

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE FIRST MICROFINANCEBANK

Opinion

We have audited the financial statements of the First MicroFinanceBank (the Bank), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the accounting framework as stated in note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in *Afghanistan*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 16 March 2016.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting framework as stated in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EY Lord Roshan

Chartered Accountants

Date: 22 March 2017

Kabul, Afghanistan

Engagement Partner: Sajjad Hussain Gill

**THE FIRST MICROFINANCEBANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

		<u>2016</u>	<u>2015</u>
	Note	AFN '000	AFN '000
Assets			
Cash and cash equivalents	7	3,737,201	3,243,121
Placements	8	1,258,936	1,595,792
Loans and advances to customers - net	9	4,661,546	3,795,937
Operating fixed assets	10	161,855	141,721
Intangible asset	11	382	552
Advance tax	12	14,485	-
Other assets	13	727,602	579,762
Total Assets		<u><u>10,562,007</u></u>	<u><u>9,356,885</u></u>
Liabilities			
Deposits from customers	14	6,190,663	4,992,027
Loans and borrowings	15	2,465,766	2,517,637
Income tax payable		10,969	26,483
Deferred tax liability - net	16	6,356	2,172
Other liabilities	17	128,821	170,008
Total Liabilities		<u><u>8,802,575</u></u>	<u><u>7,708,327</u></u>
Equity			
Share capital	18	796,008	796,008
Share premium	19	206,038	206,038
Retained earnings		757,386	646,512
Total equity		<u><u>1,759,432</u></u>	<u><u>1,648,558</u></u>
Total equity and liabilities		<u><u>10,562,007</u></u>	<u><u>9,356,885</u></u>
Contingencies and commitments	20		

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Financial Officer



Chief Executive Officer



Chairman

THE FIRST MICROFINANCEBANK
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 AFN '000	2015 AFN '000
Interest income	21	1,182,520	1,024,578
Interest expense	21	(152,557)	(152,451)
Net interest income		1,029,963	872,127
Fee and commission income	22	92,350	83,626
Fee and commission expense	22	(34,531)	(38,353)
Net fee and commission income		57,819	45,273
Other revenue	23	123,948	182,982
Revenue		1,211,730	1,100,382
Other income	24	16,438	30,781
Impairment loss on loans and advances to customers	9	(125,398)	(48,470)
Impairment loss on placements	7 & 8	(13,465)	(12,990)
Personnel expenses	25	(518,715)	(500,373)
Depreciation and amortisation	10 & 11	(23,169)	(19,901)
Penalty		(11,222)	-
Other expenses	26	(384,416)	(309,604)
Net operating income		151,783	239,825
Non-operating revenue and expenses:			
Grants income recognized against deferred grant	17	2,194	16,023
Grants income recognized against expenditures in advance		5,401	6,668
Expenditure against grants	27	(7,595)	(22,691)
		-	-
Profit before tax		151,783	239,825
Income tax expense	28	(40,909)	(54,536)
Net profit		110,874	185,289
Other comprehensive income		-	-
Total comprehensive income		110,874	185,289
Earnings per share	29	1.26	2.10

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman



**THE FIRST MICROFINANCEBANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital	Share premium	Retained earnings	Total
	-----AFN '000-----			
Balance at 01 January 2015	796,008	206,038	461,223	1,463,269
Total comprehensive income	-	-	185,289	185,289
Balance at 31 December 2015	<u>796,008</u>	<u>206,038</u>	<u>646,512</u>	<u>1,648,558</u>
Total comprehensive income	-	-	110,874	110,874
Balance at 31 December 2016	<u><u>796,008</u></u>	<u><u>206,038</u></u>	<u><u>757,386</u></u>	<u><u>1,759,432</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chief Financial Officer

Chief Executive Officer

Chairman

**THE FIRST MICROFINANCEBANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 AFN '000	2015 AFN '000
Cash flows from operating activities			
Profit before tax		151,783	239,825
Adjustments for:			
Depreciation and amortisation	10	23,758	20,620
Impairment loss on loans and advances to customers	9	125,398	48,470
Impairment loss on placements	8.2 & 7.2.2	13,465	12,990
Loss on sale of property and equipment		326	77
Recognition of previously written off vehicles		-	(9,416)
Grant income		(7,595)	(22,691)
		<u>307,135</u>	<u>289,875</u>
Changes in:			
Loans and advances to customers		(991,007)	(494,718)
Advance tax		(14,485)	-
Other assets		(151,471)	(74,780)
Deposits from customers		1,198,636	711,647
Other liabilities		(41,187)	(58,336)
		<u>307,621</u>	<u>373,688</u>
Income tax paid		(52,239)	(44,018)
Grant received		11,226	36,078
Net cash flow from operating activities		266,608	365,748
Cash flows from investing activities			
Acquisition of property and equipment	10	(44,343)	(122,909)
Proceeds from sale of property and equipment		295	244
Investment in placements	8	323,391	(352,669)
Net cash flows from / (used in) investing activities		279,343	(475,334)
Cash flows from financing activities			
Proceeds from loans and borrowings		195,000	149,194
Repayment of loans and borrowings		(246,871)	(52,727)
Net cash flows (used in) / from financing activities		(51,871)	96,467
Net increase / (decrease) in cash and cash equivalents		494,080	(13,119)
Cash and cash equivalents at 01 January		3,243,121	3,256,240
Cash and cash equivalents at 31 December	7	3,737,201	3,243,121

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer




Chairman