

CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Management is responsible for the preparation of the financial statements that present fairly the financial position of Closed Joint-Stock Company The First MicroFinanceBank (hereinafter "the Bank") as at 31 December 2017, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of the Republic of Tajikistan and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2017 were approved by management on 19 February 2018 by the Management Board of the Bank.

On behalf of the Management Board:



Yenten Lama
Chief Executive Officer

Dushanbe, Republic of Tajikistan
19 February 2018





Mirzosafar Safarov
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Supervisory Board of Closed Joint-Stock Company "The First MicroFinanceBank":

Opinion

We have audited the financial statements of CJSC The First MicroFinanceBank ("the Bank"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Tajikistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 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.

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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, to 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.

19 February 2018
Dushanbe, Republic of Tajikistan



Gulanor Atobek
Audit Director
(qualification certificate № 0000113 dated 04 December 2013)

Deloitte & Touche, LLC
License on auditing in the Republic of Tajikistan BMN^o 0000106 dated 13 May 2017, issued by the Ministry of Finance of the Republic of Tajikistan.

License on auditing of financial institutions in the Republic of Tajikistan
BMTN^o 0000019 dated 08 January 2014, issued by the National Bank of Tajikistan.



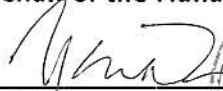
CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

In thousands of Tajik Somoni

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	5, 29	69,162	67,005
Interest expense	5, 29	(19,488)	(26,778)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		49,674	40,227
Recovery/(provision) for impairment losses on interest bearing assets	6	4,138	(9,298)
NET INTEREST INCOME		53,812	30,929
Net gain on foreign exchange operations	7	7,974	7,091
Fee and commission income	8, 29	10,039	6,239
Fee and commission expense	8, 29	(2,683)	(2,078)
Other income	9	955	944
NET NON-INTEREST INCOME		16,285	12,196
OPERATING INCOME		70,097	43,125
OPERATING EXPENSES	10, 29	(56,629)	(51,509)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS		13,468	(8,384)
Provision for impairment losses on other transactions	6	360	(381)
PROFIT/(LOSS) BEFORE INCOME TAX		13,828	(8,765)
Income tax expense	11	(6,322)	(3,813)
NET PROFIT /(LOSS)		7,506	(12,578)
TOTAL COMPREHENSIVE INCOME/(LOSS)		7,506	(12,578)

On behalf of the Management Board:


Yenten Lama
Chief Executive Officer

Dushanbe, Republic of Tajikistan
19 February 2018



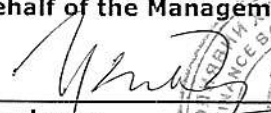

Mirzosafar Safarov
Chief Financial Officer

CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
In thousands of Tajik Somoni**

	Notes	31 December 2017	31 December 2016
ASSETS:			
Cash and cash equivalents	12, 29	249,204	188,905
Obligatory reserves with the National Bank of Tajikistan	13	30,382	24,028
Financial assets at fair value through profit and loss	14	162	966
Due from banks and other financial institutions	15	882	-
Loans to customers	16, 29	240,965	221,411
Available-for-sale financial assets	17	3,047	-
Held to maturity investments	18	8,922	-
Income tax assets	11	-	1,913
Property and equipment	19	5,310	5,473
Intangible assets	20	365	303
Repossessed collateral	21	5,573	841
Other assets	22	8,772	8,390
TOTAL ASSETS		553,584	452,230
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	23, 29	21,619	31,804
Amounts owed to Government	24, 29	42,950	44,252
Customer accounts	25, 29	430,081	329,159
Current income tax liabilities	11	1,704	-
Other liabilities	26	7,316	4,607
Total liabilities		503,670	409,822
EQUITY:			
Share capital	27	56,810	56,810
General reserve		7,480	7,480
Accumulated loss		(14,376)	(21,882)
Total equity		49,914	42,408
TOTAL LIABILITIES AND EQUITY		553,584	452,230

On behalf of the Management Board:


Yenten Lama
Chief Executive Officer

Dushanbe, Republic of Tajikistan
19 February 2018




Mirzosafar Safarov
Chief Financial Officer

CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK


**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

In thousands of Tajik Somoni

	Share Capital	General reserve ¹	Accumulated loss	Total Equity
As at 31 December 2015	41,250	7,480	(9,304)	39,426
Issue of ordinary share capital	15,560	-	-	15,560
Total comprehensive loss	-	-	(12,578)	(12,578)
As at 31 December 2016	56,810	7,480	(21,882)	42,408
Total comprehensive income	-	-	7,506	7,506
As at 31 December 2017	56,810	7,480	(14,376)	49,914

¹ The general reserve includes appropriations of retained earnings, which are required under the legislation of the Republic of Tajikistan.

On behalf of the Management Board:


Yenten Lama
Chief Executive Officer

Dushanbe, Republic of Tajikistan
19 February 2018




Mirzosafar Safarov
Chief Financial Officer

CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
In thousands of Tajik Somoni**

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		13,828	(8,765)
Adjustments for:			
Provision for impairment losses on interest bearing assets		(4,138)	9,298
Net change in other reserves		(360)	381
Unrealised gain on foreign exchange operations		99	81
Depreciation and amortisation expense		1,727	1,846
Loss from disposal of property and equipment		8	21
Net change in interest accruals		60	(542)
Cash inflow from operating activities before changes in operating assets and liabilities		11,224	2,320
Changes in operating assets and liabilities (Decrease)/increase in operating assets:			
Restricted balances with National Bank of Tajikistan		(6,354)	(8,378)
Financial assets at fair value through profit and loss		804	
Due from banks and other financial institutions		(882)	5,869
Loans to customers		(20,081)	26,620
Other assets		(22)	79
Decrease/(Increase) in operating liabilities			
Amounts owed to Government		(1,670)	5,074
Customer accounts		100,838	30,588
Other liabilities		2,709	(948)
Cash inflow from operating activities before taxation		86,566	61,224
Income tax paid		(2,705)	(6,985)
Net cash inflow from operating activities		83,861	54,239
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of available for sale financial assets		(3,000)	-
Purchase of held to maturity investments		(8,790)	-
Purchase of property, equipment and equipment		(1,439)	(902)
Purchase of intangible assets		(195)	(26)
Net cash outflow from investing activities		(13,424)	(928)

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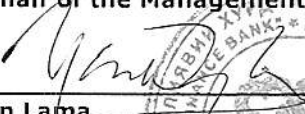
**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017
In thousands of Tajik Somoni**

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of share capital		-	15,560
Repayment of due to banks and other financial institutions		(10,039)	(86,062)
Net cash outflow from financing activities		(10,039)	(70,502)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(99)	1,296
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		60,299	(15,895)
CASH AND CASH EQUIVALENTS, beginning of year	12	188,905	204,800
CASH AND CASH EQUIVALENTS, end of year	12	249,204	188,905

During the year ended 31 December 2017, interest received and paid by the Bank amounted to 68,916 thousand Somoni and 19,182 thousand Somoni, respectively.

During the year ended 31 December 2016, interest received and paid by the Bank amounted to 67,833 thousand Somoni and 28,154 thousand Somoni, respectively.

On behalf of the Management Board:


Yenten Lama
Chief Executive Officer

Dushanbe, Republic of Tajikistan
19 February 2018




Mirzosafar Safarov
Chief Financial Officer