

Independent Auditors' Report

To the shareholders of The First MicroFinance Bank

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Opinion

We have audited the accompanying financial statements of The First MicroFinance Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2019, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of the Bank for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 28, 2019. SIA

Grant Thornton Afgh.

Grant Thornton Afghanistan
Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi - FCA
Location: Kabul, Afghanistan
Date:



The First MicroFinance Bank
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019	31 December 2018
		(AFN in '000)	
Assets			
Cash and cash equivalents	6	4,709,883	4,589,836
Placements - net	7	603,353	843,840
Loans and advances to customers - net	8	4,931,284	5,868,698
Operating fixed assets	9	595,797	98,625
Intangible assets	10	78,830	100,672
Other assets	11	853,576	996,948
Total Assets		11,772,723	12,498,619
Liabilities			
Deposits from customers	12	6,602,025	7,669,494
Loans and borrowings	13	2,588,977	2,586,799
Income tax payable - net		11,432	15,519
Deferred tax liabilities - net	14	27,270	22,440
Other liabilities	15	481,189	182,181
Total Liabilities		9,710,893	10,476,433
Equity			
Share capital	16	796,008	796,008
Share premium		206,038	206,038
Retained earnings		1,059,784	1,020,140
Total equity		2,061,830	2,022,186
Total equity and liabilities		11,772,723	12,498,619
Contingencies and commitments	17		

The annexed notes 1 to 33 form an integral part of these financial statements.


 Chief Financial Officer


 Chief Executive Officer



 Chairman

The First MicroFinance Bank
Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 ———— (AFN in '000) ————	2018 ———— (AFN in '000) ————
Interest income	18	1,419,295	1,414,304
Interest expense	19	(165,093)	(195,079)
Net interest income		1,254,202	1,219,225
Fee and commission income	20	78,758	90,347
Fee and commission expense	21	(11,659)	(11,752)
Net fee and commission income		67,099	78,595
Income from dealing in foreign currencies		149,502	130,121
Revenue		1,470,803	1,427,941
Other income	22	48,625	49,333
Impairment loss on loans and advances to customers	8.2	(105,961)	(128,203)
Impairment loss on placements	6 & 7	4,355	(2,693)
General provision on:			
Other assets	11	148	3,700
Personnel expenses	23	(675,716)	(634,054)
Depreciation and amortisation	9 & 10	(129,906)	(59,598)
Finance cost on lease liabilities	15.1	(14,215)	-
Penalties		(8,345)	(9,875)
Other expenses	24	(532,464)	(529,314)
Net operating income		57,324	117,237
Non-operating revenue and expenses:			
Development grant income	15	1,328	1,450
Operating grant income		5,701	12,374
Expenditure against grants	25	(7,029)	(13,824)
		-	-
Profit before tax		57,324	117,237
Income tax expense	26	(17,680)	(85,620)
Profit for the year		39,644	31,617
Other comprehensive income		-	-
Total comprehensive income		39,644	31,617
Earnings per share	27	449	358

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 Chief Financial Officer


 Chief Executive Officer



 Chairman

The First MicroFinance Bank
Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Share premium (AFN in '000)	Retained earnings	Total
Balance at 01 January 2018	796,008	206,038	988,523	1,990,569
Profit for the year	-	-	31,617	31,617
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	31,617	31,617
Balance at 31 December 2018	796,008	206,038	1,020,140	2,022,186
Profit for the year	-	-	39,644	39,644
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	39,644	39,644
Balance at 31 December 2019	796,008	206,038	1,059,784	2,061,830

The annexed notes 1 to 33 form an integral part of these financial statements.


 Chief Financial Officer


 Chief Executive Officer


 Chairman


The First MicroFinance Bank
Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 ———— (AFN in '000) ————	2018 ———— (AFN in '000) ————
Cash flows from operating activities			
Profit before tax		57,324	117,237
Adjustments for:			
Depreciation and amortisation	9 & 10	129,906	61,048
Impairment loss on loans and advances to customers	8.2	105,961	128,203
Impairment loss on placements	6 & 7	(4,355)	2,693
General provision on			
Other assets	11	(148)	(3,700)
Loss on disposal of property and equipment	22	93	(278)
Finance cost on lease liabilities	15.1	14,215	-
Grant income	25	(7,029)	(13,824)
		<u>295,967</u>	<u>291,379</u>
Changes in:			
Increase in loans and advances to customers		831,453	(805,617)
Increase in other assets		105,955	(29,341)
Increase in deposits from customers		(1,067,469)	92,413
Increase in other liabilities		(20,234)	42,240
		<u>145,672</u>	<u>(408,926)</u>
Income tax paid		(16,937)	(96,907)
Grant received		4,856	13,824
Net cash flows (used in) / from operating activities		<u>133,591</u>	<u>(492,009)</u>
Cash flows from investing activities			
Purchase of property and equipment		(188,349)	(65,563)
Proceeds from disposal of property and equipment		177	675
Net investment in placements		244,842	(446,665)
Net cash flows (used in) / from investing activities		<u>56,670</u>	<u>(511,553)</u>
Cash flows from financing activities			
Repayment of lease liabilities	15.1	(72,393)	-
Proceeds from loans and borrowings		581,991	264,598
Repayment of loans and borrowings		(579,813)	(469,385)
Net cash flows (used in) / from financing activities		<u>(70,215)</u>	<u>(204,787)</u>
Net (decrease) / increase in cash and cash equivalents		120,047	(1,208,349)
Cash and cash equivalents at beginning of the year		4,589,836	5,798,185
Cash and cash equivalents at end of the year	6	<u>4,709,883</u>	<u>4,589,836</u>

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman