

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Close Joint Stock Company "The First MicroFinanceBank"

Opinion

We have audited the financial statements of Close Joint Stock Company "The First MicroFinanceBank" (hereinafter referred as "Bank") which comprise the statement of financial position as at 31 December 2019, 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, comprising significant accounting policies and other explanatory information, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects the financial position of the Bank as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities in accordance with these 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in 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

Negaf/ve currency position - we draw attention to Note 6 on pages 57 and 58 of the Financial Statements, which shows that the Bank has negative open currency position in USD amounting to TJS 13,051 thousand (2018: TJS 4,269 thousand) this is due to provisions on expected credit losses on financial assets are created in same currencies as financial assets. However, the Bank is following the National Bank of Tajikistan's regulations, which require that the provisions on expected credit losses for financial assets denominated in foreign currencies should be created in local currency. In this regard the open currency position of the Bank as per National Bank of Tajikistan's requirement is positive. Our opinion is not modified in respect of this matter.

Other matter

The Financial Statements of the Bank for the year ended 31 December 2018 were audited by another audit firm who expressed "Unmodified opinion" on those financial statements on 1 April 2019.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Bakhtiyor Rustamov

Partner

License on auditing No.0000078 dated 21 June 2017

Issued by National Bank of Tajikistan



Qualification Certificate of auditor No.56 dated

8 January 2014 issued by National Bank of Tajikistan

Dushanbe:



CJSC "THE FIRST MICROFINANCE BANK"
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (in thousand TJS)

	Notes	As at 31 December	
		2019	2018
ASSETS:			
Cash and cash equivalents	7	333,794	294,996
Obligatory reserves with the National Bank of Tajikistan	8	37,930	37,733
Due from banks and other financial institutions	9	19,405	27,956
Loans to customers	10	360,959	296,824
Investment securities	11	63,573	31,846
Deferred tax assets	28	2,165	298
Property and equipment	12	9,332	4,966
Intangible assets	13	5,859	466
Right of use assets	14.1	19,220	-
Repossessed collateral	15	7,362	7,057
Other assets	16	14,647	5,322
TOTAL ASSETS		874,247	707,464
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	17	29,025	19,454
Customer accounts	18	631,797	534,758
Amounts owed to Government	19	34,892	29,918
Subordinated debt	20	21,737	24,923
Lease liability	14.2	14,481	-
Income tax liabilities	29	4,461	3,273
Other liabilities	21	14,230	8,643
TOTAL LIABILITIES		750,623	620,969
EQUITY:			
Share capital	22	93,340	74,470
General reserve		7,480	7,480
Retained earnings		22,804	4,545
TOTAL EQUITY		123,624	86,495
TOTAL LIABILITIES AND EQUITY		874,247	707,464

The accompanying notes on pages 12-78 form integral part of these financial statements.

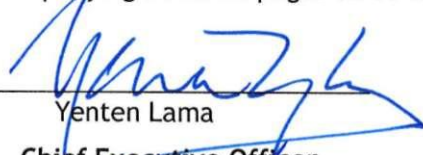

 Yenten Lama
 Chief Executive Officer


 Mirzosafar Safarov
 Chief Financial Officer

CJSC "THE FIRST MICROFINANCEBANK"
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019 (in thousand TJS)

	Notes	For the year ended 31 December	
		2019	2018
Interest income	23	104,369	82,434
Interest expense	23	(23,724)	(21,692)
NET INTEREST INCOME BEFORE PROVISION / (RECOVERY OF PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		80,645	60,742
(Provision)/recovery for impairment losses on interest bearing assets	24.1	(5,182)	6,633
NET INTEREST INCOME		75,463	67,375
Net gain on foreign exchange operations	25	13,029	10,006
Fee and commission income	26.1	13,143	11,817
Fee and commission expense	26.2	(2,701)	(2,909)
Other income	27	754	2,881
NET NON-INTEREST INCOME		24,224	21,795
OPERATING INCOME		99,688	89,170
OPERATING EXPENSES	28	(69,171)	(63,038)
PROFIT BEFORE OTHER OPERATING PROVISIONS		30,517	26,132
(Provision)/recovery of provision for impairment losses on other transactions	24.2	(580)	(2,436)
PROFIT BEFORE INCOME TAX		29,937	23,696
Income tax expense	29	(11,678)	(9,416)
NET PROFIT		18,259	14,280
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		18,259	14,280

The accompanying notes on pages 12-78 form integral part of these financial statements.


 Yenten Lama
 Chief Executive Officer


 Mirzosafar Safarov
 Chief Financial Officer

CJSC "THE FIRST MICROFINANCEBANK"
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 *(in thousand TJS)*

	Share Capital	General reserve	Retained earnings	Total equity
As at 31 December 2017	56,810	7,480	(14,376)	49,914
As at 1 January 2018 (as previously reported)	56,810	7,480	(14,376)	49,914
Effect of transition to IFRS 9	-	-	4,641	4,641
As at 1 January 2018 (restated)	56,810	7,480	(9,735)	54,555
Issue of share capital	17,660			17,660
Total comprehensive income	-	-	14,280	14,280
As at 31 December 2018	74,470	7,480	4,545	86,495
Issue of share capital	18,870			18,870
Change in general reserve	-	-	-	-
Total comprehensive income	-	-	18,259	21,418
As at 31 December 2019	93,340	7,480	22,804	126,783

"The General reserve includes appropriations of retained earnings, which are required under the legislation of the Republic of Tajikistan

The accompanying notes on pages **12-78** form integral part of these financial statements.


 Yenten Lama
 Chief Executive Officer


 Mirzosafar Safarov
 Chief Financial Officer



CJSC "THE FIRST MICROFINANCEBANK"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 *fin thousand T.K)*

	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
<i>Profit before income tax</i>	<u>33,937</u>	<u>23,696</u>
Adjustments for:		
(Recovery)/accrual of provision for impairment losses on interest bearing assets	5,182	(6,633)
Net change in other reserves	580	2,436
Unrealised gain on foreign exchange operations	(198)	(352)
Depreciation of right of use assets	3,494	
Depreciation and amortisation expense	2,166	1,574
Loss from disposal of property and equipment	4	23
Interest expense on lease liabilities	(1,000)	
Net change in interest accruals	<u>(1,688)</u>	<u>(437)</u>
<i>Cash inflow from operating activities before changes in operating assets and liabilities</i>	38,477	20,307
<i>Changes in operating assets and liabilities</i>		
<i>(Decrease)/increase in operating assets:</i>		
Obligatory reserve in National Bank of Tajikistan	(197)	(7,351)
Derivative financial assets		162
Due from banks and other financial institutions	8,891	(27,710)
Loans to customers	(69,643)	(49,468)
Right of use assets	(22,714)	
Other assets	(10,250)	2,984
<i>Decrease/(Increase) in operating liabilities</i>		
Due to banks and other financial institutions	9,267	6,644
Customer accounts	96,551	104,507
Other liabilities	5,587	1,327
Cash inflow from operating activities before taxation	55,970	51,402
Interest paid on lease liabilities	1,000	
Income tax paid	(12,358)	(8,145)
Net cash inflow from operating activities	44,613	43,257

CJSC "THE FIRST MICROFINANCEBANK"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019 (in thousand TJS)

	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment securities measured at FVTOCI		91
Purchase of investment securities at amortised cost	(1,575,014)	(58,687)
Proceeds from matured investment securities at amortised cost	1,546,420	39,120
Proceeds from sale of repossessed collateral	(305)	2,931
Purchase of property, equipment and equipment	(6,301)	(1,184)
Purchase of intangible assets	(5,628)	(170)
Net cash outflow from investing activities	(40,828)	(17,899)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	18,870	17,660
Proceeds from amounts owed to Government	4,651	5,552
Increase in lease liabilities	17,724	
Lease liability repaid	(3,243)	
Subordinated debt repaid	(3,186)	(3,442)
Net cash inflow/(outflow) from financing activities	34,816	19,770
Effect of exchange rate changes on the balance of cash held in foreign currencies	196	664
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,798	45,792
CASH AND CASH EQUIVALENTS, beginning of year	294,996	249,204
CASH AND CASH EQUIVALENTS, end of year	333,794	294,996

The accompanying notes on pages 12-78 form integral part of these financial statements.



 Yenten Lama
 Chief Executive Officer



 Mirzosafar Safarov
 Chief Financial Officer