



# Grant Thornton

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## **The Board of Supervisors**

The First MicroFinance Bank  
Kabul, Afghanistan

August 8, 2019

Dear All,

**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](http://www.grantthornton.af)

## **CONDENSED INTERIM FINANCIAL STATEMENTS - FOR SIX MONTHS ENDED JUNE 30, 2019**

We are pleased to enclose three copies of the draft condensed interim financial statements of The First MicroFinance Bank ("the Bank"), for the six months ended June 30, 2019, prepared by the management, together with draft 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 Acting Chief Executive Officer and the Acting Chief Financial Officer, authorized in this behalf by the Board;
- 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 Acting Chief Executive Officer and Acting 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 THE ATTENTION OF BOARD**

**During the course of our review, certain matters came to our notice which are reproduced hereunder for your kind attention:**

#### **Adoption of IFRS 16 "Leases"**

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, now expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability.

#### **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 which can be material to the overall financial statements.

#### **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,

*Grant Thornton Afgh.*

**Grant Thornton Afghanistan**

Chartered Accountants





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# Report on Review of 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](http://www.grantthornton.af)

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **The First MicroFinance Bank** ("the Bank") as at June 30, 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 six 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), Law of Banking in Afghanistan and the 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.

## 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. 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. Upon adoption of IFRS 16, expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability instead of lease rental expenditure. In the absence of detailed working by



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management, 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 June 30, 2019, and of its financial performance and its cash flows for the six 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 and directive issued by the Central Bank of Afghanistan.

### **Other Matters**

The condensed interim financial statements for the six months ended June 30, 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 six months ended June 30, 2018 on August 13, 2018 and an unmodified audit opinion on the financial statements for the year ended December 31, 2018 on March 28, 2019.

Grant Thornton Afd

**Grant Thornton Afghanistan**

**Chartered Accountants**

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date: August 19, 2019



**THE FIRST MICROFINANCE BANK**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

		30 June 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	-----
<b>Assets</b>			
Cash and cash equivalents	4	4,361,771	4,589,836
Placements - net	5	239,649	843,840
Loans and advances to customers - net	6	5,507,350	5,868,698
Property and equipment	7	181,764	98,625
Intangible asset	8	94,017	100,672
Other assets	9	912,906	996,948
<b>Total Assets</b>		<u><u>11,297,457</u></u>	<u><u>12,498,619</u></u>
<b>Liabilities</b>			
Deposits from customers	10	6,772,273	7,669,494
Loans and borrowings	11	2,296,892	2,586,799
Income tax payable		2,709	15,519
Deferred tax liability - net		22,440	22,440
Other liabilities	12	165,359	182,181
<b>Total Liabilities</b>		<u><u>9,259,673</u></u>	<u><u>10,476,433</u></u>
<b>Equity</b>			
Share capital	13	796,008	796,008
Share premium		206,038	206,038
Retained earnings		1,035,738	1,020,140
<b>Total equity</b>		<u><u>2,037,784</u></u>	<u><u>2,022,186</u></u>
<b>Total equity and liabilities</b>		<u><u>11,297,457</u></u>	<u><u>12,498,619</u></u>
<b>Contingencies and commitments</b>	14		

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 COMPREHENSIVE INCOME**  
**FOR SIX MONTHS ENDED 30 JUNE 2019**

		Six months ended 30 June 2019	Six months ended 30 June 2018	Three months ended 30 June 2019	Three months ended 30 June 2018
		(Un-Audited) AFN '000'	(Un-Audited) AFN '000'	(Un-Audited) AFN '000'	(Un-Audited) AFN '000'
Interest income		722,543	686,858	358,730	353,697
Interest expense		(85,791)	(93,375)	(41,194)	(44,934)
<b>Net interest income</b>		<b>636,752</b>	<b>593,483</b>	<b>317,536</b>	<b>308,763</b>
Fee and commission income		39,365	46,435	16,658	24,095
Fee and commission expense		(33,812)	(23,339)	(20,587)	(11,580)
<b>Net fee and commission income</b>		<b>5,553</b>	<b>23,096</b>	<b>(3,929)</b>	<b>12,515</b>
Income from dealing in foreign currencies		61,191	58,991	36,659	54,429
<b>Revenue</b>		<b>703,496</b>	<b>675,570</b>	<b>350,266</b>	<b>375,708</b>
Other income		26,188	34,058	24,568	7,148
Impairment loss on loans and advances to customers	6.2	(73,734)	(60,418)	(29,539)	(35,809)
(Reversal)/ provision on placements		1,636	(7,694)	317	(2,949)
Reversal/ (charge) of general provision on:					
Other assets		(358)	2,994	(483)	3,478
Off-balance sheet items		-	777	-	-
Personnel expenses		(337,488)	(305,689)	(156,951)	(151,020)
Depreciation and amortisation		(32,946)	(29,259)	(16,685)	(14,841)
Penalty		(3,620)	(324)	(420)	(112)
Other expenses		(263,677)	(214,372)	(130,521)	(102,718)
<b>Net operating income</b>		<b>19,497</b>	<b>95,643</b>	<b>40,553</b>	<b>78,886</b>
Non-operating revenue and expenses:					
Grants income recognized against deferred grant		663	843	553	416
Grants income recognized against expenditures in advance		1,805	-	1,805	-
Expenditure against grants		(2,468)	(843)	(2,358)	(416)
<b>Profit before tax</b>		<b>19,497</b>	<b>95,643</b>	<b>40,553</b>	<b>78,884</b>
Income tax expense		(3,899)	(18,960)	(7,639)	(15,419)
<b>Net profit</b>		<b>15,598</b>	<b>76,683</b>	<b>32,914</b>	<b>63,466</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>15,598</b>	<b>76,683</b>	<b>32,914</b>	<b>63,466</b>

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 SIX MONTHS ENDED 30 JUNE 2019**

	Share capital	Share premium	Retained earnings	Total
	----- (Afn in '000) -----			
<b>Balance at 01 January 2018 (Audited)</b>	796,008	206,038	988,523	1,990,569
Total comprehensive income for six months ended 30 June 2018				
Profit for the period	-	-	76,683	76,683
Other comprehensive income	-	-	76,683	76,683
<b>Balance at 30 June 2018 (Un-Audited)</b>	<u>796,008</u>	<u>206,038</u>	<u>1,065,206</u>	<u>2,067,252</u>
<b>Balance as at 01 January 2019 (Audited)</b>	796,008	206,038	1,020,140	2,022,186
Total comprehensive income for three months ended 30 June 2019				-
Profit for the period	-	-	15,598	15,598
Other comprehensive income	-	-	-	-
	-	-	15,598	15,598
<b>Balance at 30 June 2019 (Un-Audited)</b>	<u>796,008</u>	<u>206,038</u>	<u>1,035,738</u>	<u>2,037,784</u>

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 CASH FLOWS**  
**FOR SIX MONTHS ENDED 30 JUNE 2019**

		Six months ended 30 June 2019	Six months ended 30 June 2018
		(Un-Audited)	
	Note	----- (Afn in '000) -----	
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>19,497</b>	<b>95,643</b>
Adjustments for:			
Depreciation and amortisation	6 & 7	33,609	30,102
Impairment loss on loans and advances to customers	6.2	73,735	60,418
(Reversal)/ provision on placements		(1,636)	7,694
(Reversal)/ provision on			
Other assets	9	358	(2,994)
Off-balance sheet items		-	(777)
(Gain)/ loss on sale of property and equipment		143	(144)
Grant income		(2,468)	(843)
		<u>123,238</u>	<u>189,099</u>
Changes in:			
Decrease in loans and advances to customers		287,613	(332,866)
Decrease in other assets		83,684	(91,818)
Decrease in deposits from customers		(897,221)	(795,123)
Decrease in other liabilities		(14,355)	32,614
		<u>(417,041)</u>	<u>(998,095)</u>
Income tax paid		(16,709)	(34,220)
Grant Received		2,468	-
<b>Net cash (used in)/ flow from operating activities</b>		<b>(433,750)</b>	<b>(1,032,315)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(110,341)	(37,555)
Proceeds from sale of property and equipment		106	534
Investment in placements		605,827	(449,490)
<b>Net cash (used in)/ flow from investing activities</b>		<b>495,592</b>	<b>(486,511)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		(289,907)	(222,193)
<b>Net cash used in financing activities</b>		<b>(289,907)</b>	<b>(222,193)</b>
Net (decrease)/ increase in cash and cash equivalents		(228,065)	(1,741,019)
Cash and cash equivalents at beginning of the period		4,589,836	5,798,185
<b>Cash and cash equivalents at end of the period</b>	4	<b>4,361,771</b>	<b>4,057,166</b>

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  
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR SIX MONTHS ENDED 30 JUNE 2019**

**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 (2018: 38) in operation including 17 (2018: 17) urban branches and 21 (2018:21) rural/peri urban branches in operation as at 30 June 2019 and employed 1,164 (2018: 1,137) staff.

**2. BASIS OF PREPARATION**

This condensed interim financial information of the Bank for the six months period ended 30 June 2019 has 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 this condensed financial information 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, this condensed interim financial information 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 six months period ended 30 June 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.

		30 June 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited) -----
<b>4. CASH AND CASH EQUIVALENTS</b>			
Cash in hand		375,964	336,842
Unrestricted balances with Da Afghanistan Bank		1,278,048	1,189,926
Balances with other banks	4.1	382,533	638,172
Short term placements with banks	4.2	2,325,226	2,424,896
		<u>4,361,771</u>	<u>4,589,836</u>
<b>4.1 Balances with other banks</b>			
Balances with:			
Bank Alfalah Limited, Kabul		18	24
BMCE Bank International, Spain		362,086	620,480
AKTIF - Turkey		16,394	17,668
CSCBank SAL		4,035	-
	4.1.1	<u>382,533</u>	<u>638,172</u>
<b>4.1.1</b> These balances are interest free (2018: Interest free).			
<b>4.2 Short term placements with banks</b>			
Capital notes		-	349,931
Time deposits with other banks	4.2.1	2,325,226	2,074,965
		<u>2,325,226</u>	<u>2,424,896</u>
<b>4.2.1 Time deposits with other banks</b>			
Habib Bank Limited, Brussels	4.2.1.1	363,105	338,490
Diamond Trust Bank Kenya	4.2.1.2	1,077,965	1,068,115
AKTIF Bank, Turkey	4.2.1.3	330,829	-
Habibsons Bank Limited, UK	4.2.1.4	323,370	229,225
BMCE Bank International, Spain	4.2.1.5	242,070	451,320
Less: General provision held	4.2.1.6	(12,114)	(12,185)
		<u>2,325,226</u>	<u>2,074,965</u>
<b>4.2.1.1</b> These deposits having maturity ranging from 28 to 86 days (2018: 28 to 86 days) and carrying interest at rates ranging from 2.5% to 2.55% (2018: 2.20% to 2.40%) per annum.			
<b>4.2.1.2</b> These deposits having maturity ranging from 28 to 86 days (2018: 27 to 35 days) and carrying interest at rates ranging from 2.30% to 2.42% (2018: 2.50%) per annum.			
<b>4.2.1.3</b> These deposits having maturity ranging from 28 to 86 days and carrying interest at rates of 3.30% (2018: Nil) per annum.			
<b>4.2.1.4</b> These deposits having maturity ranging from 28 to 86 days (2018: 37 days) and carrying interest rates of 2.1% (2018: 1.7%) per annum.			
<b>4.2.1.5</b> These deposits having maturity up to 6 days (2018: 19 to 40 days) and carrying interest of 1.85% (2018: 1.95% to 2.40%) per annum.			
<b>4.2.1.6</b> The provision for expected credit loss computed in accordance with IFRS 9 on above placements amounts to AFN 15,178 which is lower than the one resulting from the requirements of Asset Classification and Provisioning Regulation (ACPR) issue by DAB and bank's provisioning policy. Accordingly, the bank has maintained a higher provision.			

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		30 June 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	
<b>5. PLACEMENTS - NET</b>			
Capital notes issued by DAB	5.1	-	449,160
AKTIF Bank, Turkey		-	248,227
Habib Bank Limited, Brussels	5.2	242,070	150,440
Less: General provision held	5.3	(2,421)	(3,987)
		<u>239,649</u>	<u>843,840</u>

5.1 These represent capital notes with DAB having maturity ranging from 91 to 181 days (2018: 91 to 184 days) and carry interest rate ranging from 0.499% to 0.910% (2018: 0.499% to 0.910%) per annum.

5.2 These deposits have a maturities 180 days (2018: 91 to 180 days) and carries interest rates ranging of 2.7% 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.

		30 June 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	
<b>6. LOANS AND ADVANCES TO CUSTOMERS - NET</b>			
Loans and advances to customers	6.1	5,976,553	6,296,394
Less: Impairment loss on loans and advances	6.2	(469,203)	(427,696)
		<u>5,507,350</u>	<u>5,868,698</u>

#### 6.1 Loans and advances to customers

		30 June 2019 (Un-audited)			31 December 2018 (Audited)		
	Note	Gross amount	Impairment Allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- (Afn in '000) -----			----- (Afn in '000) -----		
Microfinance loans	6.1.1	4,622,326	(353,731)	4,268,595	4,930,469	(339,736)	4,590,733
Loans to small and medium size enterprises (SME)	6.1.1	1,105,732	(105,262)	1,000,470	1,126,768	(82,668)	1,044,100
Overdraft financing	6.1.1	248,495	(10,210)	238,285	239,157	(5,292)	233,865
		<u>5,976,553</u>	<u>(469,203)</u>	<u>5,507,350</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 17% (2018: 13% to 18%) per annum. All loans are secured by various kind of properties and personal guarantees. Overdraft is issued to twenty SME customers (2018: 19 SME customers).

#### 6.2 Allowance for Impairment loss on loans and advances to customers

		30 June 2019 (Un-audited)			31 December 2018 (Audited)		
	Note	Specific	General	Total	Specific	General	Total
		----- (Afn in '000) -----			----- (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		57,369	(17,434)	39,935	90,958	13,784	104,742
Loans to small and medium size enterprises		37,438	(3,639)	33,799	8,044	15,417	23,461
		<u>94,807</u>	<u>(21,073)</u>	<u>73,734</u>	<u>99,002</u>	<u>29,201</u>	<u>128,203</u>

Written off against impairment allowance:

Microfinance loans	(25,940)	-	(25,940)	(716)	-	(716)
Loans to small and medium size enterprises	(6,287)	-	(6,287)	(1,559)	-	(1,559)
	<u>(32,227)</u>	<u>-</u>	<u>(32,227)</u>	<u>(2,275)</u>	<u>-</u>	<u>(2,275)</u>
Closing Balance	<u>196,126</u>	<u>273,077</u>	<u>469,203</u>	<u>133,546</u>	<u>294,150</u>	<u>427,696</u>



- 6.3 The provision for expected credit loss computed in accordance with IFRS 9 amounts to AFN 440,576,268 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 a higher provision.

	Amount outstanding Afn in '000	Impairment allowance required as per ACPR Rate	Impairment allowance held Afn in '000	Rate	Number of customers
<b>30 June 2019 (Un-Audited)</b>					
<b>Classification - Microfinance Loans</b>					
Standard	4,434,527	1%	44,345	4.98%	62,245
Overdue:					
Watch-List	18,826	5%	941	5%	259
Substandard	21,342	25%	5,335	25%	268
Doubtful	42,033	50%	21,016	50%	562
Loss	105,179	100%	105,179	100%	1,265
Rescheduled	418	100%	418	100%	3
	<u>4,622,326</u>		<u>177,234</u>		<u>64,602</u>
<b>Classification-Overdraft and SME Loans</b>					
Standard - SME Loans	1,008,368	1%	10,084	4.98%	494
Standard - Overdraft financing	202,147	1%	2,021	1%	14
Overdue:					
Watch-List	4,642	5%	232	5%	5
Watch-List - Overdraft financing	33,697	5%	1,685	5%	2
Substandard	33,765	25%	8,441	25%	5
Substandard - Overdraft financing	8,194	25%	2,049	25%	1
Doubtful	25,168	50%	12,584	50%	11
Loss	27,717	100%	27,717	100%	18
Loss - Overdraft financing	4,456	100%	4,456	100%	1
Rescheduled	6,070	100%	6,070	100%	5
	<u>1,354,226</u>		<u>75,339</u>		<u>556</u>
<b>31 December 2018 (Audited)</b>					
<b>Classification-Microfinance Loans</b>					
Standard	4,784,605	1%	47,846	4.98%	64,519
Overdue:					
Watch-List	16,956	5%	848	5%	209
Substandard	15,105	25%	3,776	25%	172
Doubtful	33,930	50%	16,965	50%	410
Loss	79,308	100%	79,308	100%	967
Rescheduled	565	100%	565	100%	7
	<u>4,930,469</u>		<u>149,308</u>		<u>66,284</u>
<b>Classification-Overdraft and SME Loans</b>					
Standard - SME Loans	1,076,694	1%	10,767	4.98%	532
Standard - Overdraft financing	225,803	1%	2,258	1%	19
Overdue:					
Watch-List - SME loans	3,864	5%	193	5%	3
Watch-List - Overdraft financing	8,095	5%	405	5%	1
Substandard - SME loans	5,747	25%	1,437	25%	3
Substandard - Overdraft financing	-	25%	-	25%	-
Doubtful - SME loans	26,090	50%	13,045	50%	12
Doubtful - Overdraft financing	5,258	50%	2,629	50%	1
Loss - SME loans	7,241	100%	7,241	100%	12
Rescheduled - SME loans	7,133	100%	7,133	100%	7
	<u>1,365,925</u>		<u>45,108</u>		<u>590</u>

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	Note	30 June 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited) -----
<b>7. PROPERTY AND EQUIPMENT</b>			
Capital work-in-progress	7.1	104,178	21,503
Property and equipment	7.2	<u>77,586</u>	<u>77,122</u>
		<u>181,764</u>	<u>98,625</u>

#### 7.1 Capital work-in-progress

Balance at 01 January		21,503	3,913
Additions		90,551	17,590
Transfer to Core Banking Software		(7,875)	-
Closing balance	7.1.1	<u>104,178</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 and New HO building construction which are in progress of being implemented.

#### 7.2 Property and equipment

	Leasehold improvements	Furniture and fittings	Vehicles	Office equipment	Computer equipment	Total
	----- (Afn in '000) -----					
<b>Cost</b>						
Balance at 01 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>
<b>Balance at 1 January 2019 - Audited</b>	<b>55,767</b>	<b>41,358</b>	<b>24,192</b>	<b>95,834</b>	<b>82,934</b>	<b>300,085</b>
Additions	359	48	-	6,884	12,499	19,791
Disposals	(162)	(605)	-	(449)	(513)	(1,728)
Balance at 30 June 2019 - Un-audited	<u>55,964</u>	<u>40,801</u>	<u>24,192</u>	<u>102,269</u>	<u>94,921</u>	<u>318,147</u>
<b>Depreciation</b>						
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>
<b>Balance at 1 January 2019 - Audited</b>	<b>42,899</b>	<b>29,775</b>	<b>18,825</b>	<b>68,425</b>	<b>63,039</b>	<b>222,963</b>
Charge for the period	1,963	1,618	1,442	6,967	7,089	19,078
Disposals	(161)	(595)	-	(398)	(325)	(1,480)
Balance at 30 June 2019 - Un-audited	<u>44,700</u>	<u>30,798</u>	<u>20,267</u>	<u>74,994</u>	<u>69,803</u>	<u>240,561</u>
<b>Carrying amounts</b>						
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 30 June 2019 - Un-audited	<u>11,264</u>	<u>10,004</u>	<u>3,925</u>	<u>27,275</u>	<u>25,118</u>	<u>77,586</u>
<b>Depreciation rate</b>	<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	30 June 2019 (Un-Audited) ----- (Afn in '000) -----	30 June 2018 (Un-Audited) -----
Depreciation charged for the period		19,078	16,299
Less: Amount classified under grant expense		<u>(663)</u>	<u>(843)</u>
		<u>18,415</u>	<u>15,456</u>

		30 June 2019 (Un-audited)	31 December 2018 (Audited)
	Note	----- (Afn in '000) -----	
<b>8. INTANGIBLE ASSET</b>			
<b>Computer software:</b>			
<b>Cost</b>			
Balance at 01 January		164,629	153,753
Additions during the period		-	10,876
Transfer from CWIP		7,875	-
Closing balance		172,504	164,629
<b>Amortisation</b>			
Balance at 01 January		(63,957)	(35,732)
Charge for the period		(14,531)	(28,225)
Closing balance		(78,488)	(63,957)
<b>Carrying amounts</b>		<b>94,017</b>	<b>100,672</b>

## 9. OTHER ASSETS

Restricted deposits with DAB	9.1	556,878	606,118
Interest receivable		269,248	271,182
Prepayments		60,698	53,671
Receivable from Roshan against M-Paisa payments		14,516	56,852
Grant receivable		-	2,317
Other receivables		2,933	1,288
Advances to staff		9,386	5,915
		913,659	997,343
Less: General provision held	9.2	(753)	(395)
		<b>912,906</b>	<b>996,948</b>

**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

		30 June 2019 (Un-audited)	31 December 2018 (Audited)
		----- (Afn in '000) -----	
<b>Retail customers:</b>			
Term deposits	10.1	44,242	52,959
Current deposits		669,789	660,512
Saving deposits	10.2	2,552,039	2,412,419
<b>Corporate customers:</b>			
Term deposits	10.1	700,000	1,240,000
Current deposits		2,533,400	3,093,759
Saving deposits	10.2	243,603	166,961
Cash Margin		29,042	42,771
Dormant deposits		158	113
	10.3	<b>6,772,273</b>	<b>7,669,494</b>

**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** Deposits include AFN 1,427,431 thousand (2018: Afn.1,439,074 thousands) due to related parties.

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30 June 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

1,403,401

1,598,401

Nederlandse Fiancierings-Masstschappij Voor

298,995

341,708

Ontwikkelingslanden N.V

Agricultural Development Fund

111,429

139,286

International Fund for Agricultural Development

264,598

264,598

2,296,8922,586,799**12. OTHER LIABILITIES**

Accrued expenses

78,829

63,806

Interest payable

61,222

78,810

Performance bonus payable

14,461

21,876

Deferred grants

3,055

8,207

Withholding taxes payable

7,049

7,641

Other

743

1,841

165,358182,181

MTR

	Note	30 June 2019 (Un-audited) ----- (Afn in '000) -----	31 December 2018 (Audited)
<b>13. SHARE CAPITAL</b>			
<b>Authorized</b>			
88,800 ordinary shares of US \$ 177 each (2018: 88,800 of US \$ 177)		<u>800,624</u>	<u>800,624</u>
<b>Paid up</b>			
88,288 ordinary shares of US \$ 177 each (2018: 88,288 of US \$ 177)	13.1	<u>796,008</u>	<u>796,008</u>

13.1 The capital is contributed by the shareholders as follows:

	30 June 2019 (Un-audited) ---- Number of shares ----	31 December 2018 (Audited)	30 June 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 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

Outstanding bank guarantees

<u>4,750</u>	<u>19,150</u>
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##### 14.2 Commitments

Undrawn loan and overdraft facilities

<u>90,654</u>	<u>46,876</u>
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#### 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.

##### 15.2 Transactions with key management personnel

###### Key management personnel compensation

Salaries and benefits

Six months ended 30 June 2019 (Un-audited) ----- (Afn in '000) -----	Six months ended 30 June 2018 (Un-audited)
<u>46,028</u>	<u>34,287</u>

###### Key management personnel outstanding balances

Advances to staff

Bank deposits

<u>-</u>	<u>-</u>
<u>10,208</u>	<u>3,131</u>

574

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

### 15.3 Other related party outstanding balances and transactions

#### Balances with related parties

Balances with banks	-	-
Time deposits with banks	2,006,511	1,786,270
Loan to Telecom Development Company Afghanistan Limited (TDCA)	96,137	89,465
Receivable from Roshan against M-Paisa payments	14,516	56,852
Deposits from customers	1,427,431	1,439,074
Cash Margin against guarantees issued	1,644	3,189

-	-
2,006,511	1,786,270
96,137	89,465
14,516	56,852
1,427,431	1,439,074
1,644	3,189

Six months Six months  
ended ended  
30 June 2019 30 June 2018  
(Un-audited) (Un-audited)  
----- (Afn in '000) -----

#### Transactions with related parties

Interest income	16,619	11,719
Fee and commission income	1,950	686
Fee and commission expense	4,033	1,778
Interest expense on deposits from customers	4,555	1,179
Directors' fee and other expenses	8,576	1,074

16,619	11,719
1,950	686
4,033	1,778
4,555	1,179
8,576	1,074

### 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 12 Aug 19.

  
Acting Chief Financial Officer

  
Acting Chief Executive Officer