annum (2009: 11% and 13.23% per annum).

9.4 Term Finance Certificates-listed

	Credit Rating	No. of units		Market Value		Cost	
		2010	2009	2010	2009	2010	2009
				Rupees	Rupees	Rupees	Rupees
Bank Al-Habib Limited - II	AA	9,000	9,000	44,716,180	44,955,000	46,938,221	47,475,154
Orix Leasing Limited	AA+	12,000	12,000	29,737,811	50,166,814	30,355,877	50,679,311
Soneri Bank Limited	A+	5,000	5,000	24,513,526	24,065,055	25,087,273	25,135,563
United Bank Limited - III	AA	10,000	10,000	49,838,281	49,312,104	51,848,234	52,408,074
				148,805,798	168,498,973	154,229,605	175,698,102

- 9.4.1 All Term Finance Certificates are quoted and carry rate of return ranging between 14.57% and 14.82% per annum (2009: 14.05% and 14.26% per annum) and have maturity period upto 4 years (2009: 5 years).

9.5 Particulars of deficit on revaluation of available for sale investments:

	Note	2010	2009
		Rupees	Rupees
Opening balance		9,259,818	8,759,343
Transferred to deficit on revaluation of available for sale investments		71,099	500,475
Closing balance	17	9,330,917	9,259,818



	Note	2010	2010	2009	2009
		Number	Rupees	Number	Rupees
10 ADVANCES - net of provisions					
Considered good	10.1	141,215	2,240,401,466	195,779	2,740,360,926
Considered doubtful	10.2	10,582	133,478,831	4,013	37,991,249
		151,797	2,373,880,297	199,792	2,778,352,175
Less: Specific provision	10.3		64,469,319		11,284,113
General provision					
- Mandatory provision at the rate of 1.5%			34,641,165		41,506,021
- Inherent impairment for flood affected portfo	10.4		53,000,000		-
	10.3		87,641,165		41,506,021
	10.3		152,110,484		52,790,134
			2,221,769,813		2,725,562,041

10.1 All advances excluding staff loan are secured by personal guarantees.

Advances includes 265 (2009: 334) number of staff loans, aggregating to Rs. 21,229,031 (2009: Rs. 27,179,176), carrying effective markup rate ranging between 3.8% and 4.8% per annum (2009: 3.8% and 4.8% per annum).

10.2 Particulars of non performing advances

Following is the detail of advances which have been placed under non performing status in accordance with note 5.3.4.

Classification	Amount outstanding	%	Provision required	Provision held
	Rupees		Rupees	Rupees
Other Assets Especially Mentioned	21,356,639	0	-	-
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	133,478,831		64,469,319	64,469,319

10.3 Particulars of provision against non performing advances

Note	Specific	General	Total	Specific	General	Total
	2010	2010	2010	2009	2009	2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Opening balance	11,284,113	41,506,021	52,790,134	12,163,568	31,488,588	43,652,156
Charge for the year	178,298,273	46,135,144	224,433,417	30,734,603	10,017,433	40,752,036
Amounts written off	(125,113,067)	-	(125,113,067)	(31,614,058)	-	(31,614,058)
	53,185,206	46,135,144	99,320,350	(879,455)	10,017,433	9,137,978
Closing balance	64,469,319	87,641,165	152,110,484	11,284,113	41,506,021	52,790,134

10.4 Consequent to 2010 monsoon flooding in Pakistan, the FMFB made an assessment of flood affected clients. Management assessed an amount of Rs. 53 million might not be recovered even after rescheduling / restructuring of loans as permitted by the SBP vide its circular no 4 of 2010 dated 02 November 2010. As a matter of prudence, a provision of Rs.53 million has been made for flood affected portfolio being inherently impaired.

	Note	2010	2009
		Rupees	Rupees
10.5 Particulars of write offs			
Directly charged to profit and loss account		-	-
Against provisions	10.5.1	125,113,067	31,614,058
		125,113,067	31,614,058

10.5.1 These represent non performing advances overdue for 210 days or more, written off in accordance with the FMFB policy as explained in note 5.3.4.

10.6 There is no requirement for the borrowers to save and deposit any amount as a condition for the loan disbursement.

**10.7 Portfolio quality report**

The FMFB's main measure of loan delinquency is an aged portfolio-at-risk ratio. Loans are separated into classes depending on the number of days they are over-due. For each of such class of loan, the aggregated outstanding principal balance of such loan is divided by the aggregated outstanding principal balance of the gross loan portfolio before deducting allowance for non performing advances. Loans are considered overdue if any payment has fallen due and remained unpaid for 30 days or more. Loan payments are applied first to any interest due and then to installment of principal that is due but unpaid. The number of days of delay is based on the due date of the earliest loan installment that has not been fully paid. The FMFB does not charge late payment surcharge/penalty on overdue advances into principal.

Loans	2010	2010	2009	2009
	Amount Rupees	Portfolio at Risk	Amount Rupees	Portfolio at Risk
Current and less than 30 days late	2,240,401,466	-	2,740,360,926	-
30-60 days late	21,356,639	0.90%	13,206,855	0.48%
60-90 days late	19,346,078	0.81%	10,620,912	0.38%
90-179 days late	66,286,629	2.79%	11,069,194	0.40%
180 days or more late	26,489,485	1.12%	3,094,288	0.11%
	2,373,880,297	5.62%	2,778,352,175	1.37%

The FMFB does not allow rescheduling or restructuring of loans and during the year no loan was rescheduled or restructured.

In 2010, loans are disbursed in 7 loan products (2009: 6 loan products). Loans are disbursed relating to these 7 (2009: 6) loan products with tenures ranging from 3 months to 5 years, in accordance with the needs of the borrowers. Loan repayments are scheduled on bullet / installment basis and recovered either fortnightly or monthly for loans upto 1 year tenure. Loans for tenures in excess of one year are mostly repaid in monthly or quarterly installments based on the product's repayment terms. Management estimates that the average term of its outstanding loan portfolio is about 6.4 months (2009: 8 months) based on weighted average tenure of loans outstanding as at balance sheet date.

Measures related to the classification of late payments are mentioned in note 5.3.4.

10.8 Current recovery ratio

Current recovery ratios are calculated on a monthly basis for management reporting purposes. The numerator of this ratio is total cash payments of principal received during the reporting period. The denominator is the total loans falling due during the period along with the payments in arrears at the start of the period (net of amount written off). Penalty interest is not included in the numerator or the denominator of the ratio. Loan delinquency is measured using the Non Performing Loans (NPL) ratio.

Period	Current recovery ratio in %	
	2010	2009
1st Quarter	76.5	80.4
2nd Quarter	80.6	85.7
3rd Quarter	56.6	75.7
4th Quarter	81.4	88.7
	73.8	82.6

Annual loss rate (loans written off during the year divided by average loan portfolio outstanding) for the year comes to 4.04% (2009: 1.15%).

10.9 Portfolio by segment

Loan type	Note	2010	2009
		Rupees	Rupees
Agri input		959,499,242	1,105,650,396
Live stock		623,010,714	469,699,085
Micro-enterprise		524,011,828	735,131,541
Others	10.9.1	267,358,513	467,871,153
		2,373,880,297	2,778,352,175

10.9.1 Include loans provided for construction, professional/technical services, warehouse etc.

11 OPERATING FIXED ASSETS

	Note	2010	2009
Capital work-in-progress	11.1	11,020,403	1,679,803
Property and equipment	11.2	135,971,813	173,665,476
Intangible assets	11.3	4,476,684	2,841,425
		151,468,900	178,186,704

11.1 Capital work-in-progress

Civil works and furnishing	7,916,253	737,460
Advance for purchase of fixed assets	-	942,343
Advance for software	3,104,150	-
	11,020,403	1,679,803



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11.2 Property and equipment

	Cost				Rate	Accumulated Depreciation				Net Book Value
	At 01 January	Additions	Disposals/ Write off	At 31 December		At 01 January	Charge for the year	On Disposals/ Write off	At 31 December	At 31 December
	Rupees	Rupees	Rupees	Rupees		%	Rupees	Rupees	Rupees	Rupees
2010										
Free hold land	7,814,030	-	-	7,814,030	-	-	-	-	-	7,814,030
Lease hold improvements	120,264,647	4,335,040	(8,919,594)	115,680,093	14%	61,026,183	11,801,026	(2,931,432)	69,895,777	45,784,316
Furniture and fixtures	39,120,098	861,300	(1,176,032)	38,805,366	20%	19,270,406	6,651,840	(879,921)	25,042,325	13,763,041
Office equipment	54,819,973	5,020,884	(2,730,569)	57,110,288	25%	32,436,575	10,864,128	(2,579,120)	40,721,583	16,388,705
Computer equipment	93,168,332	6,136,449	(4,770,292)	94,534,489	33%	65,134,217	17,944,187	(4,593,818)	78,484,586	16,049,903
Vehicles	64,698,620	12,747,038	(2,147,900)	75,297,758	20%	28,352,843	12,759,627	(1,986,530)	39,125,940	36,171,818
	379,885,700	29,100,711	(19,744,387)	389,242,024		206,220,224	60,020,808	(12,970,821)	253,270,211	135,971,813
2009										
Free hold land	7,814,030	-	-	7,814,030	-	-	-	-	-	7,814,030
Lease hold improvements	108,163,126	12,101,521	-	120,264,647	14%	49,985,653	11,040,530	-	61,026,183	59,238,464
Furniture and fixtures	32,633,598	6,486,500	-	39,120,098	20%	13,543,847	5,726,559	-	19,270,406	19,849,692
Office equipment	48,818,454	6,794,636	(793,117)	54,819,973	25%	22,482,875	10,503,768	(550,068)	32,436,575	22,383,398
Computer equipment	85,029,284	8,625,548	(486,500)	93,168,332	33%	44,650,197	20,696,567	(212,547)	65,134,217	28,034,115
Vehicles	55,795,650	10,637,970	(1,735,000)	64,698,620	20%	16,661,340	12,126,086	(434,583)	28,352,843	36,345,777
	338,254,142	44,646,175	(3,014,617)	379,885,700		147,323,912	60,093,510	(1,197,198)	206,220,224	173,665,476

11.2.1 Property and equipment include fully depreciated items, still in use, having cost of Rs. 90,366,914 (2009: Rs. 65,715,826).

11.2.2 Details of fixed assets deleted with the original cost or book value in excess of Rs. 1 million or Rs. 250,000 respectively; whichever is less; are as under:

Particulars	Cost	Book value	Mode of
	Rupees	Rupees	Disposal
Lease hold improvements	8,341,607	5,840,242	Write-off

11.2.3 No fixed assets were sold to chief executive and directors of the FMFB.

	Cost				Rate	Accumulated Amortization				Net Book Value
	At 01 January	Additions	Disposal	At 31 December		At 01 January	Charge for the year	Disposal	At 31 December	At 31 December
	Rupees	Rupees	Rupees	Rupees		%	Rupees	Rupees	Rupees	Rupees
11.3 Intangible assets										
2010										
Computer softwares	5,364,940	2,646,893	-	8,011,833	20%	2,523,515	1,011,634	-	3,535,149	4,476,684
2009										
Computer softwares	4,109,866	1,626,720	(371,646)	5,364,940	20%	1,864,141	832,808	(173,434)	2,523,515	2,841,425



	Note	2010 Rupees	2009 Rupees
12 OTHER ASSETS			
Accrued mark up on:			
-loans and advances		229,050,542	175,158,562
-non performing loans and advances transferred to suspense account		(22,609,667)	(5,125,554)
-investments and bank accounts		9,075,600	8,996,472
		215,516,475	179,029,480
Advances to suppliers		6,339,283	3,604,218
Branch adjustment account		-	11,329,363
Deposits		2,582,151	4,573,900
Prepayments		21,381,507	13,809,753
Advance tax - net of provision		2,888,117	13,117,111
Grant receivable	12.1	983,452	-
Insurance claim receivable		3,337,589	3,375,134
Stationery stock		1,428,069	1,491,571
		254,456,643	230,330,530

12.1 This represents amount receivable, against expenses incurred by the FMFB from its funds, from Swiss Agency for Development and Cooperation ("SDC"), aggregating to Rs. 983,452 (2009: Rs. Nil) - Also refer note 18.

13 DEFERRED TAX ASSET

The FMFB's income is exempt from income tax up to 30 June 2012 as mentioned in note 26.1 to these financial statements therefore, the FMFB has not recognized deferred tax asset on estimated unused tax losses amounting to Rs. 83,972,204 (2009: Rs. 47,929,046).

	2010 Number	2010 Rupees	2009 Number	2009 Rupees
14 DEPOSITS AND OTHER ACCOUNTS				
Time liabilities				
Term deposits	13,099	3,371,743,936	13,587	3,595,331,533
Demand liabilities				
PLS deposits	83,712	1,369,771,882	74,746	1,088,709,082
Current deposits	130,228	602,682,378	101,545	534,967,229
	213,940	1,972,454,260	176,291	1,623,676,311
	227,039	5,344,198,196	189,878	5,219,007,844

14.1 All above deposits represent voluntary savings of depositors.

	2010 Number	2010 Rupees	2009 Number	2009 Rupees
14.2 Particulars of deposits by ownership				
Individual depositors	218,921	3,936,835,163	181,573	3,428,687,203
Institutional depositors				
Corporations/firms	8,113	1,401,568,385	8,299	1,783,372,144
Banks and financial institutions	5	5,794,648	6	6,948,497
	227,039	5,344,198,196	189,878	5,219,007,844



15 OTHER LIABILITIES	Note	2010	2009
		Rupees	Rupees
Payable to suppliers		22,975,080	20,784,801
Accrued markup on deposits and borrowings		163,736,646	156,850,683
Bills payable		22,382,125	46,825,613
Accrued liabilities		32,832,356	22,035,656
Withholding tax payable		1,785,862	1,010,668
Retention money		46,927	924,470
Payable to defined benefit gratuity fund	27.3	11,175,000	7,130,000
Payable to defined contribution provident fund		17,866	227,372
Branch adjustment account		893,332	-
		255,845,194	255,789,263

16 SHARE CAPITAL

16.1 Authorized share capital

2010	2009		2010	2009
Numbers	Numbers		Rupees	Rupees
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000

16.2 Issued, subscribed and paid-up capital

2010	2009		Note	2010	2009
Numbers	Numbers			Rupees	Rupees
99,000,075	66,000,050	Ordinary shares of Rs. 10 each fully paid in cash	16.3	990,000,750	660,000,500

16.3 Share capital of the FMFB is held as under:

	2010	2009
	Rupees	Rupees
Related parties:		
Aga Khan Rural Support Programme (AKRSP)	300,000,000	300,000,000
Aga Khan Agency for Micro finance (AKAM)	450,000,250	200,000,000
International Finance Corporation (IFC)	240,000,000	160,000,000
Others	500	500
	990,000,750	660,000,500

17 DEFICIT ON REVALUATION OF ASSETS

Available-for-sale investments:

	2010	2009
	Rupees	Rupees
Government securities	(3,907,110)	(2,060,689)
Term Finance Certificates	(5,423,807)	(7,199,129)
	(9,330,917)	(9,259,818)

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18 DEFERRED GRANTS

	ADB	WACT	FSSP	ILO	AKAM	SDC	SBP	Total
	2009	2009	2009	2009	2009	2009	2009	2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Note	18.1	18.2	18.3	18.4	18.5	18.6	18.7	
Cumulative grants received till 31 December 2009	16,500,000	21,449,812	10,857,758	7,160,811	8,087,814	6,332,737	-	
Opening balance payable as at 01 January 2009	31,781	141,250	7,655,008	-	3,530,146	-	-	11,358,185
Opening balance receivable as at 01 January 2009	-	-	-	(837,754)	-	-	-	(837,754)
Net balance payable as at 01 January 2009	31,781	141,250	7,655,008	(837,754)	3,530,146	-	-	10,520,431
Grants received during the year	-	-	-	1,245,650	-	6,313,701	-	7,559,351
Other income recognized during the year	-	-	-	-	-	19,036	-	19,036
Grant income recognized during the year in respect of the following:								
Expenses incurred during the year	23	-	-	71,849	273,937	4,924,883	-	5,270,669
Amortization during the year	23	31,781	141,250	152,831	859,340	20,675	-	3,799,677
Income transferred to profit and loss account	23	31,781	141,250	224,680	1,133,277	4,945,558	-	9,070,346
Closing payable balance as at 31 December 2009	-	-	5,061,208	183,216	2,396,869	1,387,179	-	9,028,472
	ADB	WACT	FSSP	ILO	AKAM	SDC	SBP	Total
	2010	2010	2010	2010	2010	2010	2010	2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Cumulative grants received till 31 December 2010	16,500,000	21,449,812	10,857,758	7,160,811	8,087,814	8,604,875	5,324,680	
Opening balance payable as at 01 January 2010	-	-	5,061,208	183,216	2,396,869	1,387,179	-	9,028,472
Grants received during the year	-	-	-	-	-	2,126,299	5,324,680	7,450,979
Other income recognized during the year	-	-	-	-	-	145,839	-	145,839
Grant income recognized during the year in respect of the following:								
Expenses incurred during the year	23	-	-	-	-	4,619,619	-	4,619,619
Amortization during the year	23	-	2,593,855	152,831	859,289	23,150	1,176,800	4,805,925
Income transferred to profit and loss account	23	-	2,593,855	152,831	859,289	4,642,769	1,176,800	9,425,544
Closing payable balance as at 31 December 2010	-	-	2,467,353	30,385	1,537,580	-	4,147,880	8,183,198
Closing receivable balance as at 31 December 2010	12.1	-	-	-	-	(983,452)	-	(983,452)



- 18.1** This represents grant for institutional support under the microfinance sector development program. The grant was availed for program related capital expenditure and was reimbursed by the SBP, on behalf of the Asian Development Bank (ADB), upon submission of statement of expenditure.
- 18.2** This represents grant from the UNDP against aggregate limit of USD 358,000 (2009: USD 358,000) under the Women Access to Capital and Technology (WACT) Program and is recognized as income, on a systematic basis, with the incurrence of related expenditure.
- 18.3** This represents grant from the Financial Sector Strengthening Programme (FSSP) for following purposes:
- (a) Developing three social products namely Education, Housing and Health;
 - (b) iDirect connectivity solution for 50 locations; and
 - (c) Reengineering of the FMFB delivery mechanism to achieve the optimal productivity of its branch staff.
- 18.4** This represents grant from the International Labor Organization (ILO) for Business Development Services (BDS) and is recognized as income, on a systematic basis.
- 18.5** This represents grant from the Aga Khan Agency for Microfinance-Micro insurance Initiative (AKAM – MI) for developing a micro-insurance business in Pakistan against aggregate limit of USD 140,000 (2009: USD 140,000). The grant can only be availed for program related expenditure and is recognized as income, on a systematic basis.
- 18.6** This represents grant from Swiss Agency for Development and Cooperation (SDC) to assist FMFB under Social Performance Indices' project to devise a set of social indicators needed to assess the living standards of beneficiaries; and ultimately improve the poverty alleviation focus of the FMFB.
- 18.7** This represents grant under Financial Inclusion Program (FIP) designed to develop capacity of the Microfinance Industry to enhance potential for growth and depth in outreach by improving human resource quality, improving quality of services and increasing the services available to potential client. This grant is approved for purchasing, installing and implementation of Oracle Financial.

19 MEMORANDUM / OFF-BALANCE SHEET ITEMS

19.1 Contingencies related to taxation:

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.

19.2 Commitments:

	2010	2009
	Rupees	Rupees
Capital commitments	-	-
Commitments in respect of reverse repo transactions	100,000,000	250,000,000



	Note	2010 Rupees	2009 Rupees
20 MARKUP/RETURN/INTEREST EARNED			
Mark up on advances		879,064,217	804,264,149
Income on investment in Government securities		186,480,133	79,867,544
Income from Term Finance Certificates - net of premium		21,671,435	25,683,376
Mark up on reverse repo transactions		21,314,087	19,100,434
Markup on deposit accounts with treasury and other banks		38,222,711	40,125,279
		1,146,752,583	969,040,782
21 MARKUP/RETURN/INTEREST EXPENSED			
Deposits and other accounts		487,056,565	406,654,676
Borrowings		-	1,098,494
		487,056,565	407,753,170
22 FEE, COMMISSION AND BROKERAGE INCOME			
Fee	22.1	94,497,652	115,286,966
Commission		4,987,812	5,672,100
		99,485,464	120,959,066

22.1 This represents loan application/processing fee and life insurance premium received from borrowers.

	Note	2010 Rupees	2009 Rupees
23 AMORTIZATION OF DEFERRED CAPITAL GRANT			
Deferred grant income recognized in respect of :			
- Operational expenses	18	4,619,619	5,270,669
- Capital expenditure - Amortization	18	4,805,925	3,799,677
	18	9,425,544	9,070,346
Less: operational expenses incurred during the year:			
International Labor Organization (ILO)		-	(71,849)
Aga Khan Agency for Microfinance-Micro insurance Initiative (AKAM MI)		-	(273,937)
Swiss Development Corporation (SDC)	23.1	(4,619,619)	(4,924,883)
	24	4,805,925	3,799,677
23.1 Swiss Development Corporation (SDC)			
Staff cost		-	2,257,746
Training		-	1,304,596
Field Visits		3,540	1,301,156
Travelling		-	61,385
SPR Consultancy charges		4,616,079	-
		4,619,619	4,924,883

23.2 There were no grants in kind received during the year.



	Note	2010 Rupees	2009 Rupees
24 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		312,694,025	285,980,285
Contribution to defined contribution provident fund		15,648,891	15,075,331
Contribution to defined benefit gratuity fund	27.7	11,175,000	7,130,000
Depreciation	11.2	60,020,808	60,093,510
Travel and transportation		51,015,696	42,537,638
Rent, rates and taxes		55,312,755	43,125,533
Utilities		32,835,688	28,341,068
Printing, stationery and periodicals		14,206,703	14,877,568
Communications		22,727,894	21,394,855
Office security		21,503,129	21,305,446
Repair and maintenance		19,319,475	15,740,912
Office supplies		11,991,250	10,712,281
Training and capacity building		3,451,120	3,364,287
Advertisement and business promotions		1,721,438	1,326,207
Legal and professional		4,041,423	1,251,812
Pakistan post operating expenses		10,052,547	9,602,569
Information technology supplies and software		3,439,844	3,522,635
Insurance		22,939,534	20,808,573
Loss on write off / disposal of property and equipment		5,949,172	441,261
Auditors' remuneration	24.1	3,193,609	997,500
Amortization of intangible assets	11.3	1,011,634	832,808
NADRA verification and bank charges		2,913,791	3,693,191
Advances documentation expenses		7,269,042	2,693,395
Other expenses		888,548	2,362,763
		<u>695,323,016</u>	<u>617,211,428</u>
Less: Depreciation - grant related assets	23	(4,805,925)	(3,799,677)
		<u>690,517,091</u>	<u>613,411,751</u>
24.1 Auditors' remuneration			
Audit fee		682,500	682,500
Fee for half yearly review		100,000	100,000
Other assignments		2,040,000	-
Out of pocket expenses		371,109	215,000
		<u>3,193,609</u>	<u>997,500</u>
25 OTHER CHARGES			
Penalties imposed by SBP and other regulator		47,000	-
Other non administrative expenses		-	553,438
		<u>47,000</u>	<u>553,438</u>
26 PROVISION FOR TAXATION			
26.1			
The income of the FMFB is exempt from tax for a period of five years starting from 01 July 2007 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 (2009: one half percent) of the turnover has been provided in terms of Section 113 of the Income Tax Ordinance, 2001.			
26.2			
No numeric tax rate reconciliation is given as the FMFB is exempt from tax.			

27 DEFINED BENEFIT PLAN

27.1 General description

As mentioned in note 5.3.8 (a), the FMFB operates approved defined benefit gratuity fund for all employees with a qualifying service period of 5 years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. Annual provision has been made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits.

27.2 Principal actuarial assumptions

The latest actuarial valuation of the FMFB's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out as at 31 December 2010. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Following are significant assumptions used in the valuation:

- Discount rate of 14% (2009: 15%) per annum
- Expected increase in salary levels of 13% (2009: 13%) per annum
- Expected return on plan assets of 15% (2009: 15%) per annum.

27.3 The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	Note	2010 Rupees	2009 Rupees
Present value of defined benefit obligation		38,205,000	23,227,622
Fair value of plan assets	27.9	(26,162,479)	(16,714,622)
Actuarial (loss) / gain not recognized		(867,521)	617,000
	15	<u>11,175,000</u>	<u>7,130,000</u>

27.4 Movement in the liability recognized in the balance sheet:

Opening net liability		7,130,000	8,306,000
Expense for the year		11,175,000	7,130,000
Paid to fund		(7,130,000)	(8,306,000)
Liability at end of the year	27.7	<u>11,175,000</u>	<u>7,130,000</u>

27.5 Movement in the present value of defined benefit obligation:

Present value of defined benefit obligation at beginning of the year		23,227,622	16,443,000
Current service cost		10,618,000	5,976,650
Interest cost		3,484,000	2,466,450
Benefits paid		(1,531,000)	(1,624,200)
Actuarial loss/(gain)		2,406,378	(34,278)
Present value of defined benefit obligation at end of the year		<u>38,205,000</u>	<u>23,227,622</u>

27.6 Movement in the fair value of plan assets:

Fair value of plan assets at beginning of the year		16,714,622	8,754,000
Expected return on plan assets		2,927,000	1,313,100
Contributions		7,130,000	8,306,000
Benefits paid		(1,531,000)	(1,624,200)
Actuarial gain/ (loss)		921,857	(34,278)
Fair value of plan assets at end of the year		<u>26,162,479</u>	<u>16,714,622</u>

**THE FIRST MICROFINANCEBANK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 Rupees	2009 Rupees
27.7 <i>Amount charged to defined benefit plan in the profit and loss account:</i>			
Current service cost		10,618,000	5,976,650
Interest cost		3,484,000	2,466,450
Expected return on plan assets		(2,927,000)	(1,313,100)
	24	11,175,000	7,130,000
27.8 <i>Actual return on plan assets</i>			
The actual return earned on plan assets		3,104,242	1,905,937
27.9 <i>Plan assets consists of the following assets:</i>			
Bank balances		515,482	2,398,113
Term Deposit Receipts - TDRs		10,772,909	12,500,000
Pakistan Investment Bonds - PIBs		14,359,443	816,509
Term Finance Certificates - TFCs		514,645	1,000,000
		26,162,479	16,714,622

27.10 *Historical information and comparison for five years:*

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Funded gratuity plan					
Present value of defined benefit obligation	38,205,000	23,227,622	16,443,000	10,761,000	8,326,000
Fair value of plan assets	(26,162,479)	(16,714,622)	(8,754,000)	(8,315,000)	(5,257,000)
Deficit	12,042,521	6,513,000	7,689,000	2,446,000	3,069,000
Expense for the year	11,175,000	7,130,000	8,306,000	2,969,000	2,464,000



28 NUMBER OF EMPLOYEES

		2010		
		Credit/sales	Banking/support	Total
Permanent		1,003	118	1,121
Contractual		23	400	423
	Total	1,026	518	1,544
		2009		
		Credit/sales	Banking/support	Total
Permanent		961	122	1,083
Contractual		44	404	448
	Total	1,005	526	1,531
		Note	2010	2009

29 NUMBER OF BRANCHES / POINT OF LINK UNITS

At beginning of the year		88	89
Opened during the year		1	-
Merged during the year		(6)	(1)
At close of the year	29.1	83	88

29.1 The FMFB has 82 branches, 1 point of link unit and 64 PPO-sub offices as at 31 December 2010 (84 branches, 4 point of link units and 68 PPO-sub offices as at 31 December 2009).

30 REMUNERATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Executives	
	2010	2009	2010	2009
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,000,008	1,000,008	33,817,841	26,110,211
Contribution to provident fund	99,996	99,996	3,036,945	2,485,627
Rent and house maintenance	300,000	300,000	13,526,857	10,389,482
Utilities	99,996	99,996	3,386,906	2,611,034
Medical	99,996	99,996	141,000	190,101
Others	-	-	3,118,095	4,015,936
	1,599,996	1,599,996	57,027,644	45,802,391
Numbers	1	1	34	34

- (a) Number of persons includes those who have worked partly or completely during the year.
- (b) Executive means any employee whose basic salary exceeds Rs. 500,000 (2009: Rs. 500,000) per year.
- (c) The President / Chief Executive Officer and certain other executives are also provided with free use of the FMFB owned and maintained cars in accordance with their entitlement as per rules of the FMFB.
- (d) No remuneration was paid to the directors of the FMFB.



	2010	2009
31		
Profit / (loss) after taxation - Rupees	(161,558,735)	27,161,282
Weighted average number of ordinary shares - Numbers	66,452,105	66,000,050
Profit/ (loss) per share - Rupee	(2.55)	0.41

31.1 There is no dilutive effect on the basic earnings/(loss) per share of the FMFB.

32 RELATED PARTY TRANSACTIONS

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 balances are as follows:

	2010 Rupees	2009 Rupees
Related party by virtue of significant influence over the FMFB		
Mark-up expense on deposits received	5,779,623	735,257
Deposits and other accounts	319,547	59,156,264
Accrued mark-up on deposits received	-	663,699
Other assets	822,480	415,609
Administrative expenses on services	1,684,760	1,830,000
Other liabilities	1,684,760	1,830,000
Related parties by virtue of common directorship		
Mark-up expense on deposits received	15,191,303	21,616,701
Administrative expenses on services	24,303,034	10,879,116
Other assets	3,337,589	3,375,134
Deposits and other accounts	88,732,538	344,278,966
Accrued mark-up on deposits received	7,572,677	7,929,644
Other liabilities	68,000	330,000
Others		
Mark-up expense on deposits received	9,291,184	5,529,997
Deposits and other accounts	36,418,746	60,000,000
Accrued mark-up on deposits received	6,190,246	4,453,818
Contribution to defined contribution provident fund	15,648,891	15,075,331
Contribution to defined contribution gratuity fund	11,044,098	7,130,000
Remuneration of Key Management personnel	47,081,842	23,475,262

The FMFB has not extended financing or other microfinance services to members of management, directors or parties related to them.

	Note	2010 Rupees	2009 Rupees
33 CASH AND CASH EQUIVALENTS			
Cash and balances with SBP and NBP	6	292,158,613	406,467,354
Balances With Other Banks/NBFIs/MFBs	7	549,599,696	507,726,727
		841,758,309	914,194,081



34 FINANCIAL INSTRUMENTS

	Effective yield/ interest rate	Interest/mark up bearing				Non interest/mark up bearing				Total
		Upto one year	One to five years	Over five years	Sub total	Upto one year	One to five years	Over five years	Sub total	2010
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2010	%									
Financial assets										
Cash and balances with SBP and NBP	2.5	81,374,296	-	-	81,374,296	210,784,317	-	-	210,784,317	292,158,613
Balances With Other Banks/NBFIs/MFBs	9 – 11	520,842,705	-	-	520,842,705	28,756,991	-	-	28,756,991	549,599,696
Lending to financial Institutions	12.55	97,543,801	-	-	97,543,801	-	-	-	-	97,543,801
Investments	9.6 – 14.82	2,634,145,206	148,805,798	2,829,732	2,785,780,736	-	-	-	-	2,785,780,736
Advances	3.8 – 38.4	2,181,903,799	39,866,014	-	2,221,769,813	-	-	-	-	2,221,769,813
Other assets		-	-	-	-	218,854,064	-	-	218,854,064	218,854,064
Rupees		5,515,809,807	188,671,812	2,829,732	5,707,311,351	458,395,372	-	-	458,395,372	6,165,706,723
Financial liabilities										
Deposits and other accounts	3 – 13	3,351,394,307	1,390,121,511	-	4,741,515,818	602,682,378	-	-	602,682,378	5,344,198,196
Other liabilities		-	-	-	-	255,027,949	817,245	-	255,845,194	255,845,194
Rupees		3,351,394,307	1,390,121,511	-	4,741,515,818	857,710,327	817,245	-	858,527,572	5,600,043,390
Off balance sheet financial instruments:										
Capital commitments		-	-	-	-	-	-	-	-	-
Commitments in respect of reverse repo transactions		97,543,801	-	-	97,543,801	-	-	-	-	97,543,801



34 FINANCIAL INSTRUMENTS

	Effective yield/ interest rate	Interest/mark up bearing				Non interest/mark up bearing				Total
		Upto one year	One to five years	Over five years	Sub total	Upto one year	One to five years	Over five years	Sub total	2009
		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2009	%									
Financial assets										
Cash and balances with SBP and NBP	2.5	53,195,498	-	-	53,195,498	353,271,856	-	-	353,271,856	406,467,354
Balances With Other Banks/NBFIs/MFBs	5 – 10.5	455,775,348	-	-	455,775,348	51,951,379	-	-	51,951,379	507,726,727
Lending to financial Institutions	11.7 – 11.75	244,402,250	-	-	244,402,250	-	-	-	-	244,402,250
Investments	9.6 – 14.26	1,604,038,591	-	171,292,580	1,775,331,171	-	-	-	-	1,775,331,171
Advances	3.8 – 38.4	2,610,280,030	115,282,011	-	2,725,562,041	-	-	-	-	2,725,562,041
Other assets		-	-	-	-	182,404,614	-	-	182,404,614	182,404,614
Rupees		4,967,691,717	115,282,011	171,292,580	5,254,266,308	587,627,849	-	-	587,627,849	5,841,894,157
Financial liabilities										
Deposits and other accounts	3 – 13.5	3,540,399,689	1,143,640,926	-	4,684,040,615	534,967,229	-	-	534,967,229	5,219,007,844
Other liabilities		-	-	-	-	103,659,588	151,119,007	-	254,778,595	254,778,595
Rupees		3,540,399,689	1,143,640,926	-	4,684,040,615	638,626,817	151,119,007	-	789,745,824	5,473,786,439
Off balance sheet financial instruments:										
Capital commitments		-	-	-	-	-	-	-	-	-
Commitments in respect of reverse repo transactions		250,000,000	-	-	250,000,000	-	-	-	-	250,000,000



34.1 Concentration of credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The FMFB's credit risk is primarily attributable to its advances and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The FMFB has an effective loan disbursement and recovery monitoring system which allows it to evaluate borrowers credit worthiness and identify potential problem loans. A provision for potential loan losses is maintained as required by Prudential Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs: 3,296,563,662 (2009: Rs. 3,644,181,618).

34.2 Liquidity risk:

Liquidity risk is the risk that the FMFB will encounter difficulty in raising funds to meet its net funding requirements. The FMFB attempts to manage this risk by having adequate credit lines in place and maintaining sufficient liquidity at branch level to meet anticipated funding requirements.

34.3 Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rate. The FMFB's interest rate exposure stems mainly from investing activity. This risk is managed by regular review of investment portfolio of government securities.

34.4 Fair value of financial instruments:

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

34.5 Capital management

Capital requirements applicable to the FMFB are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. The FMFB manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently the FMFB has a paid up capital of Rs. 990,000,750. The minimum paid up capital (free of losses) requirement applicable to the FMFB is Rs. 500,000,000. The FMFB has maintained capital adequacy ratio in accordance with Section number (4) of the Regulations which states that the Bank shall maintain minimum capital adequacy ratio of least 15% of its risk-weighted assets.



35 MATURITIES OF ASSETS AND LIABILITIES

	Total 2010	Upto one month	Over one month upto six months	Over six months upto one year	Over one year upto five years
	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2010					
Assets					
Interest / Mark-up Earning					
Cash and balances with SBP and NBP	81,374,296	81,374,296	-	-	-
Balances With Other Banks/NBFIs/MFBs	520,842,705	520,842,705	-	-	-
Lending to financial institution	97,543,801	97,543,801	-	-	-
Investments	2,785,780,736	848,923,929	1,738,694,527	46,526,750	151,635,530
Advances	2,221,769,813	239,251,953	1,099,444,641	843,207,205	39,866,014
Non-Interest / Mark-up Earning					
Cash balances with SBP and NBP	210,784,317	210,784,317	-	-	-
Balances with other banks/NBFIs/MFBs	28,756,991	28,756,991	-	-	-
Other assets	254,456,643	224,867,364	6,311,955	21,370,173	1,907,151
Operating fixed assets	151,468,900	-	-	-	151,468,900
	6,352,778,202	2,252,345,356	2,844,451,123	911,104,128	344,877,595
Liabilities					
Interest / Mark-up Earning					
Deposits and other accounts	4,741,515,818	1,701,079,404	929,317,073	726,033,036	1,385,086,305
Non-Interest / Mark-up Earning					
Deposits and other accounts	602,682,378	602,682,378	-	-	-
Other liabilities	255,844,658	92,554,328	5,789,058	156,684,027	817,245
	5,600,042,854	2,396,316,110	935,106,131	882,717,063	1,385,903,550
Net assets	752,735,348	(143,970,754)	1,909,344,992	28,387,065	(1,041,025,955)
Represented by :					
Share capital	990,000,750				
Statutory and general reserves	13,472,412				
Depositors' Protection Fund	4,514,025				
Accumulated loss	(246,104,656)				
Deficit on revaluation of assets	(9,330,917)				
Deferred grant	8,183,198				
	760,734,812				

35 MATURITIES OF ASSETS AND LIABILITIES

	Total 2009	Upto one month	Over one month upto six months	Over six months upto one year	Over one year
	Rupees	Rupees	Rupees	Rupees	Rupees
31 December 2009					
Assets					
Interest/mark up earning					
Cash and balances with SBP and NBP	53,195,498	53,195,498	-	-	-
Balances With Other Banks/NBFIs/MFBs	455,775,348	455,775,348	-	-	-
Lending to financial institution	244,402,250	244,402,250	-	-	-
Investments	1,775,331,171	497,474,150	605,495,350	501,058,675	171,302,996
Advances	2,725,562,041	219,507,248	1,379,913,142	1,010,859,640	115,282,011
Non-Interest/mark up earning					
Cash balances with SBP and NBP	353,271,856	353,271,856	-	-	-
Balances with other banks/NBFIs/MFBs	51,951,379	51,951,379	-	-	-
Other assets	230,330,530	205,695,681	6,251,196	2,036,387	16,347,266
Operating fixed assets	178,186,704	-	-	-	178,186,704
	<u>6,068,006,777</u>	<u>2,081,273,410</u>	<u>1,991,659,688</u>	<u>1,513,954,702</u>	<u>481,118,977</u>
Liabilities					
Interest/mark up bearing					
Deposits and other accounts	4,684,040,615	1,580,946,027	1,254,365,974	705,087,688	1,143,640,926
Non-Interest/mark up bearing					
Deposits and other accounts	534,967,229	534,967,229	-	-	-
Other liabilities	255,789,263	92,630,633	12,549,002	91,198,568	59,411,060
	<u>5,474,797,107</u>	<u>2,208,543,889</u>	<u>1,266,914,976</u>	<u>796,286,256</u>	<u>1,203,051,986</u>
Net assets	<u>593,209,670</u>	<u>(127,270,479)</u>	<u>724,744,712</u>	<u>717,668,446</u>	<u>(721,933,009)</u>
Represented by :					
Share capital	660,000,500				
Statutory and general reserves	13,472,412				
Depositors' Protection Fund	4,142,236				
Accumulated loss	(84,174,132)				
Deficit on revaluation of assets	(9,259,818)				
Deferred grant	9,028,472				
	<u>593,209,670</u>				



	2010	2009
	Rupees	Rupees
36 OPERATIONAL/NON-OPERATIONAL INCOME/ (LOSS)		
(Loss) / profit before taxation comprises of:		
Operational (loss) / profit	(153,779,915)	28,753,305
Grant income	4,805,925	3,799,677
	<u>(148,973,990)</u>	<u>32,552,982</u>

37 CORRESPONDING FIGURES

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

<u>From</u>	<u>To</u>	<u>Rupees</u>
Deposit accounts	Current accounts	50,412,748
Fee, commission and brokerage income	Insurance	16,683,436
Other expenses	Advances documentation expenses	2,693,395

38 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the FMFB in their meeting held on March 04, 2011.