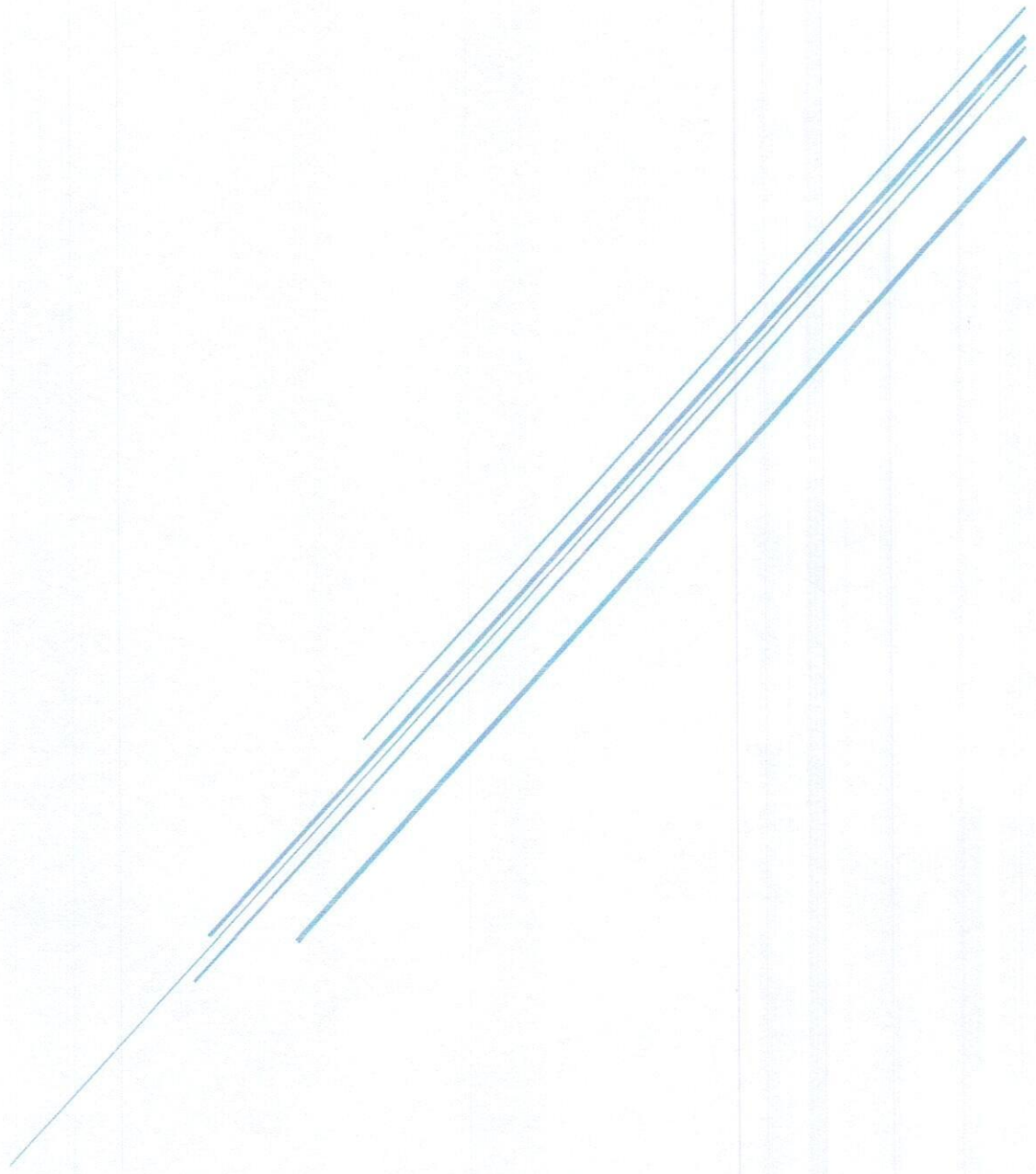


THE FIRST MICROFINANCE BANK

Audited Financial Statements

For the year ended December 31, 2024



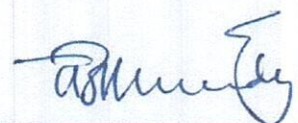
The First MicroFinance Bank - Afghanistan
Statement of Financial Position
As at 31 December 2024

		31 December 2024	31 December 2023
	Note	----- (AFN in '000) -----	
Assets			
Cash and cash equivalents	6	4,411,391	5,238,368
Investments/Placements	7	2,511,094	1,780,727
Loans and advances to customers - net	8	1,486,895	2,068,171
Operating fixed assets	9	163,743	209,005
Intangible assets	10	51,713	77,814
Deferred tax asset - net	11	346,700	219,356
Other assets	12	764,119	726,424
Total Assets		9,735,655	10,319,865
Liabilities			
Deposits from customers	13	8,230,016	8,000,462
Loans and borrowings	14	-	820,722
Other liabilities	15	375,361	409,598
Total Liabilities		8,605,377	9,230,782
Equity			
Share capital	16	796,008	796,008
Share premium		206,038	206,038
Share capital pending allotment		600,166	-
Retained earnings		(469,208)	87,037
Revaluation of Financial Instruments FVOCI		(2,726)	-
Total equity		1,130,278	1,089,083
Total equity and liabilities		9,735,655	10,319,865
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

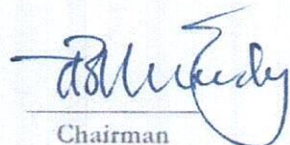
The First MicroFinance Bank - Afghanistan
Statement of Comprehensive Income
For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Note	----- (AFN in '000) -----	
Mark-up / return / interest earned	18	346,944	173,280
Mark-up / return / interest earned/ (expensed)	19	21,950	(19,049)
Net mark-up / interest income		368,894	154,231
Fee and commission income	20	51,778	51,451
Fee and commission expense	21	(2,321)	(1,237)
Net fee and commission income		49,457	50,214
Income from dealing in foreign currencies		49,237	78,375
Revenue		467,588	282,820
Other income	22	110,581	281,989
Impairment (loss)/ gain on loans and advances to customers	8.2	(479,106)	6,773
Impairment loss on placements	7	(7,377)	(2,297)
General provision on other assets	12	(21,080)	(139,947)
Personnel expenses	23	(401,221)	(446,425)
Depreciation and amortisation	9 & 10	(68,725)	(101,407)
Finance cost on lease liabilities	15.1	(3,000)	(6,817)
Other operating expenses	24	(281,249)	(286,079)
Net operating loss		(683,589)	(411,390)
Non-operating revenue and expenses:			
Development grant income	15	9,704	2,645
Expenditure against grants	25	(9,704)	(2,645)
		-	-
Loss before tax		(683,589)	(411,390)
Income tax	26	127,344	78,091
Loss for the year		(556,245)	(333,299)
Other comprehensive income		(2,726)	-
Total comprehensive income		(558,971)	(333,299)
Earnings per share	27	(6,300)	(3,775)

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


Chief Financial Officer


Chief Executive Officer


Chairman

The First MicroFinance Bank - Afghanistan
Statement of Changes in Equity
For the year ended 31 December 2024

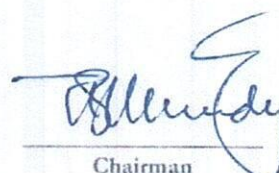
	Share capital	Share premium	Retained earnings	Revaluation of Financial Instruments FVOCI	Share capital pending allotment	Total
	----- (AFN in '000) -----					
Balance at 01 January 2023	796,008	206,038	420,336	-	-	1,422,382
Loss for the year	-	-	(333,299)	-	-	(333,299)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	(333,299)	-	-	(333,299)
Balance at 31 December 2023	796,008	206,038	87,037	-	-	1,089,083
Loss for the year	-	-	(556,245)	-	-	(556,245)
Other comprehensive income	-	-	-	(2,726)	-	(2,726)
	-	-	(556,245)	(2,726)	-	(558,971)
Transactions with shareholders						
Amount received for new capital issue					600,166	600,166
Balance at 31 December 2024	<u>796,008</u>	<u>206,038</u>	<u>(469,208)</u>	<u>(2,726)</u>	<u>600,166</u>	<u>1,130,278</u>

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

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 Chief Financial Officer


 Chief Executive Officer


 Chairman

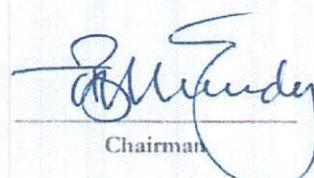
The First MicroFinance Bank - Afghanistan
Statement of Cash Flows
For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Note	(AFN in '000)	
Cash flows from operating activities			
Loss before tax		(683,589)	(411,390)
Adjustments for:			
Depreciation and amortisation	9 & 10	78,429	101,407
Impairment loss/ (gain) on loans and advances to customers	8.2	479,106	(6,773)
Impairment loss on placements	6 & 7	7,377	2,297
General provision on Other assets	12	21,080	139,947
Gain on disposal of property and equipment	22	(157)	(122)
Finance cost on lease liabilities	15.1	3,000	6,817
Revaluation of Financial Instruments FVOCI		(2,726)	-
Grant income	25	(9,704)	(2,645)
		<u>(107,184)</u>	<u>(170,462)</u>
Changes in:			
Decrease in loans and advances to customers		102,170	73,882
(Increase)/ Decrease in other assets		(58,775)	61,089
Increase/(Decrease) in deposits from customers		229,554	(947,648)
(Decrease)/ Increase in other liabilities		<u>(35,307)</u>	<u>53,833</u>
		130,458	(929,306)
Income tax paid		-	-
Grant received		17,444	3,978
Net cash flows from/ (used in) operating activities		<u>147,902</u>	<u>(925,328)</u>
Cash flows from investing activities			
Purchase of property and equipment		(7,241)	(10,424)
Proceeds from disposal of property and equipment		332	5,405
Net investment in placements/ Sukuk		<u>(737,744)</u>	<u>(158,358)</u>
Net cash flows from / (used in) investing activities		<u>(744,653)</u>	<u>(163,377)</u>
Cash flows from financing activities			
Repayment of lease liabilities	15.1	(9,670)	(51,233)
Addition to lease liabilities		-	1,124
Proceeds from loans and borrowings		-	50,000
Repayment of loans and borrowings		(820,722)	(984,542)
Equity raised		600,166	-
Net cash used in financing activities		<u>(230,226)</u>	<u>(984,651)</u>
Net increase in cash and cash equivalents		(826,977)	(2,073,356)
Cash and cash equivalents at beginning of the year		5,238,368	7,311,724
Cash and cash equivalents at end of the year	6	<u>4,411,391</u>	<u>5,238,368</u>

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


Chief Financial Officer


Chief Executive Officer


Chairman

The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

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 37 (2023: 37) branches in operation including 17 urban branches (2023: 17) and 20 rural / peri urban branches (2023: 20) in operation at the year end and employed 999 staff (2023: 1,028).

The financial statements for the year ended December 31, 2024 (including comparatives) have been approved and authorized for issue by the Board of Supervisors on March 20, 2025.

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, subsequently it is deferred until indefinite time. Accordingly, the requirements of these standards have not been considered in the preparation of 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 and 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 judgments, 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 2023.

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

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

2.3 Standards, amendments and interpretations to published accounting standards that became effective in the current year

There are certain new and amended standards, issued by the International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2024 but are considered not to be relevant or do not have any material effect on the Bank's operations and are therefore not detailed in these financial statements.

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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2025 but are considered not to be relevant or will not have any material effect on the Bank's financial statements except for;

Standards, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) IFRS 18 when adopted and applicable shall impact the presentation of 'Statement of Profit and Loss Account' with certain additional disclosures in the consolidated financial statements.	January 01, 2027
- Amendments to IFRS 9 'Financial Instruments' which clarify the date of recognition and derecognition of a financial asset or financial liability including settlement of liabilities through banking instruments and channels including electronic transfers. The amendment when applied may impact the timing of recognition and derecognition of financial liabilities.	January 01, 2025
- Amendment to IAS 21 'Effects of Changes in Foreign Exchange' which will require Banks to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.	January 01, 2025

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.

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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 5.5) and intangible assets (note 5.6) 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 bank's 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 1% (2023: 5%) on standard loans in Microfinance and SME portfolio and 1% (2023: 1%) on standard Overdraft and Corporate loans which is in line with 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.

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 2023.

5.1 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.

5.2 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.

5.2 Financial instruments (Contd...)

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.

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5.2.1 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 1% (2023: 5%) of value of such loans and advances (microfinance and SMEs) and 1% (2023: 1%) on overdraft and corporate loans. And also, 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% (2023: 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% (2023: 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% (2023: 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 all loan portfolio partially, as defined in the agreement, up to a maximum of 85% 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/Investments and other assets

The Bank has a policy of maintaining general provision at 1% (2023: 1%) on placements/investments based on the review of the portfolio as allowed under DAB regulations.

5.2.1 Impairment provision under local regulations (Contd...)

Off-balance sheet item

The Bank has a policy of maintaining general provision at 1% (2023: 1%) on off-balance sheet items based on the review of the portfolio as allowed under DAB regulations.

5.2.2 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.

5.3 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.

5.4 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.

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5.5 Operating fixed assets (Property and equipment)

5.5.1 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.

5.5.2 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.

5.5.3 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:

	2024	2023
Leasehold improvements	5 years	5 years
Furniture and fittings	5 years	5 years
Vehicles	5 years	5 years
Office equipment	4 years	4 years
Computer equipment	3 years	3 years

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

5.5.4 IFRS 16 Leases

Leased assets

The Bank as a Lessee

For any new contracts entered, 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:

- 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;
- 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

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5.5.4 IFRS 16 Leases (Contd...)

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.

5.6 Intangible assets

5.6.1 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.

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5.7 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.

5.7.1 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.

5.7.2 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.

5.7.3 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.

5.8 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.

5.9 Deposits and borrowings

Deposits 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.

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5.10 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.

5.11 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.

5.12 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.

5.13 Income from financial assets and Expense on financial liabilities

5.13.1 Interest income and expense

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.

5.13.2 Income from islamic products

The Bank also offers Shariah-compliant financial products under Islamic banking principles. Income from Islamic products is derived from Shariah-compliant contracts such as Murabaha and Musharaka, which are structured to ensure compliance with Islamic finance regulations. These products generate income through profit-sharing, trade-based transactions, and equity participation, rather than conventional interest-based mechanisms. Sukuks are dealt as per terms of the Sukuk contract with the counter parties.

Murabaha

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customers on cost plus mark-up basis either in a spot or credit transaction. Profit on Murabaha is recognized on receipt basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized immediately upon the culmination date.

Musharaka

Musharaka is a Shariah-compliant partnership-based financing arrangement where the Bank and the customer jointly invest in an asset or project. Profits generated from the venture are distributed according to a pre-agreed ratio, while losses are shared based on capital contribution. In the case of Diminishing Musharaka, the Bank's share in the asset is gradually reduced as the customer makes periodic payments, ultimately leading to full ownership by the customer.

5.13.3 Share of investors in Islamic Products

Share of investors in the Islamic products is calculated and distributed as per the agreement with the main investors. For general funds, Bank has not yet decided to disburse share of profits to general depositors.

5.14 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.

5.15 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.

5.16 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.

5.16.1 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.

5.16.2 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.

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

		31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 -----
6 CASH AND CASH EQUIVALENTS	Note		
Cash on hand		1,104,759	1,457,892
Unrestricted balances with Da Afghanistan Bank	6.1	3,156,748	3,659,753
Balances with other banks	6.2	149,884	120,723
		<u>4,411,391</u>	<u>5,238,368</u>
6.1 Unrestricted balances with Da Afghanistan Bank			
Local currency			
Current accounts		2,689,527	2,261,891
Overnight deposit account	6.1.1	-	632,449
		<u>2,689,527</u>	<u>2,894,340</u>
Foreign currency			
Current accounts	6.1.2	467,221	765,413
		<u>3,156,748</u>	<u>3,659,753</u>
6.1.1 These balances are interest free (2023: 0%) per annum.			
6.1.2 These represent current accounts with Da Afghanistan Bank (DAB) in USD.			
6.2 Balances with other banks			
Transkapital - Russia		4,132	4,143
BMCE Bank International, Spain		71,100	73,124
AKTIF Bank, Turkey		6,000	1,831
CSCBank SAL		21,786	28,364
Zhejiang Chouzhou-China		42,087	3,005
Ghazanfar Bank- Afghanistan		1	10,256
Al Ramz Capital-UAE		4,778	-
	6.2.1	<u>149,884</u>	<u>120,723</u>
6.2.1 These balances are interest free (2023: Nil).			
7 PLACEMENTS/INVESTMENTS			
7.1 SHORT TERM PLACEMENTS WITH BANKS			
Time deposits with other banks	7.1.2	2,224,176	1,798,714
Less: General provision held	7.1.3	(22,242)	(17,987)
		<u>2,201,934</u>	<u>1,780,727</u>
7.1.1 This represents placements with foreign banks having maturity of 84 to 91 days (2023: 30 to 95 days) and carried interest rates ranging from 3.40% to 4.25% per annum (2023: 4.50% to 4.75%).			
		31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 -----
7.1.2 Time deposits with other banks - net			
Habib Bank Limited, Bahrain	7.1.2.1	1,357,764	-
Habib Bank Limited, Brussels		-	1,286,546
AKTIF Bank, Turkey	7.1.2.2	91,572	91,208
BMCE BANK SPAIN	7.1.2.3	633,960	420,960
CZCB	7.1.2.4	140,880	-
		<u>2,224,176</u>	<u>1,798,714</u>

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

- 7.1.2.1 These deposits, held with the related party, have maturity of 91 days (2023: 90 to 95 days) and carry interest rates of 4.25% (2023: 4.65% to 4.75%) per annum.
- 7.1.2.2 This deposit has maturity of 91 days (2023: 91 days) and carries interest rate of 3.75% (2023: 4.50%) per annum.
- 7.1.2.3 This deposit has maturity of 84 to 91 days (2023: 30 to 32 days) and carries interest rates of 3.50% to 4.35% (2023: 4.60% to 4.75%) per annum.
- 7.1.2.4 This deposit has maturity of 90 days (2023: Nil) and carries interest rates of 3.40% (2023: Nil) per annum.

7.1.3 Impairment on short-term placements

The bank has maintained a provision of AFN 22,241 thousand (2023: AFN 17,987) based on Bank's provisioning policy and Assets Classification and Provisioning Regulation (ACPR) issued by DAB.

7.2 ISLAMIC SUKUK INVESTMENTS

	31-Dec-2024	31-Dec-2023
Note	----- (AFN in '000) -----	
Available for Sale Sukuk Investments	298,813	-
Held to Maturity Sukuk Investments	13,470	-
Less: General provision held	(3,123)	-
	<u>309,160</u>	<u>-</u>

7.2.1 Impairment on Islamic Sukuk Investments

The bank has maintained a provision of AFN 3,123 thousand (2023: Nil) based on Bank's provisioning policy and Assets Classification and Provisioning Regulation (ACPR) issued by DAB.

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000)	31-Dec-2023 -----
8. LOANS AND ADVANCES TO CUSTOMERS - NET	8.1		
Conventional Loans and advances to customers		281,095	1,237,372
Islamic Loans and advances to customers		1,277,806	965,494
		1,558,901	2,202,866
Less: Allowance for impairment loss on loans and advances to customers	8.2		
Conventional Loans		(59,761)	(89,970)
Islamic Financings		(12,245)	(44,725)
		(72,006)	(134,695)
		1,486,895	2,068,171

8.1 Loans and advances to customers

		31-Dec-2024			31-Dec-2023		
	Note	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- (AFN in '000) -----					
Microfinance loans	8.1.1	1,103,905	(11,113)	1,092,792	1,543,193	(109,949)	1,433,244
Loans to small and medium size enterprises (SME)	8.1.2	443,121	(49,018)	394,103	583,180	(21,078)	562,102
Overdraft/Corporate financing	8.1.3	11,875	(11,875)	-	76,493	(3,668)	72,825
		1,558,901	(72,006)	1,486,895	2,202,866	(134,695)	2,068,171

8.1.1 Microfinance loans carry interest at rates ranging from 8% to 27% (2023: 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 8% to 23% (2023: 10% to 23%) per annum. These loans are secured by various kind of properties and personal guarantees.

8.1.3 Overdraft financing carry interest rates of 15% (2023: 10% to 15%) per annum. These loans are secured by different types of collaterals and personal guarantees.

8.1.4 The Bank received approval for Islamic financing from the central bank in October 2022; accordingly, total portfolio of AFN 1.58bn includes a portfolio of AFN 1.27bn (2023: 965mn) Islamic financing as well.

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

8.2 Allowance for impairment loss on loans and advances to customers

Note	31-Dec-2024			31-Dec-2023		
	Specific	General	Total	Specific	General	Total
	(AFN in '000)					
Opening	54,965	79,730	134,695	70,413	74,057	144,470
Charge for the year:						
Microfinance loans	505,625	(62,665)	442,960	(10,286)	6,766	(3,520)
Loans to small and medium size enterprises and overdrafts	39,118	(2,972)	36,146	(2,160)	(1,093)	(3,253)
	544,743	(65,637)	479,106	(12,446)	5,673	(6,773)
Written off against impairment allowance:						
Microfinance loans	(541,795)	-	(541,795)	(3,002)	-	(3,002)
Loans to small and medium size enterprises and overdrafts	-	-	-	-	-	-
8.2.3	(541,795)	-	(541,795)	(3,002)	-	(3,002)
Closing	57,913	14,093	72,006	54,965	79,730	134,695

8.2.1 Due to the economic crisis in the country, the repayment capacity of customers of the Bank has reduced. As a result, the quality of loans of the Bank has deteriorated which required further impairment loss to be recognized against these loans under the "Asset Classification and Provisioning Regulation" by DAB. However, DAB vide letter no 11068/9588 dated 21 December 2021, instructed the Bank not to change the assets classification of loans and advances of the Bank from their status as of 30 June 2021. This relaxation was extended up to 02 April 2024 through a circular Ref. No. 12398/12932 dated 13 April 2023, and extended further till 3 October 2024. In October 2024 the relaxation has expired and as a result the bank, charged off more than 500 mn AFN conventional portfolio from the balance sheet of the bank. The relaxation for the remaining 280mn AFN of the conventional portfolio is extended through letter Ref. No. 6221/4525 dated 28 November 2024, till December 2025, as these loans are legalized cases. Hence, impairment loss on the remaining conventional loans and advances of the Bank has been calculated on the basis of their status as of 30 June 2021, and no further provision has been made against those loans which subsequently did not perform well due to the current situation in the country. If DAB had not granted this relaxation to the Bank, the impairment allowance against loans and advances of the Bank would have been increased by AFN 221,333 thousands (net of ACGF share of loss (note 8.2.2) (2023: 1,109,126 thousand) for the year, resulting in increase in the loss before tax by the said amount.

8.2.2 The Bank has obtained an insurance from a third party (ACGF) for all loans that will provide 80% of the principal amount in case of loan default. Subsequently, as per the agreement ACGF has secured the right to terminate the contract following the regime change which has impacted the overall economy of Afghanistan and FMFB-A loans performance. The bank received all the due balances of the conventional portfolio from ACGF.

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The First MicroFinance Bank - Afghanistan

Notes to the Financial Statements

For the year ended 31 December 2024

8.2.3 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.

8.2.4 As per the IFRS 9 ECL model, the expected credit losses on Loans and Advances amount to AFN 316,685 thousand (2023: AFN 1,128,892 thousand). IFRS 9 impact on cash and bank balances and placements is not material.

8.2.5 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 (AFN in '000)	Rate	Impairment allowance required as per ACPR (AFN in '000)	Rate	Impairment allowance held (AFN in '000)	Number of customers
31 December 2024						
Classification - Microfinance Loans						
Standard	1,102,452	1%	11,025	1%	11,025	14,240
Overdue:						
Watch-List	1,415	5%	70	5%	70	29
Substandard	5	25%	1	25%	1	1
Doubtful	33	50%	17	50%	17	1
Loss	-	100%	-	100%	-	-
	1,103,905		11,113		11,113	14,271
Classification - Overdraft and SME Loans						
Standard - SME Loans	360,988	1%	3,610	1%	3,610	137
Standard - Overdraft financing	-	1%	-	1%	-	-
Overdue:						
Watch-List - SME loans	5,135	5%	257	5%	257	4
Watch-List - Overdraft financing	-	5%	-	5%	-	-
Substandard - SME loans	3,379	25%	845	25%	845	3
Substandard - Overdraft financing	-	25%	-	25%	-	-
Doubtful - SME loans	57,541	50%	28,770	50%	28,770	11
Doubtful - Overdraft financing	-	50%	-	50%	-	-
Loss - SME loans	16,079	100%	16,078	100%	16,078	13
Loss - Overdraft financing	11,875	100%	11,875	100%	11,875	1
Reversal of provisioning on loans secured with ACGF			(542)		(542)	
	454,996		60,893		60,893	169
Total	1,558,901		72,006		72,006	14,440

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

	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)	
31 December 2023						
Classification - Microfinance Loans						
Standard	1,479,955	1%	14,800	5.00%	73,934	23,129
Overdue:						
Watch-List	19,005	5%	950	5%	950	557
Substandard	5,310	25%	1,327	25%	1,327	122
Doubtful	10,371	50%	5,186	50%	5,186	238
Loss	28,552	100%	28,552	100%	28,552	636
	1,543,193		50,815		109,949	24,682
Classification - Overdraft and SME Loans						
Standard - SME Loans	477,177	1%	2,641	5.00%	12,294	152
Standard - Overdraft financing	64,618	1%	646	1%	646	2
Overdue:						
Watch-List - SME loans	7,678	5%	384	5%	384	5
Watch-List - Overdraft financing	-	5%	-	5%	-	-
Substandard - SME loans	7,431	25%	1,858	25%	1,858	7
Substandard - Overdraft financing	-	25%	-	25%	-	-
Doubtful - SME loans	72,161	50%	36,080	50%	36,080	15
Doubtful - Overdraft financing	-	50%	-	50%	-	-
Loss - SME loans	18,734	100%	18,734	100%	18,734	15
Loss - Overdraft financing	11,874	100%	11,874	100%	11,874	1
Reversal of provisioning on loans secured with ACGF			(49,548)		(57,124)	
	659,673		22,669		24,746	197
Total	2,202,866		73,484		134,695	24,879

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 -----			
9. OPERATING FIXED ASSETS						
Capital work-in-progress	9.1	5,021	5,021			
Property and equipment	9.2	17,499	37,404			
Right-of-use assets - Bank's branches	9.3	141,223	166,580			
		<u>163,743</u>	<u>209,005</u>			
9.1 Capital work-in-progress						
Opening balance		5,021	48,068			
Advances made during the year		-	7,122			
Transfer to assets	9.1.1	-	(50,169)			
Closing balance		<u>5,021</u>	<u>5,021</u>			
9.1.1 This mainly includes the advance for Islamic banking window setup and module cost witch is not yet completed.						
9.2 Property and equipment						
	Leasehold improvements	Furniture and fittings	Vehicles	Office equipments	Computer equipments	Total
	----- (AFN in '000) -----					
Cost						
Balance at 01 January 2023	114,218	43,734	23,383	177,004	112,312	470,651
Additions	1,439	661	408	434	183	3,124
Disposals	(2,322)	(964)	(620)	(46)	(2,214)	(6,166)
Balance at 31 December 2023	<u>113,335</u>	<u>43,431</u>	<u>23,171</u>	<u>177,392</u>	<u>110,281</u>	<u>467,609</u>
Balance at 01 January 2024	113,336	43,431	23,171	177,392	110,281	467,609
Additions	1,425	864	45	3,843	859	7,036
Disposals	(79)	(242)	(24)	(391)	(3,926)	(4,661)
Balance at 31 December 2024	<u>114,682</u>	<u>44,053</u>	<u>23,192</u>	<u>180,844</u>	<u>107,214</u>	<u>469,984</u>
Depreciation						
Balance at 01 January 2023	82,454	39,782	23,383	144,505	110,308	400,432
Charge for the year	13,123	2,174	61	18,943	1,610	35,911
Disposals	(2,322)	(936)	(620)	(46)	(2,214)	(6,138)
Balance at 31 December 2023	<u>93,255</u>	<u>41,020</u>	<u>22,824</u>	<u>163,402</u>	<u>109,704</u>	<u>430,205</u>
Balance at 01 January 2024	93,256	41,020	22,824	163,403	109,702	430,205
Charge for the year	12,200	1,194	88	12,800	602	26,884
Disposals	(79)	(242)	(24)	(391)	(3,868)	(4,604)
Balance at 31 December 2024	<u>105,377</u>	<u>41,972</u>	<u>22,888</u>	<u>175,812</u>	<u>106,436</u>	<u>452,485</u>
Carrying amounts						
Balance at 31 December 2023	<u>20,080</u>	<u>2,411</u>	<u>347</u>	<u>13,990</u>	<u>577</u>	<u>37,404</u>
Balance at 31 December 2024	<u>9,305</u>	<u>2,081</u>	<u>304</u>	<u>5,032</u>	<u>778</u>	<u>17,499</u>
Depreciation rate	20%	20%	20%	25%	33.33%	

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Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 -----
9.3 Right-of-use assets - Bank's branches			
Cost:			
Opening balance as on 01 January		414,101	415,718
Additions during the year		53	178
Adjustment for lease modification		-	(1,795)
Closing balance as on 31 December		414,154	414,101
Accumulated depreciation:			
Balance as of 01 January		247,521	203,105
Depreciation expense for the year		25,292	44,416
Adjustment for lease modification		118	-
Balance as at 31 December		272,931	247,521
Carrying amount		141,223	166,580
9.4 Allocation of depreciation			
Depreciation charge on property and equipment		26,884	35,911
Depreciation charge on right-of-use assets		25,292	44,416
Less: Amount classified under grant expense	25	(9,704)	(2,645)
		42,472	77,682
10. INTANGIBLE ASSETS			
Cost			
Opening		300,384	251,030
Transfer from CWIP		-	49,354
Additions		152	-
Closing		300,536	300,384
Amortisation			
Opening		(222,570)	(198,846)
Charge for the year		(26,253)	(23,724)
Closing		(248,823)	(222,570)
Carrying amounts at 31 December		51,713	77,814

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

11. DEFERRED TAX ASSETS - NET

11.1 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)				
2024					
Property and equipment	(690)	(1,704)	(2,394)	-	(2,394)
Right-of-use assets	(33,316)	5,071	(28,245)	-	(28,245)
Intangibles	(15,563)	7,920	(7,643)	-	(7,643)
Loans and advances to customers	-	-	-	-	-
Short term placements with banks	3,597	1,476	-	5,073	5,073
General provision held on Other assets	28,207	(28,207)	-	-	-
Lease liabilities	33,873	(1,334)	-	32,539	32,539
Unutilised tax losses	203,248	144,122	-	347,370	347,370
	<u>219,356</u>	<u>127,344</u>	<u>(38,282)</u>	<u>384,982</u>	<u>346,700</u>
2023					
Property and equipment	(5,586)	4,896	(690)	-	(690)
Right-of-use assets	(42,523)	9,207	(33,316)	-	(33,316)
Intangibles	(10,437)	(5,126)	(15,563)	-	(15,563)
Impairment loss on placements	3,138	459	-	3,597	3,597
General provision held on Other assets	101	28,106	-	28,207	28,207
Lease liabilities	42,531	(8,658)	-	33,873	33,873
Unutilised tax losses	154,041	49,207	-	203,248	203,248
	<u>141,265</u>	<u>78,091</u>	<u>(49,569)</u>	<u>268,925</u>	<u>219,356</u>

12. OTHER ASSETS

Restricted deposits with DAB	12.1	650,642	601,784
Interest receivable	12.2	18,928	76,905
Prepayments		47,533	11,646
Receivable from Roshan against M-Paisa payments		8,632	5,252
Advances	12.3	9,023	17,898
Others		29,361	13,519
		<u>764,119</u>	<u>727,004</u>
Less: Allowance for impairment losses		-	(580)
		<u>764,119</u>	<u>726,424</u>

12.1 Restricted deposits with DAB

In local currency		247,295	224,264
In foreign currency		403,347	377,520
	12.1.1	<u>650,642</u>	<u>601,784</u>

12.1.1 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.

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Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 ----- (AFN in '000) -----
12.2 Interest receivable			
Interest receivable		40,588	216,778
Less: General provision held	12.2.1	(21,660)	(139,873)
		<u>18,928</u>	<u>76,905</u>

12.2.1 Since the bank converted to Islamic, and collection of conventional interest was prohibited by the central bank, the bank charged off all the conventional interest receivable on loans amounting to 21,660 thousands during 2024.

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

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 ----- (AFN in '000) -----
13. DEPOSITS FROM CUSTOMERS			
Conventional Deposits			
Term deposits	13.1	-	29,356
Current deposits		3,065,785	3,708,645
Saving deposits	13.2	2,291,063	2,806,448
		<u>5,356,848</u>	<u>6,544,450</u>
Islamic Deposits			
Mudarabah Term deposits	13.3	686,184	-
Current deposits		1,936,138	1,207,500
Saving deposits	13.4	210,405	140,886
		<u>2,832,727</u>	<u>1,348,386</u>
Cash Margin		39,373	40,284
Unclaimed Deposits		1,018	-
Dormant deposits		50	67,342
	13.5	<u>8,230,016</u>	<u>8,000,462</u>

13.1 There are no conventional term deposits placed in the bank in 2024 (2023: 29.3mn) per annum.

13.2 The rate of interest on conventional saving deposits from customers is 0% (2023: up to 0.5%) per annum.

13.3 The Mudarabah Term deposits are placed by MISFA with the bank in 2024 (2023: Nil) and the profit rate ranges from 1.5% to 5% (2023: 0%) per annum.

13.4 The rate of profit on Islamic saving deposits is 0% (2023: Nil) per annum.

13.5 Deposits include AFN 1,724,249 thousands (2023: AFN 2,290,674 thousands) from related parties.

13.6 The Bank received approval for Islamic financing from the central bank in October 2022; accordingly, the total deposit of AFN 8,230,016 thousands (2023: 8,000,462 thousands) includes a deposit of AFN 2,840,849 thousands (2023: 1,332,103 thousands) as Islamic deposit.

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 ----- (AFN in '000) -----
14. LOANS AND BORROWINGS			
Loans and borrowings from:			
Microfinance Investment Support Facility for Afghanistan	14.2	-	50,000
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	7.3	-	76,703
International Fund for Agricultural Development	14.4	-	694,019
		<u>-</u>	<u>820,722</u>

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Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 ----- (AFN in '000) -----
15. OTHER LIABILITIES			
Accrued expenses		143,275	114,506
Interest payable		8,252	44,621
Lease liabilities	15.1	162,693	169,363
Deferred grants	15.2	26,191	18,451
Withholding taxes payable		4,952	3,782
Payable to Afghanistan Payment System		10,833	3,720
Inter branch balance		1,000	21,439
All other liabilities		18,165	33,716
		<u>375,361</u>	<u>409,598</u>

15.1 Lease liabilities

Opening balance as of 1 January	169,363	212,655
Additions during the year	-	-
Accrued finance cost	3,000	6,817
Principal repayment and interest payments	(9,670)	(51,233)
Adjustment for lease modification	-	1,124
	<u>162,693</u>	<u>169,363</u>

15.2 Deferred grants

Balance at 01 January	18,451	17,118
Grants received during the year	44,189	3,978
Grant amortized during the year	(36,449)	(2,645)
Balance at 31 December	<u>26,191</u>	<u>18,451</u>

This represents grant received from (FMO) for implementing the Islamic banking functions.

16. SHARE CAPITAL

Authorized

88,800 ordinary shares of AFN 9,016 each (2023: 88,800 of AFN 9,016)	<u>800,624</u>	<u>800,624</u>
----------------------------------------------------------------------	----------------	----------------

Paid up

88,288 ordinary shares of AFN 9,016 each (2023: 88,288 of AFN 9,016)	<u>796,008</u>	<u>796,008</u>
----------------------------------------------------------------------	----------------	----------------

16.1 The capital is contributed by the shareholders as follows:

	31-Dec-2024 ---- Number of shares ----	31-Dec-2023	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023
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 (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>

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

The First MicroFinance Bank - Afghanistan
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For the year ended 31 December 2024

	31-Dec-2024	31-Dec-2023
	----- (AFN in '000) -----	
17. CONTINGENCIES AND COMMITMENTS		
17.1 Contingencies		
Outstanding bank guarantees	<u>5,947</u>	<u>9,038</u>
17.2 Commitments		
Undrawn loan and overdraft facilities	<u>-</u>	<u>16,066</u>
18. MARK-UP/ RETURN/ INTEREST EARNED		
Cash and cash equivalents	-	(14,703)
Placements	94,129	85,142
Sukuk	2,223	-
Loans and advances to customers		
Loans to small and medium size enterprises	6,861	1,301
Microfinance loans	233,670	78,159
Interest on overdraft facility	10,061	23,381
	250,592	102,841
	<u>346,944</u>	<u>173,280</u>
19. MARK-UP/ RETURN/ INTEREST EXPENSED		
Deposits from customers	6,255	533
Loans and borrowings	19.1 (28,205)	18,516
	<u>(21,950)</u>	<u>19,049</u>
19.1 This includes interest expense of AFN 3,3440 thousands accrued on MISFA and IFAD loans. While there is a reversal of accrued interest payable to Ministry of Finance and FMO against long term borrowings amounting to AFN 31,549 thousands (2023: Nil).		
20. FEE AND COMMISSION INCOME		
Bank charges relating to foreign remittances and other services	51,778	51,451
	<u>51,778</u>	<u>51,451</u>
21. FEE AND COMMISSION EXPENSE		
Bank charges	<u>2,321</u>	<u>1,237</u>

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 -----
22. OTHER INCOME/ (EXPENSE)			
Unrealised exchange loss		(1,039)	(9,982)
Receipts against claims with ACGF		-	235,116
Recovery of loans and advances written-off		109,928	53,586
Gain on disposal of property and equipment		157	122
Other miscellaneous income		1,535	3,147
		<u>110,581</u>	<u>281,989</u>
23. PERSONNEL EXPENSES			
Local staff	23.1	401,221	446,425
		<u>401,221</u>	<u>446,425</u>
23.1 Local staff			
Basic salary		350,197	383,881
Other benefits		51,024	62,544
		<u>401,221</u>	<u>446,425</u>
24. OTHER OPERATING EXPENSES			
Consultancy fee		24,217	25,200
Office rent		20,183	6,729
Communication		61,214	55,555
IT maintenance and support costs		12,836	30,384
Generator fuel and maintenance		25,629	26,752
Insurance		20,990	26,484
Legal, professional and statutory fee		7,849	9,779
Auditors' remuneration	24.1	2,127	3,059
Office security		27,227	26,512
Office stationery and supplies		7,818	10,097
Other operating expenses		5,243	5,341
Repairs and maintenance		3,447	3,097
Travel and transportation		29,307	30,818
Director's expense		15,297	11,989
Trainings		786	-
Utilities		14,623	13,397
Marketing and promotional expenses		2,456	886
		<u>281,249</u>	<u>286,079</u>

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

			31-Dec-2024	31-Dec-2023
	Note		----- (AFN in '000) -----	
24.1 Auditors' remuneration				
Annual audit fee			1,916	2,792
Interim review fee			211	267
			<u>2,127</u>	<u>3,059</u>
25. EXPENDITURE AGAINST GRANTS				
Depreciation and amortization	9.4		9,704	2,645
			<u>9,704</u>	<u>2,645</u>
26. INCOME TAX				
Current tax				
For the year			-	-
Prior year			-	-
			<u>-</u>	<u>-</u>
Deferred tax expense/(reversal)	11		(127,344)	(78,091)
			<u>(127,344)</u>	<u>(78,091)</u>
27. EARNINGS PER SHARE				
Basic earnings per share				
Loss for the year attributable to ordinary shareholders (AFN '000)			(556,245)	(333,299)
Weighted-average number of ordinary shares			88,288	88,288
Basic earnings per share (AFN)			<u>(6,300)</u>	<u>(3,775)</u>
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. to the financial statements wherein it is mentioned that Aga Khan Development Network entities collectively own 51% (2023: 51%) of the Bank's capital.				
			31-Dec-2024	31-Dec-2023
	Note		----- (AFN in '000) -----	
28.2 Transactions with key management personnel				
28.2.1 Key management personnel compensation				
Short term employee benefits	28.2.1.1		43,306	43,306
28.2.1.1	Compensation of the Bank's key management personnel includes salaries and benefits.			

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
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28.2.2 Related party transactions

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	31-Dec-2024	31-Dec-2023	31-Dec-2024	31-Dec-2023
Balances with related parties	----- (AFN in '000) -----			
Balances with banks	-	-	-	-
Time deposits with banks	-	-	1,357,764	1,286,546
Advances	3,899	4,674	-	-
Deposits from customers	44,501	36,577	1,724,249	2,290,674
Cash Margin against guarantees issued	-	-	-	-
Loan to Telecom Development Company Afghanistan Limited (TDCA)	-	-	-	63,031
Receivable from Roshan against M-Paisa payments	-	-	8,632	5,252
	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	31-Dec-2024	31-Dec-2023	31-Dec-2024	31-Dec-2023
Transactions with related parties	----- (AFN in '000) -----			
Interest income	-	-	54,187	24,993
Fee and commission income	-	-	90	2,644
Fee and commission expense	-	-	-	429
Directors' fee and other reimbursements	15,297	11,989	-	-

- 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.

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
For the year ended 31 December 2024

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.

		Debt investments at amortized cost	Other amortised cost	Total carrying amount	Fair value
	Note	----- (AFN in '000) -----			
31 December 2024					
Financial assets					
Cash and cash equivalents	6	4,411,391	-	4,411,391	4,411,391
Investments/Placements	7	2,511,094	-	2,511,094	2,511,094
Loans and advances to customers	8	1,486,895	-	1,486,895	1,486,895
Other assets	12	-	707,563	707,563	707,563
		8,409,380	707,563	9,116,943	9,116,943
Financial liabilities					
Deposits from customers	13	-	8,230,016	8,230,016	8,230,016
Loans and borrowings	14	-	-	-	-
Other liabilities	15	-	343,218	343,218	343,218
		-	8,573,234	8,573,234	8,573,234
31 December 2023					
Financial assets					
Cash and cash equivalents	6	5,238,368	-	5,238,368	5,238,368
Placements	7	1,780,727	-	1,780,727	1,780,727
Loans and advances to customers	8	2,068,171	-	2,068,171	2,068,171
Other assets	12	-	696,880	696,880	696,880
		9,087,266	696,880	9,784,146	9,784,146
Financial liabilities					
Deposits from customers	13	-	8,000,462	8,000,462	8,000,462
Loans and borrowings	14	-	820,722	820,722	820,722
Other liabilities	15	-	365,926	365,926	365,926
		-	9,187,110	9,187,110	9,187,110

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.

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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.

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Notes to the Financial Statements
For the year ended 31 December 2024

30.1.1 Credit risk measurement (Continued---)

	Note	31-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023
Maximum exposure to credit risk			
Carrying amount	8	1,486,895	2,068,171
At amortised cost			
Standard		1,463,439	1,894,000
Watch-list		6,551	24,643
Substandard		3,384	12,740
Doubtful		57,574	61,387
Loss		27,953	59,095
Rescheduled		-	151,000
Total gross amount		1,558,901	2,202,866
Allowance for impairment (individual and collective)		(72,006)	(134,695)
Net carrying amount		1,486,895	2,068,171
Loans with renegotiated terms			
Gross carrying amount		-	151,000
Allowance for impairment		-	(4,554)
Net carrying amount		-	146,446
Neither past due nor impaired			
Standard (low fair risk)		1,463,439	1,894,000
		1,463,439	1,894,000
Individually impaired			
Watch-list		6,551	24,643
Substandard		3,384	12,740
Doubtful		57,574	61,387
Loss and rescheduled		27,953	210,095
		95,462	308,866
Allowance for impairment			
Specific		57,913	54,965
General		14,093	79,730
Total allowance for impairment		72,006	134,695

Impaired loans and advances

See accounting policy - note 5.2.1

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.

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The First MicroFinance Bank - Afghanistan
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30.1.1 Credit risk measurement (Continued---)

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 6,468,368 thousands at 31 December 2024 (2023: AFN 6,162,987 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-2024	31-Dec-2023	
Type of credit exposure			
Loans and advances to customers			
Microfinance loans	73.49	69.30	Property
Microfinance loans - group loans	-	-	None
Over draft	-	3.52	Property
Loans to small and medium size enterprises (SME)	26.51	27.18	Property

Offsetting financial assets and financial liabilities

No financial assets and financial liabilities have been set off during the year 2024 (2023: none).

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The First MicroFinance Bank - Afghanistan
Notes to the Financial Statements
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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 equivalents	Placements/ Investments	Loans and advances to customers	Other assets	Total (on- balance sheet)	Contingencies and commitments	Total
----- (AFN in '000) -----							
31 December 2024							
Afghanistan	1	-	1,486,895	56,921	1,543,817	5,947	1,549,764
Bahrain	-	1,344,186	-	-	1,344,186	-	1,344,186
China	42,087	139,471	-	-	181,558	-	181,558
Turkey	6,000	90,656	-	-	96,656	-	96,656
Spain	71,100	627,620	-	-	698,720	-	698,720
Russia	4,132	-	-	-	4,132	-	4,132
Lebanon	21,786	-	-	-	21,786	-	21,786
UAE	4,778	90,012	-	-	94,790	-	94,790
Saudi Arabia	-	83,514	-	-	83,514	-	83,514
Indonesia	-	46,539	-	-	46,539	-	46,539
Malaysia	-	89,096	-	-	89,096	-	89,096
	<u>149,884</u>	<u>2,511,094</u>	<u>1,486,895</u>	<u>56,921</u>	<u>4,204,794</u>	<u>5,947</u>	<u>4,210,741</u>
31 December 2023							
Afghanistan	10,256	-	2,068,171	95,096	2,173,523	25,104	2,198,627
Belgium	1,286,546	-	-	-	1,286,546	-	1,286,546
China	3,005	-	-	-	3,005	-	3,005
Turkey	1,831	91,208	-	-	93,039	-	93,039
Spain	73,124	420,960	-	-	494,084	-	494,084
Russia	4,143	-	-	-	4,143	-	4,143
Lebanon	28,364	-	-	-	28,364	-	28,364
	<u>1,407,269</u>	<u>512,168</u>	<u>2,068,171</u>	<u>95,096</u>	<u>4,082,704</u>	<u>25,104</u>	<u>4,107,808</u>

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 2024.

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30.1.2 Concentration of credit risk (Continued---

Concentration of credit risk (Continued---)		Banks	Agriculture	Telecom	Trade	Others	Total
	Note	----- (AFN in '000) -----					
31 December 2024							
Cash and cash equivalents	6	149,884	-	-	-	-	149,884
Placements/Investments		2,511,094	-	-	-	-	2,511,094
Loans and advances to customers	8	-	535,696	88,644	379,457	483,098	1,486,895
Other assets	12	-	-	8,632	-	48,289	56,921
Contingencies and commitments	17	-	-	-	-	5,947	5,947
		<u>2,660,978</u>	<u>535,696</u>	<u>97,276</u>	<u>379,457</u>	<u>537,334</u>	<u>4,210,741</u>
31 December 2023							
Cash and cash equivalents	6	120,723	-	-	-	-	120,723
Placements	7	1,798,714	-	-	-	-	1,798,714
Loans and advances to customers	8	-	262,863	135,140	196,384	1,473,784	2,068,171
Other assets	11	-	-	5,252	-	89,844	95,096
Contingencies and commitments	17	-	-	-	-	25,104	25,104
		<u>1,919,437</u>	<u>262,863</u>	<u>140,392</u>	<u>196,384</u>	<u>1,588,732</u>	<u>4,107,808</u>

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.

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Notes to the Financial Statements

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30.2.1 Management of liquidity risk (Continued...)

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-Dec-2024	31-Dec-2023
At 31 December	102.51%	104.35%
Average for the period	83.62%	85.46%
Maximum for the period	103.43%	104.35%
Minimum for the period	76.25%	78.09%

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 2024								
Financial liabilities								
Deposits from customers	13	(8,230,016)	(7,543,832)	-	-	(686,184)	-	8,230,016
Loans and borrowings	14	-	-	-	-	-	-	-
Other liabilities	15	(343,216)	(95,827)	(55,700)	-	(191,689)	-	343,218
		<u>(8,573,232)</u>	<u>(7,639,659)</u>	<u>(55,700)</u>	<u>-</u>	<u>(877,873)</u>	<u>-</u>	<u>8,573,234</u>
31 December 2023								
Financial liabilities								
Deposits from customers	13	(6,046,405)	(6,017,049)	(24,977)	(4,379)	-	-	8,000,462
Loans and borrowings	14	(820,723)	-	(38,352)	(125,104)	(657,267)	-	820,722
Other liabilities	15	(335,992)	(159,127)	(7,502)	-	(169,363)	-	365,926
		<u>(7,203,120)</u>	<u>(6,176,176)</u>	<u>(70,831)</u>	<u>(129,483)</u>	<u>(826,630)</u>	<u>-</u>	<u>9,187,110</u>

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Notes to the Financial Statements
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30.2.3 Maturity analysis for financial liabilities (Continued...)

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-Dec-2024 ----- (AFN in '000) -----	31-Dec-2023 ----- (AFN in '000) -----
Financial assets			
Loans and advances to customers	8	<u>750,622</u>	<u>1,473,067</u>
Financial liabilities			
Loans and borrowings	14	<u>-</u>	<u>657,266</u>

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.

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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.

		Interest bearing						Not interest bearing	Carrying amount	
Note	Interest rates (p.a)	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total			
----- (AFN in '000) -----										
31 December 2024										
Financial assets										
Cash and cash equivalents	6	3.40% to 4.25%	2,201,934	-	-	309,160	-	2,511,094	1,900,297	4,411,391
Loans and advances to customers	8	8% to 27%	156,852	111,304	468,117	750,622	-	1,486,895	-	1,486,895
Other assets	12		-	-	-	-	-	-	707,563	707,563
Total financial assets			2,358,786	111,304	468,117	1,059,782	-	3,997,989	2,607,860	6,605,849
Financial liabilities										
Deposits from customers	13	1.5% to 5%	-	-	-	-	686,184	686,184	7,543,832	8,230,016
Loans and borrowings	14		-	-	-	-	-	-	-	-
Other liabilities	15		-	-	-	-	-	-	343,218	343,218
Total financial liabilities			-	-	-	-	686,184	686,184	7,887,050	8,573,234
Total interest rate gap			2,358,786	111,304	468,117	1,059,782	(686,184)	3,311,805	(5,279,190)	(1,967,385)
31 December 2023										
Financial assets										
Cash and cash equivalents	6	1% to 3.10%	1,780,727	-	-	-	-	1,780,727	3,457,641	5,238,368
Loans and advances to customers	8	9% to 27%	109,401	91,400	394,303	1,473,067	-	2,068,171	-	2,068,171
Other assets	12		-	-	-	-	-	-	696,880	696,880
Total financial assets			1,890,128	91,400	394,303	1,473,067	-	3,848,898	4,154,521	8,003,419
Financial liabilities										
Deposits from customers	13	0.5% to 5.5%	24,977	4,379	-	-	-	29,356	7,971,106	8,000,462
Loans and borrowings	14	0.5% to 6%	38,352	-	125,104	657,266	-	820,722	-	820,722
Other liabilities	15		-	-	-	-	44,621	44,621	321,305	365,926
Total financial liabilities			63,329	4,379	125,104	657,266	44,621	894,699	8,292,411	9,187,110
Total interest rate gap			1,826,799	87,021	269,199	815,801	(44,621)	2,954,199	(4,137,890)	(1,183,691)

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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
31 December 2024							
Financial assets							
Cash and cash equivalents	6	3,421,370	889,721	100,300	4,411,391	-	4,411,391
Placements/Investments		-	2,511,094	-	2,511,094	-	2,511,094
Loans and advances to customers	8	1,414,315	72,580	-	1,486,895	-	1,486,895
Other assets	12	290,025	402,588	14,950	707,563	-	707,563
Total financial assets		5,125,710	3,875,983	115,250	9,116,943	-	9,116,943
Financial liabilities							
Deposits from customers	13	4,512,181	3,590,649	127,186	8,230,016	-	8,230,016
Loans and borrowings	14	-	-	-	-	-	-
Other liabilities	15	102,204	240,348	666	343,218	-	343,218
Total financial liabilities		4,614,385	3,830,997	127,852	8,573,234	-	8,573,234
Net position		511,325	44,986	(12,602)	543,709	-	543,709
31 December 2023							
Financial assets							
Cash and cash equivalents	6	3,002,001	2,118,715	117,652	5,238,368	-	5,238,368
Placements	7	-	1,780,727	-	1,780,727	-	1,780,727
Loans and advances to customers	8	1,883,454	184,717	-	2,068,171	-	2,068,171
Other assets	12	303,593	393,287	-	696,880	-	696,880
Total financial assets		5,189,048	4,477,446	117,652	9,784,146	-	9,784,146
Financial liabilities							
Deposits from customers	13	4,137,181	3,740,470	122,811	8,000,462	-	8,000,462
Loans and borrowings	14	820,722	-	-	820,722	-	820,722
Other liabilities	15	195,322	170,503	96	365,922	-	365,922
Total financial liabilities		5,153,225	3,910,973	122,907	9,187,106	-	9,187,106
Net position		35,823	566,472	(5,255)	597,040	-	597,040

Sensitivity analysis

A 10% and 22% of strengthening of the Afghani, against the USD and Euro at 31 December 2024 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.

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30.3.3 Exposure to currency risk (Continued---)

	2024		2023	
	Equity	Profit or loss	Equity	Profit or loss
	----- (AFN in '000) -----			
USD	(3,599)	(4,499)	(45,318)	(56,647)
Euro	1,008	1,260	421	526

A 10% weakening of the Afghani against the above currencies at 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

30.4 Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational 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, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

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Notes to the Financial Statements
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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 2024 was as follows:

	31-Dec-2024	31-Dec-2023
	----- (AFN in '000) -----	
Regulatory Capital		
Tier 1 capital		
Total equity capital	1,130,278	1,089,083
Less: Intangible assets	(51,713)	(77,814)
Less: Net Deferred Tax Assets	(346,700)	(219,356)
Less: Profit for the year	-	-
Total tier 1 (core) capital	731,865	791,913
Tier 2 (Supplementary) Capital:		
General loss reserves on credits as per DAB's regulation, but restricted to 1.25% of total risk-weighted exposures	14,093	33,370
Add: Profit for the year	-	-
Total tier 2 (supplementary) capital	14,093	33,370
Total Regulatory capital = Tier 1 + Tier 2	745,958	825,283
Risk-weighted assets		
On-balance sheet		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	1,104,759	1,457,893
Direct claims on DAB	3,807,390	4,261,537
Loans guaranteed by development institutions	-	297,903
Total	4,912,149	6,017,333
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Balances with banks operating in category A countries	802,632	1,773,379
Direct claims in non-category A countries	1,571,428	146,056
Loans guaranteed by development institutions	54,173	-
Total	2,428,233	1,919,435
20% risk-weight total (above total x 20%)	485,647	383,887
100% risk weight:		
All other assets	2,489,521	2,536,358
Less: intangible assets	(51,713)	(77,814)
Less: Net Deferred Tax Assets	(346,700)	(219,356)
All other assets - net	2,091,108	2,239,188
100% risk-weight total (above total x 100%)	2,091,108	2,239,188

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30.5 Capital management (Continued....)

	31-Dec-2024	31-Dec-2023
	----- (AFN in '000) -----	
Off-balance sheet		
0% risk weight:		
Guarantees issued		
Undrawn loan and overdraft facilities	-	16,066
0% credit conversion factor total (risk-weighted total x 0%)		
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Guarantees issued	5,947	9,038
20% credit conversion factor total (risk-weighted total x 20%)	1,189	1,808
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	2,577,944	2,624,883
Tier 1 Capital Ratio		
(Tier 1 capital as % of total risk-weighted assets)	28.4%	30.2%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	28.9%	31.4%

31. CORRESPONDING FIGURES

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

32. DATE OF AUTHORISATION FOR ISSUE

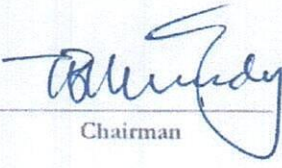
These financial statements were authorized for issue on 20-Mar-25 by the Board of Supervisors of the Bank.

33. GENERAL

Figures have been rounded off to the nearest thousand.


 Chief Financial Officer


 Chief Executive Officer


 Chairman