2020
ANNUAL REPORT

The First MicroFinanceBank
اولین بانک قرضه های کوچک

Global Alliance for Banking on Values
PROUD MEMBER

About The First MicroFinanceBank-Afghanistan

The First MicroFinanceBank
اولین بانک قرضه های کوچک

The First MicroFinanceBank-Afghanistan (FMFB-A) is a banking institution that started operations in 2004 and is part of the Aga Khan Agency for Microfinance (AKAM), which has invested in leveraging and inclusive financial institutions in over 15 countries throughout the developing world. It is affiliated with the Aga Khan Development Network (AKDN), a group of nine development agencies working in health, education, culture and rural economic development primarily in Asia and Africa.

Our primary objective in Afghanistan is to contribute to poverty alleviation and economic development through the provision of sustainable financial services to the poor and underserved. Since 2016, we have been a member of the Global Alliance for Banking on Values (GABV) – an independent network of banks using finance to deliver sustainable economic, social and environmental development. Our values-based banking agenda focuses on providing affordable financial services that promote entrepreneurship, agriculture, incremental housing and clean energy in Afghanistan.

FMFB-A sought to consolidate its position as Afghanistan's leading and largest microfinance institution in terms of outstanding portfolio size with AFN 3.5 billion in microfinance loans and AFN 979 million in small and medium enterprise (SME) loans as of December 2020. The bank has 212,895 active clients including borrowers and individual depositors who do not necessarily save to accumulate assets, but often seek to smooth consumption when a family's income is irregular.

FMFB-A's shareholders are advocates for the financial inclusion agenda across emerging markets and the institution continues to attract renowned global investors with a shared vision for poverty alleviation. The commitment and long-term investment horizon exhibited by the bank's core group of investors is an important pillar of strength driving the pledge to stick by clients through turbulent times.

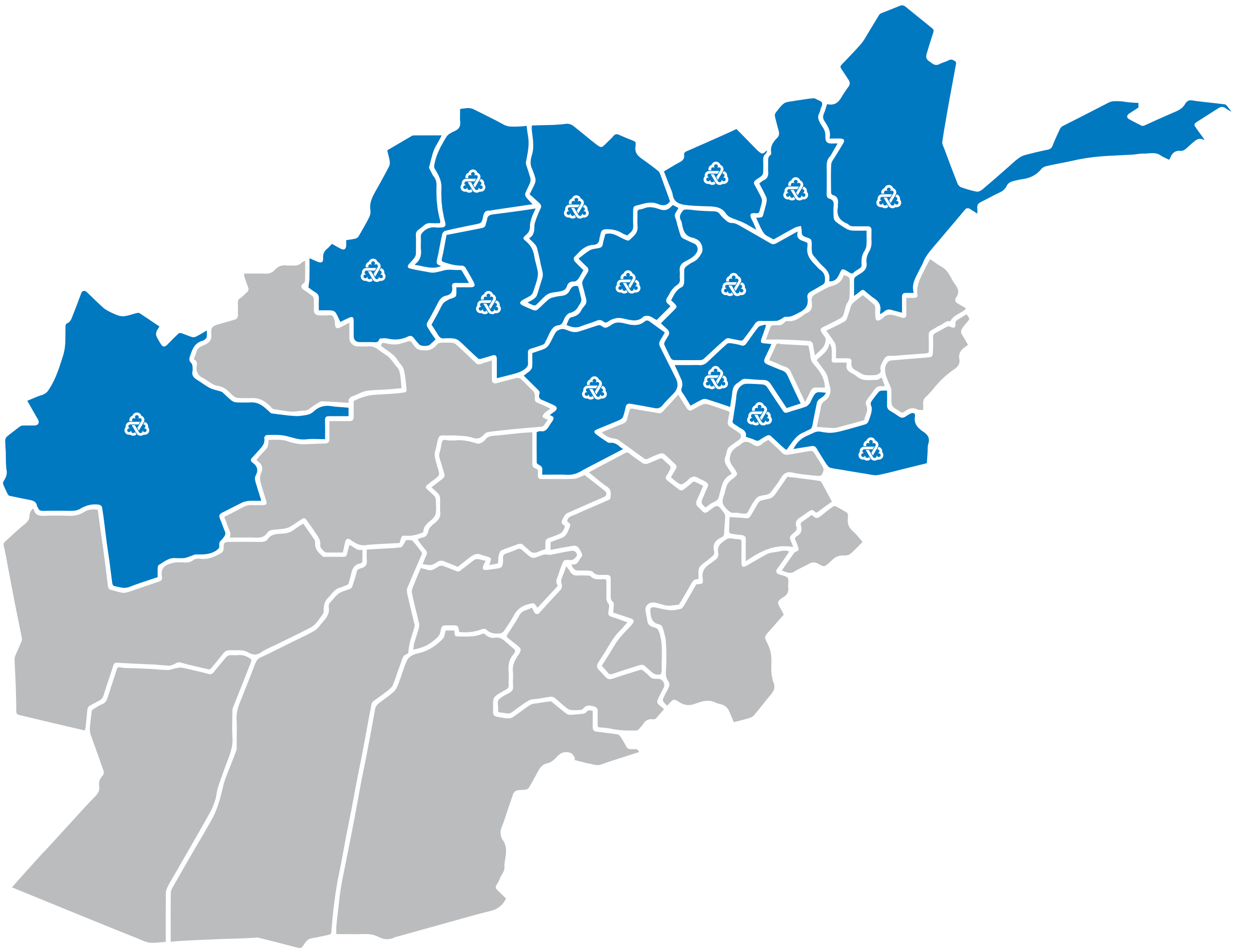
MANDATE

The First MicroFinanceBank – Afghanistan's primary mandate is to support the financial inclusion of millions of under-privileged and financially excluded households, thereby enabling broader poverty reduction and impacting the social and economic wellbeing of the society in Afghanistan.

The bank strives to secure the future of many of its clients through targeted financial and multi –sectoral products and services structured according to the evolving needs of the target market.

AREA OF WORK

The First MicroFinanceBank – Afghanistan is operating in 14 provinces through 38 branches and 9 loan processing offices covering 80 districts.



MARKET FOCUS, PRODUCTS AND SERVICES

The bank's overarching product strategy is to affect demonstrable, measurable and lasting improvements in the quality of life (QoL) of its clients by delivering appropriate financial services to help alleviate economic and social exclusion. The bank also endeavors to develop and market products that cater to conventional customers and to generate revenue from high-income groups.

Our current suite of products/services includes deposits, (Current, Savings and Term Deposit, Pension Savings and customized Current, Saving accounts schemes for low and high income segments).

FMFB-A offers loans to (micro-enterprise, Women Enterprise Loan, agriculture/livestock, personal consumption, incremental housing, Quality of Life Loans, SME financing, corporate term loan, Overdraft and trade finance services along with commercial banking services including domestic fund transfers, international remittances both in Euro and USD, foreign currency exchange, Online Banking (Retail and Corporate) and bulk payroll processing for the companies and organizations.

FMFB-A strives to improve access to finance by introducing a host of new digital services which includes, ATM, AfPay Debit Card, and plans to introduce Master Debit and Credit Cards, Bank to Wallet and wallet to bank service via M-paisa and P2P services in 2021. However, based on FMFB-A's Sustainable Banking Framework Policy, the bank pursues appropriate product design and delivery mechanisms including loans targeting women, financing of energy efficient seismic-resistant incremental housing, and soon to introduce loans to promote use of renewable energy systems/products.

About Aga Khan Agency for Microfinance

Aga Khan Agency for Microfinance

The Aga Khan Agency for Microfinance (AKAM) has been operating since 2004, when it was established by His Highness the Aga Khan as a Swiss non-profit foundation to formalize the various microcredit initiatives of the Aga Khan Development Network (AKDN).

The Aga Khan Development Network (AKDN) is itself a group of development agencies with mandates that include the environment, health, education, architecture, culture, microfinance, rural development, disaster reduction, the promotion of private-sector enterprise and the revitalization of historic cities. AKDN agencies conduct their programs without regard to faith, origin or gender. For more than 60 years, various agencies of AKDN have offered microfinance services through integrated development programs and self-sustaining microfinance institutions.

Indeed, over the past sixty years, AKDN has integrated the mission of financial inclusion in the framework of many projects within the various agencies of the network. AKAM was thus established to serve as a center of excellence for conceptualizing, realizing and assessing the impact of these efforts. AKAM aims to improve the quality of life of vulnerable populations by helping them increase their incomes, become self-sufficient and acquire the skills needed to access traditional financial markets. AKAM contributes to a global vision that enables lasting quality of life changes for poor and unserved communities in emerging countries, ultimately creating “communities of opportunity” that thrive on their own.

In order to achieve its vision and mission, AKAM has adopted the following objectives:

- Increase the financial inclusion of poor people by offering a full range of services and products, including credit and savings products for micro, small and medium-sized enterprises, which are needs-oriented and cost-effective.
- Collaborate and build on AKDN’s other investments in different sectors to address all aspects of quality of life with a view to achieve maximum impact and reach.
- Maintain sustainability of the environment and sustainability of each institution.

AKAM operates through a regulated network of banks and microfinance institutions on 4 continents and in 6 countries, including Afghanistan, Burkina Faso, Côte d’Ivoire, Egypt, Mali and Syria. One of the major elements of AKAM’s mission has been to implement projects and bring microfinance institutions to a certain stage of maturity, providing the necessary initial capital as well as the technical assistance required in many areas. As these institutions develop, AKAM ensures their evolution and transition to a diverse shareholding, financial sustainability and strong institutional capacity at both the governance and management levels. In recent years, AKAM has already ensured this transition for its subsidiaries in Pakistan, Tajikistan, Madagascar and, most recently, Kyrgyzstan.

VISION

To be recognized as the leading microfinance services provider in Afghanistan contributing to poverty alleviation and economic development through the provision of sustainable financial services primarily targeting the micro and small businesses and households.

MISSION

To reduce poverty, diminish the vulnerability of poor populations and alleviate economic and social exclusion. Our mission is to help people become self-reliant and eventually gain the skills needed to graduate into the mainstream financial markets. At the same time the bank has to remain financially sustainable.

OUTREACH

Our priority is to maximize financial outreach to low-income and vulnerable populations across both urban and rural areas of Afghanistan, with a particular focus on women.

SUSTAINABILITY

We strive to achieve consistent operational and financial sustainability and moderate profits in order to finance expansion of our service offering, geographic coverage and build our customer base

EXCELLENCE

We continuously seek to develop, implement and improve policies, procedures and systems, drawing from international best practices, sector expertise and the experience of our Management Team.

RESPONSIBILITY

We will meet international environmental and safety standards and social obligations, including avoiding the funding of child and bonded labor, preventing the use of our services for money laundering, terrorism and drug trade.

SYNERGY

We actively collaborate and share knowledge with other AKAM-affiliated entities in order to achieve regional and global consistency in the delivery of financial services.

OUR COMPETITIVE ADVANTAGES

STRONG SHAREHOLDERS

FMFB-A has a strong shareholder team that advocates for the financial inclusion agenda across emerging markets and the bank continues to attract renowned global investors with a shared vision for poverty alleviation. The commitment and long-term investment horizon exhibited by the bank's core group of investors is an important pillar of strength driving the pledge to stick by clients through turbulent times.

BEST CUSTOMER SERVICE

FMFB-A is committed to a high customer service quality and is implementing policies and procedures addressing customer complaints and grievances in a timely manner. To improve, FMFB-A has undertaken measures to increase the efficiency of the Call Centre and Customer Complaints Management and will make sure to enhance the branch personnel's capacity in this important area to serve the customer at the best level possible.

BANK WITH A SOCIAL MISSION

Our social mission is clear. FMFB-A's objectives in Afghanistan is to contribute to poverty alleviation and economic development through the provision of sustainable financial services to the poor and under-served. Since 2016, the bank has been a member of the Global Alliance for Banking on Values (GABV) – an independent network of banks using finance to deliver sustainable economic, social and environmental development. Our values-based banking agenda focuses on providing affordable financial services that promote entrepreneurship, agriculture, incremental housing and clean energy in Afghanistan.

BIG OUTREACH IN REMOTE/RURAL AREAS

FMFB-A has established a network of 38 branches and 9 loan-processing offices in 80 rural districts and has good rural outreach in Afghanistan which other banks do not have. It allows FMFB-A to provide loans to small scale, socially disadvantaged farmers in the project target areas who need financial assistance for starting and/or expanding activities related to agriculture, farming and livestock.

PRINCIPLES

FMFB-A is a proud member of the Global Alliance for Banking on Values (GABV), an independent network of banks using finance to deliver sustainable social, environmental and economic development. The Alliance's 6 Principles of Sustainable Banking define the fundamental pillars of Values Based Banking lying at the heart of our business model and strategy.

TRIPLE BOTTOM LINE APPROACH

Our focus is simultaneously on "People, Planet and Prosperity". Our strategic initiatives, products and services are designed and developed to meet the needs of people and safeguard the environment.

GROUNDED IN COMMUNITIES

We serve the communities in which we work. We meet the financial needs of our geographic and sector-based communities by financing sustainable enterprise in productive economies.

LONG-TERM RELATIONSHIPS WITH CLIENTS

We establish strong, long-term relationships with our clients and are directly involved in understanding and analyzing their economic activities and assisting them to become more sustainable themselves.

RESILIENCE

We adopt a long-term perspective to make sure we can maintain our operations and be resilient in the face of external disruptions.

TRANSPARENCY

We maintain a high degree of transparency and inclusiveness in governance and reporting.

VALUES-BASED CULTURE

We seek to embed these principles in our culture so that they are routinely used in decision-making at all levels.

VALUES

We Are Innovative

We are forward-thinking and blaze trail by embracing ideas that challenge conventional views and provide our people the chance to turn ideas into reality.

We Are Client-Centric

At FMFB-A, the client comes first. We strive to exceed customer expectations and contribute to a better 'quality of life' by understanding our clients and serving their needs in the best possible way.

We Have a Social Mission

We believe that our responsibility extends beyond our core business and we are committed to delivering financial solutions that enable positive social impact.

We Always Do the 'Right' Thing

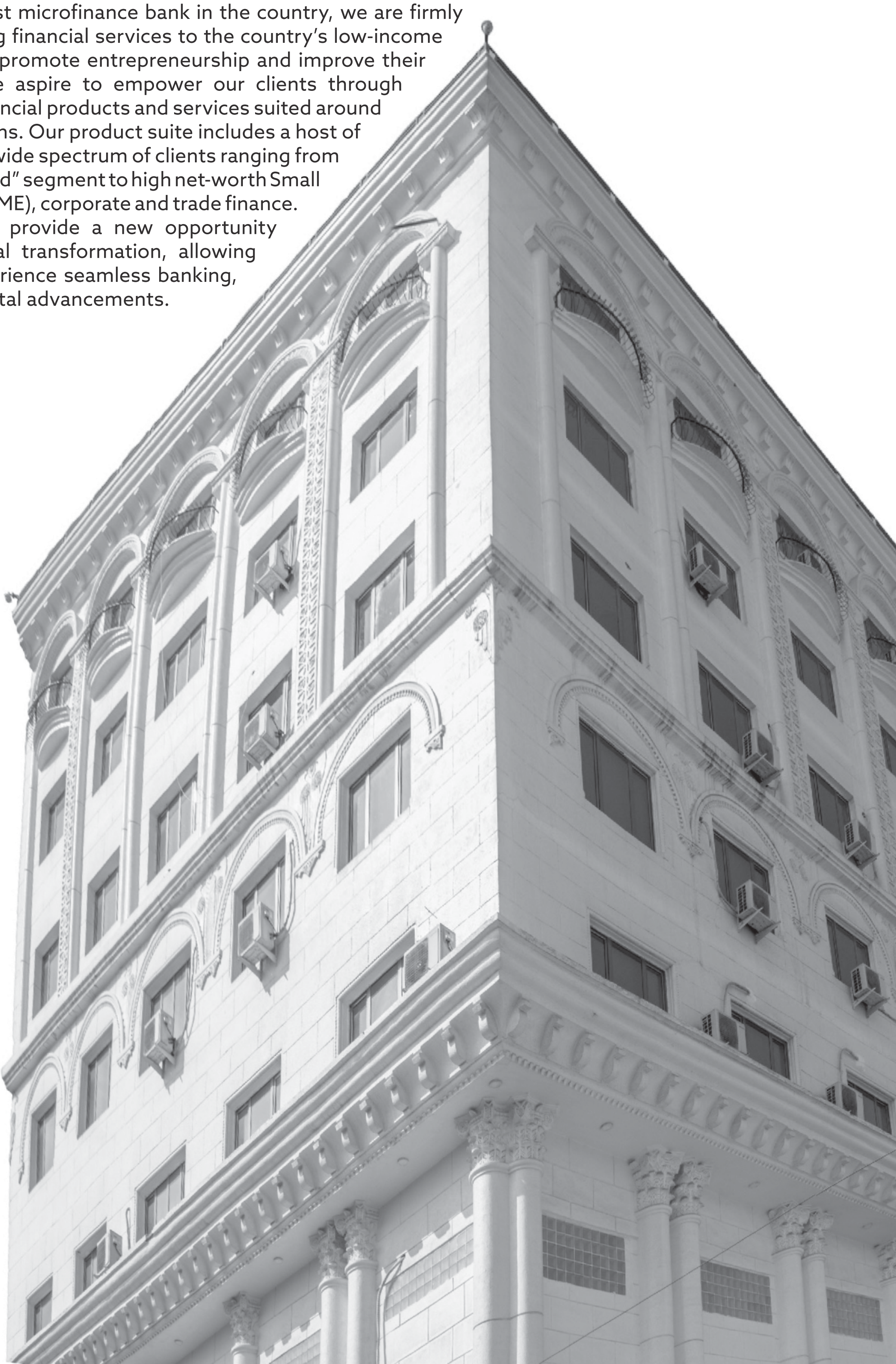
We are honest and accountable in everything we do, maintaining the highest possible ethical standards and fostering trust through transparency, open communication and feedback..

We Value Meritocracy

All aspects of FMFB-A's employment including our decisions to hire, promote, discipline, or discharge, are purely based on merit, competence and performance.

OUR PRODUCTS AND SERVICES

As Afghanistan's largest microfinance bank in the country, we are firmly committed to providing financial services to the country's low-income population in order to promote entrepreneurship and improve their standard of living. We aspire to empower our clients through efficient delivery of financial products and services suited around their goals and ambitions. Our product suite includes a host of offerings catering to a wide spectrum of clients ranging from "Bottom-of-the-Pyramid" segment to high net-worth Small & Medium Enterprise (SME), corporate and trade finance. Similarly, our services provide a new opportunity towards a more digital transformation, allowing our customers to experience seamless banking, deposits and other digital advancements.



LOANS

Agriculture Loan
Zara'at & Zaare

Flexible term loan was designed to meet the financing nveeds of smallholder farmers for horticulture, irrigation, poultry and allied agriculture activities across the entire agro-value chain from farm to fork.

Livestock Loan
Maldari & Maldar

Livestock loan was designed with suitable terms and conditions to provide financing to livestock breeders for purchasing more cattle, goats, sheep, poultry and dairy animals, as well as feed, fodder, medication and other necessities for livestock.

Personal Consumption Loan
Shakhsi

Loans for employees of approved panel organizations seeking financing for consumption purposes.

Micro Small Enterprise Loan
Karobar

Individual term loan was designed for entrepreneurs (artisans, craftsmen, and small traders/service providers) engaged in income generating activities to facilitate business expansion and upgradation of asset purchase, replenishment of stock (raw material, inventory) etc.

Quality of Life Loans (QoL)

These products are designed to provide financing for individuals that have been excluded from traditional financial services and require loans for their personal consumption needs such as; education, emergency, marriage and purposes that will eventually enhance the quality of the recipient's personal lives.

1. Vehicle Loan (Qarze Motar)
2. Student Loan (Qarze Tahsili)
3. Healthcare Loan (Qarze Sehat)
4. Marriage Loan (Qarze Arosi)
5. Home Appliances Loan (Qarze Vasayel Khana)

Housing Incremental Loan (*Tameer)*

Incremental housing loan for low-income earners for renovations and/or house structures' expansion, connection to domestic utilities like water and electricity; septic tanks/wells; construction of boundary walls, windows, kitchen, toilets, tube well etc.

Women Loan Individual (Khodkefa)

Individual loan with preferential rates designed for female entrepreneurs engaging in income generating activities.

Small & Medium Enterprise (SME) Loan

Term financing for SME customers is available to meet their genuine long-term financing needs for business such as capex, upgrading factory/office construction, purchase of property or fixed asset acquisitions or boost permanent working capital.

Corporate Term Loan

Designed with competitive features for the financing of corporate/company related projects (manufacturing, trade, services, construction and infrastructural goods).

Corporate Overdraft

The corporate overdraft is designed to allow monetary and financial facilities to institutions and organizations that help in managing their day-to-day working requirements. Accordingly, the bank has estimated a credit limit and allows the client to borrow a certain amount from the bank.

SME Overdraft

A flexible form of borrowing intended for SMEs to finance day-to-day cash flow requirements generated by normal business activity and utilize funds as and when required without a fixed repayment schedule.

TRADE FINANCE (NON-FUNDED BASE)

Trade finance is a convenient and flexible form of loan designed to meet day-to-day operational activities of the business including purchases of raw materials and expenses. The non-funded base trade finance facilities include different types of bank guarantees such as performance guarantee, financial guarantee, bid guarantee and advance payment.

Bank Guarantee

- Bid guarantee
- Performance guarantee
- Advance payment guarantee
- Financial guarantee

DEPOSIT ACCOUNTS

Current Account (Individual and Corporate)

Non-remunerative current account with free SMS alerts offered in AFN, USD and EUR geared towards making everyday banking easier.

Basic Banking Current Account

A no-frills basic current account with no minimum balance requirement.

Savings Account *Mahfooz*

A savings account in AFN, USD and EUR powered with all the features of a transactional account with monthly profit payout to grow savings.

High Yield Savings Account

Available in AFN and USD that offers a higher profit rate paid out quarterly calculated on monthly average balances maintained.

Women Savings Account

Savings scheme for women to meet their financial needs offering a higher profit rate paid out monthly thus empowering Afghan women with financial independence and simplified banking.

Term Deposit Account

Offer a higher rate of return on investments starting from as little as AFN 25,000 or $500 for tenures ranging from 1 to 12 months.

Corporate Pension Savings Account

Designed for institutions and offers pensioners the convenience of hassle-free banking with the Pension Savings Account.

High and Low-Income CASA Products

These accounts include Savings and Current Accounts (CASA) designed to improve access to finance and financial inclusion for the low, high, and Micro Small and Medium Enterprise (MSME). The objective of these accounts is to present the applicants with flexible Know Your Customers (KYC) and ultimately there is no need for the Tazkira or Passport when opening an account.

SERVICES

Online Banking

A method of banking in which transactions are conducted electronically over the internet.

- Retail
- Corporate

International Remittances

Hassle-free and quick transfer of funds to/from overseas through SWIFT.

Agent Banking

Loan disbursements and repayments at M-Paisa agents through partnership with Roshan Telecom.

Over the Counters (OTC)

A facility for the clients who wish to do their repayments through authorized agents of M-Paisa.

Bank to Wallet and Wallet to Bank

This is a newly introduced service integrated with FMFB-A, which enables users to activate M-Paisa wallet and link it with their bank account. Through this service you can pay the utility bill, buy airtime, buy a KamAir ticket, and withdraw cash from the M-Paisa agent.

AfPay Debit Card (ATM)

This is a newly introduced service which provides you with a technological solution. Through this service you can check your balance and withdraw cash from FMFB-A's ATM machines and local bank ATMs being connected through the Afghanistan Payment System.

Women-only Branch

In keeping with the social fabric of contemporary Afghan culture, the unique women-only branch is aimed at providing women with a viable alternative to address their banking needs - offering concessional loan schemes for female entrepreneurs.

SMS Notifications

Real-time transaction alerts for deposit account holders.

Money Exchange

Foreign currency exchange payments at branch counters (USD, EUR).

Payroll Services

Bulk payroll processing facility for employers.

Other Services

- Cash Delivery to certain VIP Customers
- Standing Ordering
- Cheque Book Issuance

Services in Pipeline

- Master Debit Card
- Master Credit Card
- SMS Banking
- POS
- P2P

BOARD OF SUPERVISORS

Brampton Mundy was formerly the CEO of FMFB-Tajikistan and prior to that amassed more than 30 years of experience in various divisions of HSBC Bank in Europe, various locations in South and East Asia and the Middle East. He has worked in various positions including Chairman of the Management Board of HSBC Bank in Kazakhstan and as Regional Director of HSBC Bank in Eastern India. He has also served on the boards committees in Kazakhstan and Kyrgyzstan and as a Trustee of several UK-based charities. Brampton holds a Bachelor of Law Degree from Oxford University and a Masters of International Law from the University of London

Jeffrey Brampton Mundy
Chairman

Jesse Culain Fripp brings over 25 years of leadership and executive experience. He is a recognized global expert in enterprise strategy and innovation with a focus on business transformation, corporate governance and risk management for inclusive finance, fintech and digital disruption, sustainable enterprise, economic growth and development, and impact capital ventures.

In this process, he has supervised direct-line reports of more than a dozen managers, over $600 million in assets, more than 5,000 field employees, and an annual local real economy investment intermediation in excess of $350 million. He has served in governance roles with nearly two-dozen public, private and non-profit organizations in the areas of impact investment, regulated commercial banking, microfinance, small business finance, digital payments, and more.

He is currently the Principal & CEO of Shining Rock Ventures USA and has previously served in executive leadership roles within the Aga Khan Development Network, the Triodos Bank Group, the ShoreBank Corporation, BearingPoint, Global Communities and Vitas Finance.

Mr. Fripp is a member in good standing of the Royal Charter Institute of Directors in the UK and holds an MPM from the University of Maryland at College Park, as well as a BA with Honors from Warren Wilson College.

Jesse Culain Fripp
Member

David Woods has extensive experience in financial and non-financial boards. He is Deputy Chair of NZ Green Investment Finance, a director of Whai Rawa Fund Ltd, Te Puna Hapori Ltd and of Hiringa Energy Ltd, a trustee of The Gift Trust, former Chair of the Impact Enterprise Fund, and Deputy Chair of the NZ National Advisory Board on Impact Investing. He also sits on two overseas boards for the Aga Khan Foundation as an independent director, First MicrofinanceBank-Afghanistan, and First Microfinance Company Egypt.

George David Woods
Member

Muzaffer Miraj Khawaja
Member

Muzaffer Khawaja has headed Banking Operations for Citibank and ABN-AMRO Bank in Greece, Pakistan, and the UAE as Chief Operating Officer for over 16 years through a career that started with Saudi American Bank (Samba) in Riyadh and has spanned 33 years and several countries. As COO, his areas of responsibility have included Operations, Technology, Risk, Finance, Infrastructure Support, Human Resources, Audit, Legal, and Compliance for corporate banking, investment banking, private banking and consumer banking businesses. During his banking career, he has worked extensively in the areas of business development, outsourcing, Mergers and Acquisitions Integration, Operational Risk and Compliance.

During his long career in Citibank, Muzaffer Khawaja was also involved in in-house consulting involving process re-engineering and efficiency improvement in various European and Asian countries. He has also held directorial positions in Citicorp Investment Bank Ltd. Pakistan, ABN-AMRO Securities Greece, ABN-AMRO Insurance Greece, ABN-AMRO Asset Management Services Greece, ANN-AMRO Investment Bank Greece and ABN-AMRO Services Company Dubai,

In 2007 Muzaffer Khawaja established a management consulting and business solutions company in Dubai, under the name of Acumen FZ LLC, at which he held the position of Managing Director. During this period Muzaffer Khawaja worked extensively in the areas of organizational transformation, leadership, employee engagement and high performance culture with several banks in the region.

During 2016, Muzaffer Khawaja has worked with Punjab Board of Investment and Trade (PBIT) as its Chairman, and prior to that as Advisor where he worked closely with the office of the Chief Minister of Punjab and with other senior government officials and business leaders of the province with the objective of helping to further develop PBIT's capabilities and align its objectives and capabilities with the needs and requirements of its stakeholders.

Muzaffer Khawaja has studied at the London School of Economics and University of Karachi and holds two Masters of Science Degrees in Economics and Applied Economics. During his long banking and consulting career Muzaffer Khawaja has travelled and worked extensively in Asia, Europe, Africa and the USA.

He currently holds directorial positions as independent director in First MicroFinance Bank Afghanistan and Diamond Trust Bank Tanzania.

Dr. Anand Kumar
Member

Anand Kumar is a senior banker with over three decades of banking experience in the United Kingdom, India, Singapore and Middle East regions coupled with a sustained record of achievement within regulatory and compliance framework. Among other assignments in India and Singapore, he has contributed in setting up Retail Banking operations of ICICI Bank in the United Kingdom and later on spearheaded the international business of ICICI Lombard UK (General Insurance services) covering GCC (Gulf Cooperation Council) countries among others. Subsequently he worked as Advisor Strategic Initiatives & Head Retail Banking for one of the leading public sector banks of India – Bank of Baroda UK. He is credited with rolling out retail banking products such as e-banking, debit/credit cards and online bonds. As Regional Manager with ICICI Bank his responsibilities included Business growth through operational efficiency and complementarity & collaborative use of multiple channels, Audit, Risk & Compliance, innovation of products & services, private banking, periodic engagement with Regional Regulators (Reserve Bank of India), training & development and Mergers & Acquisitions. He oversaw different mergers and takeovers by ICICI bank, managing the transition of the overall operations. He was a pioneer in executing 5S, an integral part of the Lean and Kaizen process, in ICICI Bank. Being a board member he worked as Executive Director & Deputy Chief Executive with Union Bank of India(UK) ltd. for seven years, responsible for compliance, risk, IT among other business related operations.

Dr. Kumar is an MBA, LLB, PhD, a fellow of the Chartered Institute of Security & Investments, UK, an ICA certified Compliance functionary and has been trained at Manchester Business School, Manchester, UK on Managing Financial Services. He had undergone "Role of Director '' and "Strategy of Director '' progressions from the Institute of Directors, UK. He has been on the Global Financial Compliance exam panel by Chartered Institute of Security & Investment, UK. He had been Visiting Fellow with Business School, University of Greenwich, London for a period of 12 years. During his financial services career he has travelled extensively in India, the Middle East, Europe, USA, Canada and South Africa.He runs a foundation in India (www.kusumfoundation.org) aimed at vocational education, health and environment. He has also served as a Director for the Microfinance Club UK board for two years. He is now a Non Executive Director with UBI(UK)Ltd.

BOARD OF MANAGEMENT PROFILES

Faburama Ceesay
Chief Executive Officer

Faburama Ceesay joined FMFB-A as Chief Financial Officer (CFO) in October 2014. After five year with FMFB-A as CFO, he now fills the position of Chief Executive Officer effective February 2020. He holds a Bachelor's degree in International Development Studies from St. Mary's University in Halifax, Canada. He is also a Chartered Certified Accountant and a member of the Association of Chartered Certified Accountants in the UK since 2006. He has a rich experience of over eighteen years in Corporate Relationship management, Financial and Treasury management. Prior to joining FMFB-A as CFO, he worked in Standard Chartered Bank Gambia Ltd as Financial Controller and Standard Chartered Bank, Kabul as Chief Financial Officer from 2010 to 2012. He has also worked in Guaranty Trust Bank Gambia Ltd as Head of Finance and Risk Management from 2004 to 2005.

Ziauddin Haidari
Chief Operating Officer

Ziauddin Haidari is a banking professional with over 13 years of banking experience in various management positions in Treasury and Banking Operations. He has been with The First MicroFinanceBank-Afghanistan since Oct 2010 and before joining FMFB-Afghanistan he has also worked with FMFB-Pakistan for a few years. He holds a master's degree in Accounting and Finance from The University of Lahore and a Bachelor from the University of Punjab Pakistan with various international certifications in banking and treasury.

Naqibullah Aman
Chief Financial Officer

Naqibullah Aman has been working with FMFB-A since August 2011. He holds a Master Degree in Business Administration from Kardan University, Kabul. He has been pursuing his professional studies at the Association of Chartered Certified Accountants in American University of Afghanistan since 2016. He has diversified experience of over eight years in financial reporting and management, and is one of the integral parts of the finance department during this time with FMFB-A. Prior to joining FMFB-A, he has worked with ACF (French NGO) as a financial analyst, based in Kabul who were working for the eradication of poverty in underdeveloped countries.

Habib ur Rahman
Chief Credit Officer

Habib ur Rahman, Joined the bank as Chief Credit Officer. Prior to joining FMFB-Afghanistan, Habib was working with FMFB-Pakistan as Head Business North and Head of Corporate Liability. He served FMFB-Pakistan for 17 years. His service was also seconded to FMFB-Afghanistan as COO. He served FMFB-Afghanistan for almost 3 years from 2014 to 2017. Habib holds a master's degree in Business Administration from the IBA department, University of Sindh. Habib also worked with different developmental organizations in various roles.

OTHER SENIOR MANAGEMENT PROFILES

Saduddin Haziq
Chief Compliance Officer

Saduddin Haziq, an Afghan national, has extensive experience in the legal and compliance field and worked with various Government and Non-Government organizations both of International and National repute. He has performed several key roles while holding important positions in the Legal and Compliance departments of these organizations. Currently Mr. Haziq is employed as Chief Compliance Officer with The First MicroFinanceBank-Afghanistan, a leading Microfinance bank of the country. His employment with the bank has been duly approved by the Central Bank of Afghanistan. His past experiences include Chief Compliance Officer with Afghan United Bank, Legal Advisor and Compliance Officer with Afghanistan International Bank (The largest commercial bank of the country), Director of Law with the Afghanistan Ministry of Finance and Legal Officer with USAID on the Afghanistan Government Economic Project. Mr. Haziq holds an MBA degree in Public Administration and a Bachelor of Law with honors from International Islamic University. Mr. Haziq is a Certified Anti-Money laundering Specialist (CAMS) and active member of the ACAMS.

Wissam Jarkassi
Chief Risk Officer

Wissam Jarkassi has extensive experience in the fields of Credit, Finance, and Risk Management with more than 20 years of banking experience locally and abroad. Jarkassi is an accredited consultant by the European Bank for Reconstruction & Development to provide consulting to small and medium enterprises. He held numerous key positions in Lebanese and international banks in which he gained valuable and extensive experience in key business and monitoring functions. He worked on many consulting projects with corporates and SMEs in the fields of financial advice, business analysis, process redesign, business and process risk management issues, and credit restructuring for financially distressed entities. Mr. Jarkassi has a diversified academic background and holds prestigious professional certifications as well. Including: Diploma in Islamic Studies, Specialized Diploma in Banking and Capital Markets, Diploma in Business and Finance, Bachelor in Accounting, Certified Financial Risk Manager and the Member of the Global Association of Risk Professionals. Currently Mr. Jarkassi is working on a Master's thesis in Sharia Compliance Risk in Sukuk.

Hamid Nooryar
Chief Internal Auditor

Hamid Nooryar has joined FMFB-A as Deputy Chief Internal Auditor, and has been promoted as Chief Internal Auditor (CIA). Hamid is responsible for managing and supervising the Internal Audit function and reports to Chairman of the Audit Committee of the Board of Supervisors. Hamid has been a member of the Association of Chartered Certified Accountants (ACCA) since 2018. He has also obtained several professional qualifications such as Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Internal Auditor (CIA), and Certified Fraud Examiner (CFE). He holds his BSc degree from Oxford Brookes University of London, and an Advanced Diploma in Accounting and Business. Hamid has diversified experience of over 14 years in various international organizations with global businesses and adopted a broad and progressive role of Internal Audit.

TABLE OF CONTENTS

CORPORATE INFORMATION

Board of Supervisors

Jeffrey Brampton Mundy
Chairman

Jesse Culain Fripp
Member

Muzaffer Miraj Khawaja
Member

George David Woods
Member

Dr. Anand Kumar
Member

Secretary to the Board of Supervisors

Sughra Amiry

Audit Committee

Xavier Lucas
Chairman

Chirag Sampat
Member

Sumit Ghosh
Member

Share Registrar

Afghanistan Central Business Registry, Ministry of Commerce & Industries, Registration #44111, info@acbr.gov.af

Tax Identification

Registered with Large Taxpayer Office,
Afghanistan Revenue Department,
Ministry of Finance,
TIN: 1000403012

Auditors and Tax Advisors

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Shafiq Hamid Jamal & Co Chartered Accountants

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CHAIRMAN'S MESSAGE

"Afghanistan is a promising nation with the youngest population in the world. Thanks to its abundance in both natural and human resources, it remains to be a top country for investment."

The past year has witnessed both positive and negative developments in the microfinance and small business sectors in Afghanistan. In late 2019 and the start of 2020, the COVID-19 pandemic caused significant disruption to global economic conditions. Afghanistan specifically faced profound challenges due to difficult economic conditions worsened by political uncertainties and ongoing security concerns. It was a year of sluggish performance for the entire microfinance sector, with little or no growth for nearly all MFIs.

Despite the obstacles our industry faced, The First MicroFinanceBank-Afghanistan (FMFB-A) remains committed towards developing Afghanistan's small business sectors and our main target of consolidating our business and outreach was achieved.

In terms of innovation, our introduction of digital means of interacting with clients has defined the future outlook of the bank. In the last year, we have reached important digital milestones, such as the installation of ATMs and issuance of AFpay cards. These additions will not only minimize our operational costs and diversify our client base but they will also optimize and enhance the overall quality of banking in Afghanistan. Similarly, the imminent launch of phone banking, debit cards, Internet banking for corporate customers, SMS banking, and integration with Roshan's M-Paisa e-wallet will strengthen the e-money ecosystem.

As our Bank seeks to grow and evolve, these enhancements are crucial for our digital transformation. FMFB-A continues to invest in technology-driven compliance and customer management tools to create products and services that are secure, user-friendly and beneficial for our client base. It is also important to mention that these changes would not be possible without the steadfast dedication of our staff who are willing to make the vision of the bank sustainable for the years ahead.

In terms of statistics, despite the pandemic we grew our active client-base by nearly 4.36% from 204,000 in 2019 to 212,895 in 2020. However, our Gross Loan Portfolio witnessed a 15% decline, and active borrowers fell by 16% from the previous year - largely due to the severe impact of the pandemic along with mounting security concerns and the overall economic disruption which affected businesses and banks across the globe.

Our approach is based on the conviction that the most important ingredient of long-term success in banking is to enjoy the constant trust of our stakeholders and the most important of whom are our customers.

In 2020, we launched our AfPay debit card and Bank to Wallet and Wallet to Bank products and services and aim to further expand our range of product offerings and improve our service proposition. In turn, this requires significant investment in innovation and transformation, but, more than that, we recognize the overriding need for us to embed in our culture an ongoing commitment to service quality and fairness, as well as prudent risk management and compliance with local and international norms and regulations.

While the market conditions are expected to remain uncertain during these difficult times, I am confident that all of our achievements this past year, including the uptake in transactional volumes through our digital channels and our online banking services have and will yield strong results in the foreseeable future.

Afghanistan is a promising nation with one of the youngest populations in the world. This is why we plan to continue our investment in our human resources and FMFB-A remains wholeheartedly committed to advancing investment in their capacity development to meet the digital banking transformation challenges proactively through both conventional and e-learning training programs.

On behalf of the Board, I would like to thank our stakeholders, our 212,895 faithful customers and our devoted employees for their expertise and dynamism. We are grateful for our employees who have been quick to identify and adapt to our customers' needs, helping to soften the economic shock amid a period of profound political and economic change. I would also like to extend my sincere gratitude towards the Government of the Islamic Republic of Afghanistan, the people of Afghanistan and the various regulatory bodies for their continued guidance and support

Brampton Mandy,
Chairman

CEO'S MESSAGE

"I am proud of the progress we have made thus far and it would be only right to take this opportunity and extend my sincere gratitude and appreciation to our management and staff, the backbone of our institution."

The year 2020 has been an eventful and challenging year for all of us. We can define it as a year that was largely impacted by the COVID-19 pandemic alongside an already challenging security and socio-political climate.

Despite the unfavorable circumstances the pandemic brought, it is remarkable how much we have accomplished, both in terms of financial performance and our dedication and innovation towards our client base.

From a human resources perspective, the bank was able to maintain and employ the same number of employees in the face of the pandemic and its challenges. Similarly, our compliance department was able to develop and revise policies and procedures for better governance helping to fight money laundering and terrorist financing. Business Development wise, we were able to introduce new products and services in the year 2020 such as the launch of ATMs and Afpay Debit Cards. Our goal for this year was aimed towards improving our services and making the banking system modern and user-friendly which I can say we achieved.

Given the far-reaching economic impact of the COVID-19 crisis so far, the path to recovery from this setback is expected to be gradual. The year 2020 experienced a challenging first half but we were able to keep performance stable as a result of determined efforts on the side of management, board of supervisors and staff members to maintain the core activities of the bank and continue serving our clients, customers and other stakeholders to the best of our ability. Since its inception, FMFB-A has used a microfinance business model to grow into the leading inclusive financial service provider in the country.

Notwithstanding the challenges, the bank maintains its dominant status in provision of microfinance activities in the country whilst making significant progress in the provision of alternative channels to enhance banking experience for our customers.

FMFB-A closed the year with an after-tax profit of AFN 49,503 M up 24.9% above last year's profit. We closed the year with a balance sheet value of AFN 12,439,979 M, higher by 5.7% in comparison to that of the previous year. The main reason for the increase in balance sheet size was due to growth in the bank's customers deposit base.

In 2020, the bank expanded its product and service offerings to include Corporate Customer's online banking, Afpay debit cards, bank to wallet and wallet to bank services via M-Paisa and other digital and commercial banking services.

Introduction of DFS services was one of the most impactful activities by the bank's management for the short, medium- and long-term phases. This will improve the range, quality, and availability of financial services for both the financially excluded as well as high-net-worth clients. FMFB-A plans to initiate a host of innovative DFS projects with the aim to improve access, usage, and quality of banking in Afghanistan.

To leverage this investment, meet market demand, remodel and grow profitable business, the bank concentrates to further invest in the IT solutions to meet customer expectations and make a swift banking process.

To better gear ourselves towards digitalization, the bank initiated alternative delivery channels to contribute in saving time for customers and reducing their physical visits to the bank, ensuring their safety amid the COVID-19 pandemic and the unpredictable security environment. Also, the bank will set in motion various customer-convenient amenities, for example, mobile wallet and agent network, disaster recovery site, expansion of automated teller machines, reconciliation systems, automation of debit/credit cards reconciliation and ATM journals, tablet banking, and customer digital identification and onboarding.

I am proud of the progress we have made thus far and it would be only right to take this opportunity and extend my sincere gratitude and appreciation to our Board of Supervisors, Management Team and staff, the backbone of our institution. It is the passion and professionalism of our staff members which has enabled our progress at this point and will remain a key constituent in future endeavors. I would also extend my gratitude to the entire board, particularly the Chairman of the Board for his continued support and strategic guidance during this unprecedented year.

Finally, my heartfelt thanks go to our loyal customers who continue to trust us to deliver the best banking experience even during these challenging times. I extend my compliments to all of our stakeholders, especially the regulators, for having the confidence in FMFB-A. We will continue to drive an excellent business performance to add value to our shareholders.

Faburama Ceesay,
CEO

SHAREHOLDERS

Our shareholders play a vital role in contributing towards our mission of uplifting the underprivileged segments of Afghan society. Our shareholders include Aga Khan Agency for Microfinance (AKAM), Kreditanstalt Fur Wiederaufbau (KfW), International Finance Corporation (IFC) and Aga Khan Foundation U.S.A (AKFUSA), which collaborate with FMFB-A to improve the living standards towards a quality life for people through the offerings of various products and services.

Shareholding Structure: The shareholding structure of the bank as of 31st December 2020 is as below:

No	Name of Shareholder	Percentage of Shareholding
1	Aga Khan Agency for Microfinance (AKAM)	39.4%
2	Kreditanstalt Für Wiederaufbau (KfW)	31.9%
3	International Finance Corporation (IFC)	16.8%
4	Aga Khan Foundation USA (AKF USA)	11.9%

About the Aga Khan Agency for Microfinance (AKAM)

The Aga Khan Agency for Microfinance (AKAM) has been operating since 2004, when it was established by His Highness the Aga Khan as a Swiss non-profit foundation to formalize the various microcredit initiatives of the Aga Khan Development Network (AKDN).

The Aga Khan Development Network (AKDN) is a group of development agencies with mandates that include the environment, health, education, architecture, culture, microfinance, rural development, disaster reduction, the promotion of private-sector enterprise and the revitalization of historic cities. AKDN agencies conduct their programs without regard to faith, origin or gender. For more than 60 years, various agencies of AKDN have offered microfinance services through integrated development programs and self-sustaining microfinance institutions.

Indeed, over the past sixty years, AKDN has integrated the mission of financial inclusion in the framework of many projects within the various agencies of the network. AKAM was thus established to serve as a center of excellence for conceptualizing, realizing and assessing the impact of these efforts. AKAM aims to improve the quality of life of vulnerable populations by helping them increase their incomes, become self-sufficient and acquire the skills needed to access traditional financial markets. AKAM contributes to a global vision that enables lasting quality of life changes for poor and unserved communities in emerging countries, ultimately creating "communities of opportunity" that thrive on their own.

In order to achieve its vision and mission, AKAM has adopted the following objectives:

- Increase the financial inclusion of poverty-stricken communities by offering a full range of services and products, including credit and savings products for micro, small and medium-sized enterprises, which are needs-oriented and cost-effective.
- Collaborate and build on AKDN's other investments in different sectors to address all aspects of quality of life with a view to achieve maximum impact and reach.
- Maintain sustainability of the environment and sustainability of each institution.

AKAM operates through a regulated network of banks and microfinance institutions on 4 continents and in 6 countries, including Afghanistan, Burkina Faso, Côte d'Ivoire, Egypt, Mali and Syria. One of the major elements of AKAM's mission has been to implement projects and bring microfinance institutions to a certain stage of maturity, providing the necessary initial capital as well as the technical assistance required in many areas. As these institutions develop, AKAM ensures their evolution and transition to a diverse shareholding, financial sustainability and strong institutional capacity at both the governance and management levels. In recent years, AKAM has already ensured this transition for its subsidiaries in Pakistan, Tajikistan, Madagascar and, most recently, Kyrgyzstan.

KREDITANSTALT FÜR WIEDERAUFBAU (KFW)

The KfW is a German government-owned development bank, based in Frankfurt. KfW provides economic impulses for the economy, society and ecology in Germany, Europe, and the world over. It supports change, promotes promising ideas and finances investments and accompanying consulting services in developing countries. It carries out its work and its development mandate on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

INTERNATIONAL FINANCE CORPORATION (IFC)

IFC, a member of the World Bank Group is the largest global development institution focused on the private sector in emerging markets. IFC works in more than 100 countries, using its capital, expertise, and influence to create markets and opportunities in developing countries. In the fiscal year 2020, IFC invested $22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org

AGA KHAN FOUNDATION U.S.A. (AKF)

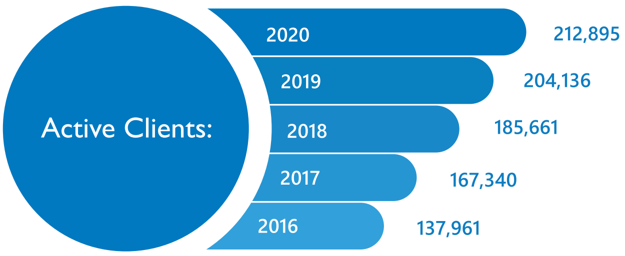
Aga Khan Foundation U.S.A. (AKF USA), established in 1981 in Washington DC, is a private, non-denominational, not-for-profit international organization committed to fighting poverty and improving the quality of life, primarily in Africa and Asia.

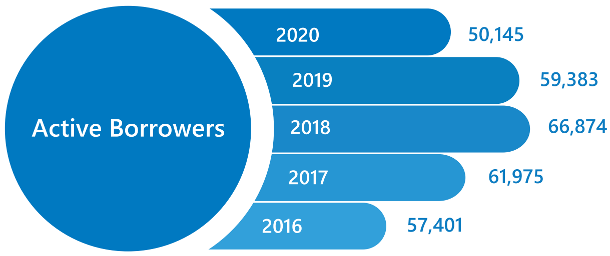
The foundation works to address the root causes of poverty by supporting and sharing innovative solutions in the areas of agriculture and food security, economic inclusion, education, early childhood, health and nutrition, and civil society, with a commitment to advancing gender equality in all of these areas. Using community-based approaches to meet basic human needs, the foundation builds the capacity of community and non-governmental organizations to have a lasting impact on reducing poverty. Aga Khan Foundation has branches and affiliates in 20 countries with its headquarters in Geneva, Switzerland since 1967. AKF USA is an agency of the Aga Khan Development Network (AKDN). AKF USA's role within the network includes mobilizing resources and strategic partnerships with a variety of U.S.-based institutional partners including government agencies, policy institutes, corporations, foundations, NGOs, universities, associations, and professional networks.

AKF USA serves as a learning institution for program enhancement, policy dialogue, and disseminating best practices and knowledge resources. It collaborates in providing technical, financial, and capacity-building support to other AKDN agencies and programs worldwide. In facilitating and representing AKDN interests in the US, AKF USA organizes outreach campaigns, manages volunteer resources, and conducts development education among US constituencies.

FINANCIAL HIGHLIGHTS OF 2020

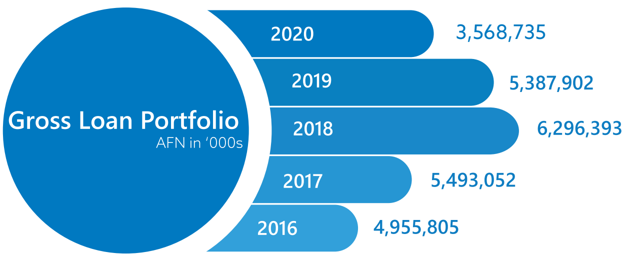
Active Clients 212,895

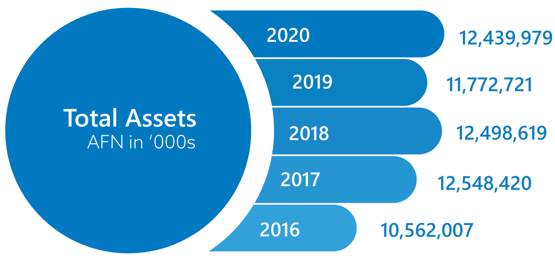




Gross Loan Portfolio 3,568,735

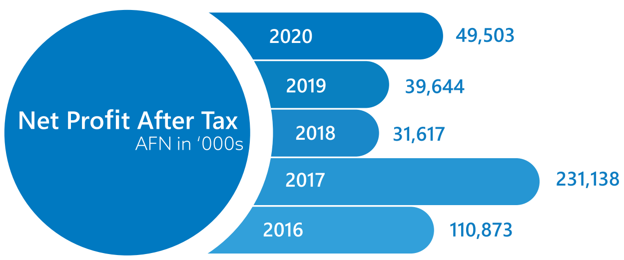
AFN IN 000s

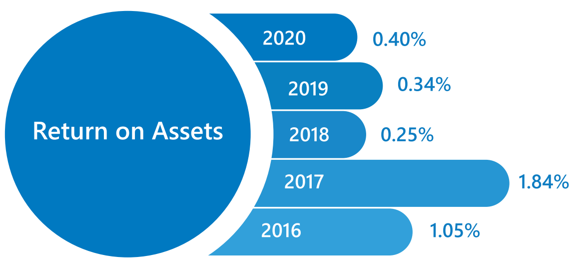




Net Profit After Tax 49,503

AFN IN 000s





2020 PERFORMANCE REVIEW

AFN IN `000s

TOTAL CLIENTS
212,895

OUT STANDING PORFOLIO
3,568,735

NUMBER OF BRANCHES
38

TOTAL EMPLOYEES
1,470

NUMBER OF SAVERS
10,4641

NUMBER OF FEMALE STAFF
288

NUMBER OF WOMEN BORROWERS
12,087

CAPITAL ADEQUACY RATIO
37.8%

NUMBER OF TRAININGS
30

NUMBER OF BORROWERS
50,145

PROFIT AFTER TAXATION
49,503

PROFIT BEFORE TAXATION
62,327

TOTAL DEPOSITORS
205,100

AFGHANISTAN'S ECONOMIC OUTLOOK

WHERE DOES AFGHANISTAN STAND TODAY?

2020 has proved to be an unprecedented year for global economies, both weak and strong, due to the heavy and unexpected blow of the coronavirus pandemic. The pandemic disrupted and halted many economies from functioning at their full potential and provided challenges for economies that were on their way towards growth and development.

For Afghanistan, 2020 was a strenuous year due to mounting challenges including the pandemic, a political transition, a possible peace deal, increased conflict and uncertainty regarding grant support from the international community. All of these factors, on top of its already weak stance in the global ranks, have impacted the country's ability to expand its economic growth for the year.

Despite these layered challenges, it's important to note that Afghanistan has one of the youngest populations in the world, with two-thirds of the population being under the age of 25. With this amount of young potential, the new generation of Afghans are capable of enhancing the economic growth of their country in the face of mounting issues with the help of time, innovation and education.

AFGHANISTAN'S 2020 ECONOMY

GROSS DOMESTIC PRODUCT (GDP)

GDP grew by 2.9% in 2019 however in 2020, Real GDP is estimated to contract by 8%, compared to the pre-COVID projection of 3.3% positive growth. This impact is largely due to a sharp contraction of output in services and industry due to lockdowns and social distancing measures.

INFLATION

Due to COVID-19, prices of goods and services have spiked in the first half of 2020 with some basic food items increasing by more than 20%. Higher prices combined with lower family incomes are expected to harm household welfare and increase humanitarian pressures. The poverty rate is expected to increase up to 72% in 2020.

UNEMPLOYMENT

Since the recovery process is slow, unemployment remains high. An estimated 8% economic contraction increases the unemployment rate from 2017's 23.9% to 37.9% in 2020. It was estimated to have nearly 4.8 million people unemployed by the end of 2020 largely due to lockdown and closure of international borders.

GROWTH OUTLOOK

Growth is expected to reach 1% in 2021 and top around 3% in 2022 as the COVID-19 crisis fades. Per capita incomes are unlikely to recover to pre-COVID levels until 2025 due to fast population growth, according to the World Bank. All growth is subject to high levels of uncertainty due to Afghanistan's political instability, security risks and disruptions in aid flows.

IMPACT OF COVID-19 ON BANK'S ACTIVITIES AND FMFB-A'S MEASURE/ACTION

Although COVID-19 created havoc in the real economy, the impact on the banking systems was not as detrimental. In Afghanistan, the banking systems rendered necessary operating services for the public's day-to-day activities and all banks including islamic banks experienced an increasing trend for its main financial indicators.

Banks remained liquid and no liquidity shortfall was observed during the pandemic. Total assets increased because of an increase in deposits, capital positions remained stable and capital adequacy ratio of all banks were above the set regulatory threshold.

The pandemic also forced innovation as banks learned to adjust their services with new channels of digitalization, becoming more tangible to the public and crafting a strategic form of customer experience, one that the country hasn't seen before.

But despite the above developments, the banking sector may experience more non-performing loans, high provisions leading to declining profitability, capital and financial ratios in the months ahead due to the COVID-19 impact on the economic condition. The financial sector has been one of the most affected, with bank valuations dropping in all countries around the world therefore, banks have to opt for precautionary measures to cope with the expected financial downturn.

The central banking institution in the country, Da Afghanistan Bank (DAB), plans to monitor all banks in order to keep banking services running smoothly and uninterrupted amid the pandemic.

MEASURES AND ACTIONS TAKEN BY FMFB-A

In support to fight against COVID-19, The First MicroFinanceBank – Afghanistan (FMFB-A) successfully initiated multiple awareness campaigns on social media and designed relevant posters to be pinned on notice boards of all 38 branches to raise awareness on "How to protect yourself", how to avoid getting infected by the COVID-19. Also, to support Afghanistan's government hospitals, FMFB-A donated sanitary material to the government hospitals with the support of Afghanistan Banking Association (ABA).

FMFB-A Distributed:

- Mask N95 - 200 pcs
- Disposable gloves 180 Packs/boxes
- Chlorine disinfectants liquid 20L/G - 30 gallons
- PPE Kits with protective clothes 50 pcs

FMFB-A also launched its retail and corporate online banking services to make banking easy and accessible for its customers. The services allowed customers to reduce branch footfalls for carrying out their day to day banking and alternately, helped them stay home as much as possible during this uncertain time.

SUPPORTING STAFF THROUGH THE CORONAVIRUS PANDEMIC TIME

Since the beginning of the pandemic, staff and visitors were provided with masks and hand sanitizers to minimize the risk of an infected person entering the bank premises. Staff was provided with the transportation facility to avoid infection chances while using public transport. Furthermore, working hours were reduced from 8 hours (8:00-16:00) to 5 hours (8:00-13:00) and all employees were advised to occasionally work from home to limit interpersonal interactions in the workplace, given that workplaces often gather large numbers of staff and thereby increase their risk of contracting and spreading the COVID-19 virus. In addition to the above, FMFB-A agreed to incentivize the front-line staff to respect their good gesture in providing the banking services to the clients during this unprecedented time.

COVID-19 Reporting Staff Self-Isolation Guideline was developed to guide employees on what actions to take if faced with situations like having symptoms or testing positive, interacting with someone who is infected and how to deal if any member of the family was tested positive and required to stay at home.

SUPPORTING CUSTOMERS THROUGH THE CORONAVIRUS PANDEMIC TIME

In order to support customers to fight against COVID-19, FMFB-A waived penalties of all the borrowers during the quarantine period. Moreover, FMFB-A rescheduled the loan repayment schedules of those businesses that suffered during this period and were unable to generate sufficient income to repay their loan installments and no legal actions were taken against the businesses that suffered due to COVID-19. Although credit history is a very important part of the loan appraisal, borrowers whose businesses were affected/closed during the quarantine were entertained for repeat loans without considering the late repayments during the quarantine period and were given access to finance to contribute to the economic development of the country.

OUR JOURNEY TO THE DIGITAL WORLD

Our journey to the digital world has been a gradual and sound process. Through the right investments in technology and proper development of digital products and services, we have been able to smoothly shift towards digital channels and touchpoints which have benefited both our customers and optimized our bank's overall operations.

As the future of banking shifts towards digitalization, it has been our imperative that we match the needs and demands of the 21st century world. This is why we stand to introduce and initiate new technology in order to create a strong market-leading presence in Afghanistan.

As of now, we are progressing well in the development of digital financial services (DFS) such as Online banking (Retail and Corporate) ATMs, AfPay Debit Card and Master Debit and Credit Cards, phone banking and other digital initiatives. The introduction of DFS will significantly reduce operational costs and diverted customer traffic away from branches and towards digital channels.

Similarly, our transition towards DFS will improve the range, quality, and availability of financial services for both the financially disadvantaged as well as high-net-worth clients. FMFB-A plans to initiate a host of innovative DFS projects with the aim to improve access, usage, and quality of banking in Afghanistan. The bank plans to introduce more DFS offerings in the short, medium and long-term with the effort to radically simplify products & services and become best-in-class in terms of efficiency and sustainability.

Innovation and Digital Transformation Progress

Our innovations and digital transformations define the future outlook of FMFB-A. The bank has taken key steps towards digitalization and technology investment for the next 5 years to ensure greater efficiency through scale. Above all, the right investments in innovation and technology will promote new ideas, create positive change and expand economic growth for the country.

With the core delivery channel (branch footprint) restructured to incorporate functional ATMs, additional channels and associated product/services will be either piloted and expanded off this backbone. Afpay Debit Card and Master Debit and Credit Cards, for corporate customers, SMS banking, P2P and integration with Roshan's M-Paisa e-wallet to bank and bank to e-wallet will strengthen the e-money ecosystem. Further partnerships with merchant services and Roshan products/services targeted at SMEs will expand revenue streams as well as diversify the client base. This gives our customers an array of options for their financing needs:

Other Initiatives: In The Coming Years

A variety of other initiatives will be implemented in order to further expand the digital transformation process. Issuing of AfPay Debit Card to all customers across all branches, launching ATMs in FMFB-A branches, big malls and hospitals, P2P services, introduction of Master Debit Card and Credit, POS, Tablet Banking, implementation of Oracle financial solution, Customer Digital Identification & Onboarding with an overall evaluation of the scoring system and Islamic banking plan will be afoot.

1. Automated Teller Machine (ATM):

As a core step towards digital transformation, FMFB-A has progressed to commence ATM project, deploy several on-site ATMs and connect with Afghan Payment Systems (APS) for customer convenience. These ATMs will allow easy cash withdrawal, mini statement and pin change service embedding with proper execution of card management systems.

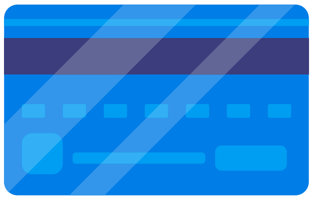
2. Peer to Peer (P2P):

Peer to Peer service as a feature of Online Banking gives different choices to the customers and enables the beneficiaries or receivers of the money to enjoy both flexibility and independency while they intend to claim the amount either to their existing bank account within FMFB-A or to any other bank account in the country. Peer to Peer service could also be used by those individuals to claim the money who don't own any sort of bank account with any bank.

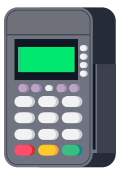
The core pillar of the Peer to Peer (P2P) transactions mechanism stands on providing ease and access to Physical Cash Services to allow the transfer of funds from one person to another over the internet or mobile networks making the digital transformation process efficient and will start soon.

3. Payment Cards:

Introduction to payment cards will be a vital transformation for our client base. The addition of issuing payment cards empowered by Master Card will allow the bank's customers to access their accounts' available funds all around the world via any ATM, POS and/or internet for online purchases. Both the debit and credit MasterCard's will include phone banking contacts for ease of customer service.



4. Point Of Sale (POS)



FMFB-A will commence the point of sale (POS) transactions in 2021 where purchases can be made through Master debit cards with the requirement of entering a pin code. Through POS, the transactions post to the account immediately. On the statement, a POS transaction will show the amount and the address (and sometimes) the name of the merchant.

POS Machines will enable the bank to provide digital services and promote cashless transactions and ensure and make available a wide range of services related to banking industry in Afghanistan.

VALUES BASED/SUSTAINABLE BANKING

In February 2016, FMFB-A joined the Global Alliance for Banking on Values (GABV), an independent network of banks using finance to deliver sustainable social, environmental and economic development. Basic requirements for membership were:

- Being a regulated financial institution
- Having a mission which incorporated sustainability criteria
- Transparency in governance and reporting

Upon joining, FMFB-A committed to the GABV set of 6 Principles of Sustainable Banking which define the fundamental pillars of values-based banking and set the parameters whereby financial institutions which follow his business model are identified.

Our vision is to become the first sustainable bank in Central Asia – a role model for other banks in Afghanistan and the wider region. Our mission is embodied in the Sustainable Banking Principles ("the Principles") which lie at the heart of our belief system and business strategy. Individually, each principle is equally important and taken as a whole; they form the FMFB-A's collective conscience and DNA. FMFB-A's Sustainable Banking Framework Policy guides how the principles will be embedded in our business model, our strategic objectives and decision making, our culture and our day-to-day operations. Our guiding principles, aligned with the GABV Sustainable Banking Principles and are as follows:

Principle 1: Triple Bottom Line (TBL) approach at the heart of the business model

Our focus is simultaneously on people, planet and prosperity. Our strategic initiatives, products and services are designed and developed to meet the needs of people and safeguard the environment; generating reasonable profit is recognized as an essential requirement of sustainable banking but is not a stand-alone objective. Importantly, we embrace an intentional approach to triple-bottom-line business where we don't just avoid harming, we actively use finance to do good.

Principle 2: Grounded in communities, serving the real economy and enabling new business models to meet the needs of both

We serve the communities in which we work. We meet the financial needs of our geographic and sector-based communities by financing sustainable enterprise in productive economies.

Principle 3: Long-term relationships with clients and a direct understanding of their economic activities and the risks involved

We establish strong relationships with our clients and are directly involved in understanding and analyzing their economic activities and assisting them to become more sustainable themselves. Proper risk analysis is used at product origination so that indirect risk management tools are neither adopted as a substitute for fundamental analysis nor traded for their own sake.

Principle 4: Long-term, self-sustaining, and resilient to outside disruptions

We adopt a long-term perspective to make sure we can maintain our operations and be resilient in the face of external disruptions. At the same time, we recognize that no bank or its clients are entirely immune to such disruptions.

Principle 5: Transparent and inclusive governance

We maintain a high degree of transparency and inclusiveness in governance and reporting. In this context, inclusiveness means an active relationship with a bank's extended stakeholder community, and not only its shareholders or management.

Principle 6: All of these principles embedded in the culture of the bank

We seek to embed these principles in our culture so that they are routinely used in decision-making at all levels. Recognizing that the process of embedding these values requires deliberate effort, and our human resource policies will reflect our values-based approach (including innovative incentive and evaluation systems for staff), and develop stakeholder-oriented practices to encourage sustainable business models. FMFB-A will also have specific reporting frameworks to demonstrate their financial and non-financial impact.

The bank is actively pursuing an approach where we focus simultaneously on People (quality of life changes), Planet (protecting the environment) and Prosperity (economic resilience), commonly referred to as the-Triple Bottom Line.

The management is working towards improving the systems that will better help to measure the institution's social impact on our clients. The following strategy is envisioned, which will strengthen the bank's social performance:

- Clearly defining the social mission, goals and objectives of the institution.
- Understanding client needs and linking the feedback to the product development cycle.
- Monitoring and analyzing client dropouts and linking the feedback to the product development cycle.
- Understanding the social impact of the institution's products and services on the client and family.
- Configuring management information systems enabling tracking of key social indicators.
- Developing and communicating SMART social targets for staff and monitoring progress.
- Undergoing social audits and rating appraisals.

The bank's overarching product strategy is to affect demonstrable, measurable and lasting improvements in the lives of its clients by delivering appropriate financial services to help alleviate environment, economic, and social exclusion. The bank also endeavors to develop and market products that cater to conventional customers and to generate revenue from high-income groups.

Our current suite of products/services includes deposits, (Current, Savings and Term Deposit, Pension Savings and customized Current, Saving accounts schemes for low and high income segments). FMFB-A offers loans to (micro-enterprise, Women Enterprise Loan, agriculture/livestock, personal consumption, incremental housing, Quality of Life Loans, SME financing, corporate term loan, Overdraft and trade finance services along with commercial banking services including domestic fund transfers, international remittances both in Euro and USD, foreign currency exchange, Online Banking (Retail and Corporate) and bulk payroll processing for the companies and organizations.

However, based on FMFB-A's Sustainable Banking Framework Policy, the bank pursues appropriate product design and delivery mechanisms including loans targeting women, financing for energy-efficient, seismic-resistant incremental housing, and soon to introduce loans to promote the use of renewable energy systems/products.

COMPLIANCE MANAGEMENT FRAMEWORK

In today's highly regulated environment, the pressure to comply with regulatory requirements is rapidly increasing, especially within the financial services industry. A strong, independent compliance function in the bank can mitigate risks related to misconduct, money laundering and other forms of non-compliance. Compliance to regulatory, internal guidelines and international standards is one of the key objectives of FMFB-A. The bank's Board and Senior Management are committed to sticking to the highest standards of regulatory, internal guidelines and international standards. This ensures that the bank's operations are conducted within the range of legality and the broader standards of integrity and ethical conduct.

Enforcing strict compliance allows FMFB-A to detect and stop violation of laws, regulation and internal policies, protect its shareholders' and employees' integrity, treat customers fairly, earn trust & credibility, and save itself from unnecessary regulatory penalties.

The compliance department of FMFB-A, in accordance with the bank's policies, oversees compliance aspects and management of compliance risks faced by the bank.

The compliance department of FMFB-A, actively involved in implementing the AML/CTF program at the bank. Effective AML/CTF applications and comprehensive programs are a powerful tool to fight against money laundering and terrorist financing. An effective AML /CTF framework increases its deterrence for crime and allows the organization to minimize its risk. Every AML/CTF step taken in the bank is of great importance. The AML Compliance Program allows FMFB-A to easily comply with regulations, thus protecting itself against AML/CTF risks and minimizing regulatory issues.

For better compliance, during 2020, FMFB-A has taken the following steps:

1. Professional Certifications: The first step to an effective AML/CTF framework requires experts who are technical in the field and always open to innovations. FMFB-A has employed AML/CTF experts as Chief Compliance Officer and two managers who are experts in the compliance field and certified by ACAMS- the largest international membership organization dedicated to enhancing the knowledge, skills and expertise of AML/CTF, and financial crime detection.
2. Training: FMFB-A launched a comprehensive training program across the bank, covering central bank prudential regulations, internal policies and procedures related to KYC/AML and CTF, code of conduct, fraud and forgery.
3. Risk Assessment and Risk Based Approach: The foundation of an effective Anti-Money Laundering and Counter-Terrorism Financing framework is based on a risk-based approach and risk assessment. FMFB-A has developed a bank-wide money laundering and terrorist financing risk assessment which helps the bank in identifying, assessing, monitoring, managing and mitigating money laundering and terrorism financing risks. For Financial Risk Management, please refer to page 74 of the Annual Report.

Revision of AML/CFT Policies and Procedures: FMFB-A has developed comprehensive policies and procedures that are reviewed annually for better governance of the compliance function and combating money laundering and terrorist financing.

INTERNAL CONTROL ENVIRONMENT

An internal control system is a collection of policies, procedures and processes designed and implemented by the bank's management to safeguard bank's assets, limit or control risk and achieve the bank's objectives. An effective internal control system prevents and detects error/s as well as potential fraud or noncompliance issues with the bank's policies and procedures. An adequate system of internal control is to seek effectiveness and efficiency in operations while sticking with laws and regulations has been formulated, implemented and maintained by the management of the bank as though the system requires continuous improvement due to changes in the environment and needs of the business. The bank's management plans, organizes and directs the performances of sufficient processes to provide reasonable assurance that objectives and goals to be achieved in alignment with the Internal Control Framework defined by the Committee of Sponsoring Organizations (COSO) in the following areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of the organization's assets

While business control is a process, its effectiveness is a state or condition of the process at one or more points in time. Internal control consists of five interrelated components. These are derived from the way management runs the business and are integrated with the management processes. Various levels of monitoring activities are practiced in the internal control structure of the bank. The bank has adopted the Three Lines of defense (3LOD Model), in which the first line is made of business units, front-office, customer-facing and enabling functions, the second line is Compliance and Risk Management functions, and the third line is Internal Audit function. As we expect a growth in deposit and loan portfolio, to minimize various types of risks associated with the growth, a series of preventative measures have been taken to enhance the internal control environment. The account opening and credit administration processes are centralized to improve controls on loan files, KYC and decrease AML deficiencies. The results of reviews show that the banks' existing system of internal controls, including Internal Control over Financial Reporting is satisfactory with practical implementation and monitoring while the management seeks to improve these controls furthermore.

BUSINESS CONTINUITY PLANNING (BCP)

Business Continuity Planning (BCP) involves defining any and all risks that can affect the company's operations, making it an important part of the organization's risk management strategy.

Bank's operations is prone to a host of disasters that vary in degree from minor to catastrophic. Business Continuity Planning (BCP) are important part of any business. Threats and disruptions mean a loss of revenue and higher costs, which leads to a drop-in profitability. The bank has documented and implemented comprehensive BCP manuals which is typically meant to help the bank to continue operating in the event of major disasters

RECORD MANAGEMENT

As per legal and regulatory requirements, the bank stores its records to ensure compliance and sustained business operations. The files are archived in a secured manner as follows:

- Stores data at a secure location with protection against physical deterioration, fires, natural disasters. The bank has implemented document management system (DMS) where all necessary documents are electronically stored.
- The bank has a disaster recovery site to provide the immediate backup of all primary data, in line with the business continuity practices. The bank is in process of establishing a Disaster Recovery Site out of the country.
- Record management ensures that valuable records evidencing an organization's activities that have legal, financial, administrative or historical value are protected and accessible.

WHAT IS IT LIKE TO WORK WITH FMFB-A?

Our Approach to Human Resources Development

Human resources development is one of the most significant aspects of any organization. The focus of all aspects of Human Resources Development (HRD) is on developing the most superior workforce so that both the bank and individual employees can accomplish their work goals in service to customers.

The year 2020 and FMFB-A

Talent Acquisition:

Non discriminative and transparent recruitment process, competitive benefits and remuneration, talent pool creation and internal promotion

Interactive System:

Human Resources Information Systems (HRIS) was live in 2020 to manage two modules:

- Leave Management
- Attendance of Employees

Manuals and Policies:

- HR policy was revised

Learning and Development:

Needs-based training, in-house capacity building training, digital financial services training, improve knowledge and abilities of employees.

FMFB-A’s COVID-19 Unemployment Protection Plan:

Human resources were largely affected in 2020 as the unemployment rate in the country increased due to the COVID-19 pandemic. FMFB-A believes in the manpower behind every achievement and successful step towards improvement. Thus, we have kept the same number of employees during this difficult time. We have considered the efforts and efficiency of our employees for the entire period of time they have worked with us and we felt responsible to have them onboard and develop a strategy for the frontline employees to increase their bonuses.

FMFB-A’s Precautions Against COVID-19:

- If our employees experienced any COVID-19 related symptoms, they were requested to stay home for 7 days and if the symptoms persisted then the stay-at-home period would be extended for another week in order to ensure employees and other team members’ safety.
- Meetings were virtual, even inside the same floor, by using IP phones and software such as zoom or skype.

The Progress and Changes Made in 2020:

As of this year, our HR policy has been revised based on the experiences and best practices of 2019.

Went Live With the Human Resource Information System (HRIS)

By the end of 2020, the bank went live with the Human Resource Information system (HRIS) in the head office which is basically an intersection of human resources and information technology. It manages 2 modules of the system including leave management and attendance of employees. This allows HR activities and processes to occur electronically.

Our Way Forward (2021-2024):

HRIS System: By 2021, the bank’s Human Resource Information System (HRIS) will be live across all branches and increased to 3 modules, allowing HR activities to occur electronically.

Engagement Surveys: FMFB-A has also conducted an employee engagement survey in 2020 where 600 people were invited to participate. The surveys will continue to be conducted until 2022. Our target is to increase the sample size of the survey where FMFB-A will select a sample size of 1,000 people for the year 2021 and strive to increase the number yearly.

Our Talent Acquisition:

FMFB-A has 1,470 employees where different units hire depending on need and workforce planning. Our talent acquisition process includes job announcements through emails, job portals and social media. FMFB-A follows a transparent talent acquisition process where selection is merit-based. We believe in “equal opportunities and no discrimination.” Our top priorities for our talent selection process include avoiding discrimination, considering qualifications (experience, education and expertise), considering skill sets, and providing a gender balanced enviornment. Our motto is “no discrimination, be qualified, be our colleague.”

Recruitment:

We apply human capital expertise more assertively to support the business divisions to find the right person for the right job and deliver results, identify innovative ways to attract qualified Afghan candidates to join the bank through an aggressive recruitment campaign, talent hunting, internship program and competitive compensation and benefits package.

Employee Capacity Development:

Capacity development of employees is a key and crucial phenomena for developing the banks' quality of services and better client expectations' fulfillment. FMFB-A is delighted to have several manners of enriching the capacity of employees through performance appraisal and capacity building training. Every capacity building programs and training are based on the need assessment.

Succession Planning (Talent Development)

To identify and develop new leaders for critical management positions and prevent key positions from being vacant for an extended period, FMFB-A has crafted a strategic talent pool for candidates with the necessary skills required to achieve our business goals. Once potential employees are selected from the talent pool, we prepare them to obtain essential management positions in the future through management development programs, coaching, mentoring and exposure to challenging assignments. This way the future leaders of our bank will be well-equipped to tackle responsibilities with ease and prior training.

SUCCESS STORIES

"FMFB-A is not just a financial institution, but has always been like a partner."

- Khudadad

POSHAK ISTANBUL

Khudadad, Alidad and Naser (Mohebzada Family) are three brothers from Kabul province. While working outside of the country as tailors in neighboring Iran in 2001, all three brothers considered opening a family-owned tailor center of their own one day.

The brothers gained years of experience tailoring clothes and learning the ropes of how to run a small business while in Iran. It was in 2007 when they decided to take a leap of faith and finally start their own tailoring business called "Poshak Istanbul" in their home country Afghanistan.

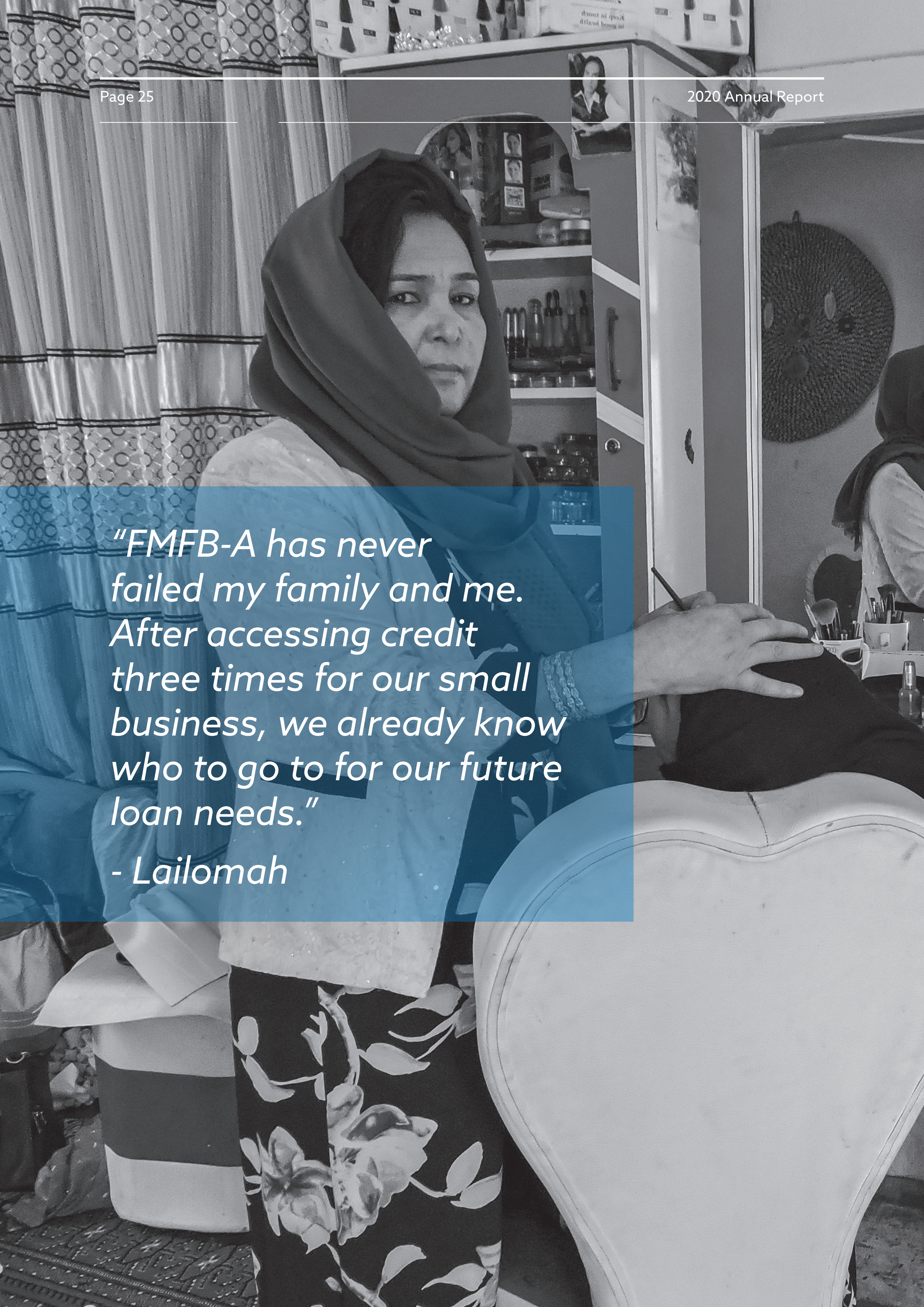
They began with $100,000 capital which helped them buy necessary raw materials for their tailor center and functionalized the center with only 10 workers.

Despite their already good financial standing, the brothers wanted to have a form of back-up financing to enhance, improve and develop their tailoring business to the next level.

After applying for a loan with The First MicroFinanceBank-Afghanistan (FMFB-A), the brothers were able to receive up to $50,000 to invest in their business. With this extra financing, they were then able to travel abroad to China, Turkey, Pakistan and Iran to buy advanced equipment and high quality raw materials.

Khudadad, Alidad and Naser all believe that the financing they received from FMFB-A significantly changed the way they run their business. They have been a client with FMFB-A since 2007 and view the bank as a supportive partner for their growth. With the additional financing, they were able to purchase advanced machinery, enhance the quality and quantity of their materials, improve the structure of their business, build a strong customer database and build a developed marketing Management Team.

Now, after the expansion of Poshak Istanbul, the brothers have opened branches of their business in Kote Sangi and Shahr-e-Naw, Kabul. They have also expanded to other provinces including Mazar-i-Sharif, Nangarhar, Kandahar and Bamyan. They started their branch in Almaty, Kazakhstan.



"FMFB-A has never failed my family and me. After accessing credit three times for our small business, we already know who to go to for our future loan needs."

- Lailomah

LAILOMAH

48-year-old Lailomah lives in western Kabul in an area called Dasht-e-Barchi. She lives with her large family of three sons, three daughters and her husband.

Lailomah and her family have been struggling for years as her husband is unemployed, unable to be the main breadwinner of the family.

In an effort to support her family, Lailomah has started a small beauty parlor business, an initiative that both her daughters and eldest son help her with.

For nearly 20 years now, Lailomah has been earning a living as a beautifier. She initially started her small beauty parlor in her local area of Dasht-e-Barchi with a capital of AFN 10,000. It was after she was encouraged by a loan officer from The First MicroFinance Bank-Afghanistan (FMFB-A) that she decided to take a loan and expand her business.

FMFB-A approved her first loan of AFN 30,000, which she used to procure the necessary equipment for her beauty parlor to be able to offer more services to her clients.

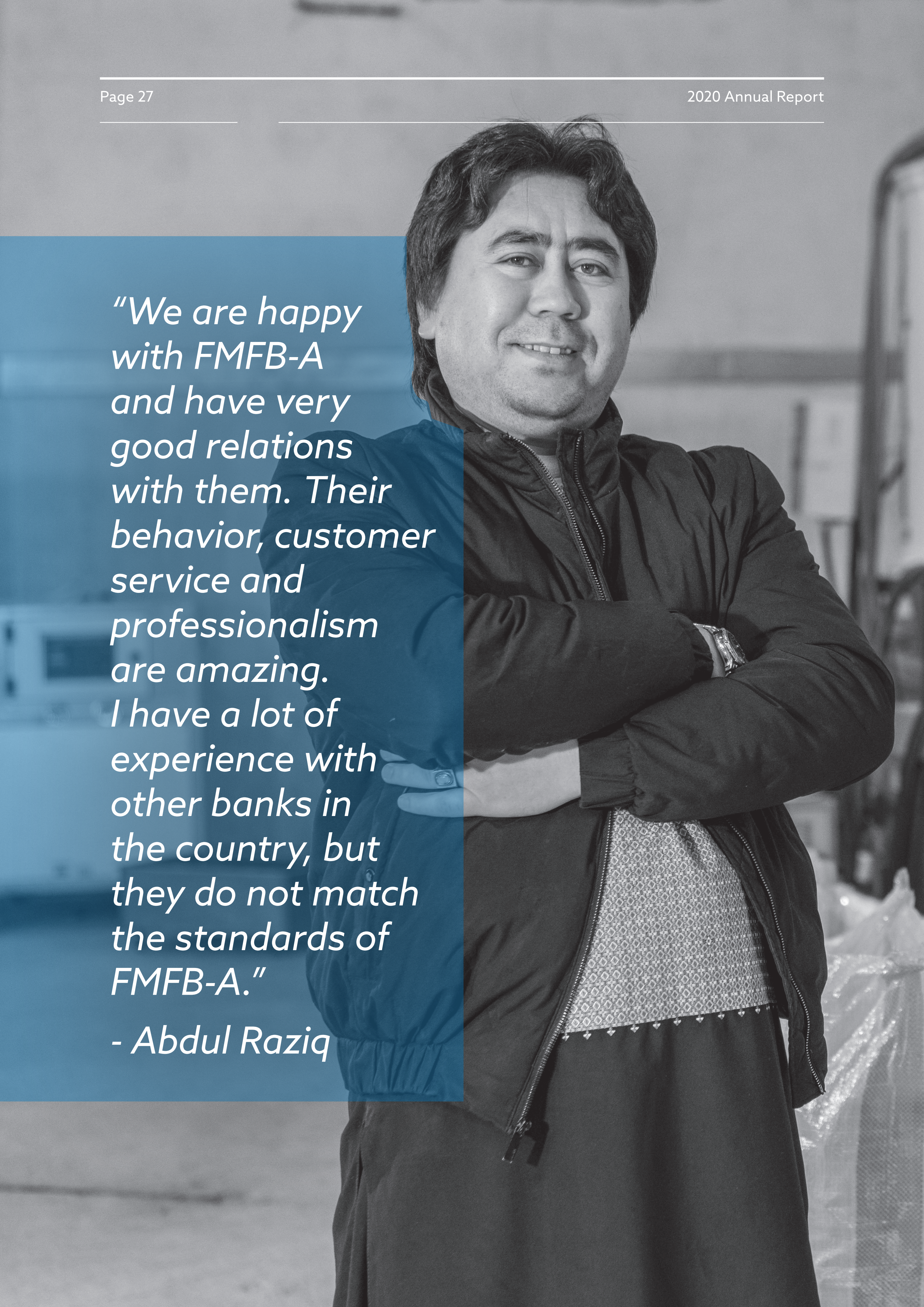
When Lailomah realized she has the pulse for the business of beauty and wellbeing, she took out a second loan of AFN 50,000 to move her salon, knowing that if she succeeds, she will be able to increase revenue and profit significantly over time.

After repayment of the second loan, Lailomah applied for a third cycle from FMFB-A worth AFN 100,000. This time, she invested a big amount in her business. She purchased more items for the salon based on client demands.

Since accessing credit to expand her beauty salon business, her monthly income has increased from AFN 8,000 to AFN 15,000, while her household expenses also increased from AFN 10,000 to AFN 15,000. Now she is able to save AFN 5,000 monthly. Moreover, her total capital stands at AFN 80,000.

Lailomah has gained extensive experience with loans and she hopes to continue and work alongside FMFB-A to expand her beauty salon even more. In the future, she also plans to take out personal loans for her oldest son in order to get him married.

Source: Afghanistan Microfinance Association (AMA)



"We are happy with FMFB-A and have very good relations with them. Their behavior, customer service and professionalism are amazing. I have a lot of experience with other banks in the country, but they do not match the standards of FMFB-A."

- Abdul Raziq

ABDUL RAZIQ AKBARI

Abdul Raziq Akbari established his family-owned company Vice Group in 2004. Working across all provinces in Afghanistan, Akbari's company first focused on the telecom industry engineering services and construction projects. Later down the line, it expanded to manufacturing and sales in the plastic industry.

Throughout the years, his company has been involved in a wide spectrum of industrial operations, manufacturing and trading products for various private and governmental organizations.

Akbari initially started his company with $10,000 dollars of capital and a staff of around 100 people. But as demand for his products and services increased, Akbari decided it was time to expand his company and look for financing from a trusted bank.

That was when he contacted The First MicroFinance Bank-Afghanistan in 2018 and applied for a loan of 200,000 dollars on an installment payment. With this extra financing, he was able to expand his operations by purchasing new machinery and raw materials from outside countries such as Oman, Saudi Arabia and Pakistan. He was also able to hire more staff.

Initially, his company only had 5-unit machines and daily production was 4-5 tons. After receiving the loan, he now has 12 machines and additional staff, making about 60-65% of his company.

Akbari says that his overall experience with FMFB-A was very smooth which later led him to apply for additional loans, including a current loan of nearly 2 million dollars which is underway. With this funding, he plans to expand even more as both demand and his 200-customer base has increased significantly.

Akbari is satisfied with the overall behavior and service at FMFB-A, especially its installment payments which are most preferred by manufacturing and service companies like his.

His experience with other banks in the country have been lackluster, therefore he always recommends other businesses to contact FMFB-A and enjoy their professional service.

INDEPENDENT AUDITORS' REPORT

To the shareholders of The First MicroFinanceBank - Afghanistan

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Opinion

We have audited the financial statements of The First MicroFinance Bank (the Bank), which comprise the statement of financial position as of December 31, 2020, and the statement of 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 give a true and fair view of the financial position of the Bank as of December 31, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

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 far the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' Code of Ethics of Profassional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, 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 issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, 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 overseeig 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, 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.

Grant Thornton Afghanistan

Grant Thornton
GTA
Afghanistan

Grant Thornton Afghanistan
Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi - FCA
Location: Kabul, Afghanistan
Date:28-Mar-2021

Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020	31 December 2019
		---------------- (AFN in '000)	----------------
Assets			
Cash and cash equivalents	6	**5,175,723**	4,709,883
Placements - net	7	**1,542,287**	603,353
Loans and advances to customers - net	8	**4,246,383**	4,931,284
Operating fixed assets	9	**410,131**	595,797
Intangible assets	10	**97,632**	78,830
Other assets	11	**967,823**	853,576
Total Assets		**12,439,979**	**11,772,723**
Liabilities			
Deposits from customers	12	**7,682,441**	6,602,025
Loans and borrowings	13	**2,238,614**	2,588,977
Income tax payable - net		**8,060**	11,432
Deferred tax liabilities - net	14	**29,711**	27,270
Other liabilities	15	**369,820**	481,189
Total Liabilities		**10,328,646**	**9,710,893**
Equity			
Share capital	16	**796,008**	796,008
Share premium		**206,038**	206,038
Retained earnings		**1,109,287**	1,059,784
Total equity		**2,111,333**	**2,061,830**
Total equity and liabilities		**12,439,979**	**11,772,723**
Contingencies and commitments	**17**		

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Chairman

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital	Share premium	Retained earnings	Total
	------------------------------- (AFN in '000) -------------------------------			
Balance at 01 January 2019	**796,008**	**206,038**	**1,020,140**	**2,022,186**
Profit for the year	-	-	39,644	39,644
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**39,644**	**39,644**
Balance at 31 December 2019	**796,008**	**206,038**	**1,059,784**	**2,061,830**
Profit for the year	-	-	49,503	49,503
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**49,503**	**49,503**
Balance at 31 December 2020	**796,008**	**206,038**	**1,109,287**	**2,111,333**

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Chairman

Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	31 December 2020	31 December 2019
		----------------- (AFN in '000)	-----------------
Interest income	18	1,229,215	1,419,295
Interest expense	19	(153,309)	(165,093)
Net interest income		**1,075,906**	**1,254,202**
Fee and commission income	20	68,288	78,758
Fee and commission expense	21	(9,063)	(11,659)
Net fee and commission income		**59,225**	**67,099**
Income from dealing in foreign currencies		165,952	149,502
Revenue		**1,301,083**	**1,470,803**
Other income	22	42,130	48,625
Impairment loss on loans and advances to customers	8.2	(48,370)	(105,961)
Impairment loss on placements	6 & 7	1,942	4,355
General provision on other assets	11	(52)	148
Personnel expenses	23	(697,348)	(675,716)
Depreciation and amortisation	9 & 10	(139,111)	(129,906)
Finance cost on lease liabilties	15.1	(8,277)	(14,215)
Penalties		(125)	(8,345)
Other expenses	24	(389,545)	(532,464)
Net operating income		62,327	57,324

	Note	31 December 2020	31 December 2019
		----------------- (AFN in '000) -----------------	
Non-operating revenue and expenses:			
Development grant income	15	1,147	1,328
Operating grant income		9,266	5,701
Expenditure against grants	25	(10,413)	(7,029)
		-	-
Profit before tax		**62,327**	**57,324**
Income tax expense	26	(12,824)	(17,680)
Profit for the year		**49,503**	**39,644**
Other comprehensive income		-	-
Total comprehensive income		**49,503**	**39,644**
Earnings per share	**27**	**561**	**449**

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman

Statement of Cash Flows

For the year ended 31 December 2020

	Note	31 December 2020	31 December 2019
		------------------ (AFN in '000)	-----------------
Cash flows from operating activities			
Profit before tax		**62,327**	**57,324**
Adjustments for:			
Depreciation and amortisation	9 & 10	**139,111**	129,906
Impairment loss on loans and advances to customers	8.2	**48,370**	105,961
Impairment loss on placements	6 & 7	**(1,942)**	(4,355)
General provision on			
Other assets	11	**52**	(148)
Loss on disposal of property and equipment	22	**(245)**	93
Finance cost on lease liabitlies	15.1	**8,277**	14,215
Grant income	25	**(10,413)**	(7,029)
		245,537	295,967
Changes in:			
Increase in loans and advances to customers		**636,531**	831,453
Increase in other assets		**(114,299)**	105,955
Increase in deposits from customers		**1,080,416**	(1,067,469)
Increase in other liabilities		**16,082**	(20,234)
		1,864,267	145,672
Income tax paid		**(13,755)**	(16,937)
Grant received		**10,413**	4,856
Net cash flows (used in) / from operating activities		**1,860,925**	**133,591**

	Note	31 December 2020	31 December 2019
		---------------- (AFN in '000) ----------------	
Cash flows from investing activities			
Purchase of property and equipment		**(32,702)**	(188,349)
Proceeds from disposal of property and equipment		**292**	177
Net investment in placements		**(936,992)**	244,842
Net cash flows (used in) / from investing activities		**(969,402)**	**56,670**
Cash flows from financing activities			
Repayment of lease liabilities	15.1	**(75,320)**	(72,393)
Proceeds from loans and borrowings		**460,166**	581,991
Repayment of loans and borrowings		**(810,529)**	(579,813)
Net cash flows (used in) / from financing activities		**(425,683)**	**(70,215)**
Net (decrease) / increase in cash and cash equivalents		**465,840**	120,047
Cash and cash equivalents at beginning of the year		**4,709,883**	4,589,836
Cash and cash equivalents at end of the year	**6**	**5,175,723**	**4,709,883**

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman

Notes to the Financial Statements

For the year ended 31 December 2020

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1. STATUS AND NATURE OF OPERATIONS

The First MicroFinance Bank - Afghanistan ("the Bank") was registered with Afghanistan Investment Support Agency (AISA) in December 2003 as a limited liability company and received formal banking license from Da Afghanistan Bank ("DAB"), the central bank of Afghanistan, on 18 March 2004 to operate nationwide. Since commencement of operations on 1 May 2004, the Bank has been operating as the leading microfinance service provider in Afghanistan contributing to poverty alleviation and economic development, through provision of sustainable financial services primarily targeted at the micro and small businesses and households.

The registered office of the Bank is situated in Kabul, Afghanistan. The Bank has 38 (2019: 38) branches in operation including 17 urban branches (2019: 17) and 21 rural / peri urban branches (2019: 21) in operation at the year end and employed 1,470 staff (2019: 1,196).

The financial statements for the year ended December 31, 2020 (including comparatives) have been approved and authorized for issue by the Board of Supervisors on 25-Mar-2021.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB), the Banking Laws and Regulations in Afghanistan and directives issued by the DAB. In case if the regulatory requirements differ with the requirements of IFRS, the provisions of applicable laws shall prevail.

Da Afghanistan Bank (DAB) vide its circular no. E-02 dated April 9, 2020 deferred the applicability of IFRS 9 "Financial Instruments" till July 2021. Accordingly, the requirementsof these standards have not been considered in the preparationof these financial statements.

2.1 Basis of preparation

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

These financial statements comprise of statement of financial position, statement of comprehensive income as a single statement, statement of changes in equity, statement of cash flows and the accompanying notes.

2.2 Use of significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

The judgements, estimates and assumptions applied in the financial statements, including key sources of estimation uncertainty, were same as those applied in the Bank's last annual financial statements for the year ended 31 December 2019.

Areas with higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.3 Standards, amendments and interpretations to published accounting standards that became

Following accounting standards and amendments became applicable in the current year.

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

2.4 Standards, interpretations and amendments to published accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the published accounting standards would be effective from the dates mentioned there against:

Standards, Interpretations and Amendments	**Effective date (accounting periods beginning on or after)**
Interest Rate Bechmark Reform: Phase 2 - Amendments to IAS 39, IFRS 7, IFRS 4, IFRS 16, IFRS 9.	January 01, 2021
References to the Conceptual Framework	January 01, 2022
Proceeds before Intended Use (Amendments to IAS 16)	January 01, 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)	January 01, 2022
Classification of Liabilities as Current or Non-current -Amendment to IAS 1	January 01, 2023

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Afghani ('AFN'), which is the Bank's functional currency, except as otherwise stated. All financial information presented in AFN has been rounded to the nearest thousand.

4. USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are given below:

4.1 Provision of income taxes

The Bank recognizes tax liability in accordance with the provisions of Income Tax Law 2009. The final tax liability is dependent on assessment by Ministry of Finance, Government of Islamic Republic of Afghanistan.

4.2 Useful life of property and equipment and intangible assets

The Bank reviews the useful life, depreciation method and residual value of property and equipment (note 5.10) and intangible assets (note 5.11) at each statement of financial position date. Any change in estimates may affect the carrying amounts of the respective items of property and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge.

4.3 Impairment losses on financial instruments

The banks accounting framework considers both the provision prescribed under local regulations in Afghanistan and management estimates of the expected credit loss.

'The Bank maintains a general provision of 4.98% on standard loans in Microfinance and SME portfolio and 1% on standard Overdraft loans in line with bank's own provisioning policy which is relatively higher than the regulatory requirements.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Change in management estimates

During the year, management has re-estimated the percentages of loan loss provisioning on re-structured loans and advances under SME and Overdraft loans portfolio. Management re-estimated the provisioning against re-structured or re-scheduled loans which is based on their classification under ACPR at the time of re-structuring instead of making 100% provisioning irrespective of their classification as per the ACPR. This change in management estimate has resulted in less provisioning against re-scheduled loans by AFN 24.1 million in the current year.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

5.1 IFRS 16 Leases

5.1.2 Leased assets

Tbe Bank as a Lessee

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients.

Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in operating fixed assets and lease liabilities have been included as part of other liabilities.

Extension options for leases

When the Bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

5.2 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation is recognized in profit or loss.

5.3 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis.

In accordance with the Asset Classification and Provisioning Regulation (ACPR) issued by DAB, all interest accrual is suspended on all interest-earning assets where the asset is classified as doubtful or loss as per the regulation. However such assets are secured by collateral and personal guarantees and in process of collection. When an asset is placed on non-accrual status, accrued interest is reversed.

5.4 Fees and commission

Fees and commission income includes commission income on bank guarantees, account servicing fees, funds transfer fee and placement fee are recognized as the related services are performed.

Fee and commission expenses relates mainly to the transactions services fee, which are expensed as the services are received.

5.5 Income tax

Income tax expense comprises current and deferred tax. It is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

5.5.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

5.5.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax asset is reviewed at each reporting date and is reduced to the extent it is no longer probable that a related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

5.5.3 Tax exposures

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such as changes to tax liabilities would impact tax expense in the period in which such a determination is made.

5.6 Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

'Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets and financial liabilities

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

1. Designation at fair value through profit or loss (FVTPL)
2. Held for trading
3. Loans and receivables
4. Held to maturity
5. Available for sale

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

a) Classification, recognition and subsequent measurement of financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. The Bank’s cash and cash equivalents, investments (other than held for trading), loans and receivables and other assets fall into this category of financial instruments.

The Bank determines allowance for impairment loans and advances in accordance with “Asset Classifications and Provisioning Regulation” issued by DAB.

At each reporting date, the Bank assesses whether there is objective evidence that financial assets which are not carried at fair value through profit or loss are impaired or not. Financial assets or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

The criteria that Bank uses to determine that there is objective evidence that there is an indication to impairment loss includes 1) default or delinquency by a borrower 2) restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider 3) indication that a borrower or issuer will enter bankruptcy 4) disappearance of an active for a security 5) other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets’ original effective interest rate (if any). Losses are recognized in statement of comprehensive income and reflected in an allowance account against financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income. The Bank writes off certain loans and advances when they are determined to be uncollectable.

b) Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in statement of comprehensive income. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

5.6.1 Impairment provision under local regulations

Loans and advances to customers

The outstanding principal of the advances are classified in accordance with the Asset Classification and Provisioning Regulation issued by DAB as follows:

i) Standard: These are loans and advances, which are paying in a current manner and are supported by sound net worth and paying capability of the borrower. In terms of policy of the Bank for more prudent approach, a general risk based provision is maintained in the books of accounts at the rate of 4.98% (2018: 4.98%) of value of such loans and advances (microfinance and SMEs) and 1% (2019: 1%) on overdraft loans. However, as per Asset Classification and Provisioning Regulation (ACPR) issued by the DAB, 1% optional provision can be maintained of value of such loans and advances.

ii) Watch: These are loans and advances which are adequately protected, but are potentially weak. All loans and advances where principal or interest payments are past due by 31 to 60 days are classified as watch-list. Such advances constitute an unwarranted credit risk, but not to the point of requiring a classification to Substandard. A provision is maintained @ 5% (2019: 5%) of value of such loans and advances as required under ACPR issued by the DAB.

iii) Substandard: These are loans and advances which are inadequately protected by current sound net worth and paying capacity of the borrower or by the collateral, if any, supporting it. Further, all microfinance loans and advances which are past due by 61 to 90 days and other loans past due by 61 to 120 days in case of for principal or interest payments are classified as "Substandard". A provision is maintained in the books of account @ 25% (2019: 25%) of value of such loans and advances as per ACPR issued by the DAB.

iv) Doubtful: These are loans and advances which can be classified as Substandard and have added characteristic that these weaknesses make collection or liquidation in full, on the basis of current circumstances and values, highly questionable and improbable. Further, all microfinance loans and advances which are past due by 91 to 180 days and other loans past due by 121 to 480 days for principal or interest payments are required to be classified as "Doubtful" as per the ACPR issued by DAB.

A provision is maintained in the books of account @ 50% (2019: 50%) of value of such loans and advances as per Bank's risk based approach.

v) Loss: These are loans and advances which are not collectible and or such little value that their continuance as a bankable asset is not warranted. Further, all microfinance loans and advances which are past due over 180 days and other loans which are past due over 480 days for principal or interest payments are required to be classified as "Loss" as per the ACPR issued by DAB. Bank can maintain loss assets in the books for a period of 12 months after which the loans should be immediately written off against provisions made.

vi) Rescheduled: Rescheduled loans and advances are provided as per provisioning policy of the bank which is aligned with the DAB regulations.

vii) Secured loans: Bank has a blanket agreement with Afghanistan Credit Guarantee Foundation (ACGF) for securing the SME and Overdraft loans portfolio partially, as defined in the agreement, up to a maximum of 72% of the loan amount. As per DAB guidelines, Bank records provisioning against these loans to the extent of unsecured portion. Bank claim the loss from ACGF upon charging-off of the loan.

Placements and other assets

The Bank has a policy of maintaining general provision on placements based on the review of the portfolio as allowed under DAB regulations.

Off-balance sheet item

The Bank has a policy of maintaining general provision on off-balance sheet items based on the review of the portfolio as allowed under DAB regulations.

5.6.1 Disclosure under IFRS 9

Impairments on financial assets, specifically on, loans and advances, investments and non-funded facilities, is carried out using the DAB regulations and above stated Bank's policy. However, additional notes and information on the assets impairment under IFRS 9 ECL model are also included in these financial statements as supplementary information for comparison.

Financial liabilities

The Bank classifies its financial liabilities in following categories.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if incurred principally for the purpose of trading or payment in the short term. Derivatives (if any) are also categorized as held for trading unless they are designated as hedges.

b) Other financial liabilities measured at amortized cost

These are non-derivatives financial liabilities with fixed or determinable payments that are not quoted in an active market. These are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement.

Fair value measurement

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximizes the use of relevant observable inputs and minimizes the use of unobservable input of all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit and loss in an appropriate basis over the life of the instrument but no later than when valuation is wholly supported by observable market data or transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short position at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market risk or credit risk or measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognizes transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the DAB and highly liquid financial assets with original maturities of 3 months or less from the date of acquisition that are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Property and equipment

5.10.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss of disposal of an item of property and equipment is recognized within other income in profit or loss.

5.10.2 Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

5.10.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Leased assets are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. The estimated useful lives of significant items of property and equipment are as follows:

	2020	2019
Leasehold improvements	**5 years**	5 years
Furniture and fittings	**5 years**	5 years
Vehicles	**5 years**	5 years
Office equipments	**4 years**	4 years
Computer equipments	**3 years**	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.11 Intangible assets

5.11.1 Software

Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.12 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of the Bank's non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.13 Deposits and borrowings

eposits and borrowings are the Bank's sourcing of loan financing. Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

5.14 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

5.15 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

5.16 Earnings per share (EPS)

The Bank presents basic EPS data for its ordinary shares. EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

5.17 Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and the Bank will comply with all the required conditions.

5.17.1 Revenue grants

Grants relating to costs are recognized as income over the period necessary to match these grants with the related costs that they are intended to compensate. Fixed obligation grants are recognized when the right to receive the grant has been established on achievement of certain milestones as stated in the grant agreement.

5.17.2 Capital grants

Grants for property and equipment are recorded as deferred grants in the statement of financial position and recognized as non-operating income on a systematic basis over the useful life of assets acquired from the grant.

6. CASH AND CASH EQUIVALENTS

	Note	31 December 2020	31 December 2019
		----------------- (AFN in '000)	-----------------
Cash on hand		339,385	325,431
Unrestricted balances with Da Afghanistan Bank	6.1	807,207	504,368
Balances with other banks	6.2	654,999	499,311
Short term placements with banks	6.3	**3,374,132**	**3,380,773**
		5,175,723	**4,709,883**

6.1 Unrestricted balances with Da Afghanistan Bank

Local currency			
Current accounts		175,625	242,668
Overnight deposit account	6.1.1	226,266	113,451
		401,891	**356,119**
Foreign currency			
Current accounts	6.1.2	405,316	148,249
		807,207	**504,368**

6.1.1 This represents interest bearing account carrying interest at 0.10% (2019: 0.10%) per annum.

6.1.2 These represent current accounts wirh Da Afghanistan Bank (DAB) in USD and Euro currencies.

6.2 Balances with other banks

Transkapital - Russia		**113,633**	24,925
Islamic Bank of Afghanistan		**231,150**	-
BMCE Bank International, Spain		**261,186**	446,506
AKTIF Bank, Turkey		**41,119**	24,022
CSCBank SAL		**7,911**	3,858
	6.2.1	**654,999**	**499,311**

6.2.1 These balances are interest free. (2019: Nil).

6.3 Short term placements with banks

Capital notes	6.3.1	**872,857**	799,571
Time deposits with other banks - net	6.3.2	**2,501,275**	2,581,202
		3,374,132	**3,380,773**

6.3.1 These represent capital notes issued by Da Afghanistan Bank having maturity of 7 to 91 days (2019: 7 to 28 days). These capital notes carry interest rates ranging from 0.085% to 1.51% (2019: 0.81% to 0.85%) per annum.

6.3.2 Time deposits with other banks - net

	Note	31 December 2020	31 December 2019
		------------------ (AFN in '000)	------------------
Diamond Trust Bank, Kenya	6.3.2.1	1,867,011	1,122,336
Habib Bank Limited, Brussels	6.3.2.2	308,200	462,900
BMCE Bank International, Spain	6.3.2.3	269,675	944,500
AKTIF Bank, Turkey	6.3.2.4	61,640	61,720
Less: General provision held	6.3.3	(5,251)	(10,255)
		2,501,275	**2,581,202**

6.3.2.1 These deposits have maturity ranging from 24 to 77 days (2019: 28 to 43 days) and carry interest rate of 1.5% (2019: 2.45%) per annum. These time deposits are placed with a related party.

6.3.2.2 These deposits, held with the related party, have maturity of 28 days (2019: 10 to 57 days) and carry interest rates of 0.9% (2019: 1.7% to 2.15%) per annum.

6.3.2.3 These deposits have maturity of 6 to 14 days (2019: 8 to 39 days) and carry interest rate ranging from 0.05% to 0.1% (2019: 0.05% to 1.5%) per annum.

6.3.2.4 This deposit has maturity of 91 days (2019: 28) and carries interest rate of 1.2% (2019: 1.65%) per annum.

6.3.3 Impairment on short-term placements

6.3.3.1 The bank has maintained a provision of AFN 5,251 thousand (2019: AFN 10,255 thousand) based on Bank's provisioning policy and Assets Classification and Provisioning Regulation (ACPR) issued by DAB which is higher than the provisioning calculated by IFRS 9 ECL.

6.3.3.2 The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2020 and 2019, respectively. The amounts presented are gross of impairment allowances.

	31 December 2020				31 December 2019
	---------------------------- (AFN in '000)				----------------------------
Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing					
Investment Grade	2,236,851	269,675	-	2,506,526	2,591,456
Non - Investment Grade			-	-	-
Non - performing	-	-	-	-	-
Total	**2,236,851**	**269,675**	**-**	**2,506,526**	**2,591,456**
Impairment as per bank's policy				**(5,251)**	**(10,255)**
Carrying amount				**2,501,275**	**2,581,202**

7. PLACEMENTS - NET

	Note	31 December 2020	31 December 2019
		----------------- (AFN in '000)	-----------------
Capital notes issued by DAB	7.1	1,084,610	448,718
Time deposits with other banks - net	7.2	457,677	154,635
		1,542,287	603,353

7.1 These represent capital notes issued by DAB for maturity period ranging from 182 to 364 days (2019: 91 to 182 days). These capital notes carry interest rates ranging from 1.75% to 3.8% (2019: 0.799% to 1.06%) per annum.

7.2 Time deposits with other banks - net

	Note	31 December 2020	31 December 2019
		--------------------- (AFN in '000)	---------------------
Habib Bank Limited, Brussels	7.2.1	462,300	-
Habibsons Bank Limited, UK	7.2.2	-	156,197
Less: General provision held	7.3	(4,623)	(1,562)
		457,677	154,635

7.2.1 The deposit, held with the related party, had a maturity of 94 to 182 days (2019: Nil) and carried interest rate ranging from 1.55% to 2.10% (2019: Nil) per annum.

7.2.2 These deposits, held with the related party, have maturity of 92 days (2020: Nil) and carry interest rate of 1.8% (2020: Nil) per annum.

7.3 General provision of 1% (2019: 1%) held on placements above 30 days (2019: above 30 days), in accordance with revised "Asset Classification and Provisioning Regulation (ACPR)" issued by DAB.

7.4 Impairment on placements

The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2020 and 2019, respectively. The amounts presented are gross of impairment allowances.

	31 December 2020				**31 December 2019**
	---------------------------- **(AFN in '000)** ----------------------------				
Internal Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing					
Investment grade		462,300	462,300		156,197
Non - Investment Grade		-	-		-
Non - performing		-	-		-
Total		462,300	462,300		156,197
Impairment as per bank's policy			**(4,623)**		**(1,562)**
Net Total			**457,677**		**154,635**

8. LOANS AND ADVANCES TO CUSTOMERS - NET

	Note	**31 December 2020**	**31 December 2019**
		----------------- **(AFN in '000)** -----------------	
Loans and advances to customers	8.1	4,584,887	5,387,903
Less: Allowance for impairment loss on loans and advances to customers	8.2	(338,504)	(456,619)
		4,246,383	4,931,284

8.1 Loans and advances to customers

		31 December 2020			31 December 2019		
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	Note	---------- (AFN in '000) ----------					
Microfinance loans	8.1.1	3,568,735	(301,824)	3,266,911	4,166,256	(334,756)	3,831,500
Loans to small and medium							
size enterprises (SME)	8.1.2	871,788	(35,531)	836,257	1,045,120	(106,393)	938,727
Overdraft financing	8.1.3	144,364	(1,149)	143,215	176,527	(15,470)	161,057
		4,584,887	**(338,504)**	**4,246,383**	**5,387,903**	**(456,619)**	**4,931,284**

8.1.1 Microfinance loans carry interest at rates ranging from 9% to 27% (2019: 9% to 27%) per annum. These loans are secured by various kind of properties and personal guarantees.

8.1.2 Interest on loans to small and medium size enterprises (SMEs) is charged at the rates ranging from 6.6% to 23% (2019: 6.6% to 23%) per annum. These loans are secured by various kind of properties and personal guarantees.

8.1.3 Overdraft financing carry interest rates ranging from 10% to 12% (2019: 8.5% to 17%) per annum. These loans are secured by different types of collaterals and personal guarantees. Overdrafts include a facility issued to Telecom Development Company Afghanistan Limited (TDCA), a related party.

8.2 Allowance for impairment loss on loans and advances to customers

		31 December 2020			31 December 2019		
		Specific	General	Total	Specific	General	Total
	Note	---------- (AFN in '000) ----------					
Opening		207,551	249,068	456,619	133,546	294,150	427,696
Charge for the year:							
Microfinance loans		106,709	(30,152)	76,557	101,915	(39,221)	62,694
Loans to small and medium size enterprises and overdrafts		8,918	(37,103)	(28,185)	49,128	(5,861)	43,267
		115,627	**(67,255)**	**48,372**	**151,043**	**(45,082)**	**105,961**

Written off against impairment allowance:							
Microfinance loans		(109,489)	-	(109,489)	(67,674)	-	(67,674)
Loans to small and medium		(56,998)	-	(56,998)	(9,364)	-	(9,364)
size enterprises and overdrafts		-	-	-	-	-	-
	8.2.1	**(166,487)**	**-**	**(166,487)**	**(77,038)**	**-**	**(77,038)**
Closing		**156,691**	**181,813**	**338,504**	**207,551**	**249,068**	**456,619**

8.2.1 These represent 'loss' category loans which have been written off in accordance with the Asset Classification and Provisioning Regulation (ACPR) issued by DAB. However, the write-off does not affect the Bank's right to recover the debt due from customers and does not eliminate the borrowers' responsibility to repay the loan.

8.2.2 As per the IFRS 9 ECL model, the expected credit losses on Loans and Advances amount to AFN 552,543 thousand (2019: AFN 426,058 thousand).

8.2.3 Classification of loans and advances for the purpose of allowance for impairment in accordance with Bank's provisioning policy and the DAB Asset Classification and Provisioning Regulation (ACPR) is as follows:

	Amount outstanding	**Impairment allowance required as per ACPR**		**Impairment allowance held**		**Number of customers**
31 December 2020	**(AFN in '000)**	**Rate**	**(AFN in '000)**	**Rate**	**(AFN in '000)**	
Classification - Microfinance Loans						
Standard	3,391,570	1%	34,498	4.98%	168,900	46,723
Overdue:						
Watch-List	17,750	5%	887	5%	887	338
Substandard	11,290	25%	2,823	25%	2,823	196
Doubtful	37,822	50%	19,252	50%	18,911	771
Loss	109,325	100%	109,380	100%	109,325	1,728
Rescheduled	978	100%		100%	978	7
	3,568,735		**166,840**		**301,824**	**49,763**

Classification - Overdraft and SME Loans						
Standard - SME loans	727,234	1%	7,272	4.98%	12,445	329
Standard - Overdraft financing	139,958	1%	1,049	1,049	5	
Overdue:						
Watch-List - SME Loan	5,357	5%	75	5%	75	5
What-List - Overdraft Financing	-	5%	-	5%	-	-
Substandard - SME Loans	25,116	25%	1,794	25%	1,794	8
Substandard - Overdraft financing	-	25%	-	25%	-	-
Doubtful - SME Loans	81,823	50%	11,474	50%	11,474	12
Doubtful - Overdraft financing	-	50%	-	50%	-	-
Loss - SME Loans	29,071	100%	7,7,16	100%	7,716	22
Loss - Overdraft financing	7,593	100%	2,126	100%	2,126	1
Total	**1,016,152**		**31,506**		**36,680**	**382**
	4,584,887		**198,346**		**338,501**	**50,145**

	Amount outstanding	**Impairment allowance required as per ACPR**		**Impairment allowance held**		**Number of customers**
31 December 2019	**(AFN in '000)**	**Rate**	**(AFN in '000)**	**Rate**	**(AFN in '000)**	
Classification - Microfinance Loans						
Standard	3,997,038	1%	39,970	4.98%	199,052	56,692
Overdue:						
Watch-List	13,105	5%	655	5%	655	190
Substandard	9,984	25%	2,496	25%	2,497	156
Doubtful	27,154	50%	13,577	50%	13,577	372
Loss	118,808	100%	118,808	100%	118,808	1,479

Rescheduled	167	100%	167	100%	167	1
Rescheduled	**4,166,256**		**175,673**		**334,756**	**58,890**

31 December 2019	**Amount outstanding (AFN in '000)**	**Impairment allowance required as per ACPR Rate**	**(AFN in '000)**	**Impairment allowance held Rate**	**(AFN in '000)**	**Number of customers**
Classification - Overdraft and SME Loans						
Standard - SME Loans	973,786	1%	9,738	4.98%	48,494	441
Standard - Overdraft financing	152,139	1%	1,521	1%	1,521	8
Overdue:						
Watch-List - SME loans	7,056	5%	353	5%	353	1
Watch-List - Overdraft financing	-	5%	-	5%	-	-
Substandard - SME loans	1,965	25%	491	25%	491	3
Substandard - Overdraft financing	-	25%	-	25%	-	-
Doubtful - SME loans	10,519	50%	5,260	50%	5,260	8
Doubtful - Overdraft financing	20,878	50%	10,439	50%	10,439	2
Loss - SME loans	47,563	100%	47,563	100%	47,563	26
Loss - Overdraft financing	3,510	100%	3,510	100%	3,510	1
Rescheduled - SME loans	4,232	100%	4,232	100%	4,232	3
	1,221,648		83,107		121,863	493
Total	**5,387,904**		**258,780**		**456,619**	**59,383**

9. OPERATING FIXED ASSETS

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
Capital work-in-progress	9.1	24,614	145,052
Property and equipment	9.2	145,265	91,602
Right-of-use assets - Bank's branches	9.3	240,252	359,143
		410,131	**595,797**

9.1 Capital work-in-progress

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
Opening balance		145,052	21,503
Advances made during the year	9.1.1	24,510	131,424
Transfer to assets		(144,948)	(7,875)
Closing balance		**24,614**	**145,052**

9.1.1 This includes mainly the ATM Machines and other equipments which will be transferred to intangibles upon completion.

9.2 Property and equipment

	Leasehold improve-ments	Furniture and fit-tings	Vehicles	Office equip-ments	Computer equip-ments	Total
	(AFN in '000)					
Cost						
Balance at 01 January 2019	55,767	41,358	24,192	95,834	82,934	300,085
Additions	1,815	1,259	-	21,984	31,867	56,925
Transfer from CWIP	-	-	-	-	-	-
Disposals	(300)	(735)	-	(585)	(526)	(2,146)
Balance at 31 December 2019	**57,282**	**41,882**	**24,192**	**117,233**	**114,275**	**354,864**
Balance at 01 January 2020	57,282	41,882	24,192	117,233	114,275	354,864
Additions	52,548	2,035	-	45,135	3,180	102,898
Disposals	(137)	(647)	-	(1,086)	(1,102)	(2,972)

Balance at 31 December 2020	**109,693**	**43,270**	**24,192**	**161,282**	**116,353**	**454,790**
Depreciation						
Balance at 01 January 2019	42,899	29,775	18,825	68,425	63,039	222,963
Charge for the year	3,961	3,244	2,880	14,726	17,363	42,175
Disposals	(278)	(725)	-	(533)	(338)	(1,875)
Balance at 31 December 2019	**46,582**	**32,294**	**21,705**	**82,618**	**80,064**	**263,263**
Balance at 1 January 2020	46,582	32,294	21,705	82,618	80,064	263,263
Charge for the year	8,814	3,374	1,754	17,529	17,716	49,187
Disposals	(137)	(641)	-	(1,056)	(1,092)	(2,925)
Balance at 31 December 2020	**55,259**	**35,027**	**23,459**	**99,091**	**96,688**	**309,525**
Carrying amounts						
Balance at 31 December 2019	10,701	9,588	2,487	34,615	34,211	91,601
Balance at 31 December 2020	**54,434**	**8,243**	**733**	**62,191**	**19,665**	**145,265**
Depreciation rate	**20%**	**20%**	**20%**	**25%**	**33.33%**	

9.3 Right-of-use assets - Bank's branches

	31 December 2020	**31 December 2019**
	------------------ (AFN in '000)	**------------------**
Cost:		
Opening balance	418,485	417,733
Additions during the year	-	752
Adjustment for lease modification	(96,445)	-
Closing balance as on 31 December	322,040	418,485
Accumulated depreciation:		
Balance as of January 1, 2020 upon adoption of IFRS 16	59,342	-
Depreciation expense for the year	59,631	59,342
Adjustment for lease modification	(37,185)	-
Balance as at December 31, 2020	81,788	59,342
Carrying amount	**240,252**	**359,143**

9.4 Allocation of depreciation

Depreciation charge on property and equipment	49,187	42,175
Depreciation charge on right-of-use assets	59,631	59,342
Less: Amount classified under grant expense	(1,147)	(1,328)
	107,671	100,189

10. INTANGIBLE ASSETS

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
Cost			
Opening		172,504	164,629
Transfer from CWIP		50,242	7,875
Additions CBS		-	-
Closing		222,746	172,504
Amortisation			
Opening		(93,674)	(63,957)
Charge for the year CBS		(31,440)	(29,717)
Closing		(125,114)	(93,674)
Carrying amounts at 31 December		**97,632**	**78,830**

11. OTHER ASSETS

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
Restricted deposits with DAB	11.1	574,586	535,100
Interest receivable		220,892	256,512
Prepayments		58,063	19,250
Receivable from Roshan against M-Paisa payments		13,981	26,668
Advances to staff	11.2	12,326	6,114
Grant receivable		85,991	-
Others		2,283	10,179
		968,122	853,823
Less: Allowance for impairment losses		(299)	(247)
		967,823	853,576

11.1 Restricted deposits with DAB

	Note	31 December 2020	31 December 2019
		------------------ (AFN in '000)	------------------
In local currency		163,224	139,460
In foreign currency		411,363	395,640
	11.1.1	**574,586**	**535,100**

11.1.1 Required reserve account is being maintained with DAB which is denominated in respective currencies to meet minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB. These balances are interest free.

11.2 These include advance given to staff against salary, business travelling and others. These advances are not secured.

12. DEPOSITS FROM CUSTOMERS

	Note	31 December 2020	31 December 2019
		------------------ (AFN in '000)	------------------
Retail customers			
Term deposits	12.1	44,191	39,592
Current deposits		724,486	779,512
Saving deposits	12.2	2,742,575	2,611,815
		3,511,251	3,430,919
Corporate customers			
Term deposits	12.3	692,625	542,875
Current deposits		2,832,997	2,447,265
Saving deposits	12.4	480,713	140,464
		4,006,335	3,130,604
Cash Margin		32,193	40,367
Dormant deposits		132,662	135
	12.5	7,682,441	6,602,025

12.1 The rate of interest on term deposits from retail customers ranges from 0.65% to 5% (2019: 0.75% to 4%) per annum.

12.2 The rate of interest on saving deposits other than those in Euro from retail customers is up to 0.5% (2019: upto 0.5%) per annum. Saving deposits in Euro are interest free.

12.3 The rate of interest on term deposits with corporate customers ranges from 1.5% to 5% (2019: 1.5% to 4.5%) per annum.

12.4 The rate of interest on saving deposits other than those in Euros from corporate customers is 0.5% (2019: 0.5%) per annum. Saving deposits in Euro are interest free.

12.5 Deposits include AFN 1,232,389 thousands (2019: AFN 1,141,364 thousands) from related parties.

13. LOANS AND BORROWINGS

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000)	------------
Loans and borrowings from:			
Ministry of Finance, Government of Afghanistan	13.1	132,240	194,135
Microfinance Investment Support Facility for Afghanistan Limited	13.2	864,562	1,208,401
"Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V"	13.3	519,936	562,649
Agricultural Development Fund	13.4	27,857	83,571
International Fund for Agricultural Development	13.5	694,019	540,221
		2,238,614	**2,588,977**

13.1 Ministry of Finance, Government of Afghanistan

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000)	------------
FMFB Credit Line II	13.1.1	132,240	194,135
		132,240	**194,135**

13.1.1 On 29th October 2008, the Bank entered into another financing and project agreement (FMFB Credit Line II), for 15 years with 5 years grace period for principal repayment, between the above parties. The purpose of the credit line is to support the development of the Bank through the expansion of its lending business. The total principal of the facility agreed was Euro 4,000 thousands (equivalent AFN 264,480 thousands) at an annual interest rate of 5% per annum payable in arrears which was revised to 6% in 2017. This loan is repayable through 20 bi-annual installments, starting from June 2016.

13.2 Microfinance Investment Support Facility for Afghanistan

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
MISFA I	13.2.1	-	95,000
MISFA II	13.2.1	225,000	325,000
MISFA III	13.2.2	145,000	245,000
MISFA/KfW IV	13.2.3	195,355	244,194
MISFA/KfW V	13.2.3	299,207	299,207
	13.2.5	**864,562**	**1,208,401**

13.2.1 The Bank signed a further loan agreement (MISFA II) via agreement No. M9102 dated 17th June 2012 with MISFA for an amount of AFN 500,000 thousands for a period of 10 years with 5 years grace period for principal repayment. The total facility was disbursed in four tranches as per the terms of the aforementioned agreement of AFN 212,000 thousand, AFN 38,000 thousand, AFN 100,000 thousand and AFN 150,000 thousand on 19th June 2012, 29th June 2013, 9th August 2012 and 25th November 2012, respectively. The purpose of the loan is to grow the microfinance and SME loan portfolio of Bank. This loan agreement carries interest rate of 6% per annum effective from 30th June 2012. The loan is repayable as per agreed upon repayment schedule with MISFA with the first installment starting from 30th June 2017, and was fully drawn on 25th November 2012.

13.2.2 The Bank signed a further loan agreement (MISFA III) via agreement No. M9105 dated 20th March 2013 with MISFA for an amount of AFN 500,000 thousands for a period of 10 years with 5 years grace period for principal repayment. The total facility was disbursed in four tranches as per the terms of the aforementioned agreement of AFN 120,000 thousand, AFN 130,000 thousand, AFN 130,000 thousand and AFN 120,000 thousand on 2nd April 2012, 4th May 2013, 29th June 2013 and 5th August 2013, respectively. The purpose of the loan is to grow the microfinance and SME loan portfolio of Bank. This loan agreement carries interest rate of 6% per annum effective from 30th June 2013. The loan is repayable as per agreed term schedule with MISFA; the first installment starting from 30th June 2017, and was fully drawn on 5th August 2013.

13.2.3 The Bank entered into a financing and project agreement for a period of 10 years with 5 years grace period for principal repayment amounting for Euro 7,750 thousand dated 19th December 2013 with Kreditanstalt fur Wiederaufbau, Frankfurt am Main (KfW), the Islamic Republic of Afghanistan (IROA) represented by the Ministry of Finance (MOF) and Microfinance Investment Support Facility for Afghanistan Limited (MISFA). The loan was disbursed in 2 tranches, as agreed in a separate agreement dated 15th July 2014 between the Bank and KfW, on 17th March 2015 and 28th October 2017 of Euro 4,000 thousand (equivalent AFN 244 thousand) (MISFA/KfW IV) and 3,750 thousand (equivalent AFN 299 thousand) (MISFA/KfW V), respectively, carrying financial charges at the rate of 6% per annum effective from 31st March 2015. Both tranches are repayable as per agreed upon schedule with MISFA starting from 31st March 2020 and 31st December 2022, respectively.

13. LOANS AND BORROWINGS (Continued---)

113.2.5 The total outstanding loan facilities from MISFA of AFN 864,562 thousands are supported by promissory notes issued by the Bank to MISFA. As a security for these promissory notes the Bank has assigned all rights and interests in the whole or such portion of the Bank's loan portfolio as MISFA may select in its sole discretion up to the amount of the loans outstanding under the loan agreements.

13.3 Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
FMO I	13.3.1	213,568	256,281
FMO II	13.3.2	306,368	306,368
		519,936	**562,649**

13.3.1 On 25 July 2017, the Bank signed a term loan agreement for an amount of USD 5,000 thousand (equivalent to AFN 341,708 thousand) with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) for a period of 5 years with 1 year grace period for principal repayment. The purpose of the loan is to extend SME and microfinance loans to eligible borrowers. The said loan was disbursed on 1st November 2017 having interest rate 4% + the weighted average rate for the last five 28 days capital notes as auctioned by Da Afghanistan Bank. The loan is repayable in eight installments starting from 15th January 2019 and ending on 15th July 2022. This loan is not secured.

13.3.2 "On 22 July 2019, the Bank signed a term loan agreement for an amount of EUR 3,500 thousand (equivalent to AFN 306,368 thousand) with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) for a period of 5 years with 1 year grace period for principal repayment. The purpose of the loan is to extend SME and microfinance loans to eligible borrowers. The said loan was disbursed on 12th August 2019 having interest rate of 4% + LIBOR. The loan is repayable in eight installments starting from 15th January 2021 and ending on 15th July 2024. This loan is not secured.

13.4 A 5-year credit line of AFN 195,000 thousands was obtained from Agricultural Development Fund (ADF) through Ministry of Agricultural, Irrigation and Livestock of Afghanistan (MAIL) under an agreement signed on 2nd March 2016. The purpose of the facility is to fund agri-lending and provide access to credit for clientele in agricultural value chain. The credit line carries an interest rate of 5% per annum. The loan is repayable through 6 bi-annual installments and the principal repayment has two years grace period with 1st installment due on 6th April 2018. As a security for the loan, the Bank has assigned a valid second priority right in favor of Agriculture Development Fund in respect of Bank's loan portfolio up to the amount of the loans outstanding under the loan agreement.

13.5 In September 2017, a 10 year term loan with 6 years grace period for principal repayment of USD 7,000 thousand disbursable in tranches, the Bank entered into a subsidiary loan agreement by Islamic Republic of Afghanistan with Ministry of Finance (MOF) through Ministry of Agricultural, Irrigation and Livestock of Afghanistan (MAIL). The first tranche of the loan of USD 3,500 thousand (equivalent to AFN 264,598 thousand) was disbursed on 2nd October 2018 carrying financial charges at the rate of 0.5% per annum. While the second tranche of the loan USD 3,500 thousand (equivalent to

AFN 275,623 was disbursed on 9th of August. The loan is repayable through 8 bi-annual installments with 1st installment due on 17th April 2019. The loan is secured through a demand promissory note and loan portfolio up to the principal of the loan.

13.6 The Bank has not had any default of principal or interest with respect to its loans and borrowings during the year ended 31 December 2020.

14. DEFERRED TAX LIABILITIES - NET

14.1 Movement in deferred tax balances

	Net balance at 01 January	Recognised in profit or loss	Deferred tax liability	Deferred tax asset	Net balance at 31 December
	----------------------------------	----------------------------------	(AFN in '000)	----------------------------------	----------------------------------
2020					
Property and equipment	(7,887)	(3,444)	(11,331)	-	(11,331)
Right-of-use assets	(71,829)	23,779	(48,050)	-	(48,050)
Intangibles	(14,978)	2,864	(12,114)	-	(12,114)
Impairment loss on placements	2,363	(388)	-	1,975	1,975
General provision held on					
Other assets	49	11	-	60	60
Off-balance sheet items	-	-	-	-	-
Lease liabilities	65,012	(25,263)	-	39,749	39,749
	(27,270)	(2,441)	(71,495)	41,784	(29,711)
2019					
Property and equipment	(7,817)	(70)	(7,887)	-	(7,887)
Right-of-use assets	-	(71,829)	(71,829)	-	(71,829)
Intangibles	(17,936)	2,958	(14,978)	-	(14,978)
Impairment loss on placements	3,234	(871)	-	2,363	2,363
General provision held on					
Other assets	79	(30)	-	49	49
Off-balance sheet items	-	-	-	-	-
Lease liability	-	65,012	-	65,012	65,012
	(22,440)	**(4,830)**	**(94,694)**	**67,424**	**(27,270)**

15. OTHER LIABILITIES

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Accrued expenses			
Interest payable		103,668	94,407
Lease liabilities	15.1	50,857	49,155
Deferred grants	15.2	198,744	325,059
Withholding taxes payable		1,242	2,390
Other		12,066	8,519
		3,243	**1,659**
		369,820	**481,189**

15.1 Lease liabilities

	31 December 2020	31 December 2019
	------------ (AFN in '000) ------------	
Opening balance as of 1 January 2019 upon adoption of IFRS 16	325,059	382,485
Additions during the year	-	752
Accrued finance cost	8,277	14,215
Principal repayment and interest payments	(75,320)	(72,393)
Adjustment for lease modification	(59,272)	-
	198,744	**325,059**

15.2 Deferred grants - KfW

	(AFN in ‘000)
2020	
Balance at 01 January 2020	**2,390**
Grants received during the year	**-**
Grant amortized during the year	**(1,148)**
Balance at 31 December 2020	**1,242**
2019	
Balance at 01 January 2019	**3,718**
Grants received during the year	**-**
Grant amortized during the year	**(1,328)**
Balance at 31 December 2019	**2,390**

This represents grant received from Kreditanstalt fur Wiederaufbau (KfW) under an agreement signed dated 26 October 2016 for establishment of “Women - only” branch in Kabul.

16. SHARE CAPITAL

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Authorized			
88,800 ordinary shares of AFN 9,016 each (2019: 88,800 of AFN 9,016)		800,624	800,624
Paid up			
88,288 ordinary shares of AFN 9,016 each (2019; 88,288 of AFN 9,016)		796,008	796,008

16.1 The capital is contributed by the shareholders as follows:

	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
	---- Number of shares ----		------ (AFN in '000) ------	
Aga Khan Agency for Microfinance (AKAM)	34,784	34,784	310,646	310,646
Kreditanstalt fur Wiederaufbau (KfW)	28,200	28,200	254,811	254,811
International Finance Corporation (IFC)	14,800	14,800	133,974	133,974
Aga Khan Foundation (AKF) USA	10,504	10,504	96,577	96,577
	88,288	**88,288**	**796,008**	**796,008**

16.2 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Bank.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	31 December 2020	31 December 2019
	------------ (AFN in '000) ------------	
Outstanding bank guarantees	7,485	12,564

17.2 Commitments

	31 December 2020	31 December 2019
	------------ (AFN in '000) ------------	
Undrawn loan and overdraft facilities	151,404	28,659

18. INTEREST INCOME

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Cash and cash equivalents		56,768	42,922
Placements		6,462	15,540
Loans and advances to customers			
Loans to small and medium size enterprises		150,752	204,868
Microfinance loans		982,491	1,127,647
Interest on overdraft facility		32,742	28,317
		1,165,985	**1,360,832**
		1,229,215	**1,419,295**

19. INTEREST EXPENSE

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Deposits from customers		42,328	39,579
Loans and borrowings		110,981	125,514
		153,309	**165,093**

20. FEE AND COMMISSION INCOME

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Loan processing fee		43,671	54,209
Bank charges relating to foreign remittances and other services		24,617	24,549
		68,288	**78,758**

21. FEE AND COMMISSION EXPENSE

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Bank charges		9,063	11,659

22. OTHER INCOME

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Unrealised exchange (loss)/ gain		(12,542)	(2,397)
Receipts against claims with ACGF		30,305	31,545
Recovery of loans and advances written-off		23,437	10,540
(Loss)/ gain on disposal of property and equipment		245	(93)
Others		685	9,030
		42,130	**48,625**

23. PERSONNEL EXPENSES

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Local staff	23.1	652,616	614,639
Expat staff	23.2	45,405	66,142
		698,021	680,781
Less: Grant related salaries and benefits	25	(674)	(5,065)
		697,348	**675,716**

23.1 Local staff:

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Basic salary		499,003	451,582
Other benefits		153,613	163,057
		652,616	**614,639**

23.2 Expat staff:

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Basic salary		36,281	50,276
Other benefits		9,124	15,866
		45,405	**66,142**

24. OTHER EXPENSES

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Consultancy fee		793	5,474
Office rent		6,573	10,014
Communication		64,883	66,946
IT maintenance and support costs		44,380	24,032
Generator fuel and maintenance		36,238	34,796
Insurance		61,487	75,315
Legal, professional and statutory fee		8,955	14,334
Auditors' remuneration	24.1	2,301	2,330
Office security		50,582	144,488
Office stationery and supplies		22,207	31,819
Other operating expenses		11,360	10,872
Repairs and maintenance		3,915	10,065
Travel and transportation		41,526	48,448
Director's expense		8,605	18,714
Trainings		5,217	8,178
Utilities		18,534	12,138
Marketing and promotional expenses		1,990	14,501
		389,545	**532,464**

24.1 Auditors' remuneration

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Annual audit fee		1,607	1,636
Interim review fee		694	694
		2,301	**2,330**

25. EXPENDITURE AGAINST GRANTS

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Salaries and benefits	23	-	5,065
Consultancy fee		3,954	-
Marketing		4,637	615
Depreciation and amortization	9.4	1,147	1,328
Perdiem		674	22
		10,413	**7,029**

26. INCOME TAX EXPENSE

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Current tax		10,383	12,850
For the year		-	-
Prior year		10,383	12,850
		2,441	4,830
Deferred tax expense	14	**12,824**	**17,680**

27. EARNINGS PER SHARE

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000) ------------	
Basic earnings per share			
Profit for the year attributable to ordinary shareholders (AFN '000)		49,503	39,644
Weighted-average number of ordinary shares		88,288	88,288
Basic earnings per share (AFN)		561	449

28. RELATED PARTIES

Related parties of the Bank comprise of associates (including entities having directors in common with the Bank), major share holders, directors and key management personnel.

28.1 Parent and ultimate controlling entity

Pattern of shareholding in the Bank is disclosed in note 16.1. Aga Khan Development Network entities collectively own 51% (2018: 51%) of the Bank's capital.

28.2 Transactions with key management personnel

28.2.1 Key management personnel compensation

	Note	31 December 2020	31 December 2019
		------------ (AFN in '000)	------------
Short term employee benefits	28.2.1.1	52,969	91,941

28.2.1.1 Compensation of the Bank's key management personnel includes salaries and benefits.

28.2.2 Related party transactions

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
Balances with related parties	------------------------	(AFN in '000)	------------------------	
Balances with banks	-	-	-	-
Time deposits with banks	-	-	2,637,511	1,741,433
Advances	1,558	1,078	-	-
Deposits from customers	11,252	10,405	1,232,389	1,141,364
Cash Margin against guarantees issued	-	-	-	149
Loan to Telecom Development Company Afghanistan Limited (TDCA)	-	-	91,198	92,066
Receivable from Roshan against M-Paisa payments	-	-	13,981	26,668

Transactions with related parties	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
	----------------------- (AFN in '000) -----------------------			
Interest income	-	-	40,468	44,401
Fee and commission income	-	-	3,120,761	4,225
Fee and commission expense	-	-	6,127	7,807
Interest expense on deposits from customers	-	-	1,944	3,089
Directors' fee and other reimbursements	8,605	18,714	-	-

28.2.2.1 No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the reporting date. These balances are not secured and no guarantees have been obtained.

29. FINANCIAL ASSETS AND LIABILITIES

Accounting classification of financial assets and financial liabilities and fair values

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

	Note	Debt investments at amortized cost	Other amortised cost	Total carrying amount	Fair value
		------------------------- (AFN in '000) -------------------------			
31 December 2020					
Financial assets					
Cash and cash equivalents	6	5,175,723	-	5,175,723	5,175,723
Placements	7	1,542,287	-	1,542,287	1,542,287
Loans and advances to customers	8	4,246,383	-	4,246,383	4,246,383
Other assets	11	-	897,434	897,434	897,434
		10,964,393	897,434	11,861,827	11,861,827
Financial liabilities					
Deposits from customers	12	-	7,682,441	7,682,441	7,682,441
Loans and borrowings	13	-	2,238,614	2,238,614	2,238,614
Other liabilities	15	-	356,512	356,512	356,512
		-	**10,277,567**	**10,277,567**	**10,277,567**
31 December 2019					
Financial assets					
Cash and cash equivalents	6	4,709,883	-	4,709,883	4,709,883
Placements	7	603,353	-	603,353	603,353
Loans and advances to customers	8	4,931,284	-	4,931,284	4,931,284
Other assets	11	-	828,212	828,212	828,212
		10,244,520	828,212	11,072,732	11,072,732
Financial liabilities					
Deposits from customers	12	-	6,602,025	6,602,025	6,602,025
Loans and borrowings	13	-	2,588,977	2,588,977	2,588,977
Other liabilities	15	-	470,280	470,280	470,280
		-	**9,661,282**	**9,661,282**	**9,661,282**

'The carrying amounts approximate fair values as most of the assets and liabilities have short maturities and are expected to be recovered / settled at their carrying amounts.

30. FINANCIAL RISK MANAGEMENT

This note presents information about the Bank's exposure to financial risks, Bank's financial risk management and the Bank's management of capital. The Bank has exposure to the following risks from financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risks
d) Operational and business risk

Risk management framework

The Bank's Board of Supervisors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Supervisors has established the Bank's Asset and Liability Committee (ALCO), which is responsible for developing and monitoring Bank's risk management policies.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

30.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

30.1.1 Credit risk measurement

Management of credit risk

The Bank manages credit risk by limiting and controlling concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or counterparty. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations at the time of loan appraisal for initial and subsequent loans.

Regular audits of business units and Bank's credit processes are undertaken by Internal Audit.

Credit quality analysis

The table below set out information about the credit quality of the Bank's loans and advances to customers and the allowance for impairment/loss held by the Bank against those assets. The maximum exposure to credit risk in respect of other financial assets and guarantees are equivalent to their carrying amounts as disclosed in the respective notes.

	Note	31 December 2020	31 December 2019
		(AFN in '000)	
Maximum exposure to credit risk			
Carrying amount	8	4,246,383	4,931,284
At amortised cost			
Standard		4,258,763	5,122,963
Watch-list		23,106	20,161
Substandard		36,406	11,949
Doubtful		119,644	58,550
Loss		145,990	169,881
Rescheduled		111,426	4,399
Total gross amount		**4,695,336**	**5,387,903**
Allowance for impairment (individual and collective)		(338,504)	(456,619)
Net carrying amount		**4,356,832**	**4,931,284**
Loans with renegotiated terms			
Gross carrying amount		111,426	4,399
Allowance for impairment		(6,500)	(4,399)
Net carrying amount		104,926	-
Neither past due nor impaired			
Standard (low fair risk)		4,259,344	5,054,392
		4,259,344	**5,054,392**
Individually impaired			
Watch-list		23,106	20,161
Substandard		36,406	11,949
Doubtful		119,644	58,550
Loss and rescheduled		257,417	174,280
		436,573	**264,940**
Allowance for impairment			
Specific		156,691	207,551
General		181,813	249,068
Total allowance for impairment		**338,504**	**456,619**
Impaired loans and advances			

See accounting policy - note 5.6.4.

The Bank regards a loan and advance as impaired in the following circumstances:

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

- A loan is overdue for 30 days or more.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicator of impairment.

Loans and advances that are past due but not impaired

Loans and advances 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amount owed to the Bank.

Balances with other banks

The Bank holds balances with central bank and other financial institutions amounting to AFN 6,953,211 thousands at 31 December 2020 (2019: AFN 5,522,905 thousands).

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		**Principal type of collateral held**
	31-Dec-2020	**31-Dec-2019**	
Type of credit exposure			
Loans and advances to customers			
Microfinance loans	76.93	77.70	Property
Microfinance loans - Group loans	-	-	None
Over draft	3.37	3.27	Property
Loans to small and medium			
size enterprises (SME)	19.69	19.04	Property

Offsetting financial assets and financial liabilities

No financial assets and financial liabilities have been set off during the year (2019: none).

30.1.2 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and geographic location.

Geographic sector

The following table breaks down the Bank's main credit exposure at their gross/ carrying amount, as categorised by geographical region. For this table, the Bank has allocated exposures to the regions based on the country of domicile of counterparties.

	Cash and cash equiva-lents	Place-ments	Loans and advances to cus-tomers	Other assets	Total (on-bal-ance sheet)	Contin-gencies and commit-ments	Total
	(AFN in '000)						
31 December 2020							
Afghanistan	231,150	-	4,246,383	322,848	4,800,381	158,889	**4,959,270**
United Kingdom	-	-	-	-	-	-	**-**
Belgium	308,200	457,677	-	-	765,877	-	**765,877**
Kenya	1,867,011	-	-	-	1,867,011	-	**1,867,011**
Turkey	102,759	-	-	-	102,759	-	**102,759**
Spain	530,861	-	-	-	530,861	-	**530,861**
Russia	113,633	-	-	-	113,633	-	**113,633**
Lebanon	7,911	-	-	-	7,911	-	**7,911**
	3,161,525	**457,677**	**4,246,383**	**322,848**	**8,188,433**	**158,889**	**8,347,322**
31 December 2019							
Afghanistan	-	-	4,931,284	293,112	5,224,396	41,223	**5,265,619**
United Kingdom	-	156,197	-	-	156,197	-	**156,197**
Belgium	462,900	-	-	-	462,900	-	**462,900**
Kenya	1,122,336	-	-	-	1,122,336	-	**1,122,336**
Turkey	85,742	-	-	-	85,742	-	**85,742**
Spain	1,391,006	-	-	-	1,391,006	-	**1,391,006**
Russia	24,925	-	-	-	24,925	-	**24,925**
Lebanon	3,858	-	-	-	3,858	-	**3,858**
	3,090,767	**156,197**	**4,931,284**	**293,112**	**8,471,360**	**41,223**	**8,512,583**

Industry sector

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by industry sector as of 31 December 2020.

30.1.2 Concentration of credit risk (Continued---)

	Note	Banks	Agriculture	Telecom	Trade	Others	Total
		(AFN in '000)					
31 December 2020							
Cash and cash equivalents	6	3,156,274	-	-	-	-	3,156,274
Placements	7	457,677	-	-	-	-	457,677
Loans and advances to customers	8	-	1,093,021	84,465	2,189,834	879,063	4,246,383
Other assets	11	-	-	13,981	-	308,867	322,848
Contingencies and commitments	17	-	-	-	-	158,889	158,889
		3,613,951	**1,093,021**	**98,446**	**2,189,834**	**1,346,819**	**8,342,071**
31 December 2019							
Cash and cash equivalents	6	3,080,513	-	-	-	-	3,080,513
Placements	7	154,635	-	-	-	-	154,635
Loans and advances to customers	8	-	1,246,157	84,264	2,573,441	1,027,423	4,931,285
Other assets	11	-	-	26,668	-	266,444	293,112
Contingencies and commitments	17	-	-	149	-	41,074	41,223
		3,235,148	**1,246,157**	**111,081**	**2,573,441**	**1,334,941**	**8,500,768**

30.1.2.1 Impaired loans and advances

For details of impairment allowance for loans and advances to customers, see note 8.

30.2 Liquidity risk

Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

30.2.1 Management of liquidity risk

The Bank's Board of Supervisors sets the Bank's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. The key elements of the Bank's liquidity strategy are as follows:

- Day-to-day funding, managed by monitoring future cash flows by currency and business segment to ensure that requirements can be met, expressed through a maturity mismatch approach within different time bands on a maturity ladder.

- Maintaining a portfolio of highly marketable assets and/or standby credit lines that can easily be liquidated/drawn as protection against any unforeseen interruption to cash flow.

- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of deposit and debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections by currency and business segment for the next day, week and month respectively, using the maturity mismatch approach outlined above, as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The Bank also monitors unmatched medium-term assets, the level and type of un-drawn lending commitments. Sources of liquidity are regularly reviewed by the ALCO to maintain a wide diversification by currency, provider, product and term.

30.2.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	31 December 2020	**31 December 2019**
At 31 December	72.45%	63.47%
Average for the period	67.51%	57.45%
Maximum for the period	72.45%	63.47%
Minimum for the period	60.54%	52.46%

30.2.3 Maturity analysis for financial liabilities

The tables below set out the remaining contractual maturities of the Bank's financial liabilities.

	Note	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
		----------	----------	----------	(AFN in '000)	----------	----------	----------
31 December 2020								
Financial liabilities								
Deposits from customers	12	(7,682,441)	(6,956,478)	(261,386)	(459,758)	(4,819)	-	7,682,441
Loans and borrowings	13	(2,238,615)	(136,223)	(49,710)	(321,944)	(1,044,818)	(685,921)	2,238,614
Other liabilities	15	(356,512)	(106,911)	(50,857)	(19,874)	(178,870)		356,512
		(10,277,569)	**(7,199,612)**	**(361,953)**	**(801,576)**	**(1,228,506)**	**(685,921)**	**10,277,567**
31 December 2019								
Financial liabilities								
Deposits from customers	12	(6,602,026)	(6,040,677)	(10,699)	(357,774)	(192,875)	-	6,602,025
Loans and borrowings	13	(2,588,977)	(73,549)	(103,210)	(370,116)	(1,318,552)	(723,551)	2,588,977
Other liabilities	15	(470,280)	(89,206)	(57,068)	(580)	(43,554)	(279,872)	470,280
		(9,661,283)	**(6,203,432)**	**(170,976)**	**(728,471)**	**(1,554,981)**	**(1,003,422)**	**9,661,282**

The amounts in the table above have been compiled as follows:

Type of financial instrument	**Basis on which amounts are compiled**
Non-derivative financial liabilities	Undiscounted cash flows, which include estimated interest payments
Issued financial guarantee contracts and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	Note	31 December 2020	31 December 2019
Financial assets			
Loans and advances to customers	8	2,621,158	2,803,475
Financial liabilities			
Loans and borrowings	13	1,730,738	2,042,103

30.3 Market risk

Market risk is the risk that changes in market prices - such as interest rates and foreign exchange rates - will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk.

30.3.1 Management of market risks

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in Management Board of the Bank. The Management Board is responsible for the development of detailed risk management policies and day to day review of their implementation.

30.3.2 Exposure to interest rate risk

The following table is a summary of the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amount, categorised by the earlier of contractual reprising or maturity dates.

	Note	Interest rates (p.a)	INTEREST BEARING Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total	Not Interest Bearing	Carrying amount
		(AFN in '000)								
31 December 2020										
Financial assets										
Cash and cash equivalents	6	0.05% to 2.45%	3,600,398	-	-	-	-	**3,600,398**	1,575,325	5,175,723
Placements	7	1.8%	-	1,542,287	-	-	-	**1,542,287**	-	1,542,287
Loans and advances to										
customers	8	6.6% to 27%	134,647	249,564	1,241,014	2,619,514	1,644	**4,246,383**	-	4,246,383
Other assets	11		-	-	-	-	-	**-**	897,434	897,434
Total financial assets			**3,735,045**	**1,791,851**	**1,241,014**	**2,619,514**	**1,644**	**9,389,068**	**2,472,759**	**11,861,827**
Financial liabilities										
Deposits from customers	12	0.5% to 4.5%	3,292,163	279,463	180,295	4,819	-	**3,756,740**	3,925,701	7,682,441
Loans and borrowings	13	0.5% to 6%	185,933	103,291	218,653	1,044,817	685,921	**2,238,614**	-	2,238,614
Other liabilities	15							**-**	356,512	356,512
Total financial liabilities			3,478,096	382,754	398,948	1,049,636	685,921	**5,995,354**	4,282,213	10,277,567
Total interest rate gap			**256,949**	**1,409,097**	**842,066**	**1,569,878**	**(684,277)**	**3,393,714**	**(1,809,454)**	**1,584,260**

INTEREST BEARING

	Note	Interest rates (p.a)	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total	Not Interest Bearing	Carrying amount
		---------- (AFN in '000) ----------								
31 December 2020										
Financial assets										
Cash and cash equivalents	6	0.05% to 2.45%	3,080,513	-	-	-	-	**3,080,513**	1,215,659	4,296,172
Placements	7	1.8%	-	603,353	-	-	-	**603,353**	-	603,353
Loans and advances to										
customers	8	6.6% to 27%	524,002	311,239	1,292,567	2,799,841	3,634	**4,931,284**	-	4,931,284
Other assets	11		-	-	-	-	-	**-**	828,212	828,212
Total financial assets			**3,604,515**	**914,592**	**1,292,567**	**2,799,841**	**3,634**	**8,615,150**	**2,043,871**	**10,659,021**
Financial liabilities										
Deposits from customers	12	0.5% to 4.5%	2,760,604	21,367	357,774	195,000	-	**3,334,746**	3,267,279	6,602,025
Loans and borrowings	13	0.5% to 6%	176,759	161,902	208,214	1,318,552	723,551	**2,588,977**	-	2,588,977
Other liabilities	15		-	1,205	428	43,554	279,872	**325,059**	145,221	470,280
Total financial liabilities			2,937,363	184,474	566,417	1,557,106	1,003,422	**6,248,782**	3,412,500	9,661,282
Total interest rate gap			**667,152**	**730,118**	**726,150**	**1,242,735**	**(999,788)**	**2,366,367**	**(1,368,629)**	**997,738**

If the interest rate increases / (decreases) by 100 bps, the impact on profit or loss for the year would have been AFN 33,440 thousands (2017: AFN 27,996 thousands) lower/higher respectively.

30.3.3 Exposure to currency risk

The table below summarizes the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

	Note	AFN	USD	EUR	Total	Others	Carrying amount
		--		(AFN in '000)		--	
31 December 2020							
Financial assets							
Cash and cash equivalents	6	1,506,543	3,252,179	417,001	5,175,723	-	**5,175,723**
Placements	7	1,084,610	457,677	-	1,542,287	-	**1,542,287**
Loans and advances to customers	8	3,963,174	283,209	-	4,246,383	-	**4,246,383**
Other assets	11	452,152	399,150	46,131	897,433	-	**897,433**
Total financial assets		**7,006,480**	**4,392,215**	**463,132**	**11,861,826**	**-**	**11,861,826**
Financial liabilities							
Deposits from customers	12	3,081,878	4,128,973	471,591	7,682,442	-	**7,682,442**
Loans and borrowings	13	2,238,614	-	-	2,238,614	-	**2,238,614**
Other liabilities	15	110,394	244,859	1,260	356,512	-	**356,512**
Total financial liabilities		**5,430,885**	**4,373,832**	**472,850**	**10,277,568**	**-**	**10,277,568**
Net position		**1,575,594**	**18,383**	**(9,718)**	**1,584,258**	**-**	**1,584,258**
31 December 2019							
Financial assets							
Cash and cash equivalents	6	1,369,950	2,955,800	384,132	4,709,882		**4,709,882**
Placements	7	448,718	154,135	-	603,353		**603,353**
Loans and advances to customers	8	4,601,644	329,640	-	4,931,284		**4,931,284**
Other assets	11	418,525	357,855	51,832	828,212		**828,212**
Total financial assets		**6,838,837**	**3,797,930**	**435,964**	**11,072,731**		**11,072,731**
Financial liabilities							
Deposits from customers	12	2,329,278	3,836,057	436,690	6,602,026		**6,602,026**
Loans and borrowings	13	2,588,977	-	-	2,58 8,977		**2,588,977**
Other liabilities	15	95,734	374,262	285	470,280		**470,280**
Total financial liabilities		**5,013,989**	**4,210,319**	**436,975**	**9,661,283**		**9,661,283**
Net position		**1,824,848**	**(412,389)**	**(1,011)**	**1,411,448**		**1,411,448**

Sensitivity Analysis

A 10% strengthening of the Afghani, against the USD and Euro at 31 December 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		2019	
	Equity	**Profit or Loss**	**Equity**	**Profit or Loss**
	----------------------------------- (AFN in '000) -----------------------------------			
USD	**(1,471)**	**(1838)**	32,991	41,239
EUR	777	**972**	81	101

30.4 Operational and business risk

Operation risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate, effective, operation risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment process, such as the use of internal audits.

30.5 Capital management

Regulatory capital

The Bank's regulator DAB sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB. As of reporting date, DAB requires the Bank to maintain financial capital of not less than AFN 1 billion, the Bank complies with this requirement keeping in view its share capital and share premium, and regulatory capital to risk-weighted asset ratio of not less than 12 percent and a core (Tier 1) capital to risk-weighted asset ratio of not less than 6 percent.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

- Regulatory capital is the sum of Tier 1 and Tier 2 capital; Tier 2 capital cannot exceed the amount of Tier 1 capital.

The Bank's regulatory capital position at 31 December 2020 was as follows:

Regulatory Capital	31-Dec-2020	31-Dec-2019
	--------------- (AFN in '000) ---------------	
Tier 1 capital		
Total equity capital	2,111,333	2,061,830
Less: Intangible assets	(97,632)	(78,830)
Less: Profit for the year	(49,503)	(39,644)
Total tier 1 (core) capital	**1,964,198**	**1,943,356**
Tier 2 (Supplementary) Capital:		
General loss reserves on credits as per DAB's regulation,		
but restricted to 1.25% of total risk-weighted exposures	68,769	76,046
Add: Profit for the year	49,503	39,644
Total tier 2 (supplementary) capital	**118,272**	**115,690**
Total Regulatory capital = Tier 1 + Tier 2	**2,082,470**	**2,059,046**
Risk-weighted assets		
On-balance sheet		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	339,385	325,431
Direct claims on DAB	3,339,260	2,287,757
"Loans guaranteed by development institutions"	612,105	-
Total	4,290,750	2,613,188
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Balances with banks operating in category A countries	1,301,361	2,010,103
Direct claims in non-category A countries	2,322,465	1,236,860
"Loans guaranteed by development institutions"		1,085,809
Total	3,623,826	4,332,771
20% risk-weight total (above total x 20%)	724,765	866,554
100% risk weight:		
All other assets	4,874,080	5,295,446
Less: intangible assets	(97,632)	(78,830)

All other assets - net	4,776,448	5,216,616
100% risk-weight total (above total x 100%)	4,776,448	5,216,616
Off-balance sheet		
0% risk weight:		
Guarantees issued	-	-
Undrawn loan and overdraft facilities	151,404	28,659
0% credit conversion factor total (risk-weighted total x 0%)	-	-
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Guarantees issued	7,485	12,564
20% credit conversion factor total (risk-weighted total x 20%)	1,497	2,513
20% risk-weight total (above total x 20%)	299	503
100% risk weight:		
Guarantees	-	-
100% credit conversion factor total (risk-weighted total x 100%)	-	-
100% risk-weight total (above total x 100%)	-	-
Total risk-weighted assets	**5,502,710**	**6,083,673**
Tier 1 Capital Ratio		
(Tier 1 capital as % of total		
risk-weighted assets)	35.7%	31.9%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	37.8%	33.8%

31. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation.

32. DATE OF AUTHORISATION FOR ISSUE

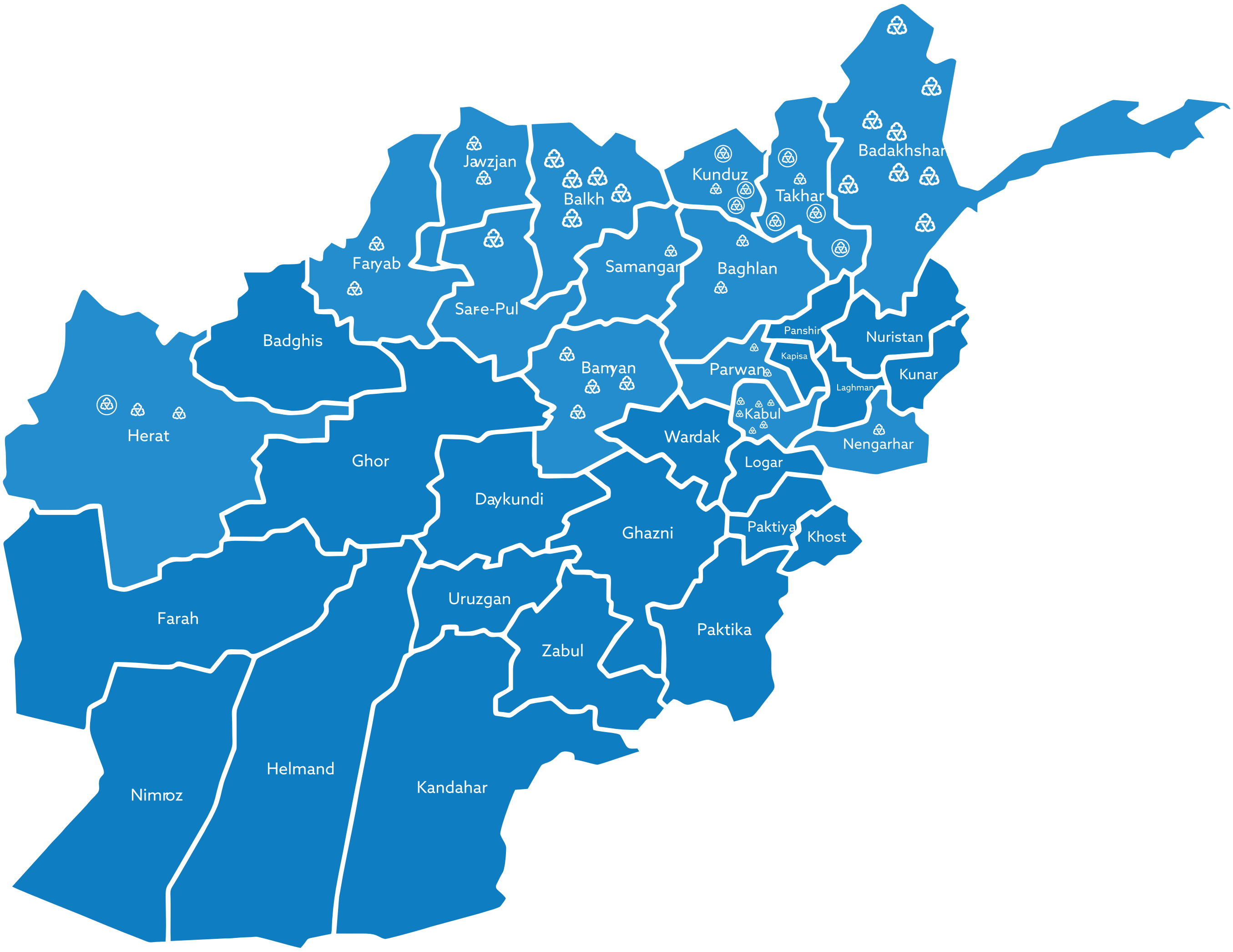
These financial statements were authorized for issue on 25-Mar-2021 by the Board of Supervisors of the Bank.

33. GENERAL

Figures have been rounded off to the nearest thousand.

Chief Financial Officer	Chief Executive Officer	Chairman

BRANCHES NETWORK



KABUL

Main Branch
+93 (0) 798 979 000
Shahr-e-Naw,Ansari Square, Opposite Mar Mar Hotel, Zone 4, Kabul

Taimani Branch
+93 (0)798 255 300
1st Street, Taimani Project, Adjacent Kabul City Hospital, Kabul

Kot e Sangi Branch
+93(0) 799664190
3rd Floor, Shirzad Market, Seelo Street, Near Kota-e-Sangi Bridge, Kabul

Mandavi Branch
+93 (0) 796339592
Tota Khail Plaza 4Th Floor. Jadi Maiwand, Cinema Pamir, Kabul

Khair Khana Branch
+93 (0) 799 337 666
4th Floor, Classic Building, 1st Part of KhairKhana Street, Kabul

Dashti Barchi
+93 (0) 783820609
2nd Floor, Ahmadyaan Brothers Market, Golayee Dawakhana, Dasht-e-Barchi, Kabul

BAGHLAN

Pulikhumri Branch
+93 (0)799 107 720
Chowk-e-Pul-i-Khumri, Zekria Parwani Market, Pul-i-Khumri

Doshi Branch
+93 (0) 799 555 155
Doshi Bazaar, in front of Ahangaran Street, Doshi

BALKH

Mazar-1 Branch
+93 (0) 799 481 092
East of blue masque Masood street, second floor of Ibrahim Geran Market

Mazar-2 Branch
+93 (0) 799884286
Belal Sahibzada Market, darwaza E Balkh Mazar e Sharif

Balkh Branch
+93 (0) 799258089
"Keleft port,Dawlat Abad Street, Haji Musafar Khan House Balkh

Khulm Branch
+93 (0) 799 493 110
Municipality hotel, 1st floor, Khulm Sistrict in-front of Khulm Hospital

Sholgara Branch
+93 (0) 729 276 060
Infront of New Clinic, Main Bazar Street, Sholgara

SARI PUL

Sari Pul Branch
+93 (0) 795 337 782
15th street of Shahr naw beside of Azizi Bank - Zone 1 Sarepul city

KUNDUZ

Kunduz Branch
+93 (0) 794030033
4th Floor, Haji Qadir Market, Near Kunduz square/Rang frooshi Street

BADAKHSHAN

Faizabad Branch
+93 (0)795 341 516
Shara-e-Naw Bahruddin block, Adjacent to Badakhshan Commercial centre building, Faizabad

Baharak Branch
+93 (0) 797 471 394
New city Rasta wardooj Mir Abdul Wahid House

Jirm Branch
+ 93 (0) 93 0799448323
Center of Jirm District, Guzar Madrasa Near to Jurm city ,Abdul Matin House

Ishkashim Branch
+93 (0) 798907597
Ishkashem Distract, Ishkashem city, Qazdah village, Front of Border Police

Shagnan Branch
+93 (0) 79 891 1910/0799303051-0779931783-
Naya e senorg Dah Murghan village Shughnan District

Darwaz Branch
+93 (0) 767022326
Nawabad Village, Near Nusai Baazar of Darwaz District, Badakhshan.

Zebak Branch
+93 (0) 3795022436
Zebak District Center, Shanba's House,

Kishim Branch
+93 (0)796 619 911
Kishem City Bandari Tagab first street house #3

NANGARHAR

Jalalabad Branch
+93 (0) 0781581619
Haji Tura baz market 2nd floor opposite to Hajj-o-Awqar directorate zone 1st Jalalabad city

PARWAN

Charikar Branch
+93(0) 795 997 766
Main Street Kabul -Parwan 3rd Floor, Gulghundi Hall, Charikar City

Jabul Saraj Office
+93 (0) 777004080
2nd Floor Haji Ghulam Sakhi apartment, Main Street Jabul Saraj district

HERAT

Herat-1 Branch
+93 (0) 79932324
Herat ,Choke Sinama ,Welayat street in front of public Hospital ,the corner of Abdullah drugstore

Herat-2 Branch
+93 (0) 798532438
1st Floor, Nabi-Zada Building, Northwest edge Zaman Jan, Main Square, Herat

SAMANGAN

Aybak Branch
+93 (0) 799833242
Samangan_ Haji Hmayon House, Next to Radio TV Station cornar of Park-e- Wallayat Aybak

JAWZJAN

Shiberghan Branch
+93(0) 799 104 150
2nd floor, Habib-Roman Market, Bandar-e-Aqcha, Sheberghan

Aqcha Branch
+93 (0) 799 651 476
Aqcha Distract, Aqcha city,
Rasta Jangal Iriq, Qasim sons' Market

FARYAB

Maimana Branch
+93 (0) 794365577
2nd Floor, Sayad Plaza, South of Maimana Municipality Park. zone 3

Andkhoy
+93 (0) 794 503 602
Main Road of Andkhoy Faryab Street# 1
Kochai Brishna, Hehind Andkhoy Cinema Building,Second Floor Andhoy, Cinema Shops

TAKHAR

Taloqan Branch
+93(0) 795061120
Takhar, Taloqan, Bandar Farkhar, Sarak Hamam Hafiz bay, Manzil dowom, Malik Shahan Market

BAMIYAN

Bamiyan Branch
+93 (0) 799469645
1st Part of Bamyan Baazar, Mustafa Plaza,

Waras Branch
+93 (0) 774452007 , +93 (0) 77 50 53 181
Center of Waras district, Bazzar -e- Waras

Panjab Branch
+93 (0) 797329017
Panjab Dasht Ghujur Near to AKF Office

Yakawlang Branch
+93 (0) 790185347
Bazar-e- Nayak Yakawlang