

THE FIRST MICROFINANCEBANK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 Rupees '000	2014 Rupees '000
ASSETS			
Cash and balances with SBP and NBP	7	622,106	484,308
Balances with other Banks/NBFIs/MFBs	8	1,045,644	747,842
Lending to Financial Institutions		-	-
Investments - Net of Provisions	9	4,029,765	4,273,049
Advances - Net of Provisions	10	5,525,612	4,416,691
Operating fixed assets	11	382,967	205,717
Other assets	12	533,557	486,891
Deferred tax asset	13	47,686	60,232
Total assets		12,187,337	10,674,730
LIABILITIES			
Deposits and other accounts	14	9,661,088	8,749,901
Borrowings	15	645,576	289,880
Subordinated debt		-	-
Other liabilities	16	336,267	397,810
Deferred tax liabilities		-	-
Total liabilities		10,642,931	9,437,591
NET ASSETS		1,544,406	1,237,139
REPRESENTED BY:			
Share capital	17	1,351,501	1,351,501
Statutory & general reserves		126,317	63,974
Depositors' Protection Fund		36,716	19,588
Accumulated profit / (loss)		1,081	(226,929)
		1,515,615	1,208,134
Surplus on revaluation of assets	18	26,015	24,745
Deferred grants	19	2,776	4,260
Total Capital		1,544,406	1,237,139
MEMORANDUM / OFF-BALANCE SHEET ITEMS	20		

The annexed notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MICROFINANCEBANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Rupees '000	2014 Rupees '000
Mark-up/Return/Interest Earned	21	1,972,947	1,655,588
Mark-up/Return/Interest Expensed	22	(595,485)	(590,199)
Net Mark-up/Interest Income		1,377,462	1,065,389
Provision against non - performing loans and advances		(96,968)	(142,455)
Recovery against written off advances		24,146	32,483
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		(72,822)	(109,972)
Net Mark-up/ Interest Income after provisions		1,304,640	955,417
NON MARK-UP/ NON INTEREST INCOME			
Fee, commission and brokerage income	23	123,898	107,680
Dividend income		-	-
Amortization of deferred grant	24	1,762	2,290
Other income	25	6,812	14,331
Total non-markup/non interest income		132,472	124,301
		1,437,112	1,079,718
NON MARK-UP/ NON INTEREST EXPENSES			
Administrative expenses	26	(1,050,301)	(976,722)
Grant related expenses		(1,762)	(2,290)
Other provisions/write offs		-	-
Other charges	27	(40)	(527)
Total non-markup/non interest expenses		(1,052,103)	(979,539)
		385,009	100,179
Extra ordinary/unusual items		-	-
PROFIT BEFORE TAXATION		385,009	100,179
Taxation - Current	28	(60,748)	(17,777)
- Prior years		-	3,695
- Deferred		(12,546)	23,314
		(73,294)	9,232
Profit after taxation		311,715	109,411
Accumulated loss brought forward		(223,972)	(304,868)
Profit / (Loss) before appropriation		87,743	(195,457)
APPROPRIATIONS:			
Transfer To:			
Statutory reserve		(62,343)	(21,882)
Capital reserve		-	-
Contribution to Depositors' Protection Fund:			
5% of Profit after tax		(15,586)	(5,471)
Interest on Investment		(1,542)	(1,162)
Revenue reserve		-	-
Dividend		-	-
		(79,471)	(28,515)
Accumulated Profit / (Loss) carried forward		8,272	(223,972)
Earning per share (Rupee)	33	2.31	0.81

The annexed notes from 1 to 42 form an integral part of these financial statements.

**THE FIRST MICROFINANCEBANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 Rupees '000	2014 Rupees '000
Profit for the year		311,715	109,411
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss account in subsequent periods :			
Actuarial loss on defined benefit obligation	29.4	(7,858)	(3,339)
Related Tax Impact		3,624	-
		(4,234)	(3,339)
Comprehensive income transferred to equity		<u>307,481</u>	<u>106,072</u>
Components of comprehensive income not reflected in equity			
Surplus on revaluation of investments	9.5	1,270	23,624
		<u>1,270</u>	<u>23,624</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MICROFINANCEBANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital	Statutory & General Reserves	Depositors' Protection Fund	Accumulated Profit / (Loss)	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Balance at 1 January 2014	1,351,501	42,092	12,955	(304,486)	1,102,062
Total Comprehensive Income					
Profit for the year	-	-	-	109,411	109,411
Other comprehensive income	-	-	-	(3,339)	(3,339)
	-	-	-	106,072	106,072
Interest earned on investment of fund	-	-	1,162	(1,162)	-
Contribution for the year	-	21,882	5,471	(27,353)	-
Balance at 31 December 2014	1,351,501	63,974	19,588	(226,929)	1,208,134
Total Comprehensive Income					
Profit for the year	-	-	-	311,715	311,715
Other comprehensive income	-	-	-	(4,234)	(4,234)
	-	-	-	307,481	307,481
Interest earned on investment of fund	-	-	1,542	(1,542)	-
Contribution for the year	-	62,343	15,586	(77,929)	-
Balance at 31 December 2015	1,351,501	126,317	36,716	1,081	1,515,615

The annexed notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MICROFINANCEBANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Rupees '000	2014 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		385,009	100,179
Adjustments for non-cash charges			
Depreciation of property and equipment		60,615	46,799
Amortization of intangible assets		3,687	3,445
Provision against non performing loans and advances		96,968	142,455
Gain on disposal of operating fixed assets		(1,250)	(10,424)
Amortization of deferred grant		(1,762)	(2,290)
Gain on sale of investment		(434)	(730)
Revaluation (income) / loss on investment - held for trading		(235)	885
Net amortization of premium on investments		462	851
Net amortization of discount on investments		(77,598)	(165,105)
Mark-up on reverse repo transactions		-	(2,695)
Provision for gratuity		15,385	9,535
		<u>95,838</u>	<u>22,726</u>
		480,847	122,905
(Increase) / decrease in operating assets			
Advances		(1,205,889)	(1,108,728)
Accrued interest on term deposit receipts		(37,445)	(29,321)
Other Assets (excluding advance taxation)		(48,242)	(129,772)
		<u>(1,291,576)</u>	<u>(1,267,821)</u>
Increase / (decrease) in operating liabilities			
Deposits and other accounts		911,187	934,920
Borrowings from financial institutions		363,443	(6,162)
Other Liabilities (excluding gratuity)		(75,432)	106,399
		<u>1,199,198</u>	<u>1,035,157</u>
Cash inflows / (outflow) from operations			
		388,469	(109,759)
Gratuity paid		(9,354)	(15,850)
Grants received - net of returned		295	1,084
Income tax paid		(62,796)	(60,624)
Net cash inflow / (outflow) from operating activities		316,614	(185,149)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in held to maturity securities		(2,921,674)	(2,787,826)
Investment in available for sale securities		(522,461)	(10,301,205)
Investment in held for trading securities		(394,576)	(2,008,691)
Investment in lending to financial institutions		-	(1,205,860)
Refund of principal on available for sale securities		22,488	22,446
Proceeds from sale/redemption of held to maturity securities		1,800,000	1,706,470
Proceeds from sale/redemption of available for sale securities		1,379,146	9,705,783
Proceeds from sale/redemption of held for trading securities		396,365	1,981,720
Proceeds from lending to financial institutions		-	1,208,555
Investments in operating fixed assets		(242,297)	(114,833)
Sale proceeds of property and equipment disposed		1,995	10,903
Net cash outflow from investing activities		(481,014)	(1,782,538)
Net decrease in cash and cash equivalents		(164,400)	(1,967,687)
Cash and cash equivalents at the beginning of the year		2,182,150	4,149,837
Cash and cash equivalents at the end of the year	36	<u>2,017,750</u>	<u>2,182,150</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2015

1 STATUS AND NATURE OF BUSINESS

The First MicroFinanceBank Limited ("FMFB") was incorporated in The Islamic Republic of Pakistan on 5 November, 2001 as a public limited company under the Companies Ordinance, 1984. 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 segments of the society as envisaged under the Microfinance Institutions Ordinance, 2001. FMFB has 151 (2014:136) business locations comprising of 109 (2014:100) branches/point of links/permanent booths, 42 (2014: 36) Pakistan Post Office (PPO) sub offices in operation with registered office at 16-17 Floor Habib Bank Tower, Blue Area, Islamabad, Pakistan and is licensed to operate nationwide.

2 BASIS OF 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 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 SBP. Wherever, 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.

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

SBP vide BSD Circular Letter 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 and microfinance banks 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 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 Disclosure", which is applicable for annual periods beginning on or after 01 July, 2009, till further instructions.

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost basis except obligation under employee retirement benefit plan which is measured at present value and investments available for sale and held for trading which are measured at fair value.

4.1 Functional and presentation currency

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks and balances with other banks and investments having a maturity of three months or less from the date of acquisition.

5.2 Borrowing from/Lending to 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 the 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 the purchase and the resale price is treated as mark-up/return/interest income over the period of the transaction.

5.3 Investment

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

Investments of FMFB are classified into the following categories:

(a) Held for trading

These investments are held for a maximum period of 90 days and 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 the 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.

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(b) Held to maturity

Investments with a 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 using the 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 the profit and loss account over the remaining period till maturity.

(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. Profit on available-for-sale investments is recognized on a time proportion basis taking into account the effective yield on the investments.

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

5.4 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/instalments overdue) for 30 days or more but less than 60 days.

(b) Substandard:

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

(c) Doubtful:

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

(d) Loss:

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

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

THE FIRST MICROFINANCEBANK LIMITED
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(i) Other Assets Especially Mentioned	Nil
(ii) Substandard	25% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a
(iii) Doubtful	50% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a
(iv) Loss	100% of outstanding principal net of cash collateral and gold collateral (ornaments and bullion) realizable without recourse to a

In addition to the above, a general provision is made equivalent to 1% (2014: 1%) of the net outstanding balance (advances net of specific provisions and loans secured against gold or other cash collateral with appropriate margin).

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, FMFB continues its efforts for the recovery of the written off balances.

5.5 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.

Depreciation is charged on the straight line method at rates specified in note 11.2 to the financial statements, so as to write off the cost of assets over their estimated useful lives. A 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 the future economic benefits associated with the item will flow to FMFB and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All the other repair and maintenance expenditure is recognized in profit and loss account as incurred.

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.

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(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 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 the rates 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 the profit and loss account as incurred.

5.6 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 deposit period.

5.7 Taxation

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

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

(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 temporary differences between the carrying amounts of items 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 asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. At each balance sheet date, FMFB reassesses the carrying and the unrecognized amount of deferred tax asset.

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

THE FIRST MICROFINANCEBANK LIMITED
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5.8 Staff retirement benefits

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

(a) Defined benefit plan

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

(b) Defined contribution plan

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

5.9 Reserves

(a) Statutory reserve

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 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

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

5.10 Provisions

A provision is recognized when, and only when, 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.

5.11 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/amortized. Other grants are recognized as income in the year of receipt.

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5.12 Foreign currency transactions

The financial statements are presented in Pakistan Rupee, which is FMFB's functional currency. Transactions in foreign currencies are translated into Pakistan Rupee at the exchange rate prevailing on the date of the transaction.

5.13 Operating leases

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

5.14 Revenue recognition

(a) Mark-up/income on advances

Mark-up/Income/Return/Service Charge on advances is recognized on an accrual/time proportion basis using the effective interest rate method at FMFB's prevailing interest rates for the loan products. Mark-up/Income on advances is collected with loan installments. Due but unpaid service charges/income are accrued on advances till due date of installment or loan maturity date. After 30 days of due date, overdue advances are classified as non-performing loans and unrealized service charges thereon are reversed and credited to suspense account. Subsequently, mark-up recoverable on non-performing advances and additional service charged (wherever applicable) is recognized on a receipt basis in accordance with the requirements of the Regulations.

(b) Income from investments

Mark-up/return on investments is a 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 the profit and loss account over the remaining period of maturity.

(c) Dividend income

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

(d) Fee, commission and brokerage income

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

(e) 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.

(f) 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.

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5.15 Financial instruments

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

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

5.16 Off-setting

Financial assets and financial 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 FMFB intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.17 Borrowing costs

Mark up, interest and other charges on borrowings are charged to profit and loss account in the period in which they are incurred except to the extent that relate to qualifying assets in which case if these are directly attributable, then the amount is capitalized as a part of cost of qualifying assets.

5.18 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.

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5.19 Changes in accounting policies and disclosure resulting from adoption of standards, amendments and interpretations during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except as described below:

New Standards, Interpretations and Amendments

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments – Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortization

IAS 24 Related Party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements except for additional disclosures resulting from adoption of IFRS 13 - Fair value measurement as disclosed in note 37.4 to the financial statements.

5.20 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

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Standard or Interpretation	Effective date (annual periods Beginning on or after)
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	1 January 2016
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	1 January 2016
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	1 January 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	1 January 2016
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization	1 January 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	1 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	1 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after 1 January 2016

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14 – Regulatory Deferral Accounts	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 16 – Leases	1 January 2019

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6 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, 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 staff retirement and deferred tax asset recognition which are discussed in following paragraphs:

6.1 Employee benefits

Defined benefit plan is provided for eligible employees of FMFB. For defined benefit, a deferred liability is recognized in 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, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. The assumptions used may vary as they are determined by independent actuary. Calculations are sensitive to changes in the underlying adjustments.

6.2 Deferred tax asset

Deferred tax asset is recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and the level of future taxable profits.

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	Note	2015 Rupees '000	2014 Rupees '000
7 CASH AND BALANCES WITH SBP AND NBP			
Cash in hand		146,840	122,803
Balance with State Bank of Pakistan	7.1	309,257	248,944
Balance with National Bank of Pakistan in			
Current account		-	-
Deposit accounts	7.2	166,009	112,561
		<u>622,106</u>	<u>484,308</u>

7.1 This represents the balance maintained in a current account with SBP to meet the Cash Reserve Requirement ("CRR").

7.2 These carry markup at the rate of 4% (2014: 6%) per annum.

	Note	2015 Rupees '000	2014 Rupees '000
8 BALANCES WITH OTHER BANKS/NBFIS/MFBS			
In Pakistan			
- on current accounts		45,279	53,553
- on deposit accounts	8.1, 8.2	1,000,365	694,289
		<u>1,045,644</u>	<u>747,842</u>

8.1 These carry markup at rates ranging between 4% to 9% (2014: 7.3% to 10%) per annum.

8.2 These include balances held with a related party, Habib Bank Limited, of Rs. 285,122 thousand (2014: Rs. 267,322 thousand).

	Note	2015 Rupees '000	2014 Rupees '000
9 INVESTMENTS - NET OF PROVISIONS			
Held to Maturity			
Federal Government securities			
Pakistan Investment Bonds	9.1	657,870	652,991
Market Treasury Bills	9.2	174,906	96,826
		832,776	749,817
Term Deposit Receipts (TDRs)	9.3	2,061,900	1,574,455
		<u>2,894,676</u>	<u>2,324,272</u>
Available for Sale			
Federal Government securities			
Pakistan Investment Bonds	9.1	918,828	1,042,036
Market Treasury Bills	9.2	190,246	716,542
		1,109,074	1,758,578
Term Finance Certificates - listed	9.4	-	22,488
		<u>1,109,074</u>	<u>1,781,066</u>
Held for Trading			
Federal Government securities			
Market Treasury Bills	9.2	-	142,966
		-	142,966
Surplus on revaluation of available for sale investments	9.5	26,015	24,745
		<u>4,029,765</u>	<u>4,273,049</u>

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- 9.1** These represent three to ten year bonds carrying markup at rates ranging between 9.6% to 12.0% (2014: 9.6% to 12.0%) per annum, payable on a semi-annual basis, maturing in 2016-2018. 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% (2014: 9.6% and 11.25%) per annum respectively, maturing in 2016-2017.
- 9.2** These securities have an original maturity period of one year with yields ranging between 6.27% to 8.85% (2014: 9.37% to 9.99%) per annum.
- 9.3** These represent TDRs with an original maturity of thirty days to one year carrying markup at rate ranging between 6.65% to 10.0% (2014: 9.5% to 11.0%) per annum, payable on maturity.

9.4 Term Finance Certificates-listed

Credit Rating	No. of units		Market Value		Amortized Cost	
	2015	2014	2015	2014	2015	2014
			Rupees '000	Rupees '000	Rupees '000	Rupees '000
Bank Al-Habib Limited - II AA	-	9,000	-	21,283	-	22,488

Term Finance Certificates were quoted and carried a rate of return of 12.12% per annum and matured in February 2015.

Particulars of surplus on revaluation of available for sale investments:	Note	2015	2014
		Rupees '000	Rupees '000
Opening balance		24,745	1,121
Gain transferred to revaluation of assets account below equity		1,270	23,624
Closing balance	18	26,015	24,745

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	Note	2015		2014	
		Number	Rupees '000	Number	Rupees '000
10 ADVANCES - NET OF PROVISIONS					
Considered good	10.1	174,225	5,550,652	146,993	4,442,895
Considered doubtful	10.2	3,003	89,091	1,783	37,104
		<u>177,228</u>	<u>5,639,743</u>	<u>148,776</u>	<u>4,479,999</u>
Less:					
Specific provision	10.3		31,785		16,983
General provision					
- Mandatory provision at the rate of 1%	10.3		50,992		39,795
- Provision for flood effected clients	10.4		31,354		3,320
- Additional provision			-		3,210
			<u>82,346</u>		<u>46,325</u>
			<u>114,131</u>		<u>63,308</u>
			<u>5,525,612</u>		<u>4,416,691</u>

10.1 This includes fully secured advances amounting to Rs. 539,875 thousand (2014: Rs. 433,558 thousand) whereas the remaining advances except staff loans are secured by personal guarantees. Advances includes 490 (2014: 451) staff loans, aggregating to Rs. 52,151 thousand (2014: Rs. 49,988 thousand), carrying markup at rates ranging between 3% to 5% per annum (2014: 3% to 5% per annum). This includes loans outstanding of key management personnel of Rs. 4,624 thousand (2014: Rs. 5,978 thousand).

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 5.4.

Classification	Amount outstanding	Secure loan	Amount to be provide for	Required provision percentage	Provision required	Provision held
	Rupees '000	Rupees '000	Rupees '000		Rupees '000	Rupees '000
Other Assets Especially Mentioned	21,541	1,189	20,352	0%	-	-
Sub-standard	12,347	851	11,496	25%	2,874	2,874
Doubtful	52,001	521	51,480	50%	25,740	25,740
Loss	3,202	31	3,171	100%	3,171	3,171
Total	<u>89,091</u>	<u>2,592</u>	<u>86,499</u>		<u>31,785</u>	<u>31,785</u>

10.3 Particulars of provision against non performing advances

	Note	Specific	General	Total	Specific	General	Total
		2015	2015	2015	2014	2014	2014
		Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Opening balance		16,983	46,325	63,308	7,921	40,978	48,899
Charge for the year		60,947	36,021	96,968	137,108	5,347	142,455
Less: Amounts written off	10.5	46,145	-	46,145	128,046	-	128,046
		<u>14,802</u>	<u>36,021</u>	<u>50,823</u>	<u>9,062</u>	<u>5,347</u>	<u>14,409</u>
Closing balance		<u>31,785</u>	<u>82,346</u>	<u>114,131</u>	<u>16,983</u>	<u>46,325</u>	<u>63,308</u>

10.4 The general provision has been maintained in respect of advances of natural calamity affected portfolio branches of Chitral region.

	Note	2015	2014
		Rupees '000	Rupees '000
10.5 Particulars of write offs			
Against provisions	10.5.1	46,145	128,046
Directly charged to profit and loss account		-	-
		<u>46,145</u>	<u>128,046</u>

10.5.1 These represent non-performing advances overdue for 210 days or more, written off in accordance with FMFB policy, as explained in note 5.4.

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

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10.6 Portfolio quality report

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 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. Loan payments are applied first to any interest due and then to instalment of principal that is due but unpaid. The number of days of delay is based on the due date of the earliest loan instalment that has not been fully paid.

Loans	2015	2015	2014	2014
	Amount Rupees '000	Portfolio at Risk %	Amount Rupees '000	Portfolio at Risk %
Current and less than 30 days late	5,550,652	-	4,442,895	-
30-59 days late	21,541	0.38%	11,221	0.25%
60-89 days late	12,347	0.22%	4,393	0.10%
90-179 days late	52,001	0.92%	11,210	0.25%
180 days or more late	3,202	0.06%	10,280	0.23%
	5,639,743	1.58%	4,479,999	0.83%

In 2015, 9 loan products (2014: 9 loan products) have been disbursed with tenures ranging from three months to three years (2014: 3 months to 3 years), in accordance with the needs of the borrowers. The staff loans have maturity up to 60 months (2014: 60 months). Loan repayments are scheduled on a bullet or instalment basis whereby principal and service charges are recovered on an instalment basis and/or on maturity as per the repayment schedule. Management estimates that the average term of its outstanding loan portfolio is 11.50 months (2014: 11.83 months) based on the remaining weighted average tenure of loans outstanding as at the balance sheet date.

Measures related to the classification of late payments are mentioned in note 5.4.

10.7 Current recovery ratio

Current recovery ratios are calculated on a monthly basis for management reporting purposes. The numerator of this ratio is cash received on account of principal during the reporting period (including prepayments and late payments). The denominator is total payments of principal amounts that fell due for the first time during the reporting period, as per the terms of the original loan contracts (regardless of any subsequent loan renegotiations). Additional service charge 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 %	
	2015	2014
1st Quarter	107%	101%
2nd Quarter	107%	109%
3rd Quarter	104%	111%
4th Quarter	105%	106%
	106%	107%

The Annual Loss Rate (loans written off during the year divided by average loan portfolio outstanding) for the year is 0.91% (2014: 3.27%)

10.8 Portfolio by segment	Note	2015	2014
		Rupees '000	Rupees '000
Loan type			
Agri input		809,409	644,740
Live stock		1,866,070	1,418,992
Micro-enterprise		1,578,053	1,406,524
Others	10.8.1	1,386,211	1,009,743
		5,639,743	4,479,999

10.8.1 These include loans provided for general purposes.

11 OPERATING FIXED ASSETS

Capital work-in-progress	11.1	155,798	25,137
Property and equipment	11.2	218,888	171,382
Intangible assets	11.3	8,281	9,198
		382,967	205,717

11.1 Capital work-in-progress

Advances to suppliers and contractors		29,936	25,137
Work in progress - Core Banking System	11.1.1	125,862	-
		155,798	25,137

11.1.1 This includes borrowing cost amounting to Rs 5,066 thousands capitalized during the year and weighted average rate of capitalization is 6.97% per annum.

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11.2 Property and equipment

	Cost				Rate per annum	Accumulated Depreciation				Net Book Value
	At 01 January	Additions	Disposals/ Write offs	At 31 December		At 01 January	Charge for the year	On Disposals/ Write offs	At 31 December	At 31 December
	Rupees '000					%	Rupees '000			
2015										
Free hold land	7,814	-	-	7,814	-	-	-	-	-	7,814
Lease hold improvements	158,588	39,387	(2,591)	195,384	14%	106,305	15,722	(2,296)	119,731	75,653
Furniture and fixtures	54,294	12,876	(3,124)	64,046	20%	40,670	4,311	(3,027)	41,954	22,092
Office equipment	88,632	25,883	(9,083)	105,432	25%	63,254	11,176	(8,781)	65,649	39,783
Computer equipment	131,900	15,277	(28,108)	119,069	33%	107,365	12,894	(28,086)	92,173	26,896
Vehicles	118,254	15,443	(1,821)	131,876	20%	70,506	16,512	(1,792)	85,226	46,650
	559,482	108,866	(44,727)	623,621		388,100	60,615	(43,982)	404,733	218,888
2014										
Free hold land	7,814	-	-	7,814	-	-	-	-	-	7,814
Lease hold improvements	136,548	22,040	-	158,588	14%	92,128	14,177	-	106,305	52,283
Furniture and fixtures	43,861	10,785	(352)	54,294	20%	37,600	3,422	(352)	40,670	13,624
Office equipment	71,227	18,562	(1,157)	88,632	25%	57,975	6,436	(1,157)	63,254	25,378
Computer equipment	112,963	19,228	(291)	131,900	33%	99,179	8,477	(291)	107,365	24,535
Vehicles	114,915	17,560	(14,221)	118,254	20%	69,961	14,287	(13,742)	70,506	47,748
	487,328	88,175	(16,021)	559,482		356,843	46,799	(15,542)	388,100	171,382

11.2.1 Property and equipment include fully depreciated items, still in use, having a cost of Rs. 295,373 thousand (2014: Rs. 339,046 thousand).

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

Particulars	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Mode of disposal	Particulars of buyers / insurance company
	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Electric Generator (Elemax Petrol Generator)	425	80	345	360	Insurance Claim	Jubilee General Insurance
Suzuki Jimny	1,720	1,032	688	688	Insurance Claim	Jubilee General Insurance
Total 2015	2,145	1,112	1,033	1,048		
Total 2014	5,476	4,996	480	4,237		

11.2.3 No fixed assets were sold to the Chief Executive or Directors of 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 '000					%	Rupees '000			
11.3 Intangible assets										
2015										
Computer software and intangibles	22,763	2,770	-	25,533	20%	13,565	3,687	-	17,252	8,281
2014										
Computer software and intangibles	20,890	1,873	-	22,763	20%	10,120	3,445	-	13,565	9,198

11.3.1 These include Rs. 7,880 thousand (2014: Rs 7,880 thousand) related to grant related assets.

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	Note	2015 Rupees '000	2014 Rupees '000
12 OTHER ASSETS			
Accrued mark-up on:			
- loans and advances		459,481	358,194
- non performing loans and advances transferred to suspense account		(146,901)	(138,748)
- investments and bank accounts		71,088	79,391
		383,668	298,837
Advances to employees		1,968	2,149
Branch adjustment account		-	35,380
Deposits		2,245	2,352
Prepayments	12.1	43,410	46,877
Advance tax - net of provision		73,291	74,867
Other receivables	12.2	26,488	24,898
Stationery stock		2,487	1,531
		533,557	486,891

12.1 These include prepaid rent to Habib Bank Limited, a related party, of Rs. 11,284 thousand (2014: Rs. 10,416 thousand).

12.2 These includes an amount due from Jubilee General / Life Insurance, a related party of Rs. 12,147 thousand (2014: Rs. 12,545 thousand) and also includes an amount due from Aga Khan Agency for Microfinance, a related party, of Rs. 1,021 thousand (2014: of Rs. 546 thousand).

	Note	2015 Rupees '000	2014 Rupees '000
13 DEFERRED TAX ASSET			
Arising in respect of deductible temporary differences			
Operating fixed asset		13,133	8,225
Provision against non-performing loans and advances		34,553	22,158
Business losses brought forward		-	26,133
Unabsorbed depreciation		-	37,161
Unabsorbed amortization		-	843
		47,686	94,520
Arising in respect of taxable temporary differences			
Recovery against written off advances		-	(34,288)
		47,686	60,232

	Note	2015 Number	2015 Rupees '000	2014 Number	2014 Rupees '000
14 DEPOSITS AND OTHER ACCOUNTS					
Time liabilities					
Fixed Deposits		8,067	5,325,504	8,322	5,330,511
Demand liabilities					
Saving deposits		104,485	3,316,856	101,644	2,585,842
Current deposits		183,696	1,018,728	160,821	833,548
	14.1	296,248	9,661,088	270,787	8,749,901

14.1 These include balances due to related parties of Rs. 666,572 thousand (2014: Rs. 521,125 thousand).

	Note	2015 Number	2015 Rupees '000	2014 Number	2014 Rupees '000
14.2 Particulars of deposits by ownership					
Individual depositors		282,931	6,066,208	257,855	5,790,798
Institutional depositors					
a) Corporations/Firms		13,231	2,653,596	12,846	2,208,768
b) Banks and financial institutions		86	941,284	86	750,335
		296,248	9,661,088	270,787	8,749,901

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	Note	2015 Rupees '000	2014 Rupees '000
15 BORROWINGS			
Borrowings under repurchase agreement from banks in Pakistan		645,576	289,880
15.1 These include borrowing from Habib Bank Limited, a related party, for an amount of Rs. 350,194 thousand secured against a Pakistan Investment bond having face value of Rs. 350,000 thousand and carry a mark-up rate of 6.75% per annum. Remaining borrowings are secured against a Treasury Bill and a Pakistan Investment Bond having aggregate face value of Rs. 300,000 thousand (2014: Rs. 300,000 thousand, a Pakistan Investment Bond) and carry mark-up rates of 6.55% and 6.75% (2014: 9.85%) per annum. These are maturing in the month of January, 2016.			
16 OTHER LIABILITIES			
Accrued markup on deposits	16.1	210,686	250,542
Bills payable		47,263	28,328
Branch adjustment account		3,179	-
Accrued liabilities	16.2	50,658	111,724
Withholding tax payable		8,986	3,715
Retention money		1,213	2,871
Payable to defined benefit gratuity fund	29.3	14,263	374
Payable to defined contribution provident fund		19	256
		336,267	397,810
16.1 These include accrued markup on deposits due to related parties of Rs. 7,061 thousand (2014: 852 thousand).			
16.2 These include balances amounts due to a related parties of Rs. 6,552 thousand (2014: Rs. 3,874 thousand).			
17 SHARE CAPITAL			
17.1 Authorized Share Capital			
		<u>2015</u>	<u>2014</u>
		<u>Numbers</u>	<u>Numbers</u>
		<u>350,000,000</u>	<u>150,000,000</u>
	17.1.1	Ordinary shares of Rs. 10 each	3,500,000
17.1.1 During the year, FMFB has increased its authorized capital by 200 million ordinary shares of Rs. 10 each (2014: Nil)			
17.2 Issued, subscribed and paid-up capital			
		<u>2015</u>	<u>2014</u>
		<u>Numbers</u>	<u>Numbers</u>
		<u>135,150,080</u>	<u>135,150,080</u>
	17.3	Ordinary shares of Rs. 10 each fully paid in cash	1,351,501
17.3 Share Capital of FMFB is held as under:			
Aga Khan Agency for Microfinance ("AKAM")		571,500	571,500
Aga Khan Rural Support Programme ("AKRSP")		300,000	300,000
International Finance Corporation ("IFC")		240,000	240,000
Japan International Corporation Agency ("JICA")		240,000	240,000
Others		1	1
		1,351,501	1,351,501
18 Surplus on Revaluation of Assets			
Available-for-sale investments:			
Government securities		26,015	24,725
Term Finance Certificates		-	20
		26,015	24,745

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19 DEFERRED GRANTS	Note	2015				Total
		Rupees '000				
		AKAM	SBP	CIDA	SBP FICF	
		19.1	19.2	19.3	19.4	
Opening balance as at 01 January 2015		-	3,958	302	-	4,260
Opening receivable balance as at 01 January 2015		-	-	-	(17)	(17)
Grants received during the year		-	-	-	1,421	1,421
Expenses incurred during the year		-	-	302	278	580
Amortization during the year		-	1,182	-	-	1,182
Income transferred to profit and loss account	24	-	1,182	302	278	1,762
Grant returned to the donor		-	-	-	1,126	1,126
Closing balance as at 31 December 2015		-	2,776	-	-	2,776
Cumulative grants received till 31 December 2015		8,088	12,841	4,288	2,505	

	Note	2014				Total
		Rupees '000				
		AKAM	SBP	CIDA	SBP FICF	
Opening balance as at 01 January 2014		7	5,140	302	-	5,449
Grants received during the year		-	-	-	1,084	1,084
Expenses incurred during the year		-	-	-	1,101	1,101
Amortization during the year		7	1,182	-	-	1,189
Income transferred to profit and loss account	24	7	1,182	-	1,101	2,290
Grant written off during the year		-	-	-	-	-
Closing balance as at 31 December 2014		-	3,958	302	-	4,260
Closing receivable balance as at 31 December 2014		-	-	-	(17)	(17)
Cumulative grants received till 31 December 2014		8,088	12,841	4,288	1,084	

19.1 This represents a grant received from the Aga Khan Agency for Microfinance - Micro Insurance Initiative (AKAM MI) for developing of micro-insurance business in Pakistan against an aggregate limit of USD 140,000.

19.2 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 and

19.3 This represents grant from the Canadian International Development Agency (CIDA) for Independent Evaluation of Alternate Microcredit Delivery Channel - Pakistan Post Office Operation.

19.4 This represents grant awarded by State Bank of Pakistan (SBP) to introduce the solar tube wells in the agriculture sector to support irrigation needs in collaboration with Nizam Energy (Pvt) Ltd.

20 MEMORANDUM / OFF - BALANCE SHEET ITEMS

20.1 Contingencies:

20.1.1 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.

20.1.2 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.

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20.1.3 Prior to amendments made in Workers' Welfare Fund Ordinance, 1971 through Finance Act 2006 and 2008 an industrial establishment was required to pay WWF at two percent of income declared in the return of income. FMFB was not liable to pay WWF as it did not fall within the meaning of term "industrial establishment" as was defined in WWF Ordinance. However, through Finance Act 2006 and Finance Act 2008 amendments were made to amend the definition of term "industrial establishment" and mechanism for computation of WWF has been changed to two percent of higher of accounting profit or taxable income

The constitutional validity of the afore said amendments have been challenged before High Courts resulting in conflicting judgments of High Court to-date. The Honorable Lahore High Court and Peshawar High Court have held the amendments made through Finance Act 2006 and Finance Act 2008 are illegal and void ab initio whereas the Honorable Sindh High Court held the afore said amendments are constitutionally valid. At present the matter is subjudice before Apex Court of Pakistan.

Provision for Workers' Welfare Fund (WWF) amounting to Rs. 8,283 thousands has not been made in the financial statements based on the advice obtained by the management from the tax advisor. According to the view point of the tax advisor, WWF is not applicable in FMFB's case in the light of judgments of Lahore High Court and Peshawar High Court which have declared the amendments made through Finance Act 2006 and 2008 as illegal and void ab initio, unless the aforesaid amendments be declared constitutionally valid by Supreme Court of Pakistan.

20.2 Commitments:

There were no commitments as at 31 December 2015 (2014: Nil)

21 MARK-UP/RETURN/INTEREST EARNED	Note	2015	2014
		Rupees '000	Rupees '000
Mark-up on advances		1,546,771	1,184,550
Income on investment in Government securities		258,922	310,731
Income from Term Deposit Receipts (TDRs)		114,053	87,455
Mark-up on deposit accounts with treasury and other banks		53,069	59,281
Income from Term Finance Certificates - net of premium		132	4,406
Markup on reverse repo transactions		-	2,695
Income on other placements		-	6,470
		<u>1,972,947</u>	<u>1,655,588</u>
22 MARK-UP/RETURN/INTEREST EXPENSED			
Deposits and other accounts		579,327	584,477
Borrowings	22.1	16,158	5,722
		<u>595,485</u>	<u>590,199</u>
22.1 This represents markup expense on repo transactions during the year.			
23 FEE, COMMISSION AND BROKERAGE INCOME			
Fee		116,550	99,329
Commission		7,348	8,351
		<u>123,898</u>	<u>107,680</u>
24 AMORTIZATION OF DEFERRED GRANT			
Deferred grant income recognized in respect of :			
- Operational expenses		580	1,101
- Capital expenditure (amortization)	11.3.1	1,182	1,189
	19	<u>1,762</u>	<u>2,290</u>
25 OTHER INCOME			

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Gain on disposal of operating fixed assets	1,250	10,634
Revaluation gain/(loss) on held for trading investment	235	(514)
Gain on sale of investment	434	359
Others	4,893	3,852
	6,812	14,331

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	Note	2015 Rupees '000	2014 Rupees '000
26 ADMINISTRATIVE EXPENSES			
Staff salaries and benefits		524,206	481,871
Contribution to defined contribution provident fund		25,430	22,706
Charge for defined benefit gratuity fund		15,385	9,535
Training and capacity building		9,320	9,033
Depreciation	11.2	60,615	46,799
Amortization of intangible assets	11.3	3,687	3,445
Travel and transportation		61,311	86,221
Rent, rates and taxes		81,220	67,864
Utilities		49,136	49,913
Printing, stationery and periodicals		22,414	19,035
Communications		23,808	22,229
Office security		47,524	41,449
Insurance		43,874	31,268
Repair and maintenance		23,656	21,109
Office supplies		18,195	15,602
Information technology supplies and software		8,881	7,683
Verification charges		10,672	6,377
Bank charges		10,154	9,329
Advertisement and business promotions		1,061	2,274
Legal and professional		8,289	15,720
Auditors' remuneration	26.1	1,946	1,440
Other expenses		1,279	8,110
		<u>1,052,063</u>	<u>979,012</u>
Less: grant related expense	24	<u>(1,762)</u>	<u>(2,290)</u>
		<u>1,050,301</u>	<u>976,722</u>
26.1 Auditors' remuneration			
Audit fee		999	908
Special certifications and other assurance services		340	-
Fee for half yearly review		145	132
Out of pocket expenses		462	400
		<u>1,946</u>	<u>1,440</u>
27 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>40</u>	<u>527</u>
28 INCOME TAX			2015 Rupees '000
28.1 Reconciliation of tax expense and accounting profit			
Accounting profit before tax			<u>385,009</u>
Tax at the applicable rate of 32%			123,203
Prior year brought forward tax losses			(27,152)
Minimum tax and Alternate Corporate Tax paid in prior years	28.2		(52,194)
Relating to origination and reversal of temporary differences			<u>16,891</u>
Effective tax rate of 29.33%			<u>60,748</u>

28.2 Provision for current tax has been reduced against Minimum Tax and Alternate Corporate Tax paid in the prior years.

28.3 Comparative for numerical reconciliation between the tax expense and the accounting profit has not been presented as the provision for 2014 income tax had been made under section 113 of the Income Tax Ordinance, 2001.

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29 DEFINED BENEFIT PLAN

29.1 General description

As mentioned in note 5.8, FMFB operates an approved defined benefit gratuity plan for all permanent employees with a qualifying service period of five years. Eligible employees are entitled to one month's basic salary for each completed year of service upon retirement. An annual provision has been made on the basis of an actuarial valuation to cover obligations under the scheme for all eligible employees.

29.2 Principal actuarial assumptions

The latest actuarial valuation of FMFB's defined benefit plan based on the Projected Unit Credit Method was carried out as at 31 December 2015. Actuarial gains/(losses) arising during the year are recognized in Other Comprehensive Income (OCI) in accordance with IAS-19 (Revised 2011). The significant assumptions used in the valuation are as follows:

- Discount rate of 10% (2014: 11.25%) per annum
- Expected increase in salary levels of 8.50% (2014: 9.25%) per annum
- Expected return on plan assets of 10% (2014: 11.25%) per annum.

29.3 Fair value of plan assets and present value of obligation under the scheme at the balance sheet date were as follows:

	Note	2015 Rupees '000	2014 Rupees '000
Present value of defined benefit obligation	29.5	102,238	80,352
Fair value of plan assets	29.6	(87,975)	(79,978)
	29.4	<u>14,263</u>	<u>374</u>

29.4 Movement in the liability recognized in the balance sheet:

Opening net liability		374	3,350
Expense for the year	29.7	15,385	9,535
Contributions paid		(9,354)	(15,850)
Actuarial loss		7,858	3,339
Liability at end of the year		<u>14,263</u>	<u>374</u>

29.5 Movement in the present value of defined benefit obligation:

Present value of defined benefit obligation at beginning of the year		80,352	66,900
Current service cost		17,965	14,072
Interest cost		8,587	7,974
Benefits paid		(8,056)	(6,216)
Settlement gain		(2,097)	(4,460)
Actuarial loss		5,487	2,082
Present value of defined benefit obligation at end of the year		<u>102,238</u>	<u>80,352</u>

29.6 Movement in the fair value of plan assets:

Fair value of plan assets at beginning of the year		79,978	63,550
Return on plan assets		9,070	8,051
Contributions made to the fund		9,354	15,850
Benefits paid		(8,056)	(6,216)
Actuarial loss		(2,371)	(1,257)
Fair value of plan assets at end of the year	29.9	<u>87,975</u>	<u>79,978</u>

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	Note	2015 Rupees '000	2014 Rupees '000
29.7 Amount charged to defined benefit plan in the profit and loss account:			
Current service cost		17,965	14,072
Interest cost on obligation		8,587	7,974
Return on plan assets		(9,070)	(8,051)
Settlement gain		(2,097)	(4,460)
	26	<u>15,385</u>	<u>9,535</u>
29.8 Actual return on plan assets			
The actual return earned on plan assets		<u>2,371</u>	<u>6,189</u>
29.9 Plan assets consists of the following assets:			
Bank balances		10,538	12,191
Investment in PIBs - T Bills		27,514	27,358
Fixed Deposits - TDRs		49,923	40,429
		<u>87,975</u>	<u>79,978</u>

29.10 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the various employee benefit scheme. The increase / (decrease) in the present value of defined benefit obligations (PVDBO) as a result of change in each assumption is summarized below :

	2015 Rupees '000
Changes in PVDBO	
Increase in discount rate by 1%	(12,878)
Decrease in discount rate by 1%	15,674
Increase in future increment in salary by 1%	16,280
Decrease in future increment in salary by 1%	(13,545)
Increase in Mortality Rate by 10%	236
Decrease in Mortality Rate by 10%	(243)
Increase in Withdrawal Rate by 10%	81
Decrease in Withdrawal Rate by 10%	(82)

29.11 Expected contribution to the plan

Based on actuarial advice, the management estimates that the charge in respect of defined benefit plan for the year ending 31 December 2016 is Rs. 21,447 thousand.

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30 NUMBER OF EMPLOYEES

		2015		
		Credit/sales	Banking/ support	Total
Permanent		1,062	255	1,317
Contractual		18	11	29
Total		1,080	266	1,346
		2014		
		Credit/sales	Banking/ support	Total
Permanent		902	235	1,137
Contractual		18	14	32
Total		920	249	1,169

30.1 Average number of employees during the year

2015	2014
1,223	1,132

31 EMPLOYEES PROVIDENT FUND TRUST

	2015	2014
	Rupees '000	Rupees '000
Size of the Fund	262,960	222,891
Cost of investments made	237,106	207,106
Percentage of investments made	90%	93%
Fair value of investments	246,096	211,895

Breakup of Investments is as follows:

	2015		2014	
	Rs '000'	%	Rs '000'	%
Pakistan Investment Bonds	78,290	32%	78,523	37%
Market Treasury Bills	-	-	-	-
Term Deposit Receipts	167,806	68%	133,372	63%
	246,096		211,895	

31.1 The figures for 2015 and 2014 are based on the un-audited financial statements of the Provident Fund. All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

32 NUMBER OF BRANCHES/POINT OF LINK UNITS/PERMANENT BOOTHS

At beginning of the year	100	87
Opened during the year	9	13
Merged during the year	-	-
At end of the year	109	100

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	President/Chief Executive		Executives	
	2015	2014	2015	2014
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Managerial remuneration	11,235	10,868	101,681	77,869
Contribution to provident fund	1,124	1,087	8,492	7,123
Rent and house maintenance	4,494	4,347	40,672	31,147
Utilities	1,123	1,087	10,168	7,787
Medical	36	36	718	539
Others	936	-	9,539	349
	18,948	17,425	171,270	124,814
Numbers	1	1	116	78

33.1 Number of executives includes those who have worked partly or completely during the year and whose basic salary exceeds Rs. 500,000 (2014: Rs. 500,000) per year.

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33.2 The President/Chief Executive Officer and certain other executives are also provided with free use of FMFB owned and maintained cars in accordance with their entitlement as per policy of FMFB.

33.3 No remuneration was paid to the directors of FMFB.

	<u>2015</u>	<u>2014</u>
34 EARNING PER SHARE (RUPEE)		
Profit after taxation - Rupees in '000'	<u>311,715</u>	<u>109,411</u>
Weighted average number of ordinary shares - Numbers in '000'	<u>135,150</u>	<u>135,150</u>
Earning per share - Rupee	<u>2.31</u>	<u>0.81</u>

34.1 There is no dilutive effect on the basic earning per share of FMFB.

35 RELATED PARTY TRANSACTIONS

Related parties of FMFB comprise of associates (including entities having directors in common with FMFB), staff retirement funds, major share holders, directors and key management personnel.

Balances with related parties have been disclosed in the respective notes. Transaction with related parties, other than those disclosed in the elsewhere in the financial statements are summarized as follows:

	<u>2015</u> <u>Rupees '000</u>	<u>2014</u> <u>Rupees '000</u>
Related party by virtue of significant influence over FMFB		
Mark-up expense on deposits received and borrowings	20,186	16,151
Vehicle and offices' rentals	21,564	19,951
Profit received on deposits with related parties	8,426	12,875
Related parties by virtue of common directorship		
Mark-up expense on deposits received	16,591	17,371
Insurance expense	43,873	31,268
Others		
Charge for defined contribution gratuity fund	15,384	9,535
Contribution to defined contribution provident fund	25,430	22,706
Remuneration of key management personnel	41,723	43,619
Mark-up expense on deposits of key management personnel	21	36

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

	Note	<u>2015</u> <u>Rupees '000</u>	<u>2014</u> <u>Rupees '000</u>
36 CASH AND CASH EQUIVALENTS			
Cash and Balances with SBP and NBP	7	622,106	484,308
Balances With Other Banks/NBFIs/MFBs	8	1,045,644	747,842
Term deposit receipts (having tenure of three months or less)		<u>350,000</u>	950,000
		<u>2,017,750</u>	<u>2,182,150</u>

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37 FINANCIAL INSTRUMENTS (based on contractual obligation)

	Effective yield/ interest rate	Interest/Mark up bearing				Non interest/mark up bearing			Total
		Up to one year	One to five years	Over five years	Sub total	Up to one year	One to five years	Sub total	2015
		Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
31 December 2015	%								
Financial assets									
Cash and Balances with SBP and NBP	4.0	166,009	-	-	166,009	456,097	-	456,097	622,106
Balances With Other Banks/NBFIs/MFBs	4.0 - 9.0	1,000,365	-	-	1,000,365	45,279	-	45,279	1,045,644
Investments	6.27 - 12.0	3,700,269	329,496	-	4,029,765	-	-	-	4,029,765
Advances	5.49 - 38.4	4,651,522	874,090	-	5,525,612	-	-	-	5,525,612
Other Assets		-	-	-	-	485,415	2,245	487,660	487,660
		<u>9,518,165</u>	<u>1,203,586</u>	<u>-</u>	<u>10,721,751</u>	<u>986,791</u>	<u>2,245</u>	<u>989,036</u>	<u>11,710,787</u>
Financial liabilities									
Deposits and other accounts	3.0 - 13.5	7,688,177	954,183	-	8,642,360	1,018,728	-	1,018,728	9,661,088
Borrowings	6.55 - 6.75	645,576	-	-	645,576	-	-	-	645,576
Other Liabilities		-	-	-	-	276,019	49,407	325,426	325,426
		<u>8,333,753</u>	<u>954,183</u>	<u>-</u>	<u>9,287,936</u>	<u>1,294,747</u>	<u>49,407</u>	<u>1,344,154</u>	<u>10,632,090</u>

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37 FINANCIAL INSTRUMENTS (based on contractual obligation)

	Effective yield/ interest rate	Interest/Mark up bearing				Non interest/mark up bearing			Total
		Up to one year	One to five years	Over five years	Sub total	Up to one year	One to five years	Sub total	2014
		%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
31 December 2014									
Financial assets									
Cash and Balances with SBP and NBP	6.0	112,561	-	-	112,561	371,747	-	371,747	484,308
Balances With Other Banks/NBFIs/MFBs	7.3 - 10.0	694,289	-	-	694,289	53,553	-	53,553	747,842
Investments	9.37 - 12.12	2,706,819	1,566,230	-	4,273,049	-	-	-	4,273,049
Advances	5.49 - 41.7	3,817,660	599,031	-	4,416,691	-	-	-	4,416,691
Other Assets		-	-	-	-	484,644	2,247	486,891	486,891
		<u>7,331,329</u>	<u>2,165,261</u>	<u>-</u>	<u>9,496,590</u>	<u>909,944</u>	<u>2,247</u>	<u>912,191</u>	<u>10,408,781</u>
Financial liabilities									
Deposits and other accounts	3 - 13.5	6,614,823	1,301,530	-	7,916,353	833,548	-	833,548	8,749,901
Borrowings	9.85	289,880	-	-	289,880	-	-	-	289,880
Other Liabilities		-	-	-	-	326,412	71,398	397,810	397,810
		<u>6,904,703</u>	<u>1,301,530</u>	<u>-</u>	<u>8,206,233</u>	<u>1,159,960</u>	<u>71,398</u>	<u>1,231,358</u>	<u>9,437,591</u>

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37.1 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. FMFB's credit risk is primarily attributable to its advances, lending to financial institutions and balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. 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 the Prudential Regulations. Maximum amount of financial assets which are subject to credit risk amount to Rs. 8,580,941 thousand (2014: Rs. 6,549,445 thousand).

37.2 Liquidity risk:

Liquidity risk is the risk that FMFB will encounter difficulty in raising funds to meet its net funding requirements. 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.

37.3 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. FMFB's interest rate exposure stems mainly from investing activities. This risk is managed by regular review of held-for-trading portfolio of government securities.

37.4 Fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by FMFB. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

FMFB uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value of available for sale and held for trading investments has been calculated based on market yields obtained from Mutual Funds Association of Pakistan (MUFAP) at year end. These investments are categorized in Level 2 category as per IFRS 13.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value except for Held to Maturity investments which are recorded at amortized cost.

37.5 Capital management

Capital requirements applicable to FMFB are set out under Microfinance Institutions Ordinance, 2001. These requirements are put in place to ensure sufficient solvency margins. FMFB manages its capital requirement by assessing its capital structure against required capital level on regular basis. Currently, FMFB has a paid up capital of Rs. 1,351,501 thousand (2014: Rs. 1,351,501 thousand). The minimum paid up capital (free of losses) requirement applicable to FMFB is Rs. 1,000,000 thousand (2014: Rs. 1,000,000 thousand) to which FMFB is complied with. FMFB has a Capital Adequacy Ratio (CAR) of 23.25% of its risk-weighted assets which is in accordance with Prudential Regulations which require FMFB to maintain CAR of 15% of its risk-weighted assets.

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38 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	Total 2015	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
31 December 2015					
Assets					
Interest/Mark up earning					
Cash and Balances with SBP and NBP	166,009	166,009	-	-	-
Balances With Other Banks/NBFIs/MFBs	1,000,365	1,000,365	-	-	-
Investments	4,029,765	468,521	1,001,608	2,230,140	329,496
Advances	5,525,612	207,953	1,868,771	2,574,798	874,090
Non-Interest/Mark up earning					
Cash and Balances with SBP and NBP	456,097	456,097	-	-	-
Balances With Other Banks/NBFIs/MFBs	45,279	45,279	-	-	-
Other Assets	533,557	289,553	157,796	83,734	2,474
Deferred Tax	47,686	-	-	-	-
Operating Fixed Assets	382,967	-	-	-	-
	12,187,337	2,633,777	3,028,175	4,888,672	1,206,060
Liabilities					
Interest/mark up bearing					
Large time deposits above Rs. 100,000	5,110,921	774,898	2,284,344	1,141,664	910,015
Deposits and other accounts	3,531,439	3,338,526	74,561	74,184	44,168
Borrowings	645,576	645,576	-	-	-
Non-Interest/mark up bearing					
Deposits and other accounts	1,018,728	1,018,728	-	-	-
Other Liabilities	336,267	164,832	91,247	30,782	49,406
	10,642,931	5,942,560	2,450,152	1,246,630	1,003,589
Net assets	1,544,406	(3,308,783)	578,023	3,642,042	202,471
Represented by :					
Share Capital	1,351,501				
Statutory & General Reserves	126,317				
Depositors protection fund	36,716				
Accumulated loss	1,081				
Surplus on revaluation of assets	26,015				
Deferred grant	2,776				
	1,544,406				

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38 SCHEDULE OF MATURITY DISTRIBUTION OF MARKET RATE ASSETS AND LIABILITIES

	Total 2014	Up to one month	Over one month up to six months	Over six months up to one year	Over one year
31 December 2014	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets					
Interest/Mark up earning					
Cash and Balances with SBP and NBP	112,561	112,561	-	-	-
Balances With Other Banks/NBFIs/MFBs	694,289	694,289	-	-	-
Investments	4,273,049	961,208	663,809	1,081,802	1,566,230
Advances	4,416,691	179,758	1,407,947	2,229,955	599,031
Non-Interest/Mark up earning					
Cash and Balances with SBP and NBP	371,747	371,747	-	-	-
Balances With Other Banks/NBFIs/MFBs	53,553	53,553	-	-	-
Other Assets	486,891	345,414	92,353	46,877	2,247
Deferred Tax	60,232	-	-	-	-
Operating Fixed Assets	205,717	-	-	-	-
	10,674,730	2,718,530	2,164,109	3,358,634	2,167,508
Liabilities					
Interest/mark up bearing					
Large time deposits above Rs. 100,000	5,119,476	888,100	1,687,130	1,302,696	1,241,550
Deposits and other accounts	2,796,877	2,614,271	69,738	52,888	59,980
Borrowings	289,880	289,880	-	-	-
Non-Interest/mark up bearing					
Deposits and other accounts	833,548	833,548	-	-	-
Other Liabilities	397,810	183,020	91,158	52,234	71,398
	9,437,591	4,808,819	1,848,026	1,407,818	1,372,928
Net assets	1,237,139	(2,090,289)	316,083	1,950,816	794,580
Represented by :					
Share Capital	1,351,501				
Statutory & General Reserves	63,974				
Depositors' Protection Fund	19,588				
Accumulated loss	(226,929)				
Surplus on Revaluation of Assets	24,745				
Deferred grant	4,260				
	1,237,139				

**THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	Rupees '000	Rupees '000
39 OPERATIONAL/NON-OPERATIONAL PROFIT / (LOSS)		
Profit before taxation comprises of:		
Operational profit	383,247	97,889
Grant income	1,762	2,290
	<u>385,009</u>	<u>100,179</u>
40 CORRESPONDING FIGURES		

Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation.

41 GENERAL

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

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of FMFB in their meeting held on March 14, 2016