

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED
MARCH 31, 2019

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2019

	Note	March 31, 2019 (Un-audited)	December 31, 2018 (Audited)
-----Rupees in '000'-----			
<u>ASSETS</u>			
Cash and balances with SBP and NBP		1,644,577	2,186,701
Balances with other banks/NBFIs/MFBs		2,582,134	6,036,912
Investments - net of provisions	5	2,882,034	2,807,140
Advances - net of provisions	6	26,192,233	23,554,444
Operating fixed assets	7	1,237,563	1,187,584
Other assets		2,341,177	1,789,379
Deferred tax asset - net		63,120	63,120
Total assets		36,942,838	37,625,280
<u>LIABILITIES</u>			
Deposits and other accounts	8	30,146,231	31,129,077
Borrowings		-	-
Other liabilities		1,008,308	992,876
Total liabilities		31,154,539	32,121,953
NET ASSETS		5,788,299	5,503,327
<u>REPRESENTED BY:</u>			
Share capital		2,730,811	2,730,811
Share premium		620,690	620,690
Statutory & general reserves		583,713	526,737
Depositors' protection fund		165,297	148,892
Accumulated profit		1,689,102	1,477,604
		5,789,613	5,504,734
Deficit on revaluation of assets		(1,314)	(1,407)
TOTAL CAPITAL		5,788,299	5,503,327
MEMORANDUM / OFF-BALANCE SHEET ITEMS	9		

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Note	Quarter ended	
		March 31, 2019	March 31, 2018
-----Rupees in '000'-----			
Markup/return/interest earned	10	1,903,688	1,293,520
Markup/return/interest expensed		(615,576)	(350,552)
Net markup/interest income		<u>1,288,112</u>	<u>942,968</u>
Provision against non - performing loans and advances		(121,391)	(53,151)
Recovery against written off advances		9,232	5,542
		<u>(112,159)</u>	<u>(47,609)</u>
Net markup/interest income after provisions		<u>1,175,953</u>	<u>895,359</u>
Non markup/non interest income			
Fee, commission and brokerage income		140,954	96,788
Amortization of deferred grant		-	-
Other income		16,250	4,523
Total non markup/non interest income		<u>157,204</u>	<u>101,311</u>
Non markup/non interest expenses			
Administrative expenses		(937,490)	(646,459)
Grant related expenses		-	-
Other charges		-	-
Total non-markup/non interest expenses		<u>(937,490)</u>	<u>(646,459)</u>
Profit before taxation		<u>395,667</u>	<u>350,210</u>
Taxation - Current		(110,788)	(112,067)
- Prior years		-	-
- Deferred		-	-
		<u>(110,788)</u>	<u>(112,067)</u>
Extraordinary/unusual items		-	-
Profit after taxation		<u>284,879</u>	<u>238,143</u>
Accumulated profit brought forward		<u>1,477,604</u>	<u>735,345</u>
Profit before appropriations		<u>1,762,483</u>	<u>973,488</u>
Appropriations - transfers to			
Statutory reserve		(56,976)	(47,629)
Contribution to depositors' protection fund			
5% of Profit after tax		(14,244)	(11,907)
Interest on investment		(2,161)	(1,514)
		<u>(73,381)</u>	<u>(61,050)</u>
Accumulated profit carried forward		<u>1,689,102</u>	<u>912,438</u>
Earning per share (Rupee)		<u>1.04</u>	<u>0.87</u>

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	<u>Quarter ended</u>	
	March 31, 2019	March 31, 2018
	-----Rupees in '000'-----	
Profit after taxation for the period	284,879	238,143
Other comprehensive income that can not be reclassified into profit or loss in subsequent periods		
Remeasurement of defined benefit plan	-	-
Comprehensive income transferred to equity	284,879	238,143
Components of comprehensive income not reflected in equity		
Other comprehensive income that can be reclassified into profit or loss in subsequent periods		
Surplus/(Deficit) on revaluation of available for sale investments	93	(903)
	284,972	237,240

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

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Share capital	Share premium account	Statutory reserve	Depositors protection fund	Accumulated Profit	Total
	-----Rupees in '000'-----					
Balance as at December 31, 2017	2,730,811	620,690	326,723	92,696	735,345	4,506,265
Total comprehensive income for the quarter ended March 31, 2018:						
Net profit for the quarter ended March 31, 2018	-	-	-	-	238,143	238,143
Remeasurement of defined benefit plan	-	-	-	-	-	-
	-	-	-	-	238,143	238,143
Interest earned on investment of fund	-	-	-	1,514	(1,514)	-
Contribution for the quarter ended March 31, 2018	-	-	47,629	11,907	(59,536)	-
Balance as at March 31, 2018	2,730,811	620,690	374,352	106,117	912,438	4,744,408
Total comprehensive income for the nine months ended December 31, 2018:						
Net profit for the nine months ended December 31, 2018	-	-	-	-	761,927	761,927
Remeasurement of defined benefit plan	-	-	-	-	(1,601)	(1,601)
	-	-	-	-	760,326	760,326
Interest earned on investment of fund	-	-	-	4,678	(4,678)	-
Contribution for the nine months ended December 31, 2018	-	-	152,385	38,097	(190,482)	-
Balance as at December 31, 2018	2,730,811	620,690	526,737	148,892	1,477,604	5,504,734
Total comprehensive income for the quarter ended March 31, 2019:						
Net profit for the quarter ended March 31, 2019	-	-	-	-	284,879	284,879
Remeasurement of defined benefit plan	-	-	-	-	-	-
	-	-	-	-	284,879	284,879
Interest earned on investment of fund	-	-	-	2,161	(2,161)	-
Contribution for the quarter ended March 31, 2019	-	-	56,976	14,244	(71,220)	-
Balance as at March 31, 2019	2,730,811	620,690	583,713	165,297	1,689,102	5,789,613

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

THE FIRST MICROFINANCEBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

	Quarter ended	
	March 31, 2019	March 31, 2018
	-----Rupees in '000'-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	395,667	215,811
Adjustment for non cash items:		
Depreciation of property and equipment	51,326	26,961
Amortization of intangible assets	26,218	3,479
Provision against non performing loans and advances	121,391	20,670
Gain on disposal of operating fixed assets	1,165	(8,515)
Amortization of deferred grant	-	(251)
Net amortization of discount on investments	(917)	(20,867)
Provision for gratuity	13,419	6,232
	<u>212,602</u>	<u>27,709</u>
	608,269	243,520
(Increase) / decrease in operating assets:		
Advances	(2,759,180)	(989,494)
Accrued interest on investments	-	(40,545)
Other Assets (excluding advance taxation)	(541,444)	(185,908)
	<u>(3,300,624)</u>	<u>(1,215,947)</u>
Increase/(decrease) in operating liabilities:		
Deposits and other accounts	(982,846)	42,403
Borrowings from financial institutions	-	(297,820)
Other Liabilities (excluding gratuity)	18,042	(94,198)
	<u>(964,804)</u>	<u>(349,615)</u>
Cash outflow from operations	(3,657,159)	(1,322,042)
Gratuity paid	(16,029)	-
Income tax paid	(129,722)	(54,967)
Net cash outflow from operating activities	<u>(3,802,910)</u>	<u>(1,377,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in held to maturity securities	(500,000)	(165,172)
Proceeds from sale/redemption of held to maturity securities	504,353	540,339
Proceeds from sale/redemption of available for sale securities	-	1,450,000
Investments in operating fixed assets	(129,694)	(15,573)
Sale proceeds of property and equipment disposed	1,005	26,748
Net cash inflow from investing activities	<u>(124,336)</u>	<u>1,836,342</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in cash and cash equivalents	<u>(3,927,246)</u>	<u>459,333</u>
Cash and cash equivalents at the beginning of the quarter	10,681,835	3,593,775
Cash and cash equivalents at the end of the quarter	<u>6,754,589</u>	<u>4,053,108</u>
Cash and cash equivalents comprise of the following:		
Cash and balances with State Bank of Pakistan and National Bank of Pakistan	1,644,577	637,379
Balances with other banks/NBFIs/MFBs	2,582,134	701,671
Investments (having tenure of three months or less)	2,527,878	2,914,936
	<u>6,754,589</u>	<u>4,053,108</u>

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

THE FIRST MICROFINANCEBANK LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2019

1 STATUS AND NATURE OF BUSINESS

The First MicroFinanceBank Limited (FMFB) was incorporated in The Islamic Republic of Pakistan on November 5, 2001 as a public limited company under the Companies Ordinance, 1984. The FMFB received the certificate of commencement of business on February 14, 2002. FMFB's principal business is to provide microfinance services to the poor and under served segment of the society as envisaged under the Microfinance Institutions Ordinance, 2001. FMFB has 203 (2018: 203) business locations comprising of 184 (2018: 184) branches/Permanent Booths (PBs), 19 (2018: 19) 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 STATEMENT OF COMPLIANCE

These interim condensed financial informations of the Bank have been prepared, in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting', provisions of the Companies Act, 2017, the Microfinance Institution Ordinance, 2001 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever, the requirements of the Companies Act, 2017, 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 Act, 2017, the Microfinance Institutions Ordinance, 2001, or the requirements of the said directives prevail.

SECP vide S.R.O. 434(1)/2018 has directed companies to follow the requirements of IFRS 16 for the annual periods beginning on or after January 1, 2019. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases. The Bank is currently assessing the impact of the application of IFRS 16 on its financial statements.

These interim condensed financial information do not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the annual financial information of the Bank as at December 31, 2018.

3 BASIS OF MEASUREMENT

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

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

4 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 4.1** The accounting policies adopted for the preparation of these interim condensed financial information are the same as those applied in the preparation of the annual financial information for the year ended December 31, 2018.
- 4.2** The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial information of the Bank for the year ended December 31, 2018.

		March 31, 2019	December 31, 2018
		(Un-audited)	(Audited)
	Note	-----Rupees in '000'-----	
5 INVESTMENTS - NET OF PROVISIONS			
Held to maturity			
Federal Government Securities			
Pakistan Investment Bonds	5.1	60,025	60,147
Market Treasury Bills	5.2	168,180	154,580
		228,205	214,727
Term Deposit Receipts (TDRs)	5.3	7,713	7,585
		235,918	222,312
Available for sale			
Federal Government Securities			
Pakistan Investment Bonds	5.1	95,038	95,223
Market Treasury Bills	5.2	2,552,392	2,491,012
		2,647,430	2,586,235
Held for trading			
Federal Government Securities			
Market Treasury Bills	5.2	-	-
		-	-
Add: Deficit on revaluation of available for sale investments		(1,314)	(1,407)
		2,882,034	2,807,140

- 5.1 These represent bonds with maturity of three years and carry markup at the rates at 7.0% (2018: 7.0%) per annum, payable on a semi-annual basis, with maturities falling due during 2019. These also include a bond with three years maturity held for the purposes of Depositors' Protection Fund with a carrying amount of Rs. 10,004 thousand (2018: Rs. 10,024 thousand) and carry markup at the rate of 7.0% (2018: 7.0%) per annum respectively, with maturity falling due in 2019.
- 5.2 These represent securities with original maturity period of three months carry markup at the rates ranging between 10.49% to 10.50% (2018: 8.72% to 10.31%) per annum. These also include securities with original maturity period of three month held for the purposes of Depositors' Protection Fund with a cumulative carrying amount of Rs. 168,180 thousand (2018: Rs. 154,580 thousand) and carry markup at the rates ranging between 10.48% to 10.55% (2018: 8.72% to 8.80%) per annum.
- 5.3 This represents a TDR with an original maturity of one year carrying markup at rate of 6.90% (2018: 6.90%) per annum, payable on maturity.

6 ADVANCES - NET OF PROVISIONS

		March 31, 2019 (Un-audited)		December 31, 2018 (Audited)	
		Number of loans outstanding	Amount of loans outstanding	Number of loans outstanding	Amount of loans outstanding
	Note	Number	Rupees in '000'	Number	Rupees in '000'
Considered good	6.1	444,807	26,194,363	416,544	23,642,835
Considered doubtful	6.1	11,365	361,792	7,849	214,267
	6.1	456,172	26,556,155	424,393	23,857,102
Less:					
Specific provision	6.2		104,927		70,092
General provision			258,904		232,511
- Mandatory provision at the rate of 1%			91		55
- Additional provision	6.2		258,995		232,566
			363,922		302,658
			26,192,233		23,554,444

6.1 These include advances for an aggregate amount of Rs. 74,585 thousand (2018: Rs. 78,321 thousand) secured against gold collaterals and cash deposits whereas the remaining advances except staff and key management personnel loans are secured by personal guarantee. Advances includes 829 (2018: 804) staff loans, aggregating to Rs. 485,079 thousand (2018: Rs. 452,490 thousand), carrying markup at the rates ranging between 3% to 5% per annum (2018: 3% to 5% per annum). These also include outstanding loans of the key management personnel (KMP) which have been disclosed in note 11.

6.2 Particulars of provision against non performing advances

	March 31, 2019 (Un-audited)			December 31, 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000'-----			-----Rupees in '000'-----		
Opening balance	70,092	232,566	302,658	22,103	138,195	160,298
Charge for the period/year	94,962	26,429	121,391	177,120	94,371	271,491
Less: Amount written off	60,127	-	60,127	129,131	-	129,131
	34,835	26,429	61,264	47,989	94,371	142,360
Closing balance	104,927	258,995	363,922	70,092	232,566	302,658

7 OPERATING FIXED ASSETS

	Note	March 31,	December 31,
		2019 (Un-audited)	2018 (Audited)
		-----Rupees in '000'-----	
Carrying value at the beginning of the period/year		1,187,584	724,983
Add: Additions during the period/year	7.1	129,694	693,205
Less: Disposals / deletion during the period/year at carrying value		(2,170)	(1,114)
		1,315,108	1,417,073
Less: Depreciation or amortization for the period/year		(77,545)	(229,489)
Carrying value at the end of the period/year		1,237,563	1,187,584

7.1 Additions during the period/year

Office equipment	43,188	174,848
Furniture and fixture	11,864	36,135
Computer equipment	23,624	93,508
Vehicles	9,302	37,579
Leasehold improvement	78,304	222,439
Computer Software	23,863	36,192
Capital work-in-progress	77,424	382,650
Transfer from Capital work-in-progress	(137,875)	(290,146)
	129,694	693,205

	Note	March 31, 2019 (Un-audited)		December 31, 2018 (Audited)	
		Number	Rupees in '000'	Number	Rupees in '000'
8 DEPOSITS AND OTHER ACCOUNTS					
Time liabilities					
Fixed Deposits		15,225	17,198,855	15,492	18,601,231
Saving deposits		114,235	10,350,495	114,130	9,152,076
Current deposits		925,871	2,596,881	857,192	3,375,770
	8.2	<u>1,055,331</u>	<u>30,146,231</u>	<u>986,814</u>	<u>31,129,077</u>

8.2 Particulars of deposits by ownership

	March 31, 2019 (Un-audited)		December 31, 2018 (Audited)	
	Number	Rupees in '000'	Number	Rupees in '000'
Individual depositors	1,025,011	12,523,484	956,666	13,097,857
Institutional depositors				
Corporations/ firms	29,681	10,277,353	29,663	10,762,584
Banks and financial institutions	639	7,345,394	485	7,268,636
	30,320	17,622,747	30,148	18,031,220
	<u>1,055,331</u>	<u>30,146,231</u>	<u>986,814</u>	<u>31,129,077</u>

9 MEMORANDUM/OFF BALANCE SHEET ITEMS**9.1 Contingencies**

FMFB has filed tax returns up to tax year 2018, which are deemed assessed in terms of section 120(1) of the Income Tax Ordinance, 2001.

9.2 Commitments

There are no Commitments as at 31 March 2019 (December 31,2018: Nil)

10 MARKUP/RETURN/INTEREST EARNED

	Quarter ended	
	March 31, 2019 (Un-audited)	March 31, 2018
	-----Rupees in '000'-----	
Mark-up on advances	1,731,754	1,161,750
Income on investment in Government Securities	70,618	60,915
Income from Term Deposit Receipts	20,542	48,314
Mark-up on deposit accounts with treasury and other banks	80,774	22,541
	<u>1,903,688</u>	<u>1,293,520</u>

11 RELATED PARTY TRANSACTIONS

Related parties of FMFB comprise of its major shareholders, associates (including entities having directors in common with FMFB), directors, key management personnel which include CEO and Head of Departments (HOD's) and staff retirement funds. Transactions with the related parties, other than those under terms of employment, are executed on an arm's length basis i.e. do not involve more than normal risk and are substantially on the same terms, including markup rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

Details of transactions and balances with related parties as at the year end, other than disclosed elsewhere in these financial statements, are as follows:

	As at March 31, 2019			
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
	----- Rupees '000-----			
Balance sheet				
Balances with other Banks/NBFIs/MFBs				
on deposit accounts	304,293	-	-	-
Advances				
Opening balance	-	-	37,774	-
Addition during the year	-	-	1,142	-
Repaid during the year	-	-	2,782	-
Markup/ Return/ Interest earned	-	-	475	-
Closing balance	-	-	36,609	-
Operating fixed assets				
Capital Work in progress	-	7,000	-	-
Other assets				
Income/ Markup accrued	834	-	-	-
Prepayments	12,703	-	-	-
Other receivable	29	25,966	-	-
	13,566	25,966	-	-
Deposits				
Opening balance	3,012,556	2,104,062	5,385	-
Received during the year	958,512	5,980,376	1,271	-
Withdrawn during the year	1,326,041	6,124,451	3,358	-
Markup/ Return/ Interest expensed	74,076	46,086	73	-
Closing balance	2,719,103	2,006,073	3,371	-
Other liabilities				
Markup/ Return/ Interest payable	111,693	24,947	-	-
Accrued liabilities	2,586	4,305	-	-
Payable to defined benefit gratuity fund	-	-	-	319
Payable to defined contribution provident fund	-	-	-	-
	114,279	29,252	-	319
	For the Quarter Ended March 31, 2019			
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
	----- Rupees '000-----			
Profit and loss account				
Income				
Markup/ Return/ Interest earned	7,631	258	475	-
Expense				
Markup/ Return/ Interest expensed	74,076	46,086	73	-
Administration expenses				
Remuneration	-	-	64,757	-
Charge for defined contribution gratuity fund	-	-	-	13,419
Contribution to defined contribution provident fund	-	-	-	18,057
Offices' rentals expense	8,570	-	-	-
Bank charges	1,586	-	-	-
Vehicle rentals expense	397	-	-	-
Insurance expense	-	15,812	-	-
Other expenses	48	1,071	-	-
	84,677	62,969	64,830	31,476
Others				
Proceeds from sale of vehicles	-	-	-	-

	As at December 31, 2018			
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
	Rupees '000			
Balance sheet				
Balances with other Banks/NBFIs/MFBs				
on deposit accounts	610,630	-	-	-
Advances				
Opening balance	-	-	9,356	-
Addition during the year	-	-	33,567	-
Repaid during the year	-	-	6,480	-
Markup/ Return/ Interest earned	-	-	1,331	-
Closing balance	-	-	37,774	-
Operating fixed assets				
Capital Work in progress	-	7,000	-	-
Other assets				
Income/ Markup accrued	1,043	-	-	-
Prepayments	20,637	-	-	-
Other receivable	-	3,469	-	-
	21,680	3,469	-	-
Deposits				
Opening balance	-	-	-	-
Received during the year	6,584,496	11,215,953	36,720	-
Withdrawn during the year	3,707,866	9,196,391	31,422	-
Markup/ Return/ Interest expensed	135,926	84,500	87	-
Closing balance	3,012,556	2,104,062	5,385	-
Other liabilities				
Markup/ Return/ Interest payable	51,797	40,243	-	-
Accrued liabilities	2,636	6,196	-	-
Payable to defined benefit gratuity fund	-	-	-	2,929
Payable to defined contribution provident fund	-	-	-	-
	54,433	46,439	-	2,929

	For the Quarter Ended March 31, 2018			
	Shareholders	Group entities/ common directorship	Key Management Personnel	Staff retirement funds
	Rupees '000			
Profit and loss account				
Income				
Markup/ Return/ Interest earned	2,212	-	117	-
Expense				
Markup/ Return/ Interest expensed	22,993	21,486	49	-
Administration expenses				
Remuneration	-	-	45,189	-
Charge for defined contribution gratuity fund	-	-	-	9,900
Contribution to defined contribution provident fund	-	-	-	13,650
Offices' rentals expense	6,212	-	-	-
Bank charges	1,008	-	-	-
Vehicle rentals expense	397	-	-	-
Insurance expense	-	15,285	-	-
Other expenses	-	295	-	-
	30,610	37,065	45,238	23,550

12 GENERAL

Figures have been rounded off to the nearest thousand rupee.