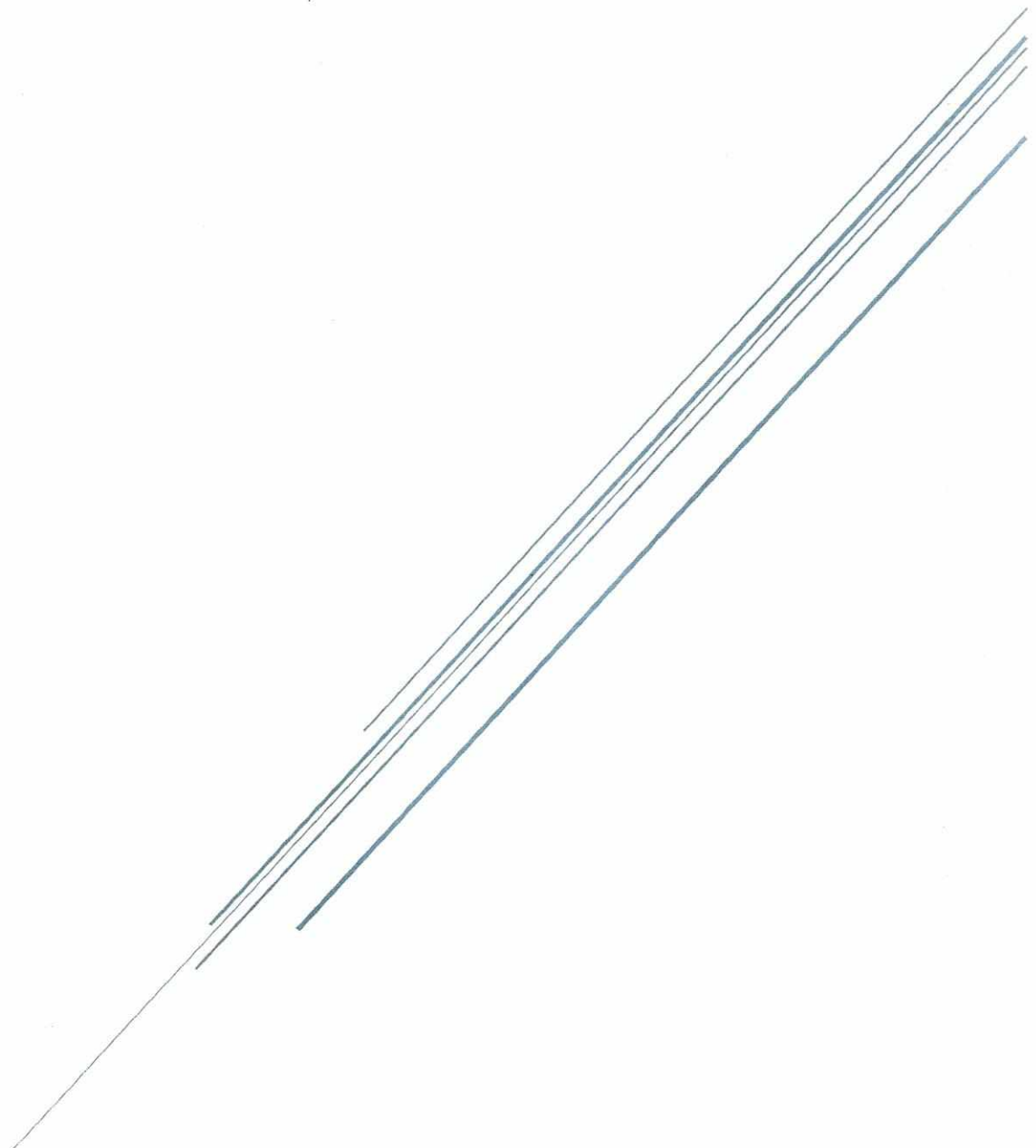


THE FIRST MICROFINANCE BANK

Condensed Interim Financial Statements

For the period ended June 30, 2021



**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of The First Microfinance Bank ("the Bank") as at June 30, 2021 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the six months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at June 30, 2021, and of its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank.

UHY Shafiq Umar Daraz & Co.

Chartered Accountants

Engagement Partner: Umar Daraz

Location: Kabul, Afghanistan

Date: August 14, 2021



THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
Assets			
Cash and cash equivalents	4	5,093,536	5,175,723
Placements - net	5	450,264	1,542,287
Loans and advances to customers - net	6	5,267,444	4,246,383
Operating fixed assets	7	391,338	410,131
Intangible asset	8	77,458	97,632
Other assets	9	970,051	967,823
Total Assets		<u><u>12,250,091</u></u>	<u><u>12,439,979</u></u>
Liabilities			
Deposits from customers	10	7,615,754	7,682,441
Loans and borrowings	11	2,049,335	2,238,614
Income tax payable		4,902	8,060
Deferred tax liability - net		29,711	29,711
Other liabilities	12	418,313	369,820
Total Liabilities		<u><u>10,118,015</u></u>	<u><u>10,328,646</u></u>
Equity			
Share capital	13	796,008	796,008
Share premium		206,038	206,038
Retained earnings		1,130,030	1,109,287
Total equity		<u><u>2,132,076</u></u>	<u><u>2,111,333</u></u>
Total equity and liabilities		<u><u>12,250,091</u></u>	<u><u>12,439,979</u></u>
Contingencies and commitments	14		

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive Officer

THE FIRST MICROFINANCE BANK

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended	Six months ended	Three months ended	Three months ended
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		(Un-Audited)		(Un-Audited)	
		AFN '000'	AFN '000'	AFN '000'	AFN '000'
Interest income		591,318	669,520	308,571	316,052
Interest expense		(64,948)	(80,545)	(33,012)	(41,286)
Net interest income		526,370	588,975	275,559	274,766
Fee and commission income		43,312	29,932	19,721	8,489
Fee and commission expense		(7,199)	(4,526)	(4,315)	(2,216)
Net fee and commission income		36,113	25,406	15,406	6,273
Income from dealing in foreign currencies		67,599	80,808	36,076	25,795
Revenue		630,082	695,189	327,041	306,834
Other income		72,998	(3,745)	39,515	13,247
Impairment loss on loans and advances to customers	6.2	(56,669)	(38,908)	(21,826)	(125)
Impairment loss on placements		7,491	3,791	7,507	-
Reversal/ (charge) of general provision on other assets		138	(741)	32	-
Personnel expenses		(340,701)	(336,431)	(171,961)	(168,161)
Depreciation and amortisation		(82,474)	(69,569)	(24,360)	(18,488)
Finance cost on lease liabilities		(4,245)	(4,196)	(2,135)	-
Other expenses		(175,464)	(216,553)	(112,155)	(122,295)
Net operating income		51,156	28,837	41,658	11,013
Non-operating revenue and expenses:					
Grants income recognized against deferred grant		192	605	(78)	281
Grants income recognized against expenditures in incurred		30,639	3,010	23,617	-
Expenditure against grants		(30,831)	(3,615)	(23,539)	(281)
		-	-	-	-
Profit before tax		51,156	28,837	41,658	11,013
Taxation		(30,413)	(5,045)	(11,351)	(2,146)
Net profit		20,743	23,793	30,307	8,866
Other comprehensive income		-	-	-	-
Total comprehensive income		20,743	23,793	30,307	8,866

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The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Financial Officer



Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED 30 JUNE 2021

	Share capital	Share premium	Retained earnings	Total
	----- (AFN in '000) -----			
Balance at 01 January 2020 (Audited)	796,008	206,038	1,059,784	2,061,830
Total comprehensive income for six months ended 30 June				
Profit for the period	-	-	23,793	23,793
Other comprehensive income	-	-	-	-
	-	-	23,793	23,793
Balance at 30 June 2020 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,083,577</u>	<u>2,085,623</u>
Balance as at 01 January 2021 (Audited)	796,008	206,038	1,109,287	2,111,333
Total comprehensive income for six months ended 30 June 2021				
Profit for the period	-	-	20,743	20,743
Other comprehensive income	-	-	-	-
	-	-	20,743	20,743
Balance at 30 June 2021 (Un-Audited)	<u>796,008</u>	<u>206,038</u>	<u>1,130,030</u>	<u>2,132,076</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information. UMY.



 Chief Financial Officer



 Chief Executive Officer

THE FIRST MICROFINANCE BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June 2021	Six months ended 30 June 2020
	(Un-Audited)	(Un-Audited)
	----- (AFN in '000) -----	----- (AFN in '000) -----
Note		
Cash flows from operating activities		
Profit before tax	51,156	28,837
Adjustments for:		
Depreciation and amortisation	6 & 7 82,665	69,569
Impairment loss on loans and advances to customers	5.2 56,669	38,908
Impairment loss on placements	(7,491)	(3,791)
(Reversal)/ provision on other assets	(138)	741
Gain on sale of property and equipment	(175)	(17)
Grant income	(30,831)	(3,615)
	<u>151,855</u>	<u>130,632</u>
Changes in:		
Increase in loans and advances to customers	(1,077,730)	491,400
Increase in other assets	(2,090)	(102,600)
(Decrease)/ increase in deposits from customers	(66,687)	925,115
Increase in other liabilities	33,779	32,726
	<u>(960,873)</u>	<u>1,477,273</u>
Income tax paid	(33,571)	(11,734)
Grant received	31,099	3,615
Net cash (used in)/ flow from operating activities	<u>(963,345)</u>	<u>1,469,154</u>
Cash flows from investing activities		
Purchase of property and equipment	(43,728)	(19,673)
Proceeds from sale of property and equipment	205	28
Proceeds from (Investment in) placements	1,099,514	161,089
Net cash flow from investing activities	<u>1,055,991</u>	<u>141,444</u>
Cash flows from financing activities		
Lease liabilities	14,447	(17,883)
Repayment of loans and borrowings	(189,279)	(22,960)
Net cash used in financing activities	<u>(174,833)</u>	<u>(40,843)</u>
Net (decrease)/ increase in cash and cash equivalents	(82,187)	1,569,755
Cash and cash equivalents at beginning of the period	5,175,723	4,709,883
Cash and cash equivalents at end of the period	<u>5,093,536</u>	<u>6,279,638</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

THE FIRST MICROFINANCE BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR SIX MONTHS ENDED 30 JUNE 2021

1. STATUS AND NATURE OF BUSINESS

The First MicroFinance Bank (the 'Bank') was registered as a limited liability company with Afghanistan Investment Support Agency (AISA) in December 2003 and received formal banking license from Da Afghanistan Bank (DAB), the central bank of Afghanistan, on 18 March 2004 to operate nationwide. The Bank is a limited liability company and is incorporated and domiciled in Afghanistan. Since commencement of operations on 01 May 2004, the Bank has been operating as the leading financial services 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.

2. BASIS OF PREPARATION

This condensed interim financial information of the Bank for the six months period ended 30 June 2021 has been prepared in accordance with the requirements of the International Accounting Standard 34 - *Interim Financial Reporting* and the Law of Banking in Afghanistan. In cases, where requirements differ, the requirement of Law of Banking in Afghanistan takes precedence.

The disclosures made in this condensed financial information have been based on the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and do not include all the information required by the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2020.

Comparative statement of financial position is extracted from the annual financial statements as at December 31, 2020 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the six months period ended June 30, 2020.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim financial information.

3. ACCOUNTING POLICIES

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

The estimates/judgments assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2020.

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		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
4. CASH AND CASH EQUIVALENTS			
Cash on hand		209,449	339,385
Unrestricted balances with Da Afghanistan Bank		798,726	807,207
Balances with other banks	4.1	1,216,962	654,999
Short term placements with banks	4.2	2,868,399	3,374,132
		<u>5,093,536</u>	<u>5,175,723</u>

4.1 Balances with other banks

Balances with:

Transkapital - Russia		204,231	113,633
Islamic Bank of Afghanistan		238,290	231,150
BMCE Bank International, Spain		725,650	261,186
AKTIF Bank, Turkey		41,885	41,119
CSCBank SAL		6,906	7,911
	4.1.1	<u>1,216,962</u>	<u>654,999</u>

4.1.1 These balances are interest free (2020: Interest free).

4.2 Short term placements with banks

Capital notes	4.2.1	503,768	872,857
Time deposits with other banks	4.2.2	2,364,631	2,501,275
		<u>2,868,399</u>	<u>3,374,132</u>

4.2.1 These represent capital notes issued by Da Afghanistan Bank having maturity up to 91 days and interest rates from 3.72% to 4.60% (2020: 0.085% to 1.51%) per annum.

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
4.2.2 Time deposits with other banks			
Habib Bank Limited, Brussels	4.2.2.1	1,826,890	308,200
Diamond Trust Bank Kenya	4.2.2.2	-	1,867,011
AKTIF Bank, Turkey	4.2.2.3	63,544	61,640
BMCE Bank International, Spain	4.2.2.4	476,580	269,675
Less: General provision held	4.2.2.5	(2,383)	(5,251)
		<u>2,364,631</u>	<u>2,501,275</u>

4.2.2.1 These include deposits having maturity up to three months (2020: 28 days) and carrying interest at rates ranging from 1.00% to 1.35% (2020: 0.9%) per annum.

4.2.2.2 These includes deposits with maturities from 24 to 77 days (2020: 24 to 77 days) and carrying interest rate of 1.5% (2020: 1.5%) per annum. These deposits are placed with a related party.

4.2.2.3 This include deposit having maturity up to 28 days (2020: 91 days) and carrying interest at rates of 0.30% (2020: 1.2%) per annum.

4.2.2.4 These include deposits having maturities of 7 to 8 days (2020: 6 to 14 days) and carrying interest rate of 0.07% (2020: 0.05% to 1%) per annum.

4.2.2.5 The provision for expected credit loss computed in accordance with IFRS 9 on above placements amounts AFN 235,450 which is lower than the one resulting from the requirement of Assets Classification and Provisioning Regulation (ACPR) issued by DAB and bank's provisioning policy. Accordingly, the bank maintained a higher provision.

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
5. PLACEMENTS - NET			
Capital notes issued by DAB Habib Bank Limited, Brussels	5.1	450,264	1,084,610
Less: General provision held		-	462,300
		-	(4,623)
		<u>450,264</u>	<u>1,542,287</u>

5.1 These represent capital notes with DAB having maturity of 364 days (2020: 182 to 364 days) and carry interest rate ranging from 2.99% to 3.8% (2020: 1.75% to 3.8%) per annum.

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
6. LOANS AND ADVANCES TO CUSTOMERS - NET			
Loans and advances to customers	6.1	5,619,353	4,584,887
Less: Impairment loss on loans and advances	6.2	(351,910)	(338,504)
		<u>5,267,444</u>	<u>4,246,383</u>

6.1 Loans and advances to customers

		30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Note	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- (AFN in '000) -----			----- (AFN in '000) -----		
Microfinance loans	6.1.1	4,337,502	(315,363)	4,022,140	3,568,735	(301,824)	3,266,911
Loans to small and medium size enterprises	6.1.1	1,010,060	(31,621)	978,438	871,788	(35,531)	836,257
Overdraft financing	6.1.1	271,792	(4,926)	266,866	144,364	(1,149)	143,215
		<u>5,619,353</u>	<u>(351,910)</u>	<u>5,267,444</u>	<u>4,584,887</u>	<u>(338,504)</u>	<u>4,246,383</u>

6.1.1 Microfinance loans carry interest at rates ranging from 9% to 27% (2020: 9% to 27%) per annum, whereas interest on loans to small and medium size enterprises (SMEs) is charged at the rates ranging from 6.6% to 23% (2020: 6.6% to 23%) per annum. Overdraft carries interest rate ranging from 10% to 17% (2020: 10% to 17%) per annum. All loans are secured by various kind of properties and personal guarantees. Overdrafts includes a facility issued to Telecom Development Company Afghanistan Limited (TDCA), a related party.

6.2 Impairment loss on loans and advances to customers

		30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Note	Specific	General	Total	Specific	General	Total
		----- (AFN in '000) -----			----- (AFN in '000) -----		
Balance at 1st January		156,691	181,813	338,504	207,551	249,068	456,619
Charge for the period / year:							
Microfinance loans		10,515	41,104	51,619	106,709	(30,152)	76,557
Loans to small and medium size enterprises		6,145	(1,095)	5,050	8,918	(37,103)	(28,185)
		<u>16,660</u>	<u>40,009</u>	<u>56,669</u>	<u>115,627</u>	<u>(67,255)</u>	<u>48,372</u>
Written off against impairment allowance:							
Microfinance loans		(38,081)	-	(38,081)	(109,489)	-	(109,489)
Loans to small and medium size enterprises		(5,183)	-	(5,183)	(56,998)	-	(56,998)
		<u>(43,264)</u>	<u>-</u>	<u>(43,264)</u>	<u>(166,487)</u>	<u>-</u>	<u>(166,487)</u>
Closing Balance		<u>130,088</u>	<u>221,822</u>	<u>351,910</u>	<u>156,691</u>	<u>181,813</u>	<u>338,504</u>

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- 6.3 Provision for expected credit loss computed in accordance with IFRS 9 amounts to AFN 456,803,617 which is higher than the amount held by the bank as per its provisioning policy.

	Amount outstanding	Impairment allowance required as per ACPR		Impairment allowance held		Number of customers
	Afn in '000	Rate	Afn in '000	Rate	Afn in '000	
30 June 2021 (Un-Audited)						
Classification - Microfinance Loans						
Standard	4,202,386	1%	42,024	4.98%	210,003	53,944
Overdue:						
Watch-List	14,012	5%	701	5%	701	266
Substandard	9,072	25%	2,268	25%	2,268	159
Doubtful	19,281	50%	9,641	50%	9,641	371
Loss	92,750	100%	92,750	100%	92,750	1,735
	<u>4,337,502</u>		<u>147,384</u>		<u>315,363</u>	<u>56,475</u>
Classification-Overdraft and SME Loans						
Standard - SME Loans	872,139	1%	8,721	4.98%	9,183	332
Standard - Overdraft financing	263,613	1%	2,636	1%	2,636	6
Overdue:						
Watch-List	5,204	5%	260	5%	260	4
Substandard	5,594	25%	1,399	25%	1,399	5
Doubtful	99,055	50%	49,527	50%	49,527	16
Loss	28,068	100%	28,068	100%	28,068	20
Loss - Overdraft financing	8,179	100%	8,179	100%	8,179	1
	<u>1,281,852</u>		<u>98,790</u>		<u>99,252</u>	<u>384</u>
Less:						
Reversal of provisioning on loans secured with ACGF	-		(62,704)		(62,704)	
Total	<u>5,619,353</u>		<u>183,470</u>		<u>351,910</u>	<u>56,859</u>
31 December 2020 (Audited)						
Classification-Microfinance Loans						
Standard	3,391,570	1%	33,916	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%	18,911	50%	18,911	771
Loss	109,325	100%	109,325	100%	109,325	1,728
Rescheduled	978	100%	978	100%	978	7
	<u>3,568,735</u>		<u>166,840</u>		<u>301,824</u>	<u>49,763</u>
Classification-Overdraft and SME Loans						
Standard - SME Loans	727,234	1%	7,272	4.98%	12,446	329
Standard - Overdraft financing	139,958	1%	1,049	1%	1,049	5
Overdue:						
Watch-List - SME loans	5,357	5%	75	5%	75	5
Substandard - SME loans	25,116	25%	1,794	25%	1,794	8
Doubtful - SME loans	81,823	50%	11,474	50%	11,474	12
Loss - SME loans	29,071	100%	7,716	100%	7,716	22
Loss - Overdraft financing	7,593	100%	2,126	100%	2,126	1
	<u>1,016,152</u>		<u>31,506</u>		<u>36,680</u>	<u>382</u>
Total	<u>4,584,887</u>		<u>198,346</u>		<u>338,504</u>	<u>50,145</u>

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	Note	30 June 2021 (Un-Audited) ----- (AFN in '000) -----	31 December 2020 (Audited) -----
7. OPERATING FIXED ASSETS			
Capital work-in-progress	7.1	33,305	24,614
Property and equipment	7.2	135,925	145,265
Right-of-use assets - Bank's branches	7.3	222,108	240,252
		<u>391,338</u>	<u>410,131</u>

7.1 Capital work-in-progress

Balance at 01 January		24,614	145,052
Additions		8,691	24,510
Transfer to Core Banking Software		-	(144,948)
Closing balance	7.1.1	<u>33,305</u>	<u>24,614</u>

7.1.1 This mainly includes ATM machines and other equipments which will be transferred to operating fixed assets upon completion.

7.2 Property and equipment

	Leasehold improvements	Furniture and fittinas	Vehicles	Office equipment	Computer equipment	Total
----- (AFN in '000) -----						
Cost						
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	<u>109,693</u>	<u>43,270</u>	<u>24,192</u>	<u>161,282</u>	<u>116,353</u>	<u>454,790</u>
Balance at 1 January 2021 - Audited	109,693	43,270	24,192	161,282	116,353	454,790
Additions	2,668	1,346	-	12,595	2,019	18,628
Disposals	(164)	(72)	-	(353)	(684)	(1,273)
Balance at 30 June 2021 - Un-audited	<u>112,198</u>	<u>44,544</u>	<u>24,192</u>	<u>173,525</u>	<u>117,688</u>	<u>472,146</u>
Depreciation						
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	<u>55,259</u>	<u>35,027</u>	<u>23,459</u>	<u>99,091</u>	<u>96,688</u>	<u>309,525</u>
Balance at 1 January 2021 - Audited	55,259	35,027	23,459	99,091	96,688	309,525
Charge for the period	6,916	1,685	219	12,149	6,970	27,939
Disposals	(164)	(68)	-	(346)	(665)	(1,243)
Balance at 30 June 2021 - Un-audited	<u>62,011</u>	<u>36,645</u>	<u>23,678</u>	<u>110,894</u>	<u>102,994</u>	<u>336,221</u>
Carrying amounts						
Balance at 31 December 2020 - Audited	<u>54,434</u>	<u>8,243</u>	<u>733</u>	<u>62,191</u>	<u>19,665</u>	<u>145,265</u>
Balance at 30 June 2021 - Un-audited	<u>50,187</u>	<u>7,898</u>	<u>514</u>	<u>62,631</u>	<u>14,695</u>	<u>135,925</u>
Depreciation rate	20%	20%	20%	25%	33.33%	

	Note	30 June 2021 (Un-Audited) Jan - June ----- (AFN in '000) -----	31 December 2020 (Audited) Jan - Dec -----
7.3 Right-of-use assets - Bank's branches			
Cost:			
Opening Balance as of 1 January - Audited		322,040	418,485
Additions		16,408	-
Adjustment of Lease Modification		-	(96,445)
Closing Balance		<u>338,448</u>	<u>322,040</u>
Accumulated depreciation:			
Opening balance		81,788	59,342
Depreciation expense		34,552	59,631
Adjustment of Lease Modification		-	(37,185)
Closing Balance		<u>116,340</u>	<u>81,788</u>
Carrying amount		<u>222,108</u>	<u>240,252</u>

7.3.1 Allocation of depreciation and amortisation

Depreciation charge on property and equipment	27,939	49,187
Depreciation charge on right-of-use assets	34,552	59,631
Less: Amount classified under grant expense	(192)	(1,147)

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Note	----- (AFN in '000) -----	
8. INTANGIBLE ASSET			
Computer software:			
Cost			
Balance at 01 January		222,746	172,504
Transfer from CWIP		-	50,242
Closing balance		222,746	222,746
Amortisation			
Balance at 01 January		(125,114)	(93,674)
Charge for the period		(20,174)	(31,440)
Closing balance		(145,288)	(125,114)
Carrying amounts		77,458	97,632
9. OTHER ASSETS			
Restricted deposits with DAB	9.1	553,290	574,586
Interest receivable		221,003	220,892
Prepayments		77,106	58,063
Receivable from Roshan against M-Paisa payments		8,604	13,981
Receivable from MISFA		30,897	-
ACGF claims receivables		16,055	-
MISFA Grant receivable		45,189	85,991
Office supplies and stationery in inventory		1,562	-
Advances to staff and Supplier		12,024	12,326
Others receivables		3,731	-
Inter branch balance		751	2,283
		970,212	968,122
Less: General provision held	9.2	(161)	(299)
		970,051	967,823

9.1 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.

9.2 Provision is held on portion of other assets (2020: 1% on all other assets) as per Asset Classification and Provisioning Regulation issued by DAB.

		30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		----- (AFN in '000) -----	
10. DEPOSITS FROM CUSTOMERS			
Retail customers:			
Term deposits	10.1	67,281	44,191
Current deposits		755,491	724,486
Saving deposits	10.2	2,820,926	2,742,575
		3,643,699	3,511,251
Corporate customers:			
Term deposits	10.1	750,000	692,625
Current deposits		2,733,860	2,832,997
Saving deposits	10.2	326,119	480,713
		3,809,979	4,006,335
Cash Margin		32,404	32,193
Dormant deposits		129,672	132,662
	10.3	7,615,754	7,682,441

- 10.1 The rate of interest on term deposits ranges from 0.75% to 6% (2020: 0.65% to 5%) per annum.
- 10.2 The rate of interest on saving deposits other than those in Euro from retail customers is upto 0.5% (2020: 0.5%) per annum. Saving Deposits in Euro are interest free.
- 10.3 Deposits include AFN 888,113 thousands (2020: AFN.1,232,389 thousands) due to related parties.

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	----- (AFN in '000) -----	

11. LOANS AND BORROWINGS

Ministry of Finance, Government of Afghanistan	119,016	132,240
Microfinance Investment Support Facility for Afghanistan Ltd	740,143	864,562
Nederlandse Fiancierings-Masstschappij Voor Ontwikkelingslanden N.V	396,157	519,936
Agricultural Development Fund	100,000	27,857
International Fund for Agricultural Development	694,019	694,019
	<u>2,049,335</u>	<u>2,238,614</u>

12. OTHER LIABILITIES

Accrued expenses	96,773	103,668
Interest payable	30,064	50,857
Performance bonus payable	23,100	-
Payable to APS for integrated banking	43,336	378
Deferred grants	782	1,242
Withholding taxes payable	8,581	12,066
Lease liability	213,191	198,744
Others	2,486	2,865
	<u>418,313</u>	<u>369,820</u>

UNY.

30 June 2021 (Un-Audited) ----- (AFN in '000) -----	31 December 2020 (Audited) ----- (AFN in '000) -----
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13. SHARE CAPITAL**Authorized**

88,800 ordinary shares of AFN 9,016 each (2020: 88,800 of AFN 9,016)

<u>800,624</u>	<u>800,624</u>
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Paid up

88,288 ordinary shares of AFN 9,016 each (2020: 88,288 of AFN 9,016)

<u>796,008</u>	<u>796,008</u>
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13.1 The capital is contributed by the shareholders as follows:

	30 June 2021 (Un-Audited) ---- Number of shares ----	31 December 2020 (Audited)	30 June 2021 (Un-Audited) ----- (AFN in '000) -----	31 December 2020 (Audited)
Aga Khan Agency for Microfinance (AKAM)	34,784	34,784	310,646	310,646
Kreditanstalt für 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 USA (AKF USA)	10,504	10,504	96,577	96,577
	<u>88,288</u>	<u>88,288</u>	<u>796,008</u>	<u>796,008</u>

30 June 2021 (Un-Audited) ----- (AFN in '000) -----	31 December 2020 (Audited)
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14. CONTINGENCIES AND COMMITMENTS**14.1 Contingencies**

Outstanding bank guarantees

<u>8,577</u>	<u>7,485</u>
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14.2 Commitments

Undrawn loan and overdraft facilities

<u>39,052</u>	<u>151,404</u>
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15. RELATED PARTIES

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

15.1 Parent and ultimate controlling entity

Pattern of shareholding in the Bank is disclosed in note 13.1. Aga Khan Development Network entities collectively owns 51% (2020: 51%) of the Bank's capital.

Six months ended 30 June 2021 (Un-Audited) ----- (AFN in '000) -----	Six months ended 30 June 2020 (Un-Audited)
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15.2 Transactions with key management personnel**Key management personnel compensation**

Salaries and benefits

<u>19,608</u>	<u>31,074</u>
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Key management personnel outstanding balances

Advances to staff

<u>958</u>	<u>-</u>
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Bank deposits

<u>9,681</u>	<u>14,017</u>
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30 June 2021 (Un-Audited)	31 December 2020 (Audited)
----- (AFN in '000) -----	

15.3 Other related party outstanding balances and transactions**Balances with related parties**

Time deposits with banks	1,826,890	2,175,211
Loan to Telecom Development Company Afghanistan Limited (TDCA)	92,195	11,655
Receivable from Roshan against M-Paisa payments	8,604	13,981
Deposits from customers	888,113	1,232,389

Six months ended 30 June 2021 (Un-Audited)	Six months ended 30 June 2020 (Un-Audited)
----- (AFN in '000) -----	

15.4 Transactions with related parties

Interest income	15,342	13,123
Fee and commission income	1,351	726
Fee and commission expense	2,496	3,358
Interest expense on deposits from customers	630	2,837
Directors' fee and other expenses	3,391	2,085

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial assets and liabilities approximate their fair values as at the date of statement of financial position.

17. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. Following significant reclassifications were made during the period.

Six months ended 30 June 2020	Three months ended 30 June 2020
----- (Afn in '000) -----	

Fee and commission expense

Fee and commission expense as previously stated	29,267	15,116
Less: Amount reclassified as other expenses	(24,741)	(12,900)
Fee and commission expense as restated	4,526	2,216

Other expenses

Other expenses as previously stated	191,812	109,395
Add: Fee and commission expense reclassified as other expenses	24,741	12,900
Other expenses as restated	216,553	122,295

18. GENERAL

Figures have been rounded off to the nearest thousand unless otherwise stated.

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Board of Supervisors of the Bank on 12th Aug - 21.


Chief Financial Officer


Chief Executive Officer