



**Building a better  
working world**

**The First Microfinance Bank  
Condensed interim financial information  
(Un-audited)  
For the nine months ended 30 September 2016**

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**Independent auditor's review report**

Ernst & Young Ford Rhodes Sidat Hyder  
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## **Independent auditors' report on review of condensed interim financial information**

### **Shareholders The First MicroFinance Bank**

#### **Introduction**

We have reviewed the accompanying condensed statement of financial position of The First MicroFinance Bank as at 30 September 2016 and the related condensed statements of comprehensive income, changes in equity and cash flows for the nine months period then ended and notes to the interim financial information ('the condensed interim financial information'). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the requirements of the International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) and Banking Law of Afghanistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope of Review**

We conducted our review in accordance with the International standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 September 2016 is not prepared, in all material respects, in accordance with the requirements of the Law of Banking in Afghanistan and International Financial Reporting Standards (IFRSs).

#### **Other Matters**

1. The financial statements for the year ended 31 December 2015 were audited by another firm of chartered accountants whose audit report, dated 16 March 2016, expressed an unqualified opinion thereon.
2. The Da Afghanistan Bank's (DAB) requirement to review condensed interim financial information by auditors is applicable from the current year, thus the condensed interim financial information of the Bank for the nine months ended 30 September 2015 was not subjected to a review by the predecessor auditors.



**Chartered Accountants**  
**Date: 10 November 2016**  
**Kabul, Afghanistan**  
**Engagement Partner: Muhammad Basheer Juma**



The First MicroFinance Bank  
Condensed interim statement of financial position  
As at 30 September 2016

	Note	30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited) AFN '000'
<b>Assets</b>			
Cash and balances with treasury banks	4	2,003,951	3,243,121
Investments - net	5	2,276,704	1,595,792
Loans and advances to customers	6	4,349,253	3,795,937
Operating fixed assets		154,323	141,722
Intangibles		423	551
Other assets		698,627	579,762
<b>Total assets</b>		<b>9,483,281</b>	<b>9,356,885</b>
<b>Liabilities</b>			
Deposits from customers		5,103,095	4,992,027
Loans and borrowings		2,523,977	2,517,636
Deferred tax liabilities		4,350	2,172
Other liabilities		122,836	196,490
<b>Total liabilities</b>		<b>7,754,258</b>	<b>7,708,325</b>
<b>Equity</b>			
Share capital		796,008	796,008
Share premium		206,038	206,038
Retained earnings		726,977	646,514
<b>Total equity</b>		<b>1,729,023</b>	<b>1,648,560</b>
<b>Total liabilities and equity</b>		<b>9,483,281</b>	<b>9,356,885</b>
<b>Contingencies and commitments</b>	7		

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

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Chief Financial Officer

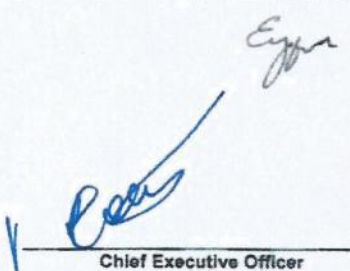
  
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Chief Executive Officer

The First MicroFinance Bank  
Condensed interim statement of comprehensive income  
For the nine months ended 30 September 2016

	Nine months ended	Nine months ended	Three months ended	Three months ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	-----Un-audited-----		-----Un-audited-----	
	AFN '000'	AFN '000'	AFN '000'	AFN '000'
Interest income	862,330	774,032	304,248	264,671
Interest expense	(114,304)	(114,681)	(39,143)	(38,684)
<b>Net interest income</b>	<b>748,026</b>	<b>659,351</b>	<b>265,105</b>	<b>225,987</b>
Fee and commission income	65,008	62,517	20,624	20,190
Fee and commission expense	(23,502)	(23,517)	(8,536)	(8,757)
Net fee and commission income	41,506	39,000	12,088	11,433
Other revenue	78,681	86,730	23,168	32,207
<b>Revenue</b>	<b>868,213</b>	<b>785,081</b>	<b>300,361</b>	<b>269,627</b>
Other income	13,935	23,235	4,231	5,700
Provision against loans and advances	(97,808)	(39,414)	(22,122)	(20,288)
(Provision)/reversal on investments	(2,740)	-	1,520	-
General and administration expenses	(682,438)	(612,146)	(223,574)	(211,600)
	99,162	156,756	60,416	43,439
<b>Non-operating revenue and expenses:</b>				
Grants income recognized against deferred grant	5,789	2,522	146	765
Expenditure against grants	(5,789)	(2,522)	(146)	(765)
	-	-	-	-
<b>Profit before tax</b>	<b>99,162</b>	<b>156,756</b>	<b>60,416</b>	<b>43,439</b>
Taxation	(18,699)	(30,847)	(12,079)	(8,535)
<b>Profit after tax</b>	<b>80,463</b>	<b>125,909</b>	<b>48,337</b>	<b>34,904</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>80,463</b>	<b>125,909</b>	<b>48,337</b>	<b>34,904</b>

The annexed notes 1 to 10 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 the nine months ended 30 September 2016

	Share Capital	Share Premium	Retained Earnings	Total
	AFN '000'			
Balance as at 01 January 2015 - (Audited)	796,008	206,038	461,223	1,463,269
Profit for the nine months ended 30 September 2015			125,909	125,909
<b>Balance as at 30 September 2015 (Un-audited)</b>	<b>796,008</b>	<b>206,038</b>	<b>587,132</b>	<b>1,589,178</b>
Balance as at 01 January 2016 (Audited)	796,008	206,038	646,514	1,648,560
Profit for the nine months ended 30 September 2016			80,463	80,463
<b>Balance as at 30 September 2016 - (Un-audited)</b>	<b>796,008</b>	<b>206,038</b>	<b>726,977</b>	<b>1,729,023</b>

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

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 Chief Financial Officer

  
 Chief Executive Officer

The First MicroFinance Bank  
 Condensed interim statement of cash flows  
 For the nine months ended 30 September 2016

	Nine months ended 30 September 2016	Nine months ended 30 September 2015
	-----Un-audited-----	
	AFN '000'	AFN '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	99,162	156,756
Adjustments for non-cash charges		
Depreciation	17,412	13,787
Amortization	128	743
Provision against non-performing advances	97,808	39,414
Provision for diminution in the value of investments/ other assets	2,740	-
Loss/ (gain) on sale of fixed assets	336	(4,964)
	<u>118,424</u>	<u>48,980</u>
	217,586	205,736
(Increase)/ decrease in operating assets		
Loans and advances to customers	(651,124)	(442,844)
Other assets	(118,864)	(231,042)
	<u>(769,988)</u>	<u>(673,886)</u>
Increase/ (decrease) in operating liabilities		
Loans and borrowings	6,341	162,153
Deposits from customers	111,068	(81,533)
Other liabilities	(51,860)	(70,924)
	<u>65,549</u>	<u>9,696</u>
Income tax paid	(38,314)	(35,686)
Net cash out flow from operating activities	<u>(525,167)</u>	<u>(494,140)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments (made) / matured - net	(683,653)	242,963
Acquisition of operating fixed assets	(30,635)	(14,613)
Sale proceeds of property and equipment disposed-off	285	135
Net cash (out flow) / in flow from investing activities	<u>(714,003)</u>	<u>228,485</u>
Net (decrease) in cash and cash equivalents	(1,239,170)	(265,655)
Cash and cash equivalents at beginning of the period	<u>3,243,121</u>	<u>3,256,240</u>
Cash and cash equivalents at end of the period	<u><u>2,003,951</u></u>	<u><u>2,990,585</u></u>

The annexed notes 1 to 10 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 the nine months ended 30 September 2016**

**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 (2015: 38) in operation including 16 (2015:16) urban branches and 22 (2015:22) rural/peri urban branches in operation as at 30 September 2016 and employed 1,005 (2015:1,020) staff.

**2 BASIS OF PREPARATION**

This condensed interim financial information of the Bank for the nine months period ended 30 September 2016 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 of 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 2015.

**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 2015.

The estimates/judgments assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2015.

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 2015.

		<b>30-Sep-16</b>	<b>31-Dec-15</b>
	<b>Note</b>	<b>(Un-audited)</b>	<b>(Audited)</b>
		<b>AFN '000'</b>	<b>AFN '000'</b>
<b>4 CASH AND BALANCES WITH TREASURY BANKS</b>			
Cash on hand		207,078	261,840
Unrestricted balances with Da Afghanistan Bank		508,804	703,183
Short term placements with banks	4.1	603,379	1,610,068
Balances with other banks	4.2	684,690	668,030
		<u>2,003,951</u>	<u>3,243,121</u>
<b>4.1 Short term placements with banks</b>			
Capital notes (maturity less than three months)		-	49,863
Time deposits with other banks	4.1.1	603,379	1,560,204
		<u>603,379</u>	<u>1,610,067</u>

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The First MicroFinance Bank  
Notes to the condensed interim financial information  
For the nine months ended 30 September 2016

		30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited) AFN '000'	
4.1.1	<b>Time deposits with other banks</b>			
	Habib Bank Limited	4.1.1.1	117,728	1,230,660
	Commerzbank AG		-	341,850
	Diamond Trust Bank, Kenya	4.1.1.2	491,550	-
	Less: General provision held	4.1.1.3	(5,899)	(12,306)
			<u>603,379</u>	<u>1,560,204</u>

4.1.1.1 These deposits are held with related parties having maturity up to 3 months and carry interest ranging from 0.35% to 0.7% per annum (2015: 0.33% to 0.5% per annum).

4.1.1.2 These deposits are having maturity up to 3 months and carry interest ranging from 2.35% to 2.65% (2015: NIL).

4.1.1.3 General provision of 1% (2015: 1%) on placements having maturity of one month or above is maintained as required by revised regulation of Da Afghanistan Bank " Asset Classification and Provisioning Regulation".

		30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited) AFN '000'
4.2	<b>Balances With Other Banks</b>		
	Balances with:		
	Commerzbank AG	-	621,488
	Habib Bank Limited, Brussels	229,582	-
	Habib Bank Limited, UK	325,392	-
	Habib Bank Limited, New York	121,155	43,357
	Bank Alfalah Limited, Kabul	8,561	3,185
		<u>684,690</u>	<u>668,030</u>

5 **INVESTMENTS - NET**

Held-to-maturity investments:

Capital notes with DAB	5.1	1,303,435	1,528,106
Others investments	5.2	983,100	68,370
		2,286,535	1,596,476

General provision held against investments		(9,831)	(684)
		<u>2,276,704</u>	<u>1,595,792</u>

5.1 These represent capital notes issued by DAB for maturity periods ranging from 3 months to 1 year (2015: 6 months to 1 year). These capital notes carry interest ranging from 4.32% to 6.68% per annum (2015: 5.15% to 6.70% per annum).

		30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited) AFN '000'	
5.2	<b>Others investments</b>			
	Diamond Trust Bank, Kenya	5.2.1	983,100	-
	Commerzbank AG		-	68,370
			<u>983,100</u>	<u>68,370</u>

5.2.1 These represent placements with DTB Kenya having maturity of 91 - 92 Days (2015: NIL) and carry interest at the rate of 2.50% to 2.65% per annum (2015: NIL).

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The First MicroFinance Bank  
Notes to the condensed interim financial information  
For the nine months ended 30 September 2016

6	LOANS AND ADVANCES TO CUSTOMERS	Note	30-Sep-16	31-Dec-15
			(Un-audited) AFN '000'	(Audited) AFN '000'
	Overdrafts	6.1	220,850	193,740
	Consumer loans	6.2	4,382,295	3,839,421
			4,603,145	4,033,161
	Less: Provision against loans and advances	6.3	(253,892)	(237,224)
			<u>4,349,253</u>	<u>3,795,937</u>
	<b>Particulars of advances</b>			
	Short term (for up to one year)		3,456,832	3,148,018
	Non-current (for over one year)		892,421	647,919
			<u>4,349,253</u>	<u>3,795,937</u>

6.1 This represents an overdraft issued to Telecom Development Company Afghanistan Limited (TDCA), a related party, carrying interest at rates ranging from 9.25% to 10.5% (2015: 9.25% to 10.5%) per annum.

6.2 Consumer loans consist of microfinance loans carrying interest at rates ranging from 15% to 27% (2015: 9% to 27%) per annum, whereas interest on loans to small and medium size enterprises (SMEs) is charged at the rates ranging from 16.2% to 23% (2015: 16.2% to 23%) per annum. All loans are secured by various kinds of properties and personal guarantees.

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The First MicroFinance Bank  
Notes to the condensed interim financial information  
For the nine months ended 30 September 2016

6.3 Particulars of the provision against loans and advances

	30-Sep-16			31-Dec-15		
	Specific	General	Total	Specific	General	Total
	(Un-audited)			(Audited)		
No	AFN '000'			AFN '000'		
Opening balance	50,268	186,956	237,224	37,299	180,135	217,434
Charge for the period/year	50,268	61,047	111,315	34,400	28,904	63,303
Reversal of provisions	(13,507)	-	(13,507)	(14,834)	-	(14,834)
	36,761	61,047	97,808	19,566	28,904	48,469
Written off against provision	6.3.1 (50,268)	(30,872)	(81,140)	(6,597)	(22,083)	(28,679)
Closing balance	36,761	217,131	253,892	50,268	186,956	237,224

6.3.1 These represent 'loss' category loans which have been written off in accordance with the requirements of the Banking Regulations issued by DAB (the DAB Regulations) and the policy of the Bank. However, in terms of paragraph 3.3.1 (g) of para C of the DAB Regulations, the write-off does not affect the Bank's rights to recover the debt due from customers and does not eliminate the borrowers' responsibility to repay the loan.

6.4 Loans and advances have been classified as:

Classification	Provisioning rates required	30-Sep-16		
		(Un-audited)		
		Loans and advances outstanding	Provision required	Provision held
		AFN '000'		
Standard	1.0%	4,315,710	43,157	214,921
Overdrafts	1.0%	220,850	2,209	2,209
Watch-list	5%	16,593	830	830
Substandard	25%	5,263	1,316	1,316
Doubtful	50%	20,227	10,114	10,114
Rescheduled	100%	24,502	24,502	24,502
Loss	100%	402,073	402,073	402,073
Less: write-offs		(402,073)	(402,073)	(402,073)
<b>Loans and advances and provision held - 30 September 2016</b>		<b>4,603,145</b>	<b>82,128</b>	<b>253,892</b>

Classification	Provisioning rates required	31-Dec-15		
		(Audited)		
		Loans and advances outstanding	Provision required	Provision held
		AFN '000'		
Standard	1.0%	3,947,874	39,479	186,955
Watch-list	5%	14,362	718	718
Substandard	25%	13,778	3,445	3,445
Doubtful	50%	22,082	11,041	11,041
Rescheduled	100%	35,065	35,065	35,065
Loss	100%	317,425	317,425	317,425
Less: write-offs		(317,425)	(317,425)	(317,425)
<b>Loans and advances and provision held - 31 December 2015</b>		<b>4,033,161</b>	<b>89,748</b>	<b>237,224</b>



The First MicroFinance Bank  
Notes to the condensed interim financial information  
For the nine months ended 30 September 2016

7 CONTINGENCIES AND COMMITMENTS	Note	30-Sep-16	31-Dec-15
		(Un-audited) AFN '000'	(Audited) AFN '000'
7.1 Guarantees	7.1	31,305	28,502

This represents performance based guarantees issued by the Bank.

## 8 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its shareholders, their related entities, directors and key management personnel. Outstanding balances and transactions during the period with related parties are as under:

### 8.1 Loans, advances and placements to related parties

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	Nine months ended	Year ended	Nine months ended	Year ended
	30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited)	30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited)
Loans and placements outstanding at beginning of the period/year	294	-	1,467,758	-
Loans and placements advanced during the period/year	458,780	294	453,051	1,467,758
Loan repayments during the period/year	(294)	-	-	-
Loans outstanding at end of the period/year	458,780	294	1,920,809	1,467,758
Interest income earned	-	-	17,125	10,776

General provision on outstanding balances of loans, advances and placements with related parties TDCA and HBL is held @ 1%.

### 8.2 Deposits from related parties

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	Nine months ended	Year ended	Nine months ended	Year ended
	30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited)	30-Sep-16 (Un-audited) AFN '000'	31-Dec-15 (Audited)
Deposits at beginning of the period/year	5,359	3,670	1,379,814	1,337,000
Deposits received during the period/year	43,566	62,065	-	42,814
Deposits repaid during the period/year	(44,400)	(60,375)	(154,582)	-
Deposits at end of the period/year	4,525	5,359	1,225,232	1,379,814

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The First MicroFinance Bank  
 Notes to the condensed interim financial information  
 For the nine months ended 30 September 2016

8.3 Key management compensation	Nine months ended	Nine months ended	Three months ended	Three months ended
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'
Salaries and other short term benefits	40,917	35,952	13,168	9,968

Key management personnel of the Bank include the Chief Executive Officer, Chief Financial Officer, Head of Microfinance, Head of SME, Chief Compliance Officer, Chief Risk Officer, Head of Security and Chief Internal Auditor.

## 9 GENERAL

9.1 Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation.

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

## 10 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been authorized for issue by Chief Financial Officer and Chief Executive Officer on 10/11/2016

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 Chief Financial Officer

  
 Chief Executive Officer