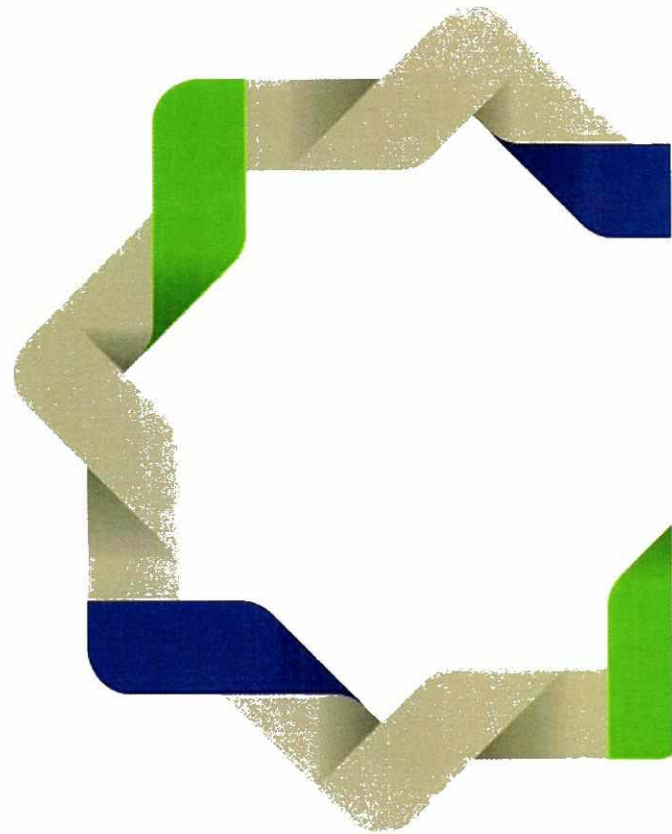


The First Microfinance
Bank– condensed interim
financial statements and
auditors’ review report

For the nine months ended 30 September 2020



The First Microfinance Bank – condensed interim financial statements and auditors’ review report

For the nine months ended 30 September 2020

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The First Microfinance Bank – condensed interim financial statements and auditors’ review report

For the nine months ended 30 September 2020

**The First Microfinance
Bank**
**Condensed Interim
Financial Statements**

For the nine months ended 30 September 2020



Grant Thornton

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Chief Executive Officer

The First Microfinance Bank
Kabul, Afghanistan

November 08, 2020

Grant Thornton Afghanistan
House # 611, Street # 12
Quall e Fatehullah, Kabul
Afghanistan
T +93 202 202 475
M+93 789 314 616
www.grantthornton.af

Gentlemen,

**CONDENSED INTERIM FINANCIAL STATEMENTS - FOR NINE MONTHS ENDED
September 30, 2020**

We are pleased to enclose four copies of the draft condensed interim financial statements of The First Microfinance Bank (“the Bank”), for the nine months ended September 30, 2020, prepared by the management, together with our review report thereon. The condensed interim financial statements have been initialed by us for the purpose of identification only. We shall be pleased to sign our report in its present or amended form after:

- these condensed interim financial statements have been approved by the Board, with or without modification, and signed by the Chief Executive Officer and Chief Financial Officer of the Bank;
- we have received minutes of the meeting of the Board to evidence approval of the condensed interim financial statements; and
- we have received the management representation letter duly signed by the Chief Executive Officer and Chief Financial Officer of the Bank.

**2 RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN
RELATION TO THE FINANCIAL STATEMENTS**

We have conducted the review of the interim financial statements of the Bank in accordance with the International Standard on Review Engagements (ISRE) 2410. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our responsibility is to express a conclusion on the accompanying condensed interim financial information based on our review.

The responsibility for preparation and presentation of the condensed interim financial statements in accordance with the accounting standards as applicable to interim financial information is primarily that of the Bank’s management. This includes maintenance of adequate accounting records and internal controls, the selection and application of accounting

policies, safeguarding of the assets of the Bank and prevention and detection of fraud and irregularities. The review of interim financial statements does not relieve the management of its responsibilities.

3 SIGNIFICANT MATTERS FOR BOARDS' INFORMATION

Fraud and errors

We have been informed by management that to the best of their knowledge, there have been no instance of fraud or irregularity during the period.

Contingencies and commitments

We have been informed by management that there are no contingencies and commitments other than those disclosed in note 14 to the condensed interim financial statements.

Related party transactions

We have been informed by management that related party transactions have been properly disclosed in note 15 to the condensed interim financial statements and there are no other related party transactions which have not been recorded in the financial statements.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the management of the Bank during the course of our review.

Yours truly,


Saqib Rehman Qureshi – FCA
CEO and Vice President



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Independent Auditor's Report on Review of Interim Financial Information

Grant Thornton Afghanistan

House # 611, Street # 12
Qualle Fatehullah, Kabul
Afghanistan
T +93 202 202 475
M+93 789 314 616
www.grantthornton.af

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **The First Microfinance Bank** ("the Bank") as at September 30, 2020 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the nine months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and directives issued by the central bank of Afghanistan. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

GTA



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Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at September 30, 2020, and of its financial performance and its cash flows for the nine months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan.

Grant Thornton Afghanistan

Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date 12th Nov, 2020

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (AFN in '000) -----	
Assets			
Cash and cash equivalents	4	4,952,458	4,709,883
Placements - net	5	1,029,037	603,353
Loans and advances to customers - net	6	4,365,004	4,931,284
Operating fixed assets	7	467,909	595,797
Intangible asset	8	58,357	78,830
Other assets	9	942,168	853,576
Total Assets		<u>11,814,933</u>	<u>11,772,723</u>
Liabilities			
Deposits from customers	10	6,984,338	6,602,025
Loans and borrowings	11	2,314,048	2,588,977
Income tax payable		5,326	11,432
Deferred tax liability - net		27,270	27,270
Other liabilities	12	391,953	481,189
Total Liabilities		<u>9,722,935</u>	<u>9,710,893</u>
Equity			
Share capital	13	796,008	796,008
Share premium		206,038	206,038
Retained earnings		1,089,952	1,059,784
Total equity		<u>2,091,998</u>	<u>2,061,830</u>
Total equity and liabilities		<u>11,814,933</u>	<u>11,772,723</u>
Contingencies and commitments	14		GFA

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


 Chief Financial Officer


 Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

		Nine months ended 30 September 2020 (Un-Audited) ----- (AFN in '000) -----	Nine months ended 30 September 2019 (Un-Audited) ----- (AFN in '000) -----	Three months ended 30 September 2020 (Un-Audited) ----- (AFN in '000) -----	Three months ended 30 September 2019 (Un-Audited) ----- (AFN in '000) -----
Interest income		946,177	1,073,371	276,657	350,828
Interest expense		(118,087)	(124,474)	(37,542)	(38,683)
Net interest income		828,090	948,897	239,115	312,145
Fee and commission income		46,884	54,999	16,952	15,634
Fee and commission expense		(45,687)	(58,235)	(16,420)	(24,423)
Net fee and commission income		1,197	(3,236)	532	(8,789)
Income from dealing in foreign currencies		108,381	99,670	27,573	38,480
Revenue		937,668	1,045,331	267,220	341,836
Other income		34,200	25,348	37,945	(840)
Impairment loss on loans and advances to customers	6.2	(33,742)	(87,029)	5,166	(13,295)
Impairment loss on placements		(2,668)	195	(6,459)	(1,441)
Reversal/ (charge) of general provision on:					
Other assets		(899)	(286)	(158)	72
Off-balance sheet items		-	-	-	-
Personnel expenses		(507,255)	(490,766)	(170,824)	(153,278)
Depreciation on operating fixed assets and right of use of assets	7.4 & 8	(105,857)	(51,383)	(36,288)	(18,437)
Finance cost on lease		(6,270)	-	(2,075)	-
Penalty		-	(8,170)	-	(4,550)
Other expenses		(278,439)	(413,591)	(86,627)	(149,914)
Net operating income		36,738	19,649	7,900	153
Non-operating revenue and expenses:					
Grants income recognized against deferred grant		877	-	272	-
Grants income recognized against expenditures in advance		3,010	4,410	-	1,942
Expenditure against grants		(3,887)	(4,410)	(272)	(1,942)
Profit before tax		36,738	19,649	7,900	153
Income tax expense		(6,570)	(2,873)	(1,525)	1,026
Net profit		30,168	16,776	6,375	1,179
Other comprehensive income		-	-	-	-
Total comprehensive income		30,168	16,776	6,375	1,179

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

	Share capital	Share premium	Retained earnings	Total
	----- (AFN in '000) -----			
Balance at 01 January 2019 (Audited)	796,008	206,038	1,020,140	2,022,186
Total comprehensive income for nine months ended 30 September 2019				
Profit for the period	-	-	16,776	16,776
Other comprehensive income	-	-	-	-
	-	-	16,776	16,776
Balance at 30 September 2019 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,036,916</u>	<u>2,038,962</u>
Balance as at 01 January 2020 (Audited)	796,008	206,038	1,059,784	2,061,830
Total comprehensive income for nine months ended 30 September 2020				-
Profit for the period	-	-	30,168	30,168
Other comprehensive income	-	-	-	-
	-	-	30,168	30,168
Balance at 30 September 2020 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,089,952</u>	<u>2,091,998</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


 Chief Financial Officer


 Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

		Nine months ended 30 September 2020	Nine months ended 30 September 2019
		(Un-Audited)	
	Note	----- (AFN in '000) -----	
Cash flows from operating activities			
Profit before tax		36,738	19,649
Adjustments for:			
Depreciation on operating fixed assets and right of use of assets	7 & 8	105,857	52,378
Finance cost on lease		6,270	-
Impairment loss on loans and advances to customers	6.2	33,742	87,029
Impairment loss on placements		2,668	(195)
Adjustment due to modification in lease agreement (Reversal)/ provision on Other assets		66,830	-
Off-balance sheet items		899	286
Gain on sale of property and equipment		(36)	143
Grant income		(3,887)	(4,410)
		<u>249,081</u>	<u>154,880</u>
Changes in:			
Increase in loans and advances to customers		532,538	829,155
Increase in other assets		(89,491)	78,133
Increase in deposits from customers		382,313	(1,442,042)
Increase in other liabilities		2,389	(23,529)
		<u>1,076,830</u>	<u>(403,403)</u>
Income tax paid		(12,675)	(16,747)
Grant Received		3,887	4,410
Net cash (used in)/ flow from operating activities		<u>1,068,042</u>	<u>(420,150)</u>
Cash flows from investing activities			
Purchase of property and equipment		(25,221)	(152,778)
Proceeds from sale of property and equipment		52	105
Investment in placements		(428,352)	844,035
Net cash (used in)/ flow from investing activities		<u>(453,521)</u>	<u>691,362</u>
Cash flows from financing activities			
Repayment of lease liabilities		(97,017)	-
Proceeds from loans and borrowings		-	496,564
Repayment of loans and borrowings		(274,929)	(369,029)
Net cash (used in) / flow from financing activities		<u>(371,946)</u>	<u>127,536</u>
Net increase in cash and cash equivalents		242,575	398,748
Cash and cash equivalents at beginning of the period		4,709,883	4,589,836
Cash and cash equivalents at end of the period		<u>4,952,458</u>	<u>4,988,583</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


 Chief Financial Officer


 Chief Executive Officer

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

1 STATUS AND NATURE OF BUSINESS

The First MicroFinance Bank (the 'Bank') was registered as a limited liability company with Afghanistan Investment Support Agency (AISA) in December 2003 and received formal banking license from Da Afghanistan Bank (DAB), the central bank of Afghanistan, on 18 March 2004 to operate nationwide. The Bank is a limited liability company and is incorporated and domiciled in Afghanistan. Since commencement of operations on 01 May 2004, the Bank has been operating as the leading financial services provider in Afghanistan contributing to poverty alleviation and economic development, through provision of sustainable financial services primarily targeted at the micro and small businesses and households.

The registered office of the Bank is situated in Kabul, Afghanistan. The Bank has 38 branches (2019: 38) in operation including 17 (2019: 17) urban branches and 21 (2019:21) rural/peri urban branches in operation as at 30 September 2020 and employed 1,458 (2019: 1,191) staff.

2 BASIS OF PREPARATION

This condensed interim financial information of the Bank for the nine months period ended 30 September 2020 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the Banking Law of Afghanistan. In case, where requirements differ, the requirement of Law of Banking of Afghanistan takes precedence.

The disclosures made in this condensed financial information have been limited based on the requirements prescribed by the International Accounting Standard (IAS) 34 - Interim Financial Reporting and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2019.

Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2019 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the nine months period ended 30 September 2019.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

3 ACCOUNTING POLICIES

The accounting policies adopted in preparation of this condensed interim financial information are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2019.

The estimates / judgments assumptions used in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2019.

The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2019.

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (AFN in '000) -----	
4 CASH AND CASH EQUIVALENTS			
Cash in hand		340,017	325,431
Unrestricted balances with Da Afghanistan Bank		618,342	504,368
Balances with other banks	4.1	850,374	499,311
Short term placements with banks	4.2	<u>3,143,725</u>	<u>3,380,773</u>
		<u>4,952,458</u>	<u>4,709,883</u>
4.1 Balances with other banks			
Current balances with:			
Transkapital - Russia		101,132	24,925
Islamic Bank of Afghanistan		230,310	-
BMCE Bank International, Spain		473,348	446,506
AKTIF - Turkey		37,371	24,022
CSC Bank SAL		8,213	3,858
		<u>850,374</u>	<u>499,311</u>
4.2 Short term placements with banks			
Capital notes with DAB	4.2.1	857,553	799,571
Time deposits with:			
Habib Bank Limited, Brussels	4.2.2	460,620	462,900
Diamond Trust Bank, Kenya	4.2.3	1,777,085	1,122,336
AKTIF Bank, Turkey	4.2.4	61,416	61,720
BMCE Bank International, Spain		-	944,500
		<u>2,299,121</u>	<u>2,591,456</u>
Less: General provision held	4.2.5	<u>(12,949)</u>	<u>(10,255)</u>
		<u>3,143,725</u>	<u>3,380,773</u>

4.2.1 These represent capital notes issued by Da Afghanistan Bank having maturity of 28 to 91 days (2019: 7 to 28 days). These capital notes carry interest rates ranging from 0.95% to 1.49% (2019: 0.081% to 0.85%) per annum.

4.2.2 These include deposits having maturity up to three months and carry interest at rates ranging from 1.55% to 1.95% (2019: 1.7% to 2.15%) per annum.

4.2.3 These include deposits having maturities from 28 days upto 33 days and carry interest at rate of 1.70% (2019: 2.3% to 2.42%) per annum.

4.2.4 This include deposit having maturity up to three months and carry interest at rate of 0.90% (2019: 1.65%) per annum.

4.2.5 IFRS 9 expected credit loss computed on above placements amounts to AFN 5,657 thousand (2019: AFN 2,337 thousand). The bank has maintained a provision of AFN 12,949 thousand (2019: AFN 10,255 thousand) based on Bank's provisioning policy and Assets Classification and Provisioning Regulation (ACPR) issued by DAB which is higher than the ECL of IFRS 9.

CAIF

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	30 September 2020 (Un-audited) ----- (AFN in '000) -----	31 December 2019 (Audited)
5 PLACEMENTS - NET			
Capital notes issued by DAB	5.1	877,032	448,718
Habib Bank Limited, Brussels	5.2	153,540	-
Habibsons Bank Limited, UK		-	156,197
	5.2	1,030,572	604,915
Less: General provision held	5.3	(1,535)	(1,562)
		<u>1,029,037</u>	<u>603,353</u>

5.1 These represent capital notes with DAB having maturity ranging from 182 to 364 days and carry interest rate ranging from 1.75% to 3% (2019: 0.799% to 1.06%) per annum.

5.2 This deposit has a maturity of 182 days (2019: Nil) and carries interest rate of 2.1% (2019: Nil) per annum.

5.3 General provision of 1% (31 December 2019: 1%) is held on placements above 30 days (2019: above 30 days), in accordance with revised "Asset Classification and Provisioning Regulation (ACPR)" issue by DAB.

	Note	30 September 2020 (Un-audited) ----- (AFN in '000) -----	31 December 2019 (Audited)
6 LOANS AND ADVANCES TO CUSTOMERS - NET			
Loans and advances to customers	6.1	4,727,529	5,387,903
Less: Impairment loss on loans and advances	6.2	(362,525)	(456,619)
		<u>4,365,004</u>	<u>4,931,284</u>

6.1 Loans and advances to customers

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	Gross amount ----- (AFN in '000) -----	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Microfinance loans	3,585,274	(317,918)	3,267,356	4,166,256	(334,756)	3,831,500
Loans to small and medium size enterprises (SME)	839,947	(38,180)	801,767	1,045,120	(106,393)	938,727
Overdraft financing	302,308	(6,427)	295,881	176,527	(15,470)	161,057
	<u>4,727,529</u>	<u>(362,525)</u>	<u>4,365,004</u>	<u>5,387,903</u>	<u>(456,619)</u>	<u>4,931,284</u>

Microfinance loans carry interest rates ranging from 9% to 27% (2019: 9% to 27%) per annum, whereas interest on loans to small and medium size enterprises (SMEs) is charged at the rates ranging from 6.6% to 23% (2019: 6.6% to 23%) per annum. Overdraft carries interest rate ranging from 10% to 17% (2019: 8.5% to 17%) per annum. All loans are secured by various kind of properties and personal guarantees. Overdraft is issued to Telecom Development Company Afghanistan Limited (TDCA), a related party and 6 other customers.

6.2 Impairment loss on loans and advances to customers

Note	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific ----- (AFN in '000) -----	General	Total	Specific	General	Total
Balance at 1st January	207,551	249,068	456,619	133,546	294,150	427,696
Charge for the period / year:						
Microfinance loans	98,927	(32,667)	66,260	101,915	(39,221)	62,694
Loans to small and medium size enterprises	4,229	(36,747)	(32,518)	49,128	(5,861)	43,267
	<u>103,156</u>	<u>(69,414)</u>	<u>33,742</u>	<u>151,043</u>	<u>(45,082)</u>	<u>105,961</u>

Written off against impairment allowance:

Microfinance loans	(83,098)	-	(83,098)	(67,674)	-	(67,674)
Loans to small and medium size enterprises	(44,738)	-	(44,738)	(9,364)	-	(9,364)
	<u>(127,836)</u>	<u>-</u>	<u>(127,836)</u>	<u>(77,038)</u>	<u>-</u>	<u>(77,038)</u>
Closing Balance	<u>182,871</u>	<u>179,654</u>	<u>362,525</u>	<u>207,551</u>	<u>249,068</u>	<u>456,619</u>

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	30 September 2020 (Un-audited)	31 December 2019 (Audited)
		----- (AFN in '000) -----	
7 OPERATING FIXED ASSETS			
Capital work-in-progress	7.1	89,437	145,052
Property and equipment	7.2	133,656	91,602
Right-of-use assets - Bank's branches	7.3	244,816	359,143
		<u>467,909</u>	<u>595,797</u>

7.1 Capital work-in-progress

Balance at 01 January	145,052	21,503
Additions	20,433	131,424
Transfer to Property and Equipment	(76,048)	-
Transfer to intangible assets	-	(7,875)
Closing balance	<u>89,437</u>	<u>145,052</u>

These include advances amounting to AFN 35,637 thousand for the implementation of OBDX (reporting module), FCCM module of FCUBS and document management software which will be transferred to intangibles upon completion.

7.2 Property and equipment

	Leasehold improvements	Furniture & fittings	Vehicles	Office equipment	Computer equipment	Total
----- (AFN in '000) -----						
Cost						
Balance at 01 January 2019	55,767	41,358	24,192	95,834	82,934	300,085
Additions	1,815	1,259	-	21,984	31,867	56,925
Disposals	(300)	(735)	-	(585)	(526)	(2,146)
Balance at 31 December 2019	<u>57,282</u>	<u>41,882</u>	<u>24,192</u>	<u>117,233</u>	<u>114,275</u>	<u>354,864</u>
Balance at 1 Jan 2020 - Audited	57,282	41,882	24,192	117,233	114,275	354,864
Additions	50,249	1,746	-	24,661	1,708	78,364
Disposals	(109)	(417)	-	(154)	(51)	(731)
Balance at 30 Sep 2020 - Un-audited	<u>107,423</u>	<u>43,211</u>	<u>24,192</u>	<u>141,740</u>	<u>115,932</u>	<u>432,497</u>
Depreciation						
Balance at 1 Jan 2019	42,899	29,775	18,825	68,425	63,039	222,963
Charge for the year	3,961	3,244	2,880	14,726	17,363	42,175
Disposals	(278)	(725)	-	(533)	(338)	(1,875)
Balance at 31 Dec 2019	<u>46,582</u>	<u>32,294</u>	<u>21,705</u>	<u>82,618</u>	<u>80,064</u>	<u>263,263</u>
Balance at 1 Jan 2020 - Audited	46,582	32,294	21,705	82,618	80,064	263,263
Charge for the period	5,448	2,540	1,486	12,634	14,185	36,292
Disposals	(108)	(411)	-	(154)	(41)	(714)
Balance at 30 Sep 2020 - Un-audited	<u>51,922</u>	<u>34,423</u>	<u>23,191</u>	<u>95,098</u>	<u>94,208</u>	<u>298,841</u>
Carrying amounts						
Balance at 31 Dec 2019 - Audited	<u>10,701</u>	<u>9,588</u>	<u>2,487</u>	<u>34,615</u>	<u>34,211</u>	<u>91,602</u>
Balance at 30 Sep 2020 - Un-audited	<u>55,501</u>	<u>8,788</u>	<u>1,001</u>	<u>46,643</u>	<u>21,724</u>	<u>133,656</u>
Depreciation rate	20%	20%	20%	25%	33.33%	

	30 September 2020 (Un-Audited)	31 December 2019 (Audited)
		----- (AFN in '000) -----

7.3 Right-of-use assets - Bank's branches

Cost:		
Balance as of 1 January 2020 upon adoption of IFRS 16	359,143	417,733
Additions during the period	-	752
Adjustment due to modification in lease agreement	(66,830)	-
Balance as at 30 September 2020	<u>292,313</u>	<u>418,485</u>

Accumulated depreciation:

Depreciation expense for the period/year	47,497	59,342
Balance as at September 30, 2020	<u>47,497</u>	<u>59,342</u>

Carry amount as of September 30, 2020

	<u>244,816</u>	<u>359,143</u>
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7.4 Allocation of depreciation and amortisation

Depreciation charge on property and equipment	36,292	42,175
Depreciation charge on right-of-use assets	47,497	59,342
Less: Amount classified under grant expense	(877)	(1,328)
	<u>82,912</u>	<u>100,189</u>

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (AFN in '000) -----	
8 INTANGIBLE ASSET			
Computer software:			
Cost			
Balance at 01 January		172,504	164,629
Additions during the period		2,472	-
Transfer from CWIP		-	7,875
Closing balance		<u>174,976</u>	<u>172,504</u>
Amortisation			
Balance at 01 January		(93,674)	(63,957)
Charge for the period		(22,945)	(29,717)
Closing balance		<u>(116,619)</u>	<u>(93,674)</u>
Carrying amounts		<u><u>58,357</u></u>	<u><u>78,830</u></u>

9 OTHER ASSETS

Restricted deposits with DAB	9.1	569,079	535,100
Interest receivable		234,372	256,512
Prepayments		72,455	19,250
Receivable from Roshan against M-Paisa payments		20,227	26,668
Advances to staff		10,341	6,114
Others		36,840	10,179
		<u>943,314</u>	<u>853,823</u>
Less: General provision held	9.2	(1,146)	(247)
		<u><u>942,168</u></u>	<u><u>853,576</u></u>

9.1 Required reserve account is interest free balance maintained with DAB denominated in respective currencies to meet the minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB.

9.2 Provision is held @ 1% portion of other assets (2019: 1%) as per Asset Classification and Provisioning Regulation issued by DAB.

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (AFN in '000) -----	
10 DEPOSITS FROM CUSTOMERS			
Retail customers:			
Term deposits	10.1	39,683	39,592
Current deposits		885,698	779,512
Saving deposits	10.2	2,722,404	2,611,815
		<u>3,647,785</u>	<u>3,430,919</u>
Corporate customers:			
Term deposits		691,925	542,875
Current deposits		2,137,452	2,447,265
Saving deposits		359,508	140,464
		<u>3,188,885</u>	<u>3,130,604</u>
Cash Margin		36,180	40,367
Dormant deposits		111,488	135
	10.3	<u><u>6,984,338</u></u>	<u><u>6,602,025</u></u>

10.1 The rate of interest on term deposits ranges from 0.50% to 5% (2019: 0.50% to 5%) per annum.

10.2 The rate of interest on saving deposits other than those in Euro from retail customers is upto 0.5% (2019: 0.5%) per annum. Saving Deposits in Euro are interest free

10.3 Deposits include AFN 1,103,378 thousand (2019: Afn.1,141,364 thousands) due to related parties.

GIA

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

30 September 2020 (Un-audited) ----- (AFN in '000) -----
 31 December 2019 (Audited)

11 LOANS AND BORROWINGS

Loans and borrowings from:		
Ministry of Finance, Government of Afghanistan	145,464	194,135
Microfinance Investment Support Facility for Afghanistan Ltd	926,772	1,208,401
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	519,936	562,649
Agricultural Development Fund	27,857	83,571
International Fund for Agricultural Development	694,019	540,221
	<u>2,314,048</u>	<u>2,588,977</u>

These are loans and credits lines available by FMFB from different lending agencies carry interest rate ranging from 3.35% to 6%. The detailed terms and conditions of these loans and credit lines are same as appearing in the annual financial statements for the year ended December 31, 2019.

12 OTHER LIABILITIES

Accrued expenses	99,340	94,407
Interest payable	40,319	49,155
Deferred grants	1,513	2,390
Withholding taxes payable	5,537	8,519
Lease Liability	234,312	325,059
Other	10,932	1,659
	<u>391,953</u>	<u>481,189</u>

13 SHARE CAPITAL

Authorized

88,800 ordinary shares of US \$ 177 each (2019: 88,800 of US \$ 177)	<u>800,624</u>	<u>800,624</u>
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Paid up

88,288 ordinary shares of US \$ 177 each (2019: 88,288 of US \$ 177)	<u>796,008</u>	<u>796,008</u>
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13.1 The capital is contributed by the shareholders as follows:

	30 September 2020 (Un-audited) ---- Number of shares ----	31 December 2019 (Audited)	30 September 2020 (Un-audited) ----- (AFN in '000) -----	31 December 2019 (Audited)
Aga Khan Agency for Microfinance (AKAM)	34,784	34,784	310,646	310,646
Kreditanstalt fur Wiederaufbau (KfW)	28,200	28,200	254,811	254,811
International Finance Corporation (IFC)	14,800	14,800	133,974	133,974
Aga Khan Foundation USA (AKF USA)	10,504	10,504	96,577	96,577
	<u>88,288</u>	<u>88,288</u>	<u>796,008</u>	<u>796,008</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies include outstanding bank guarantees amounting to AFN 6,109 thousands (2019: 12,564 thousands) while the commitment consists of undrawn loan and overdraft facilities amounting to AFN 15,448 thousands (2019: 28,659 thousands).

15 RELATED PARTIES

Related parties of the Bank comprise of associates (including entities having directors in common with the Bank), major shareholders, directors and key management personnel.

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020

15.1 Parent and ultimate controlling entity

Pattern of shareholding in the Bank is disclosed in note 13.1. Aga Khan Development Network entities collectively owns 51% (2019: 51%) of the Bank's capital.

	30 September 2020 (Un-audited) ----- (AFN in '000) -----	30 September 2019 (Un-audited) -----
15.2 Transactions with key management personnel		
Key management personnel compensation		
Salaries and benefits	31,699	56,114
Key management personnel outstanding balances		
Advances to staff	-	-
Bank deposits	14,587	11,144
15.3 Other related party outstanding balances and transactions		
Balances with related parties		
Balances with banks	-	-
Time deposits with banks	2,237,705	2,031,352
Loan to Telecom Development Company Afghanistan Limited (TDCA)	89,043	93,239
Receivable from Roshan against M-Paisa payments	20,227	17,865
Deposits from customers	1,103,378	1,054,559
Cash Margin against guarantees issued	-	-
Transactions with related parties		
Interest income	19,266	29,704
Fee and commission income	1,082	4,985
Fee and commission expense	4,819	4,705
Interest expense on deposits from customers	1,076	6,323
Directors' fee and other expenses	6,608	12,406

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial assets and liabilities approximate their fair values as at the date of statement of financial position.

17 CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the period.

18 GENERAL

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

19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Board of Supervisors of the Bank on 11 / Nov / 2020



 Chief Financial Officer



 Chief Executive Officer