



Grant Thornton

An instinct for growth™

Independent Auditor's Review Report on Condensed Interim Financial Statements to the Shareholders of The First MicroFinance Bank

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 March 31, 2019 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 three 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) and the requirements of the Law of Banking in 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.



Basis for Qualified Conclusion

As IFRS 16 “Leases” became effective for the annual periods beginning on or after January 1, 2019, however, the same has not been adopted by the Bank. Adoption of the standard would have resulted in on-balance sheet recognition of majority of operating leases relating to branches of the Bank for which lease rentals were charged to profit or loss previously. Right-of-use asset (*an amount equivalent to future rentals of the property over lease term discounted to present value*) with related lease liability were to be recognized on the date of adoption and instead of property lease rentals, expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability. Management has not carried out any impact assessment in this regard and consequently, in the absence of such an assessment, the impact of this non-compliance on interim financial statements cannot be quantified.

Qualified Conclusion

Based on our review, with the exception of the matter described in basis for qualified conclusion, 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 March 31, 2019, and of its financial performance and its cash flows for the three 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.

Other Matters

The condensed interim financial statements for the three months ended March 31, 2018 and the financial statements for the year ended December 31, 2018 were reviewed and audited, respectively, by another auditor who expressed a modified review conclusion on the condensed interim financial statements for the three months ended March 31, 2018 on May 13, 2018 and unmodified audit opinion on the financial statements for the year ended December 31, 2018 on March 28, 2019.

Grant Thornton Afghanistan

Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date 13th MAY, 2019.

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

		31 March 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	-----
Assets			
Cash and cash equivalents	4	3,822,772	4,589,836
Placements - net	5	400,156	843,840
Loans and advances to customers - net	6	5,954,193	5,868,698
Property and equipment	7	109,463	98,625
Intangible asset	8	93,472	100,672
Other assets	9	924,394	996,948
Total Assets		<u><u>11,304,450</u></u>	<u><u>12,498,619</u></u>
Liabilities			
Deposits from customers	10	6,672,777	7,669,494
Loans and borrowings	11	2,422,250	2,586,799
Income tax payable		10,890	15,519
Deferred tax liability - net		22,440	22,440
Other liabilities	12	170,028	182,181
Total Liabilities		<u><u>9,298,385</u></u>	<u><u>10,476,433</u></u>
Equity			
Share capital	13	796,008	796,008
Share premium		206,038	206,038
Retained earnings		1,004,019	1,020,140
Total equity		<u><u>2,006,065</u></u>	<u><u>2,022,186</u></u>
Total equity and liabilities		<u><u>11,304,450</u></u>	<u><u>12,498,619</u></u>
Contingencies and commitments	14		

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

sta



 Acting Chief Financial Officer



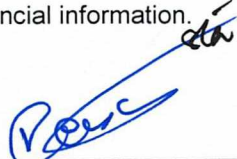
 Acting Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THREE MONTHS ENDED 31 MARCH 2019

	(Un-Audited)	
	Three months ended 31 March 2019	Three months ended 31 March 2018
	AFN '000'	AFN '000'
Interest income	363,813	333,161
Interest expense	(44,597)	(48,441)
Net interest income	319,216	284,720
Fee and commission income	22,707	22,340
Fee and commission expense	(13,225)	(11,759)
Net fee and commission income	9,482	10,581
Income from dealing in foreign currencies	24,531	25,900
Revenue	353,229	321,201
Other income	5,264	5,571
Impairment loss on loans and advances to customers	(44,195)	(24,610)
Impairment (loss)/provision on placements	1,319	(4,745)
Reversal/ (charge) of general provision on:		
Other assets	125	(484)
Off-balance sheet items	-	777
Personnel expenses	(180,537)	(154,669)
Depreciation and amortisation	(16,261)	(14,417)
Penalty	(3,200)	(212)
Other expenses	(135,924)	(111,654)
Net operating income	(20,180)	16,758
Non-operating revenue and expenses:		
Grants income recognized against deferred grant	110	428
Expenditure against grants	(110)	(428)
	-	-
(Loss)/ profit before tax	(20,180)	16,758
Income tax expense	4,058	(3,541)
Net (loss)/ profit	(16,122)	13,217
Other comprehensive income	-	-
Total comprehensive income/ (loss)	(16,122)	13,217

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


 Acting Chief Financial Officer


 Acting Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED 31 MARCH 2019


	Share capital	Share premium	Retained earnings	Total
	----- (Afn in '000) -----			
Balance at 01 January 2018 (Audited)	796,008	206,038	988,523	1,990,569
Total comprehensive income for three months ended 31 March 2018				
Profit for the period	-	-	13,217	13,217
Other comprehensive income	-	-	13,217	13,217
Balance at 31 March 2018 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,001,740</u>	<u>2,003,786</u>
Balance as at 01 January 2019 (Audited)	796,008	206,038	1,020,140	2,022,186
Total comprehensive income for three months ended 31 March 2019				-
Loss for the period	-	-	(16,122)	(16,122)
Other comprehensive income	-	-	-	-
	-	-	(16,122)	(16,122)
Balance at 31 March 2019 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,004,019</u>	<u>2,006,065</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

AW



 Acting Chief Financial Officer



 Acting Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS [UNAUDITED]
FOR THREE MONTHS ENDED 31 MARCH 2019

	Three months ended 31 March 2019	Three months ended 31 March 2018
Note	(Un-Audited) ----- (Afn in '000) -----	
Cash flows from operating activities		
(Loss/ profit before tax)	(20,180)	16,758
Adjustments for:		
Depreciation and amortisation	8 & 9 16,371	14,845
Impairment loss on loans and advances to customers	6.2 44,195	24,610
Impairment (loss)/provision on placements (Reversal)/ provision on	(1,319)	4,745
Other assets	9. (125)	484
Off-balance sheet items	-	(777)
Loss/(Gain) on sale of property and equipment	132	(57)
	39,074	60,608
Changes in:		
Increase in loans and advances to customers	(129,690)	(110,752)
Increase in other assets	72,679	(22,140)
Increase in deposits from customers	(996,717)	(499,987)
Increase in other liabilities	(12,153)	19,282
	(1,026,807)	(552,989)
Income tax paid	(571)	(34,187)
Grant Received	-	428
Net cash used in operating activities	(1,027,378)	(586,748)
Cash flows from investing activities		
Purchase of property and equipment	(20,216)	(9,624)
Proceeds from sale of property and equipment	75	439
Investment in placements	445,003	168,686
Net cash flow from investing activities	424,862	159,501
Cash flows from financing activities		
Repayment of loans and borrowings	(164,549)	(84,336)
Net cash used in financing activities	(164,549)	(84,336)
Net decrease in cash and cash equivalents	(767,064)	(511,583)
Cash and cash equivalents at beginning of the period	4,589,836	5,798,185
Cash and cash equivalents at end of the period	3,822,772	5,286,602

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



 Acting Chief Financial Officer



 Acting Chief Executive Officer

THE FIRST MICROFINANCE BANK
SELECTED NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL STATEMENTS [UNAUDITED]
FOR THREE MONTHS ENDED 31 MARCH 2019

1. STATUS AND NATURE OF BUSINESS

The First MicroFinance Bank (the 'Bank') got 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. After 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 (2018: 38) in operation including 17 (2018: 17) urban branches and 21 (2018:21) rural/peri urban branches in operation as at 31 March 2019 and employed 1,164 (2018: 1,137) staff.

2. BASIS OF PREPARATION

This condensed interim financial statements of the Bank for the three months period ended 31 March 2019 have been prepared in accordance with the requirements of the International Accounting Standard 34 - *Interim Financial Reporting* and the Law of Banking in Afghanistan. In cases, where requirements differ, the requirement of Law of Banking in Afghanistan takes precedence.

The disclosures made in these condensed financial statements have been based on the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and do not include all the information required by the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2018.

Comparative statement of financial position is extracted from the annual audited financial statements as of 31 December 2018, whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from unaudited condensed interim financial statements for the three months period ended 31 March 2018.

3. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 31 December 2018.



		31 March 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	
4. CASH AND CASH EQUIVALENTS			
Cash in hand		388,679	336,842
Unrestricted balances with Da Afghanistan Bank		849,264	1,189,926
Balances with other banks	4.1	616,318	638,172
Short term placements with banks	4.2	1,968,511	2,424,896
		<u>3,822,772</u>	<u>4,589,836</u>

4.1 Balances with other banks

Balances with:

Bank Alfalah Limited, Kabul		19	24
BMCE Bank International, Spain		542,524	620,480
AKTIF Bank, Turkey		69,976	17,668
CSCBank SAL		3,799	-
	4.1.1	<u>616,318</u>	<u>638,172</u>

4.1.1 These balances are interest free (2018: Interest free).

4.2 Short term placements with banks

Capital notes		-	349,931
Time deposits with other banks	4.2.1	1,968,511	2,074,965
		<u>1,968,511</u>	<u>2,424,896</u>

4.2.1 Time deposits with other banks

Habib Bank Limited, Brussels	4.2.1.1	493,805	338,490
Diamond Trust Bank Kenya	4.2.1.2	1,008,667	1,068,115
AKTIF Bank, Turkey	4.2.1.3	250,701	-
Habibsons Bank Limited, UK		-	229,225
BMCE Bank International, Spain	4.2.1.4	227,910	451,320
Less: General provision held	4.2.1.5	<u>(12,572)</u>	<u>(12,185)</u>
		<u>1,968,511</u>	<u>2,074,965</u>

4.2.1.1 These deposits having maturity ranging from 28 to 86 days (2018: 28 to 86 days) and carry interest at rates ranging from 2.5% to 2.55% (2018: 2.20% to 2.40%) per annum.

4.2.1.2 These deposits having maturity ranging from 28 to 86 days (2018: 27 to 35 days) and carry interest at rates ranging from 2.30% to 2.42% (2018: 2.50%) per annum.

4.2.1.3 These deposits having maturity ranging from 28 to 86 days and carry interest at rates of 3.30% (2018: Nil) per annum.

4.2.1.4 These deposits having maturity up to 5 days (2018: 19 to 40 days) and carry interest of 1.85% (2018: 1.95% to 2.40%) per annum.

4.2.1.5 The provision for expected credit loss computed in accordance with IFRS 9 on above placements amounts to AFN 43,542 thousand which is lower than the one resulting from the requirements of Assets Classification and Provisioning Regulation (ACPR) issued by DAB and Bank's provisioning policy. Accordingly, the bank has maintained higher provision.

SL

	Note	31 March 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited) -----
5. PLACEMENTS - NET			
Capital notes issued by DAB AKTIF Bank, Turkey	5.1	174,525	449,160
Habib Bank Limited, Brussels	5.2	227,910	150,440
Less: General provision held	5.3	(2,279)	(3,987)
		<u>400,156</u>	<u>843,840</u>

5.1 These represent capital notes with DAB having maturity ranging from 91 to 182 days (2018: 91 to 184 days) and carry interest rate ranging from 0.519 to 0.910% (2018: 0.499% to 0.910%) per annum.

5.2 This deposit has a maturity of 180 days (2018: 91 to 180 days) and carries interest rates ranging of 2.5% to 2.90% (2018: 2.40% to 2.50%) per annum.

5.3 General provision of 1% (31 December 2018: 1%) is held on placements above 30 days (2018: above 30 days), in accordance with revised "Asset Classification and Provisioning Regulation (ACPR)" issue by DAB.

	Note	31 March 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited) -----
6. LOANS AND ADVANCES TO CUSTOMERS - NET			
Loans and advances to customers	6.1	6,409,266	6,296,394
Less: Impairment loss on loans and advances	6.2	(455,073)	(427,696)
		<u>5,954,193</u>	<u>5,868,698</u>

6.1 Loans and advances to customers

Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Gross amount ----- (Afn in '000)	Impairment allowance ----- (Afn in '000)	Carrying amount ----- (Afn in '000)	Gross amount ----- (Afn in '000)	Impairment allowance ----- (Afn in '000)	Carrying amount ----- (Afn in '000)
Microfinance loans	5,027,012	(353,804)	4,673,208	4,930,469	(339,736)	4,590,733
Loans to small and medium size enterprises (SME)	1,124,640	(93,439)	1,031,201	1,126,768	(82,668)	1,044,100
Overdraft financing	257,614	(7,830)	249,784	239,157	(5,292)	233,865
	<u>6,409,266</u>	<u>(455,073)</u>	<u>5,954,193</u>	<u>6,296,394</u>	<u>(427,696)</u>	<u>5,868,698</u>

6.1.1 Microfinance loans carry interest at rates ranging from 9% to 27% (2018: 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% (2018: 6.6% to 23%) per annum. Overdraft carries interest rate ranging from 8.5% to 18% (2018: 13% to 18%) per annum. All loans are secured by various kind of properties and personal guarantees. Overdraft is issued to twenty two SME customers (2018: 19 SME customers).

6.2 Allowance for Impairment loss on loans and advances to customers

Note	31 March 2019 (Un-audited)			31 December 2018 (Audited)		
	Specific ----- (Afn in '000)	General ----- (Afn in '000)	Total ----- (Afn in '000)	Specific ----- (Afn in '000)	General ----- (Afn in '000)	Total ----- (Afn in '000)
Balance at 1st January	133,546	294,150	427,696	36,819	264,949	301,768
Charge for the period / year:						
Microfinance loans	24,020	4,196	28,217	90,958	13,784	104,742
Loans to small and medium size enterprises	16,466	(487)	15,978	8,044	15,417	23,461
	<u>40,486</u>	<u>3,709</u>	<u>44,195</u>	<u>99,002</u>	<u>29,201</u>	<u>128,203</u>
Written off against impairment allowance:						
Microfinance loans	(14,148)	-	(14,148)	(716)	-	(716)
Loans to small and medium size enterprises	(2,669)	-	(2,669)	(1,559)	-	(1,559)
	<u>(16,818)</u>	<u>-</u>	<u>(16,818)</u>	<u>(2,275)</u>	<u>-</u>	<u>(2,275)</u>
Closing Balance	<u>157,214</u>	<u>297,859</u>	<u>455,073</u>	<u>133,546</u>	<u>294,150</u>	<u>427,696</u>

Stu

6.3 The provision for expected credit loss computed in accordance with IFRS 9 amounts to AFN 362,945,942 which is lower than the one resulting from the requirements of Assets Classification and Provisioning Regulation (ACPR) issued by DAB and Bank's provisioning policy. Accordingly, the bank has maintained higher provision.

	Amount outstanding	Impairment allowance required as per ACPR		Impairment allowance held		Number of customers
	Afn in '000	Rate	Afn in '000	Rate	Afn in '000	
31 March 2019 (Un-Audited)						
Classification - Microfinance Loans						
Standard	4,868,869	1%	48,689	4.98%	242,470	66,038
Overdue:						
Watch-List	22,838	5%	1,142	5%	1,142	298
Substandard	12,024	25%	3,006	25%	3,006	182
Doubtful	32,189	50%	16,095	50%	16,095	387
Loss	90,793	100%	90,793	100%	90,793	1,089
Rescheduled	298	100%	298	100%	298	5
	<u>5,027,012</u>		<u>160,023</u>		<u>353,804</u>	<u>67,999</u>
Classification-Overdraft and SME Loans						
Standard - SME Loans	1,061,585	1%	10,616	4.98%	52,867	510
Standard - Overdraft financing	252,308	1%	2,523	1%	2,523	21
Overdue:						
Watch-List	12,309	5%	615	5%	614	8
Substandard	1,245	25%	311	25%	311	3
Doubtful	19,709	50%	9,855	50%	9,855	10
Loss	23,327	100%	23,327	100%	23,327	15
Loss - Overdraft financing	5,307	100%	5,307	100%	5,307	1
Rescheduled	6,464	100%	6,464	100%	6,464	5
	<u>1,382,254</u>		<u>59,018</u>		<u>101,268</u>	<u>573</u>
31 December 2018 (Audited)						
Classification-Microfinance Loans						
Standard	4,784,605	1%	47,846	4.98%	238,273	64,519
Overdue:						
Watch-List	16,956	5%	848	5%	848	209
Substandard	15,105	25%	3,776	25%	3,777	172
Doubtful	33,930	50%	16,965	50%	16,965	410
Rescheduled	79,308	100%	79,308	100%	79,308	967
	<u>565</u>	100%	<u>565</u>	100%	<u>565</u>	<u>7</u>
	<u>4,930,469</u>		<u>149,308</u>		<u>339,736</u>	<u>66,284</u>
Classification-Overdraft and SME Loans						
Standard - SME Loans	1,076,694	1%	10,767	4.98%	53,620	532
Standard - Overdraft financing	225,803	1%	2,258	1%	2,257	19
Overdue:						
Watch-List - SME loans	3,864	5%	193	5%	193	3
Watch-List - Overdraft financing	8,095	5%	405	5%	405	1
Substandard - SME loans	5,747	25%	1,437	25%	1,437	3
Substandard - Overdraft financing	-	25%	-	25%	-	-
Doubtful - SME loans	26,090	50%	13,045	50%	13,045	12
Doubtful - Overdraft financing	5,258	50%	2,629	50%	2,629	1
Loss - SME loans	7,241	100%	7,241	100%	7,241	12
Rescheduled - SME loans	7,133	100%	7,133	100%	7,133	7
	<u>1,365,925</u>		<u>45,108</u>		<u>87,960</u>	<u>590</u>

7. PROPERTY AND EQUIPMENT	Note	31 March 2019	31 December 2018
		(Un-audited) ----- (Afn in '000) -----	(Audited)
Capital work-in-progress	7.1	33,657	21,503
Operating fixed assets	7.2	75,806	77,122
		<u>109,463</u>	<u>98,625</u>

7.1 Capital work-in-progress

Balance at 1 January		21,503	3,913
Additions		12,154	17,590
Closing balance	7.1.1	<u>33,657</u>	<u>21,503</u>

7.1.1 Capital work-in-progress represents cost of Human Resource Management System, Compliance system, Oracle's digital banking platform and equipment for call center which are in progress of being implemented.

7.2 Operating fixed assets

	Leasehold improvements	Furniture and fittings	Vehicles	Office equipment	Computer equipment	Total
	----- (Afn in '000) -----					
Cost						
Balance at 1 January 2018	48,879	34,518	24,168	86,632	82,951	277,148
Additions	7,230	7,725	24	15,626	6,492	37,097
Disposals	(342)	(885)	-	(6,424)	(6,509)	(14,160)
Balance at 31 December 2018	<u>55,767</u>	<u>41,358</u>	<u>24,192</u>	<u>95,834</u>	<u>82,934</u>	<u>300,085</u>
Balance at 1 January 2019 - Audited	55,767	41,358	24,192	95,834	82,934	300,085
Additions	159	13	-	4,442	3,448	8,062
Disposals	(162)	(582)	-	(370)	(263)	(1,376)
Balance at 31 March 2019 - Un-audited	<u>55,764</u>	<u>40,789</u>	<u>24,192</u>	<u>99,906</u>	<u>86,120</u>	<u>306,771</u>
Depreciation						
Balance at 1 January 2018	39,639	27,757	15,910	62,727	57,872	203,905
Charge for the year	3,602	2,893	2,915	11,739	11,674	32,823
Disposals	(342)	(875)	-	(6,041)	(6,507)	(13,765)
Balance at 31 December 2018	<u>42,899</u>	<u>29,775</u>	<u>18,825</u>	<u>68,425</u>	<u>63,039</u>	<u>222,963</u>
Balance at 1 January 2019 - Audited	42,899	29,775	18,825	68,425	63,039	222,963
Charge for the period	988	820	723	3,409	3,231	9,171
Disposals	(161)	(572)	-	(346)	(89)	(1,169)
Balance at 31 March 2019 - Un-audited	<u>43,726</u>	<u>30,023</u>	<u>19,548</u>	<u>71,488</u>	<u>66,181</u>	<u>230,965</u>
Carrying amounts						
Balance at 31 December 2018 - Audited	<u>12,868</u>	<u>11,583</u>	<u>5,367</u>	<u>27,409</u>	<u>19,895</u>	<u>77,122</u>
Balance at 31 March 2019 - Un-audited	<u>12,039</u>	<u>10,766</u>	<u>4,644</u>	<u>28,417</u>	<u>19,939</u>	<u>75,806</u>
Depreciation rate	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>25%</u>	<u>33.33%</u>	

7.2.1 Allocation of depreciation and amortisation	Note	31 March 2019	31 March 2018
		(Un-Audited) ----- (Afn in '000) -----	(Un-Audited)
Depreciation charged for the period		9,171	8,122
Less: Amount classified under grant expense		(110)	(428)
		<u>9,061</u>	<u>7,694</u>

du

8. INTANGIBLE ASSET	Note	31 March	31 December
		2019 (Un-audited)	2018 (Audited)
----- (Afn in '000) -----			
Computer software:			
Cost			
Balance at 1 January		164,629	153,753
Additions during the period/year		-	10,876
Transfer from CWIP		-	-
Closing balance		164,629	164,629
Amortisation			
Balance at 1 January		(63,957)	(35,732)
Charge for the period/year		(7,200)	(28,225)
Closing balance		(71,157)	(63,957)
Carrying amounts		93,472	100,672

9. OTHER ASSETS

Restricted deposits with DAB	9.1	563,528	606,118
Interest receivable		271,781	271,182
Prepayments		51,435	53,671
Receivable from Roshan against M-Paisa payments		14,832	56,852
Grant receivable		-	2,317
Other receivables		1,140	1,288
Advances to staff		4,618	5,915
Inter branch balance		17,330	-
		924,664	997,343
Less: General provision held	9.2	(271)	(395)
		924,394	996,948

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

9.2 General provision is held on portion of other asset (2018: 1% on all other asset) as per Asset Classification and Provisioning Regulation issued by DAB.

10. DEPOSITS FROM CUSTOMERS		31 March	31 December
		2019 (Un-audited)	2018 (Audited)
----- (Afn in '000) -----			
Retail customers:			
Term deposits	10.1	54,736	52,959
Current deposits		700,268	660,512
Saving deposits	10.2	2,462,069	2,412,419
Corporate customers:			
Term deposits	10.3	740,000	1,240,000
Current deposits		2,434,683	3,093,759
Saving deposits	10.4	248,692	166,961
Cash Margin		32,134	42,771
Dormant deposits		195	113
	10.5	6,672,777	7,669,494

10.1 The rate of interest on term deposits ranges from 0.50% to 5% (2018: 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% (2018: 0.5%) per annum. Saving Deposits in Euro are interest free

10.3 The rate of interest on the term deposits with corporate customers ranges from 0.50% to 5% (2018: 0.50% to 5%) per annum.

10.4 The rate of interest on saving deposits other than those in Euros from corporate customers is 0.5% (2018: 0.5%) per annum. Saving deposits in Euro are interest free.

10.5 Deposits include AFN 1,418,813 thousands (2018: AFN.1,439,074 thousands) due to related parties.

Ali

31 March 2019 (Un-audited)	31 December 2018 (Audited)
----------------------------------	----------------------------------

----- (Afn in '000) -----

11. LOANS AND BORROWINGS

Loans and borrowings from:

Ministry of Finance, Government of Afghanistan	218,470	242,806
Microfinance Investment Support Facility for Afghanistan Ltd	1,500,901	1,598,401
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	298,995	341,708
Agricultural Development Fund	139,286	139,286
International Fund for Agricultural Development	264,598	264,598
	<u>2,422,250</u>	<u>2,586,799</u>

12. OTHER LIABILITIES

Accrued expenses	74,768	63,806
Interest payable	50,269	78,810
Performance bonus payable	31,927	21,876
Deferred grants	3,607	8,207
Withholding taxes payable	7,878	7,641
Other	1,580	1,841
	<u>170,029</u>	<u>182,181</u>



31 March 2019
(Un-audited)
----- (Afn in '000) -----

31 December 2018
(Audited)

13. SHARE CAPITAL

Authorized

88,800 ordinary shares of US \$ 177 each
(2018: 88,800 of US \$ 177)

800,624 800,624

Paid up

88,288 ordinary shares of US \$ 177 each
(2018: 88,288 of US \$ 177)

796,008 796,008

13.1 The capital is contributed by the shareholders as follows:

	31 March 2019 (Un-audited) ---- Number of shares ----	31 December 2018 (Audited)	31 March 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited)
Aga Khan Agency for Microfinance (AKAM)	34,784	34,784	310,646	310,646
Kreditanstalt für 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

Outstanding bank guarantees

6,142 19,150

14.2 Commitments

Undrawn loan and overdraft facilities

51,143 46,876

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.

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% (2018: 51%) of the Bank's capital.

Three months ended
31 March 2019
(Un-audited)
----- (Afn in '000) -----

Three months ended
31 March 2018
(Un-audited)

15.2 Transactions with key management personnel

Key management personnel compensation

Salaries and benefits

30,452 16,052

Key management personnel outstanding balances

Advances to staff

- 173

Bank deposits

4,986 1,099

82

31 March 2019 (Un-audited)	31 December 2018 (Audited)
----- (Afn in '000) -----	

15.3 Other related party outstanding balances and transactions

Balances with related parties

Balances with banks	-	-
Time deposits with banks + Placements	1,730,382	1,786,270
Loan to Telecom Development Company Afghanistan Limited (TDCA)	85,987	89,465
Receivable from Roshan against M-Paisa payments	14,832	56,852
Deposits from customers	1,418,813	1,435,855
Cash Margin against guarantees issued	2,696	3,189

Three months ended 31 March 2019	Three months ended 31 March 2018
(Un-audited) (Un-audited)	
----- (Afn in '000) -----	

Transactions with related parties

Interest income	5,287	6,344
Fee and commission income	885	265
Fee and commission expense	2,020	1,769
Interest expense on deposits from customers	3,252	6,212
Directors' fee and other expenses	3,999	1,036

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. GENERAL

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

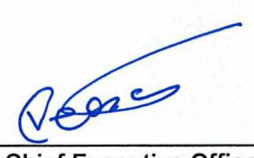
18. DATE OF AUTHORIZATION FOR ISSUE

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

13 May 2019



Acting Chief Financial Officer



Acting Chief Executive Officer