

## **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 2018**

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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 2018, 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 2018 were approved by management on 1 April 2019 by the Management Board of the Bank.

**On behalf of the Management Board:**

  
Yenten Lama  
Chief Executive Officer

  
Mirzosafar Safarov  
Chief Financial Officer

Dushanbe, Republic of Tajikistan  
1 April 2019



## 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 2018, 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 2018, 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.

#### Emphasis of Matter

We draw attention to Note 4 to the financial statements, which describes the restatement of corresponding figures for the year ended 31 December 2017. Our opinion is not modified in respect of this matter.

#### 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.

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.



Gulanor Atobek  
General Director

Deloitte & Touche, LLC

License on auditing in the Republic of Tajikistan BMN<sup>o</sup> 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<sup>o</sup> 0000093 dated 09 January 2019, issued by the National Bank of Tajikistan.

1 April 2019  
Dushanbe, Republic of Tajikistan



Anahita Tolibekova  
Qualified auditor  
of the Republic of Tajikistan  
Qualification certificate  
BM No. 0000264  
dated 19 December 2017



# CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK

## STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2018

In thousands of Tajik Somoni

	Notes	31 December 2018	31 December 2017 (restated*)	1 January 2017 (restated*)
<b>ASSETS:</b>				
Cash and cash equivalents	5, 32	294,996	249,204	188,905
Obligatory reserves with the National Bank of Tajikistan	6	37,733	30,382	24,028
Derivative financial assets	7	-	162	966
Due from banks and other financial institutions	8	27,956	882	-
Loans to customers	9, 32	296,824	240,965	221,411
Investment securities	10	31,846	11,969	-
Income tax assets	27	298	-	1,913
Property and equipment	11	4,966	5,310	5,473
Intangible assets	12	466	365	303
Reposessed collateral	13	7,057	5,573	841
Other assets	14	5,322	8,772	8,390
<b>TOTAL ASSETS</b>		<b>707,464</b>	<b>553,584</b>	<b>452,230</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES:</b>				
Due to banks and other financial institutions	15, 32	19,454	21,619	31,804
Customer accounts	16, 32	534,758	430,081	329,159
Amounts owed to Government	17, 32	29,918	24,015	21,874
Subordinated debt	18	24,923	18,935	22,378
Current income tax liabilities	27	3,273	1,704	-
Other liabilities	19	8,643	7,316	4,607
<b>Total liabilities</b>		<b>620,969</b>	<b>503,670</b>	<b>409,822</b>
<b>EQUITY:</b>				
Share capital	20	74,470	56,810	56,810
General reserve		7,480	7,480	7,480
Retained earnings/(accumulated loss)		4,545	(14,376)	(21,882)
<b>Total equity</b>		<b>86,495</b>	<b>49,914</b>	<b>42,408</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>707,464</b>	<b>553,584</b>	<b>452,230</b>

\* Please, refer to Note 4 to the financial statements.

On behalf of the Management Board:

  
Yenten Lama  
Chief Executive Officer

  
Mirzosafar Safarov  
Chief Financial Officer

Dushanbe, Republic of Tajikistan  
1 April 2019

**CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK**


**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*In thousands of Tajik Somoni*

	Notes	Year ended 31 December 2018	Year ended 31 December 2017 (restated*)
Interest income	21, 32	82,434	69,162
Interest expense	21, 32	(21,692)	(20,010)
<b>NET INTEREST INCOME BEFORE PROVISION/(RECOVERY OF PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>60,742</b>	<b>49,152</b>
Recovery of provision for impairment losses on interest bearing assets	22	6,633	4,138
<b>NET INTEREST INCOME</b>		<b>67,375</b>	<b>53,290</b>
Net gain on foreign exchange operations	23	10,006	7,974
Fee and commission income	24, 32	11,817	10,039
Fee and commission expense	24, 32	(2,909)	(2,161)
Other income	25	2,881	955
<b>NET NON-INTEREST INCOME</b>		<b>21,795</b>	<b>16,807</b>
<b>OPERATING INCOME</b>		<b>89,170</b>	<b>70,097</b>
OPERATING EXPENSES	26, 32	(63,038)	(56,629)
<b>PROFIT BEFORE OTHER OPERATING PROVISIONS</b>		<b>26,132</b>	<b>13,468</b>
Provision/(recovery of provision) for impairment losses on other transactions	22	(2,436)	360
<b>PROFIT BEFORE INCOME TAX</b>		<b>23,696</b>	<b>13,828</b>
Income tax expense	27	(9,416)	(6,322)
<b>NET PROFIT</b>		<b>14,280</b>	<b>7,506</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>14,280</b>	<b>7,506</b>

\* Please, refer to Note 4 to the financial statements.

On behalf of the Management Board:

  
Yenten Lama  
Chief Executive Officer

  
Mirzosafar Safarov  
Chief Financial Officer

Dushanbe, Republic of Tajikistan  
1 April 2019



**CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*In thousands of Tajik Somoni*

	Share Capital	General reserve <sup>1</sup>	Accumulated loss	Total Equity
<b>As at 1 January 2017</b>	56,810	7,480	(21,882)	42,408
Total comprehensive income	-	-	7,506	7,506
<b>As at 31 December 2017</b>	56,810	7,480	(14,376)	49,914
	Share Capital	General reserve <sup>1</sup>	Retained earnings/ (accumulated loss)	Total Equity
<b>As at 1 January 2018 (as previously reported)</b>	56,810	7,480	(14,376)	49,914
Effect of transition to IFRS 9	-	-	4,641	4,641
<b>As at 1 January 2018 (as restated)</b>	56,810	7,480	(9,735)	54,555
Issue of share capital	17,660	-	-	17,660
Total comprehensive income	-	-	14,280	14,280
<b>As at 31 December 2018</b>	74,470	7,480	4,545	86,495

<sup>1</sup> 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

  
Mirzosafar Safarov  
Chief Financial Officer

Dushanbe, Republic of Tajikistan  
1 April 2019



**CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018  
In thousands of Tajik Somoni**

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		23,696	13,828
Adjustments for:			
Recovery of provision for impairment losses on interest bearing assets		(6,633)	(4,138)
Net change in other reserves		2,436	(360)
Unrealised gain on foreign exchange operations		(352)	99
Depreciation and amortisation expense		1,574	1,727
Loss from disposal of property and equipment		23	8
Net change in interest accruals		(437)	60
Cash inflow from operating activities before changes in operating assets and liabilities		20,307	11,224
Changes in operating assets and liabilities (Decrease)/increase in operating assets:			
Restricted balances with National Bank of Tajikistan		(7,351)	(6,354)
Derivative financial assets		162	804
Due from banks and other financial institutions		(27,710)	(882)
Loans to customers		(49,468)	(20,081)
Other assets		2,984	(22)
Decrease/(Increase) in operating liabilities			
Due to banks and other financial institutions		6,644	(1,670)
Customer accounts		104,507	100,838
Other liabilities		1,327	2,709
Cash inflow from operating activities before taxation		51,402	86,566
Income tax paid		(8,145)	(2,705)
Net cash inflow from operating activities		43,257	83,861
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities measured at FVTOCI		-	(3,000)
Proceeds from investment securities measured at FVTOCI		91	-
Purchase of investment securities at amortised cost		(58,687)	(8,790)
Proceeds from matured investment securities at amortised cost		39,120	-
Proceeds from sale of repossessed collateral		2,931	-
Purchase of property, equipment and equipment		(1,184)	(1,439)
Purchase of intangible assets		(170)	(195)
Net cash outflow from investing activities		(17,899)	(13,424)

**CLOSED JOINT-STOCK COMPANY THE FIRST MICROFINANCEBANK**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018  
*In thousands of Tajik Somoni***

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of share capital		17,660	-
Proceeds from amounts owed to Government		5,552	-
Subordinated debt repaid		(3,442)	-
Repayment of due to banks and other financial institutions		-	(10,039)
Net cash inflow/(outflow) from financing activities		19,770	(10,039)
Effect of exchange rate changes on the balance of cash held in foreign currencies		664	(99)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>45,792</b>	<b>60,299</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>5</b>	<b>249,204</b>	<b>188,905</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>5</b>	<b>294,996</b>	<b>249,204</b>

During the year ended 31 December 2018, interest received and paid by the Bank amounted to 81,466 thousand Somoni and 21,161 thousand Somoni, respectively.

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.

**On behalf of the Management Board:**

  
Yenten Lama  
Chief Executive Officer



  
Mirzosafar Safarov  
Chief Financial Officer

Dushanbe, Republic of Tajikistan  
1 April 2019