

INDEPENDENT AUDITORS' REPORT

To Owners and Board of Directors of the Closed Joint Stock Company "The First MicroFinance Bank":

Opinion

We have audited the financial statements of the Closed Joint Stock Company "The First MicroFinance Bank" (hereinafter, *the Bank*), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in shareholders' 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 financial statements present fairly, in all material respects, the financial position of *the Bank* as at 31 December 2023, 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 (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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

Key audit matters (continued)

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed it
<i>Impairment of loans and advances to customers and provision for credit related commitments</i>	
<p>The significance of loans and advances to customers and credit related commitments, and the inherent uncertainty of their collectability makes impairment allowance and the provisions for credit related commitments a key audit matter.</p> <p>Significant judgment is necessary to identify impairment events for loans and advances to customers, as well as recognize the provision for credit related commitments on a timely basis.</p> <p>The calculation of the impairment allowance for collectively assessed loans involves credit modeling techniques that utilize significant unobservable inputs and factors, such as internal credit ratings, probability of default and loss-given-default assumptions. The calculation of the impairment allowance and provision for credit related commitments assessed on an individual basis requires recoverability assessments based on significant unobservable inputs, such as the financial performance of the counterparty, expected future cash flows, collateral value, and other factors. The use of different modeling techniques and assumptions could produce significantly different estimates of the impairment and provision.</p> <p>Information on the impairment of loans and advances to customers and credit related commitments is included in Note about the Credits.</p>	<p>We focused on the following areas during our audit: management's judgment in relation to the identification of impairment events for significant corporate loans and credit related commitments projected future cash flows, including collateral-sourced cash flows, in relation to credit exposures, including credit related commitments, with signs of deterioration of credit performance models and assumptions used to determine credit impairments on a collective basis.</p> <p>Our audit procedures included an evaluation of the methodologies used by <i>the Bank</i> in identifying impairment events and calculating impairment allowance and credit related provisions. We also performed audit procedures to test, on a sample basis, the timeliness of identification of the individual signs of impairment. For a sample of significant credit exposures subject to individual impairment assessment, we inspected assumptions on the expected future cash flows, including the value of collateral. For collectively assessed impairment, we tested the underlying credit models, key inputs and assumptions used. We also assessed whether the disclosures in the financial statements about <i>the Bank's</i> impairment allowance and provision for credit related commitments are compliant with applicable IFRS requirements.</p>

Other information included in the Bank's Annual Report 2023

Other information consists of the information included in *the Bank's* Annual Report 2023 (the "Annual Report") other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management 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.

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.

Auditor's responsibilities for the audit of the financial statements (continued)

- ▶ 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 or business activities within *the Bank* to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of *the Bank* audit. We remain solely responsible for our audit opinion.
- ▶ We communicate with the management 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 the management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- ▶ From the matters communicated with the management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such a communication.

Report on the findings from the work performed in accordance with the requirements of Article 45 of the Law of the Republic of Tajikistan No. 524 "Concerning Banking Activity" of 19 May 2009 (hereinafter, the "Law")

Management of *the Bank* is responsible for compliance of *the Bank* with the mandatory prudential ratios (hereinafter, the "obligatory ratios") established by the National Bank of Tajikistan (hereinafter, the "NBT"), and for the conformity of internal control and organization of the risk management systems of *the Bank* with the requirements set forth by the NBT in respect of such systems.

In accordance with the requirements of Article 45 of the Law, during the audit of the financial statements for the year ended 31 December 2023, we determined:

- 1) Whether *the Bank* complies as at 1 January 2024 with the obligatory ratios established by the NBT;
- 2) Whether internal control and organization of the risk management systems of *the Bank* conform to the requirements set forth by the NBT for such systems in respect of the following:
 - subordination of the risk management departments;
 - the existence of methodologies, approved by *the Bank's* respective authorized bodies, for detecting and managing risks that are significant to *the Bank* and for performing stress-testing; the existence of a reporting system at *the Bank* pertaining to its significant risks and capital;
 - consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to *the Bank*;
 - oversight performed by the Board of Directors and executive management of *the Bank* in respect of *the Bank's* compliance with risk limits and capital adequacy requirements set forth in *the Bank's* internal documents, and effectiveness and consistency of the application of *the Bank's* risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by *the Bank* with the requirements set forth by the NBT, and the recalculation, comparison and reconciliation of numerical values and other information.

The findings from our work are provided below.

Compliance by the Bank with the obligatory ratios established by the NBT

We have noted that the values of the obligatory ratios of *the Bank* as at 1 January 2024 are within the limits established by the NBT.

We have not performed any procedures in respect of accounting data of *the Bank*, except for those procedures we considered necessary to express our opinion on the fair presentation of the financial statements.

Conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the NBT in respect of such systems

- We have noted that according to the legal acts and recommendations issued by the NBT, as at December 31, 2023 *the Bank's* internal audit division was subordinated and accountable to the Board of Directors and *the Bank's* risk management departments were not subordinated or accountable to the departments that take the relevant risks occur.

- We have noted that *the Bank's* internal documents effective as at 31 December 2023 which establish the methodologies for detecting and managing credit, market, operational and liquidity risks, that are significant to *the Bank*, and stress-testing have been approved by *the Bank's* authorized bodies in accordance with the legal acts and recommendations issued by the NBT. We also found that, as at 31 December 2023, *the Bank* had a reporting system pertaining to credit, market, operational and liquidity risks that were significant to *the Bank* and pertaining to its capital.
- We have noted that the frequency and consistency of reports prepared by *the Company's* risk management department and internal audit division during the year ended December 31, 2023 with regards to the management of credit, market, operational and liquidity risks of *the Bank* complied with *the Bank's* internal documents, and that those reports included observations made by *the Bank's* risk management department and internal audit division in respect of the effectiveness of relevant risk management methodologies.
- We have noted that as at December 31, 2023, the authority of the Board of Directors and executive management bodies of *the Bank* included control over compliance of *the Bank* with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by *the Bank* during the year ended December 31, 2023, the Board of Directors and executive management bodies of *the Bank* regularly reviewed the reports prepared by *the Bank's* risk management department and internal audit division.

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of *the Bank*, as listed in the Law and described above, with the requirements set forth by the NBT.

The engagement person on the audit resulting in this independent auditor's report is Sadridin Sharifov/Partner and Certified Practicing Auditor, qualification certificate № 0000065 issued by National Bank of Tajikistan.



Rahimbek Akramov
Auditor / Managing Partner
"Crowe - ACG" LLC



March 22, 2024

State license on auditing of the financial institutions in the Republic of Tajikistan under the number 0000149 issued by the National Bank of Tajikistan on January 28, 2022.

State license on performing general purpose audit activities in Tajikistan under the number 000164 issued by the Ministry of Finance of the Republic of Tajikistan on October 29, 2021.

Qualification certificate of an auditor of the Republic of Tajikistan, issued by the Ministry of Finance of the Republic of Tajikistan, number 0000115 on April 11, 2019.

Qualification certificate of an auditor of the Republic of Tajikistan, issued by the National Bank of Tajikistan, number 58 on January 8, 2014.

CLOSED JOINT STOCK COMPANY "THE FIRST MICROFINANCEBANK"

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	4	138,145	127,002
Interest expenses	4	(20,014)	(19,458)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		118,131	107,544
Accrual of allowance for expected credit losses on interest bearing assets	7	(3,195)	(5,776)
NET INTEREST INCOME		114,936	101,768
Commission income	5	16,570	26,364
Commission expenses	5	(4,994)	(7,252)
Net gain on foreign currency transactions	6	21,846	26,606
Accrual of allowance for expected credit losses and impairment of other assets	8	3,984	(2,198)
Other income, net	9	6,972	2,280
NET NON-INTEREST INCOME		44,378	45,800
Operating expenses	10	(102,107)	(91,607)
PROFIT BEFORE INCOME TAX		57,207	55,961
Income tax	11	(15,202)	(15,464)
NET PROFIT FOR THE YEAR		42,005	40,497
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		42,005	40,497

On behalf of the Management of the Bank:



Mirzosafar Safarov
Chief Executive Officer

March 22, 2024
Dushanbe, the Republic of Tajikistan




Zafar Zarenov
Chief Accountant

March 22, 2024
Dushanbe, the Republic of Tajikistan

The notes on pages 14-61 form an integral part of the financial statements. The independent auditors' report is on pages 3-8.

CLOSED JOINT STOCK COMPANY "THE FIRST MICROFINANCEBANK"

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(in thousands of Tajik somoni)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	12	205,566	282,728
Due from banks	13	151,646	188,840
Obligatory reserve with NBT	14	47,512	51,771
Investments held to maturity	15	29,994	58,999
Loans to customers	16	681,033	498,958
Property and equipment	17	16,016	12,149
Intangible assets	18	7,576	6,638
Right of use assets	19	13,768	11,462
Long-term assets held for sale	20	-	671
Deferred tax assets	11	-	1,881
Other assets	21	12,012	11,881
TOTAL ASSETS		<u>1,165,123</u>	<u>1,125,978</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
LIABILITIES:			
Due to banks and financial institutions	22	3,540	3,329
Customer accounts	23	838,968	832,552
Borrowings	24	27,807	36,918
Lease liabilities	19	9,782	11,796
Other liabilities	25	48,291	42,594
		<u>928,388</u>	<u>927,189</u>
EQUITY			
Share capital	26	93,340	93,340
General reserves		7,480	7,480
Retained earnings		135,915	97,969
		<u>236,735</u>	<u>198,789</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1,165,123</u>	<u>1,125,978</u>

On behalf of the Management of the Bank:



Mirzosafar Safarov
Chief Executive Officer

March 22, 2024
Dushanbe, the Republic of Tajikistan




Zafar Zarenov
Chief Accountant

March 22, 2024
Dushanbe, the Republic of Tajikistan

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CLOSED JOINT STOCK COMPANY “THE FIRST MICROFINANCEBANK”

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

(in thousands of Tajik somoni)

	Note	Share capital	General reserves	Retained earnings	Total equity
Balance as at December 31, 2021		93,340	7,480	59,973	160,793
Dividends tax	27	-	-	(2,501)	(2,501)
Total comprehensive income		-	-	40,497	40,497
Balance as at December 31, 2022		93,340	7,480	97,969	198,789
Dividends tax	27	-	-	(4,059)	(4,059)
Total comprehensive income		-	-	42,005	42,005
Balance as at December 31, 2023		93,340	7,480	135,915	236,735

On behalf of the Management of the Bank:



Mirzosafar Safarov
Chief Executive Officer

March 22, 2024
Dushanbe, the Republic of Tajikistan




Zafar Zarenov
Chief Accountant

March 22, 2024
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, 2023***(in thousands of Tajik somoni)*

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		<u>57,207</u>	<u>55,961</u>
Adjustments for:			
Change in allowance for expected credit losses on interest bearing assets	7	3,195	5,776
Change in allowance for expected credit losses and impairment of other assets	8	(3,984)	2,198
Depreciation of property, plant and equipment and amortization of intangible assets		4,564	3,833
Amortization of Right-of-use assets	19	8,336	5,763
Foreign exchange differences	6	(408)	4,094
Income from CGFT Guarantee	9	(3,842)	-
Net interest income	4	<u>(118,131)</u>	<u>(107,544)</u>
Cash flows before changes in operating assets and liabilities		<u>(53,063)</u>	<u>(29,919)</u>
Changes in operating assets and liabilities:			
Decrease / (increase) in operating assets:			
Due from banks		5,889	(35,090)
Obligatory reserve with NBT		4,259	(1,049)
Financial instruments at fair value through profit or loss		-	-
Long-term assets held for sale		671	886
Loans to customers		(184,024)	(36,719)
Other assets		(131)	(3,161)
Increase / (decrease) in operating liabilities:			
Customer accounts		6,416	19,802
Due to banks and financial institutions		211	(397)
Other liabilities		<u>5,698</u>	<u>20,370</u>
Outflow from operating activities before taxation and interest		<u>(214,074)</u>	<u>(65,277)</u>
Interest received		126,767	124,974
Interest paid		(19,182)	(20,395)
Income tax paid		<u>(17,083)</u>	<u>(14,650)</u>
Net cash inflow from operating activities		<u>(123,572)</u>	<u>24,652</u>

CLOSED JOINT STOCK COMPANY "THE FIRST MICROFINANCEBANK"

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023**
(in thousands of Tajik somoni)

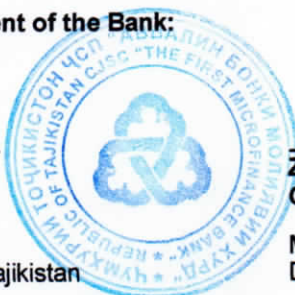
	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	17	(7,358)	(2,974)
Proceeds from disposal of property, plant and equipment	9	-	4
Purchase / Proceeds from disposal of investments		-	(784)
Purchase of intangible assets	18	<u>(2,013)</u>	<u>(202)</u>
Net cash outflow from investing activities		<u>(9,371)</u>	<u>(3,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends tax paid	26	(4,059)	(2,501)
Principal payments on borrowings, net		(9,111)	(13,201)
Payment of lease liabilities	19	<u>(2,014)</u>	<u>(4,416)</u>
Net cash inflow from financing activities:		<u>(15,184)</u>	<u>(20,118)</u>
Effect of changes in exchange rates on cash and cash equivalents		<u>973</u>	<u>(21,213)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(148,127)</u>	<u>(20,635)</u>
CASH AND CASH EQUIVALENTS, at the beginning of the year	12	<u>500,795</u>	<u>521,430</u>
CASH AND CASH EQUIVALENTS, at the end of the year	12	<u>353,641</u>	<u>500,795</u>

On behalf of the Management of the Bank:



Mirzosafar Safarov
Chief Executive Officer

March 22, 2024
Dushanbe, the Republic of Tajikistan





Zafar Zarenov
Chief Accountant

March 22, 2024
Dushanbe, the Republic of Tajikistan

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