

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of the Closed Joint Stock Company "The First MicroFinanceBank"

### Opinion

We have audited the financial statements of the Closed Joint Stock Company "The First MicroFinanceBank" (the "Bank"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (the "IFRS").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). 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 matters

Without qualifying our opinion, we draw attention to following matters:

#### *Loan to customers*

We draw attention to Note 17 "Loan to customers". According to calculation of allowance for expected credit losses by Bank's IFRS 9 model, amount of allowance for expected credit losses as at December 31, 2022 is equal to 20,232 thousand somoni. Management of the Bank considering internal and external, economic and geopolitical factors, guided by the principals of prudence, decided to accrue additional allowance for expected credit losses in the amount of 20,262 thousand somoni. As a result, allowance for expected credit losses on loan to customers as at December 31, 2022 equaled to 40,494 thousand somoni.

#### *Long-term assets held for sale*

We draw attention to Note 21 "Long-term assets held for sale" of the financial statements. As of December 31, 2022 and 2021 The Bank's statement of financial position presents long-term assets held for sale in the amount of 5,162 and TJS 6,048 thousand somoni, respectively, including allowance for impairment of 4,491 and 2,338 thousand somoni, respectively. The Bank takes these assets on the balance sheet at a cost in accordance with a court's decision or a withdrawal agreement with the borrower, at a cost equal to the balance of the loan debt. In the future, when creating an allowance for these long-term assets held for sale, the Bank uses the rates prescribed by the National Bank of Tajikistan, which are based on the number of days the collateral is on the Bank's balance sheet, which may not correspond to fair value under IFRS 13 "Fair Value Measurement". The management of the Bank guided by principals of prudence in creating allowance for long-term assets held for sale.

#### *Restatement and reclassification*

For the financial year ended December 31, 2022, the Management of the Bank made comparative adjustments for the year ended December 31, 2021, which are disclosed in Note 4 to the financial statements. In our opinion, these adjustments are appropriate and properly implemented.

## *Rebranding*

Considering the growth of the Bank and leveraging its banking license, the Shareholders of the Bank decided to reposition the Bank to take on a broader role in the banking sector in Tajikistan and will work towards developing into a strong and sustainable financial institution. The Bank is undertaking a rebranding process. The new name and the new logo have been selected and approved by the Shareholders of the Bank and registered with the Patent Agency of Tajikistan. It is expected to announce the rebranding in second half of 2023.

### **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.

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.

Firdavs Khayrulloev

Director

Baker Tilly Tajikistan LLC

License No. 000014 issued by  
the National Bank of Tajikistan

Dushanbe, Republic of Tajikistan  
March 16, 2023



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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

*(in thousands of Tajik somoni)*

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021 <i>(restated)</i>
Interest income	5	127,002	117,941
Interest expenses	5	(19,458)	(21,572)
<b>NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS</b>		<u>107,544</u>	<u>96,369</u>
Accrual of allowance for expected credit losses on interest bearing assets	8	(5,776)	(954)
<b>NET INTEREST INCOME</b>		<u>101,768</u>	<u>95,415</u>
Commission income	6	26,364	17,630
Commission expenses	6	(7,252)	(5,378)
Net gain on foreign currency transactions	7	26,606	15,696
Accrual of allowance for expected credit losses and impairment of other assets	9	(2,198)	(593)
Other income, net	10	2,280	1,528
<b>NET NON-INTEREST INCOME</b>		<u>45,800</u>	<u>28,883</u>
Operating expenses	11	(91,607)	(83,000)
<b>PROFIT BEFORE INCOME TAX</b>		<u>55,961</u>	<u>41,298</u>
Income tax	12	(15,464)	(16,345)
<b>NET PROFIT FOR THE YEAR</b>		<u>40,497</u>	<u>24,953</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>40,497</u>	<u>24,953</u>

On behalf of the Management of the Bank:

  
**Mirzosafar Safarov**  
**Chief Executive Officer**

March 16, 2023  
 Dushanbe, the Republic of Tajikistan



  
**Zafar Zarenov**  
**Chief Accountant**

March 16, 2023  
 Dushanbe, the Republic of Tajikistan

The notes on pages 11-55 form an integral part of the financial statements. The independent auditors' report is on pages 3-5.

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

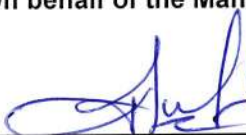
**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2022**

*(in thousands of Tajik somoni)*

	Notes	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
Cash and cash equivalents	13	282,728	159,559
Due from banks	14	188,840	262,624
Obligatory reserve with NBT	15	51,771	55,326
Investments held to maturity	16	58,999	118,705
Loans to customers	17	498,958	470,321
Property and equipment	18	12,149	12,011
Intangible assets	19	6,638	7,370
Right of use assets	20	11,462	12,332
Long-term assets held for sale	21	671	3,710
Deferred tax assets	12	1,881	1,971
Other assets	22	11,881	8,605
<b>TOTAL ASSETS</b>		<b>1,125,978</b>	<b>1,112,534</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>LIABILITIES:</b>			
Due to banks and financial institutions	23	3,329	3,797
Customer accounts	24	832,552	860,376
Borrowings	25	36,918	51,545
Lease liabilities	20	11,796	11,319
Other liabilities	26	42,594	24,704
		<b>927,189</b>	<b>951,741</b>
<b>EQUITY</b>			
Share capital	27	93,340	93,340
General reserves		7,480	7,480
Retained earnings		97,969	59,973
		<b>198,789</b>	<b>160,793</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,125,978</b>	<b>1,112,534</b>

On behalf of the Management of the Bank

  
**Mirzosafar Safarov**  
**Chief Executive Officer**

March 16, 2023  
 Dushanbe, the Republic of Tajikistan

  
**Zafar Zarenov**  
**Chief Accountant**

March 16, 2023  
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**CLOSED JOINT STOCK COMPANY “THE FIRST MICROFINANCEBANK”**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(in thousands of Tajik somoni)*

	Note	Share capital	General reserves	Retained earnings	Total equity
Balance as at December 31, 2020		<u>93,340</u>	<u>7,480</u>	<u>36,380</u>	<u>137,200</u>
Dividends tax	27	-	-	(1,360)	(1,360)
Total comprehensive income		-	-	<u>24,953</u>	<u>24,953</u>
Balance as at December 31, 2021		<u>93,340</u>	<u>7,480</u>	<u>59,973</u>	<u>160,793</u>
Dividends tax	27	-	-	(2,501)	(2,501)
Total comprehensive income		-	-	<u>40,497</u>	<u>40,497</u>
Balance as at December 31, 2022		<u>93,340</u>	<u>7,480</u>	<u>97,969</u>	<u>198,789</u>

On behalf of the Management of the Bank:



**Mirzosafar Safarov**  
Chief Executive Officer

March 16, 2023  
Dushanbe, the Republic of Tajikistan



  
**Zafar Zarenov**  
Chief Accountant

March 16, 2023  
Dushanbe, the Republic of Tajikistan

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**CLOSED JOINT STOCK COMPANY “THE FIRST MICROFINANCEBANK”**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(in thousands of Tajik somoni)*

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021 <i>(restated)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		55,961	41,298
Adjustments for:			
Change in allowance for expected credit losses on interest bearing assets	8	5,776	954
Change in allowance for expected credit losses and impairment of other assets	9	2,198	593
Depreciation of property, plant and equipment and amortization of intangible assets		3,833	3,734
Amortization of Right-of-use assets	20	5,763	5,756
Foreign exchange differences	7	4,094	200
Net interest income	5	(107,544)	(96,369)
Cash flows before changes in operating assets and liabilities		(29,919)	(43,834)
Changes in operating assets and liabilities:			
Decrease / (increase) in operating assets:			
Due from banks		(35,090)	(1,158)
Obligatory reserve with NBT		(1,049)	(30,544)
Financial instruments at fair value through profit or loss		-	1,522
Long-term assets held for sale		886	1,390
Loans to customers		(36,719)	(111,695)
Other assets		(3,161)	5,608
Increase / (decrease) in operating liabilities:			
Customer accounts		19,802	111,449
Due to banks and financial institutions		(397)	2,634
Other liabilities		20,370	7,935
Outflow from operating activities before taxation and interest		(65,277)	(56,693)
Interest received		124,974	113,874
Interest paid		(20,395)	(21,750)
Income tax paid		(14,650)	(13,718)
Net cash inflow from operating activities		24,652	21,713

**CLOSED JOINT STOCK COMPANY “THE FIRST MICROFINANCEBANK”**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022**  
*(in thousands of Tajik somoni)*

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021 <i>(restated)</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	18	(2,974)	(1,323)
Proceeds from disposal of property, plant and equipment	10	4	93
Purchase / Proceeds from disposal of investments		(784)	170,897
Purchase of intangible assets	19	<u>(202)</u>	<u>(78)</u>
Net cash outflow from investing activities		<u>(3,956)</u>	<u>169,589</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends tax paid	27	(2,501)	(1,360)
Principal payments on borrowings, net		(13,201)	(14,060)
Payment of lease liabilities	20	<u>(4,416)</u>	<u>(3,961)</u>
Net cash inflow from financing activities:		<u>(20,118)</u>	<u>(19,381)</u>
Effect of changes in exchange rates on cash and cash equivalents		<u>(21,213)</u>	<u>(4,843)</u>
NET (DECREASE) / INCREASE N CASH AND CASH EQUIVALENTS		<u>(20,635)</u>	<u>167,078</u>
CASH AND CASH EQUIVALENTS, at the beginning of the year	13	<u>521,430</u>	<u>354,352</u>
CASH AND CASH EQUIVALENTS, at the end of the year	13	<u>500,795</u>	<u>521,430</u>

On behalf of the Management of the Bank

  
Mirzosafar Safarov  
Chief Executive Officer

March 16, 2023  
Dushanbe, the Republic of Tajikistan



  
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