UHY Shafiq Umar Daraz & Co.
Chartered Accountants

THE FIRST MICROFINANCE BANK

Audited Financial Statements

For the year ended December 31, 2023

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF THE FIRST MICROFINANCE BANK - AFGHANISTAN

Opinion

We have audited the accompanying financial statements of The First MicroFinance Bank - Afghanistan (the Bank), which comprise the statement of financial position as of December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of December 31, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' *Code of Ethics of Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 8.2.1 to the financial statements which states that 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 and advances 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 has further extended up to 02 April 2024 through a circular Ref. No. 12398/12932 dated 13 April 2023. Hence, impairment loss on 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 and advances 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 1,109,126 thousands (net of ACGF share of loss (note 8.2.2) (2022: AFN 1,308,453 thousands) for the year, resulting in increase in the loss before tax by the said amount.

Other Matters

(i) In connection with our audit of the financial statements, we have been informed by management that there is no other information that is attached by them along with the financial statements and our auditor's report thereon.

(ii) Subsequent to the date of authorization of the financial statements for issue by the board of supervisors, management has rectified a disclosure error in note 30.5 to the financial statements and a fresh copy of the financial statements has been approved by the board of supervisors dated May 08, 2024. The error does not impact the financial position of the Bank as of December 31, 2023, and its financial performance and its cash

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flows for the year then ended. These financial statements sand our audit report thereon supersede the earlier issuance of financial statements dated March 14, 2024.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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Shafiq Umar Daraz & Co
Chartered Accountants

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Umar Daraz.

UHY Shafiq Umar Daraz & Co.
Chartered Accountants

Date: May 08, 2024
Kabul, Afghanistan

Shafiq Umar Daraz & Co Chartered Accountants
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The First MicroFinance Bank - Afghanistan
Statement of Financial Position
As at 31 December 2023

	Note	31 December 2023	31 December 2022
		--------- (AFN in '000) ---------	
Assets			
Cash and cash equivalents	6	**5,238,368**	7,311,724
Short term placements with banks	7	**1,780,727**	1,624,666
Loans and advances to customers - net	8	**2,068,171**	2,135,280
Operating fixed assets	9	**209,005**	330,900
Intangible assets	10	**77,814**	52,184
Deferred tax asset - net	11	**219,356**	141,265
Other assets	12	**726,424**	927,460
Total Assets		**10,319,865**	12,523,479
Liabilities			
Deposits from customers	13	**8,000,462**	8,948,110
Loans and borrowings	14	**820,722**	1,755,264
Other liabilities	15	**409,598**	397,723
Total Liabilities		**9,230,782**	11,101,097
Equity			
Share capital	16	**796,008**	796,008
Share premium		**206,038**	206,038
Retained earnings		**87,037**	420,336
Total equity		**1,089,083**	1,422,382
Total equity and liabilities		**10,319,865**	12,523,479
Contingencies and commitments	17		

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

Chief Financial Officer **Chief Executive Officer** **Chairman**

The First MicroFinance Bank - Afghanistan
Statement of Comprehensive Income
For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		--------- (AFN in '000)	---------
Mark-up / return / interest earned	18	173,280	44,111
Mark-up / return / interest expensed	19	(19,049)	(9,334)
Net mark-up / interest income		154,231	34,777
Fee and commission income	20	51,451	23,395
Fee and commission expense	21	(1,237)	(1,652)
Net fee and commission income		50,214	21,743
Income from dealing in foreign currencies		78,375	129,254
Revenue		282,820	185,774
Other income/ (expense)	22	281,989	(5,045)
Reversal of impairment loss on loans and advances to customers	8.2	6,773	93,720
Impairment loss on placements	7	(2,297)	(15,690)
General provision on other assets	12	(139,947)	3,740
Personnel expenses	23	(446,425)	(547,084)
Depreciation and amortisation	9 & 10	(101,407)	(129,420)
Finance cost on lease liabilities	15.1	(6,817)	(9,789)
Other expenses	24	(286,079)	(247,303)
Net operating loss		(411,390)	(671,097)
Non-operating revenue and expenses:			
Development grant income	15	2,645	402
Operating grant income		-	-
Expenditure against grants	25	(2,645)	(402)
		-	-
Loss before tax		(411,390)	(671,097)
Income tax	26	78,091	135,088
Loss for the year		(333,299)	(536,009)
Other comprehensive income		-	-
Total comprehensive income		(333,299)	(536,009)
Earnings per share	27	(3,775)	(6,071)

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

Chief Financial Officer **Chief Executive Officer** **Chairman**

The First MicroFinance Bank - Afghanistan
Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital	Share premium	Retained earnings	Total
	(AFN in '000)			
Balance at 01 January 2022	796,008	206,038	956,345	1,958,391
Loss for the year	-	-	(536,009)	(536,009)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(536,009)	(536,009)
Balance at 31 December 2022	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**

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 Cash Flows
For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		--------- (AFN in '000) ---------	
Cash flows from operating activities			
Loss before tax		**(411,390)**	(671,097)
Adjustments for:			
Depreciation and amortisation	9 & 10	**101,407**	129,420
Reversal of impairment loss on loans and advances to customers	8.2	**(6,773)**	(93,720)
Impairment loss/ (gain) on placements	6 & 7	**2,297**	15,690
General provision on			
Other assets	12	**139,947**	(3,740)
Gain on disposal of property and equipment	22	**(122)**	(325)
Finance cost on lease liabilities	15.1	**6,817**	9,789
Grant income	25	**(2,645)**	(402)
		(170,462)	(614,385)
Changes in:			
Decrease in loans and advances to customers		**73,882**	1,775,529
Decrease/(increase) in other assets		**61,089**	(200,323)
(Decrease)/increase in deposits from customers		**(947,648)**	2,105,173
Increase in other liabilities		**53,833**	(54,164)
		(929,306)	3,011,830
Income tax paid		**-**	-
Grant received		**3,978**	17,520
Net cash flows from/ (used in) operating activities		**(925,328)**	3,029,350
Cash flows from investing activities			
Purchase of property and equipment		**(10,424)**	(110,916)
Proceeds from disposal of property and equipment		**5,405**	385
Net investment in placements		**(158,358)**	306,942
Net cash flows from /(used in) investing activities		**(163,377)**	196,411
Cash flows from financing activities			
Repayment of lease liabilities	15.1	**(51,233)**	(64,094)
Addition to lease liabilities		**1,124**	85,720
Proceeds from loans and borrowings		**50,000**	-
Repayment of loans and borrowings		**(984,542)**	(195,488)
Net cash used in financing activities		**(984,651)**	(173,862)
Net increase in cash and cash equivalents		**(2,073,356)**	3,051,899
Cash and cash equivalents at beginning of the year		**7,311,724**	4,259,825
Cash and cash equivalents at end of the year	6	**5,238,368**	7,311,724

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

Chief Financial Officer | **Chief Executive Officer** | **Chairman**

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 (2022: 37) branches in operation including 17 urban branches (2022: 17) and 20 rural / peri urban branches (2022: 20) in operation at the year end and employed 1,028 staff (2022: 1,138).

The financial statements for the year ended December 31, 2023 (including comparatives) have been approved and authorized for issue by the Board of Supervisors on May 08, 2024.

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 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 2022.

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.

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, 2023 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

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

Standards, Interpretations and Amendments	**Effective date (accounting periods beginning on or after)**
- IFRS 9 'Financial instruments'	January 01, 2024
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current	January 01, 2024
- IFRS 16 Sale and leaseback (amendments)	January 01, 2024

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

The Bank maintains a general provision of 5% (2022: 5%) on standard loans in Microfinance and SME portfolio and 1% (2022: 1%) on standard Overdraft and Corporate loans in line with bank's own provisioning policy which is relatively higher than the regulatory requirements.

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

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 2022.

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. UHY.

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 5% (2022: 5%) of value of such loans and advances (microfinance and SMEs) and 1% (2022: 1%) on overdraft and corporate loans. However, as per Asset Classification and Provisioning Regulation (ACPR) issued by the DAB, 1% optional provision can be maintained of value of such loans and advances.

ii) **Watch:** These are loans and advances which are adequately protected, but are potentially weak. All loans and advances where principal or interest payments are past due by 31 to 60 days are classified as watch-list. Such advances constitute an unwarranted credit risk, but not to the point of requiring a classification to Substandard. A provision is maintained @ 5% (2022: 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% (2022: 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% (2022: 50%) of value of such loans and advances as per Bank's risk based approach.

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

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

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

Placements and other assets

The Bank has a policy of maintaining general provision at 1% (2022: 1%) on placements based on the review of the portfolio as allowed under DAB regulations. UHY.

5.2.1 Impairment provision under local regulations (Contd…)

Off-balance sheet item

The Bank has a policy of maintaining general provision at 1% (2022: 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:

	2023	2022
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:

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

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

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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. UHY.

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. UHY.

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 Interest

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

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

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

5.14 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. UHY.

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.

	Note	31-Dec-2023	31-Dec-2022
		--------- (AFN in '000) ---------	
6 CASH AND CASH EQUIVALENTS			
Cash on hand		**1,457,892**	1,903,134
Unrestricted balances with Da Afghanistan Bank	6.1	**3,659,753**	4,653,012
Balances with other banks	6.2	**120,723**	755,578
		5,238,368	7,311,724

6.1 Unrestricted balances with Da Afghanistan Bank

	Note	31-Dec-2023	31-Dec-2022
Local currency			
Current accounts		**2,261,891**	3,412,438
Overnight deposit account	6.1.1	**632,449**	632,449
		2,894,340	4,044,887
Foreign currency			
Current accounts	6.1.2	**765,413**	608,125
		3,659,753	4,653,012

6.1.1 These balances are interest free (2022: 0%) per annum.

6.1.2 These represent current accounts with Da Afghanistan Bank (DAB) in USD.

6.2 Balances with other banks

	Note	31-Dec-2023	31-Dec-2022
Transkapital - Russia		**4,143**	5,245
BMCE Bank International, Spain		**73,124**	687,794
AKTIF Bank, Turkey		**1,831**	44,507
CSCBank SAL		**28,364**	18,032
Zhejiang Chouzhou-China		**3,005**	-
Ghazanfar Bank- Afghanistan		**10,256**	-
	6.2.1	**120,723**	755,578

6.2.1 These balances are interest free (2022: Nil).

7 SHORT TERM PLACEMENTS WITH BANKS

	Note	31-Dec-2023	31-Dec-2022
Time deposits with other banks	7.2	**1,798,714**	1,640,356
Less: General provision held	7.3	**(17,987)**	(15,690)
		1,780,727	1,624,666

7.1 This represents placements with foreign banks having maturity of 30 to 95 days (2022: 28 to 95 days) and carried interest rates ranging from 4.50% to 4.75% per annum (2022: 1% to 3.10%).

7.2 Time deposits with other banks - net

	Note	31-Dec-2023	31-Dec-2022
		--------- (AFN in '000) ---------	
Habib Bank Limited, Brussels	7.2.1	**1,286,546**	1,569,044
AKTIF Bank, Turkey	7.2.2	**91,208**	71,312
BMCE BANK SPAIN	7.2.3	**420,960**	-
		1,798,714	1,640,356

7.2.1 These deposits, held with the related party, have maturity of 90 to 95 days (2022: 92 to 95 days) and carry interest rates of 4.65% to 4.75% (2022: 2.80% to 3.10%) per annum.

7.2.2 This deposit has maturity of 91 days (2022: 28 days) and carries interest rate of 4.50% (2022: 1%) per annum.

7.2.3 This deposit has maturity of 30 to 32 days (2022: Nil) and carries interest rates of 4.60% to 4.75% (2022: Nil) per annum.

7.3 Impairment on short-term placements

The bank has maintained a provision of AFN 17,987 thousand (2022: AFN 15,690) based on Bank's provisioning policy and Assets Classification and Provisioning Regulation (ACPR) issued by DAB.

	Note	31-Dec-2023	31-Dec-2022
		--------- (AFN in '000) ---------	
8. LOANS AND ADVANCES TO CUSTOMERS - NET			
Loans and advances to customers	8.1	**2,202,866**	2,279,750
Less: Allowance for impairment loss on loans and advances to customers	8.2	**(134,695)**	(144,470)
		2,068,171	2,135,280

8.1 Loans and advances to customers

	Note	31 December 2023 Gross amount	31 December 2023 Impairment allowance	31 December 2023 Carrying amount	31 December 2022 Gross amount	31 December 2022 Impairment allowance	31 December 2022 Carrying amount
		(AFN in '000)					
Microfinance loans	8.1.1	**1,543,193**	**(109,949)**	**1,433,244**	1,437,034	(116,470)	1,320,564
Loans to small and medium size enterprises (SME)	8.1.2	**583,180**	**(21,078)**	**562,102**	750,797	(24,332)	726,465
Overdraft/Corporate financing	8.1.3	**76,493**	**(3,668)**	**72,825**	91,919	(3,668)	88,251
		2,202,866	**(134,695)**	**2,068,171**	2,279,750	(144,470)	2,135,280

8.1.1 Microfinance loans carry interest at rates ranging from 9% to 27% (2022: 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 10% to 23% (2022: 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 10% (2022: 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 2.2bn includes a portfolio of AFN 965mn (2022: 156.1mn)Islamic financing as well.

8.2 Allowance for impairment loss on loans and advances to customers

	Note	31 December 2023 Specific	31 December 2023 General	31 December 2023 Total	31 December 2022 Specific	31 December 2022 General	31 December 2022 Total
		(AFN in '000)					
Opening		**70,413**	**74,057**	**144,470**	87,829	150,361	238,190
Charge for the year:							
Microfinance loans		**(10,286)**	**6,766**	**(3,520)**	(15,270)	(73,511)	(88,781)
Loans to small and medium size enterprises and overdrafts		**(2,160)**	**(1,093)**	**(3,253)**	(2,146)	(2,793)	(4,939)
		(12,446)	**5,673**	**(6,773)**	(17,416)	(76,304)	(93,720)
Written off against impairment allowance:							
Microfinance loans		**(3,002)**	**-**	**(3,002)**	-	-	-
Loans to small and medium size enterprises and overdrafts		**-**	**-**	**-**	-	-	-
	8.2.3	**(3,002)**	**-**	**(3,002)**	-	-	-
Closing		**54,965**	**79,730**	**134,695**	70,413	74,057	144,470

8.2.1 Due to the economic crisis in the country, the repayment capacity of customers of the Bank has reduced during the year. As a result, the quality of loans of the Bank has deteriorated which required further impairment loss to be recognised 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 has further extended up to 02 April 2024 through a circular Ref. No. 12398/12932 dated 13 April 2023. Hence, impairment loss on 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 1,109,126 thousands (net of ACGF share of loss (note 8.2.2) (2022: 1,308,453 thousands) for the year, resulting in increase in the loss before tax by the said amount.

8.2.2 The Bank has obtain an insurance from a third party (ACGF) for a large portion of its SME and Corporate loans that will provide 72% 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. However, to maintain the relationship between ACGF and FMFB-A; both parties have signed a conditional amendment in Jan 2022 that allows FMFB-A to claim the qualified loans from ACGF after 540 days instead of 180 days and ACGF will go through a viability assessment of FMFB-A with help of an external party. The viability assessment is completed with mostly positive comments from the external party; however, the main concern of the external party is capital injection whenever required after the relaxation is lifted by the central bank. During the year 2023, the Bank received AFN 235,116 thousands from ACGF.

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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 1,128,892 thousand (2022: AFN 1,881,560 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	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%	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%	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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	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 2022						
Classification - Microfinance Loans						
Standard	1,344,167	1%	13,442	5.00%	67,244	26,860
Overdue:						
Watch-List	31,849	5%	1,592	5%	1,592	827
Substandard	7,892	25%	1,973	25%	1,973	163
Doubtful	14,929	50%	7,465	50%	7,464	310
Loss	38,197	100%	38,197	100%	38,197	833
	1,437,034		**62,669**		**116,470**	**28,993**
Classification - Overdraft and SME Loans						
Standard - SME Loans	626,479	1%	3,118	5.00%	16,847	185
Standard - Overdraft financing	81,689	1%	817	1%	817	2
Overdue:						
Watch-List - SME loans	9,251	5%	463	5%	463	6
Watch-List - Overdraft financing	-	5%	-	5%	-	-
Substandard - SME loans	8,789	25%	2,197	25%	2,197	7
Substandard - Overdraft financing	-	25%	-	25%	-	
Doubtful - SME loans	85,116	50%	42,558	50%	42,558	15
Doubtful - Overdraft financing	-	50%	-	50%	-	
Loss - SME loans	21,162	100%	21,162	100%	21,162	15
Loss - Overdraft financing	10,230	100%	10,230	100%	10,230	1
Reversal of provisioning on loans secured with ACGF			(55,067)		(66,274)	
	842,716		**25,478**		**28,000**	**231**
Total	**2,279,750**		**88,147**		**144,470**	**29,224**

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	Note	31-Dec-2023	31-Dec-2022
		(AFN in '000)	
9. OPERATING FIXED ASSETS			
Capital work-in-progress	9.1	**5,021**	48,068
Property and equipment	9.2	**37,404**	70,219
Right-of-use assets - Bank's branches	9.3	**166,580**	212,613
		209,005	330,900

9.1 Capital work-in-progress

	Note	31-Dec-2023	31-Dec-2022
Opening balance		**48,068**	5,022
Advances made during the year		**7,122**	43,046
Transfer to assets	9.1.1	**(50,169)**	-
Closing balance		**5,021**	48,068

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 2022	113,608	44,931	24,192	177,865	118,300	478,896
Additions	814	174	-	829	312	2,129
Transfer from CWIP	-	-	-	-	-	-
Disposals	(204)	(1,371)	(809)	(1,690)	(6,300)	(10,374)
Balance at 31 December 2022	114,218	43,734	23,383	177,004	112,312	470,651
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	**113,335**	**43,431**	**23,171**	**177,392**	**110,281**	**467,609**
Depreciation						
Balance at 01 January 2022	69,044	38,181	23,897	122,631	109,749	363,502
Charge for the year	13,609	2,970	294	23,554	6,817	47,244
Disposals	(199)	(1,369)	(808)	(1,680)	(6,258)	(10,314)
Balance at 31 December 2022	82,454	39,782	23,383	144,505	110,308	400,432
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	**93,255**	**41,020**	**22,824**	**163,402**	**109,704**	**430,205**
Carrying amounts						
Balance at 31 December 2022	31,764	3,952	-	32,499	2,004	70,219
Balance at 31 December 2023	**20,080**	**2,411**	**347**	**13,990**	**577**	**37,404**
Depreciation rate	**20%**	**20%**	**20%**	**25%**	**33.33%**	

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		Note	31-Dec-2023	31-Dec-2022
			------ (AFN in '000) ------	
9.3	**Right-of-use assets - Bank's branches**			
	Cost:			
	Opening balance as on 01 January		**415,718**	349,977
	Additions during the year		**178**	65,741
	Adjustment for lease modification		**(1,795)**	-
	Closing balance as on 31 December		**414,101**	415,718
	Accumulated depreciation:			
	Balance as of 01 January		**203,105**	151,553
	Depreciation expense for the year		**44,416**	51,552
	Adjustment for lease modification		**-**	-
	Balance as at 31 December		**247,521**	203,105
	Carrying amount		**166,580**	212,613
9.4	**Allocation of depreciation**			
	Depreciation charge on property and equipment		**35,911**	47,244
	Depreciation charge on right-of-use assets		**44,416**	51,552
	Less: Amount classified under grant expense	25	**(2,645)**	(402)
			77,682	98,394

10.	**INTANGIBLE ASSETS**			
	Cost			
	Opening		**251,030**	251,030
	Transfer from CWIP		**49,354**	-
	Additions		**-**	-
	Closing		**300,384**	251,030
	Amortisation			
	Opening		**(198,846)**	(167,820)
	Charge for the year		**(23,724)**	(31,026)
	Closing		**(222,570)**	(198,846)
	Carrying amounts at 31 December		**77,814**	52,184

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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)				
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)**
Short term placements with banks	**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**
	141,265	**78,091**	**(49,569)**	**268,925**	**219,356**
2022					
Property and equipment	(12,159)	6,573	(5,586)	-	(5,586)
Right-of-use assets	(39,685)	(2,838)	(42,523)	-	(42,523)
Intangibles	(10,011)	(426)	(10,437)	-	(10,437)
Impairment loss on placements	-	3,138	-	3,138	3,138
General provision held on Other assets	849	(748)	-	101	101
Lease liabilities	36,248	6,283	-	42,531	42,531
Unutilised tax losses	30,935	123,106	-	154,041	154,041
	6,177	135,088	(58,546)	199,811	141,265

12. OTHER ASSETS

Restricted deposits with DAB	12.1	**601,784**	715,881
Interest receivable	12.2	**76,905**	169,737
Prepayments		**11,646**	13,035
Receivable from Roshan against M-Paisa payments		**5,252**	11,907
Advances	12.3	**17,898**	7,964
Receivable from Afghanistan Payment System		**-**	15
Others		**13,519**	9,427
		727,004	927,966
Less: Allowance for impairment losses		**(580)**	(506)
		726,424	927,460

12.1 Restricted deposits with DAB

In local currency		**224,264**	240,028
In foreign currency		**377,520**	475,853
	12.1.1	**601,784**	715,881

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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		Note	31-Dec-2023	31-Dec-2022
			------ (AFN in '000) ------	
12.2	**Interest receivable**			
	Interest receivable		**216,778**	169,737
	Less: General provision held	12.2.1	**(139,873)**	-
			76,905	169,737

12.2.1 A general provision was held on convential loans amounting to AFN 154,636 thousands. At December 31, 2023 the Portfolio At Risk (PAR) of these convential loans was 90.45% which indicates that out of total convential portfolio of AFN 154,636 an amount of AFN 14,762 thousands was related to standards loans while there were Non-Performing Loans of AFN 139,873 thousands.

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-2023	31-Dec-2022
			--------- (AFN in '000) ---------	
13.	**DEPOSITS FROM CUSTOMERS**			
	Retail customers			
	Term deposits	13.1	**29,356**	57,749
	Current deposits		**1,112,909**	960,177
	Saving deposits	13.2	**1,769,645**	1,873,975
			2,911,910	2,891,901
	Corporate customers			
	Term deposits	13.3	**-**	-
	Current deposits		**3,803,236**	4,938,133
	Saving deposits	13.4	**1,177,690**	1,038,750
			4,980,926	5,976,883
	Cash Margin		**40,284**	39,913
	Dormant deposits		**67,342**	39,413
		13.5	**8,000,462**	8,948,110

13.1 The rate of interest on term deposits from retail customers ranges from 0.65% to 5.5% (2022: 0.65% to 5.5%) per annum.

13.2 The rate of interest on saving deposits other than those in Euro from retail customers is up to 0.5% (2022: up to 0.5%) per annum. Saving deposits in Euro are interest free.

13.3 There is no corporate fixed deposit placed with the bank in 2023 (2022: Nil) per annum.

13.4 The rate of interest on saving deposits other than those in Euros from corporate customers is 0.5% (2022: 0.5%) per annum. Saving deposits in Euro are interest free.

13.5 Deposits include AFN 2,290,674 thousands (2022: AFN 1,554,515 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 8,000,462 thousands (2022: 8,948,110 thousands) includes a deposit of AFN 1,332,103 thousands (2022: 241,100 thousands) as Islamic deposit.

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14. LOANS AND BORROWINGS

	Note	31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
Loans and borrowings from:			
Ministry of Finance, Government of Afghanistan	14.1	-	104,129
Microfinance Investment Support Facility for Afghanistan	14.2	**50,000**	722,643
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	14.3	**76,703**	234,473
International Fund for Agricultural Development	14.4	**694,019**	694,019
		820,722	1,755,264

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		31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
14.1 Ministry of Finance, Government of Afghanistan			
FMFB Credit Line II	14.1.1	-	104,129
		-	104,129

14.1.1 The Bank has paid the full amount of the Ministry of Finance Credit line; and as of December 2023 there is "nil" outstanding balance.

	Note	31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
14.2 Microfinance Investment Support Facility for Afghanistan			
MISFA II	14.2.1	-	162,500
MISFA III	14.2.1	-	90,000
MISFA/KfW IV	14.2.1	-	170,936
MISFA/KfW V	14.2.1	-	299,207
MISFA/ Mudariba Agreement	14.2.1	**50,000**	-
	14.2.1	**50,000**	722,643

14.2.1 Following a mutual agreement between FMFB-A and MISFA, it has been agreed that FMFB-A should pay all the due borrowings under "four" separate contracts from MISFA that totals to AFN 722mn at one single payment. Subsequently, MISFA and FMFB-A has signed an Islamic Mudariba agreement with a value of AFN 722mn; Following, the agreement whenever FMFB-A is in need of liquidity to meet the Islamic financings it can request fund from MISFA under this agreement. In addition, FMFB-A has already received the first phase of the agreed fund that totals to AFN 50mn.

	Note	31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
14.3 Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)			
FMO I	14.3.1	-	42,714
FMO II	14.3.2	**76,703**	191,759
		76,703	234,473

14.3.1 This Facility from FMO is matured after the last installment was paid by the Bank in Jan 2023.

14.3.2 On 22 July 2019, the Bank signed a term loan agreement for an amount of EUR 3,500 thousand (equivalent to AFN 306,368 thousand) with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) for a period of 5 years with 1 year grace period for principal repayment. The purpose of the loan is to extend SME and microfinance loans to eligible borrowers. The said loan was disbursed on 12th August 2019 having interest rate of 4% + LIBOR. The loan is repayable in eight installments starting from 15th January 2021 and ending on 15th July 2024. This loan is not secured. There has been payment of AFN 115,056 thousands during the year 2023.

14.4 In September 2017, a 10 year term loan with 6 years grace period for principal repayment of USD 7,000 thousand disbursable in tranches, the Bank entered into a subsidiary loan agreement by Islamic Republic of Afghanistan with Ministry of Finance (MOF) through Ministry of Agricultural, Irrigation and Livestock of Afghanistan (MAIL). The first tranche of the loan of USD 3,500 thousand (equivalent to AFN 264,598 thousand) was disbursed on 2nd October 2018 carrying financial charges at the rate of 0.5% per annum. While the second tranche of the loan USD 3,500 thousand (equivalent to AFN 275,623 was disbursed on 9th of August. The loan is repayable through 8 bi-annual installments with 1st installment due on 17th April 2019. The loan is secured through a demand promissory note and loan portfolio up to the principal of the loan.

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	Note	31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
15. OTHER LIABILITIES			
Accrued expenses		**114,506**	108,371
Interest payable		**44,621**	26,206
Lease liabilities	15.1	**169,363**	212,655
Deferred grants	15.2	**18,451**	17,118
Withholding taxes payable		**3,782**	4,236
Payable to Afghanistan Payment System		**3,720**	2,839
Inter branch balance		**21,439**	15,182
All other liabilities		**33,716**	11,116
		409,598	397,723

15.1 Lease liabilities

Opening balance as of 1 January	**212,655**	181,240
Additions during the year	**-**	65,740
Accrued finance cost	**6,817**	9,789
Principal repayment and interest payments	**(51,233)**	(64,094)
Adjustment for lease modification	**1,124**	19,980
	169,363	212,655

15.2 Deferred grants

Balance at 01 January	**17,118**	402
Grants received during the year	**3,978**	17,117
Grant amortized during the year	**(2,645)**	(401)
Balance at 31 December	**18,451**	17,118

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

	31-Dec-2023	31-Dec-2022
	------ (AFN in '000) ------	
16. SHARE CAPITAL		
Authorized		
88,800 ordinary shares of AFN 9,016 each (2022: 88,800 of AFN 9,016)	**800,624**	800,624
Paid up		
88,288 ordinary shares of AFN 9,016 each (2022: 88,288 of AFN 9,016)	**796,008**	796,008

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16.1 The capital is contributed by the shareholders as follows:

	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022
	---- Number of shares ----		------ (AFN in '000) ------	
Aga Khan Agency for Microfinance (AKAM)	**34,784**	34,784	**310,646**	310,646
Kreditanstalt fur Wiederaufbau (KfW)	**28,200**	28,200	**254,811**	254,811
International Finance Corporation (IFC)	**14,800**	14,800	**133,974**	133,974
Aga Khan Foundation (AKF) USA	**10,504**	10,504	**96,577**	96,577
	88,288	88,288	**796,008**	796,008

16.2 The 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.

17. CONTINGENCIES AND COMMITMENTS

	31-Dec-2023	31-Dec-2022
	------ (AFN in '000) ------	
17.1 Contingencies		
Outstanding bank guarantees	**9,038**	10,334
17.2 Commitments		
Undrawn loan and overdraft facilities	**16,066**	20,822

18. MARK-UP/ RETURN/ INTEREST EARNED

Cash and cash equivalents	**(14,703)**	840
Placements	**85,142**	21,361
Loans and advances to customers		
Loans to small and medium size enterprises	**1,301**	6,238
Microfinance loans	**78,159**	(695)
Interest on overdraft facility	**23,381**	16,367
	102,841	21,910
	173,280	44,111

19. MARK-UP/ RETURN/ INTEREST EXPENSED

Deposits from customers	**533**	18,245
Loans and borrowings	**18,516**	(8,911)
	19,049	9,334

20. FEE AND COMMISSION INCOME

Loan processing fee	**-**	1,212
Bank charges relating to foreign remittances and other services	**51,451**	22,183
	51,451	23,395

21. FEE AND COMMISSION EXPENSE

Bank charges	**1,237**	1,652

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		Note	31-Dec-2023	31-Dec-2022
			------ (AFN in '000) ------	
22.	**OTHER INCOME/ (EXPENSE)**			
	Unrealised exchange loss		**(9,982)**	(60,034)
	Receipts against claims with ACGF		**235,116**	-
	Recovery of loans and advances written-off		**53,586**	53,142
	Gain on disposal of property and equipment		**122**	325
	Other miscellaneous income		**3,147**	1,522
			281,989	(5,045)
23.	**PERSONNEL EXPENSES**			
	Local staff	23.1	**446,425**	547,084
	Expat staff	23.2	**-**	-
			446,425	547,084
	Less: Grant related salaries and benefits	25	**-**	-
			446,425	547,084
23.1	**Local staff**			
	Basic salary		**383,881**	445,103
	Other benefits		**62,544**	101,981
			446,425	547,084
23.2	**Expat staff**			
	Basic salary		**-**	-
	Other benefits		**-**	-
			-	-
24.	**OTHER EXPENSES**			
	Consultancy fee		**25,200**	1,905
	Office rent		**6,729**	5,196
	Communication		**55,555**	49,028
	IT maintenance and support costs		**30,384**	29,711
	Generator fuel and maintenance		**26,752**	24,630
	Insurance		**26,484**	32,216
	Legal, professional and statutory fee		**9,779**	10,189
	Auditors' remuneration	24.1	**3,059**	2,691
	Office security		**26,512**	18,329
	Office stationery and supplies		**10,097**	9,657
	Other operating expenses		**5,341**	6,042
	Repairs and maintenance		**3,097**	1,823
	Travel and transportation		**30,818**	29,279
	Director's expense		**11,989**	13,065
	Trainings		**-**	634
	Utilities		**13,397**	11,330
	Marketing and promotional expenses		**886**	1,578
			286,079	247,303

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		Note	31-Dec-2023	31-Dec-2022
			------ (AFN in '000)	------
24.1	**Auditors' remuneration**			
	Annual audit fee		**2,792**	2,424
	Interim review fee		**267**	267
			3,059	2,691
25.	**EXPENDITURE AGAINST GRANTS**			
	Depreciation and amortization	9.4	**2,645**	402
			2,645	402
26.	**INCOME TAX**			
	Current tax			
	For the year		-	-
	Prior year		-	-
			-	-
	Deferred tax expense/(reversal)	11	**(78,091)**	(135,088)
			(78,091)	(135,088)
27.	**EARNINGS PER SHARE**			
	Basic earnings per share			
	Loss for the year attributable to ordinary shareholders (AFN '000)		**(333,299)**	(536,009)
	Weighted-average number of ordinary shares		**88,288**	88,288
	Basic earnings per share (AFN)		**(3,775)**	(6,071)

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% (2022: 51%) of the Bank's capital.

		Note	31-Dec-2023	31-Dec-2022
			------ (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**	46,010

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

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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-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022
Balances with related parties	(AFN in '000)			
Balances with banks	-	-	-	-
Time deposits with banks	-	-	**1,286,546**	1,569,044
Advances	**4,674**	1,953		-
Deposits from customers	**36,577**	30,204	**2,290,674**	1,554,515
Cash Margin against guarantees issued	-	-	-	-
Loan to Telecom Development Company Afghanistan Limited (TDCA)	-	-	**63,031**	79,862
Receivable from Roshan against M-Paisa payments	-	-	**5,252**	11,907

	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	31-Dec-2023	31-Dec-2022	31-Dec-2023	31-Dec-2022
Transactions with related parties	(AFN in '000)			
Interest income	-	-	**24,993**	21,361
Fee and commission income	-	-	**2,644**	1,030
Fee and commission expense	-	-	**429**	2,344
Interest expense on deposits from customers	-	-	-	-
Directors' fee and other reimbursements	**11,989**	13,064	-	-

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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29. FINANCIAL ASSETS AND LIABILITIES

Accounting classification of financial assets and financial liabilities and fair values

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

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

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

	Note	Debt investments at amortized cost	Other amortised cost	Total carrying amount	Fair value
		(AFN in '000)			
31 December 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**
31 December 2022					
Financial assets					
Cash and cash equivalents	6	7,311,724	-	7,311,724	7,311,724
Placements	7	1,624,666	-	1,624,666	1,624,666
Loans and advances to customers	8	2,135,280	-	2,135,280	2,135,280
Other assets	12	-	906,461	906,461	906,461
		11,071,670	906,461	11,978,131	11,978,131
Financial liabilities					
Deposits from customers	13	-	8,948,110	8,948,110	8,948,110
Loans and borrowings	14	-	1,755,264	1,755,264	1,755,264
Other liabilities	15	-	361,187	361,187	361,187
		-	11,064,561	11,064,561	11,064,561

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

30. FINANCIAL RISK MANAGEMENT

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

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

Risk management framework

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

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

30.1 Credit risk

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

30.1.1 Credit risk measurement

Management of credit risk

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

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

Credit quality analysis

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

30.1.1 Credit risk measurement (Continued---)

	Note	31-Dec-2023	31-Dec-2022
		------ (AFN in '000) ------	
Maximum exposure to credit risk			
Carrying amount	8	**2,068,171**	2,135,280
At amortised cost			
Standard		**1,894,000**	1,892,678
Watch-list		**24,643**	38,793
Substandard		**12,740**	16,681
Doubtful		**61,387**	78,045
Loss		**59,095**	69,511
Rescheduled		**151,000**	184,042
Total gross amount		**2,202,866**	2,279,750
Allowance for impairment (individual and collective)		**(134,695)**	(144,470)
Net carrying amount		**2,068,171**	2,135,280
Loans with renegotiated terms			
Gross carrying amount		**151,000**	184,042
Allowance for impairment		**(4,554)**	(5,071)
Net carrying amount		**146,446**	178,971
Neither past due nor impaired			
Standard (low fair risk)		**1,894,000**	1,892,678
		1,894,000	1,892,678
Individually impaired			
Watch-list		**24,643**	38,793
Substandard		**12,740**	16,681
Doubtful		**61,387**	78,045
Loss and rescheduled		**210,095**	253,553
		308,866	387,072
Allowance for impairment			
Specific		**54,965**	70,413
General		**79,730**	74,057
Total allowance for impairment		**134,695**	144,470

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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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 6,162,987 thousands at 31 December 2023 (2022: AFN 7,749,137 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-2023	31-Dec-2022	
Type of credit exposure			
Loans and advances to customers			
Microfinance loans	**69.30**	61.85	Property
Microfinance loans - Group loans	**-**	-	None
Over draft	**3.52**	4.13	Property
Loans to small and medium size enterprises (SME)	**27.18**	34.02	Property

Offsetting financial assets and financial liabilities

No financial assets and financial liabilities have been set off during the year (2022: none).

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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	Loans and advances to customers	Other assets	Total (on-balance sheet)	Contingencies and commitments	Total
	(AFN in '000)						
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	**93,039**	**-**	**-**	**-**	**93,039**	**-**	**93,039**
Spain	**494,084**	**-**	**-**	**-**	**494,084**	**-**	**494,084**
Russia	**4,143**	**-**	**-**	**-**	**4,143**	**-**	**4,143**
Lebanon	**28,364**	**-**	**-**	**-**	**28,364**	**-**	**28,364**
	1,919,437	**-**	**2,068,171**	**95,096**	**4,082,704**	**25,104**	**4,107,808**
31 December 2022							
Afghanistan	-	-	2,135,280	190,580	2,325,860	31,156	2,357,016
Belgium	1,569,044	-	-	-	1,569,044	-	1,569,044
Kenya	-	-	-	-	-	-	-
Turkey	115,819	-	-	-	115,819	-	115,819
Spain	687,794	-	-	-	687,794	-	687,794
Russia	5,245	-	-	-	5,245	-	5,245
Lebanon	18,032	-	-	-	18,032	-	18,032
	2,395,934	-	2,135,280	190,580	4,721,794	31,156	4,752,950

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 2023.

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30.1.2 Concentration of credit risk (Continued---)

	Note	Banks	Agriculture	Telecom	Trade	Others	Total
		(AFN in '000)					
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	12	**-**	**-**	**5,252**	**-**	**89,844**	**95,096**
Contingencies and commitments	17	**-**	**-**	**-**	**-**	**25,104**	**25,104**
		1,919,437	**262,863**	**140,392**	**196,384**	**1,588,732**	**4,107,808**
31 December 2022							
Cash and cash equivalents	6	755,578	-	-	-	-	755,578
Placements	7	1,640,356	-	-	-	-	1,640,356
Loans and advances to customers	8	-	262,863	135,140	196,384	1,540,893	2,135,280
Other assets	11	-	-	11,907	-	178,673	190,580
Contingencies and commitments	17	-	-	-	-	31,156	31,156
		2,395,934	262,863	147,047	196,384	1,750,722	4,752,950

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.

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-2023	31-Dec-2022
At 31 December	**104.35%**	106.15%
Average for the period	**85.46%**	87.26%
Maximum for the period	**104.35%**	106.15%
Minimum for the period	**78.09%**	79.89%

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 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**
		(7,203,120)	**(6,176,176)**	**(70,831)**	**(129,483)**	**(826,630)**	**-**	**9,187,110**
31 December 2022								
Financial liabilities								
Deposits from customers	13	(6,842,937)	(6,777,487)	(2,339)	(28,825)	(2,550)	(31,736)	8,948,110
Loans and borrowings	14	(1,950,752)	(57,209)	(62,934)	(331,872)	(895,304)	(603,433)	1,755,264
Other liabilities	15	(353,069)	(134,577)	(5,837)	-	(212,655)	-	361,187
		(9,146,758)	(6,969,273)	(71,110)	(360,697)	(1,110,509)	(635,169)	11,064,561

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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-2023	31-Dec-2022
		------ (AFN in '000) ------	
Financial assets			
Loans and advances to customers	8	**1,473,067**	1,117,384
Financial liabilities			
Loans and borrowings	14	**657,266**	1,133,397

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.

	Note	Interest rates (p.a)	Interest bearing: Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total	Not interest bearing	Carrying amount
			(AFN in '000)							
31 December 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)

	Note	Interest rates (p.a)	Interest bearing: Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total	Not interest bearing	Carrying amount
			(AFN in '000)							
31 December 2022										
Financial assets										
Cash and cash equivalents	6	1% to 3.10%	1,624,666	-	-	-	-	1,624,666	5,687,058	7,311,724
Loans and advances to customers	8	9% to 27%	266,983	192,636	558,277	1,117,250	134	2,135,280	-	2,135,280
Other assets	12		-	-	-	-	-	-	906,461	906,461
Total financial assets			1,891,649	192,636	558,277	1,117,250	134	3,759,946	6,593,519	10,353,465
Financial liabilities										
Deposits from customers	13	0.5% to 5.5%	11,053	19,768	-	26,928	-	57,749	8,890,361	8,948,110
Loans and borrowings	14	0.5% to 6%	481,212	48,047	92,608	912,000	221,397	1,755,264	-	1,755,264
Other liabilities	15		-	-	-	-	212,655	212,655	148,532	361,187
Total financial liabilities			492,265	67,815	92,608	938,928	434,052	2,025,668	9,038,893	11,064,561
Total interest rate gap			1,399,384	124,821	465,669	178,322	(433,918)	1,734,278	(2,445,374)	(711,096)

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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 2023		(AFN in '000)					
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	170,504	96	365,922	-	365,922
Total financial liabilities		5,153,225	3,910,974	122,907	9,187,106	-	9,187,106
Net position		35,823	566,472	(5,255)	597,040	-	597,040

	Note	AFN	USD	EUR	Total	Others	Carrying amount
31 December 2022		(AFN in '000)					
Financial assets							
Cash and cash equivalents	6	4,758,630	2,267,241	285,853	7,311,724	-	7,311,724
Placements	7	-	1,624,666	-	1,624,666	-	1,624,666
Loans and advances to customers	8	1,875,488	259,791	-	2,135,280	-	2,135,280
Other assets	12	430,609	451,508	24,344	906,461	-	906,461
Total financial assets		7,064,727	4,603,206	310,197	11,978,131	-	11,978,131
Financial liabilities							
Deposits from customers	13	4,591,123	4,099,275	257,712	8,948,110	-	8,948,110
Loans and borrowings	14	1,755,264	-	-	1,755,264	-	1,755,264
Other liabilities	15	196,834	154,629	9,724	361,187	-	361,187
Total financial liabilities		6,543,221	4,253,904	267,436	11,064,561	-	11,064,561
Net position		521,506	349,302	42,761	913,570	-	913,570

Sensitivity analysis

A 16% and 22% of strengthening of the Afghani, against the USD and Euro at 31 December 2022 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. UHY.

30.3.3 Exposure to currency risk (Continued---)

	2023		2022	
	Equity	Profit or loss	Equity	Profit or loss
	---------------------- (AFN in '000) ----------------------			
USD	**(45,318)**	**(56,647)**	(27,944)	(34,930)
Euro	**421**	**526**	(3,421)	(4,276)

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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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 2023 was as follows:

Regulatory Capital	**31-Dec-2023**	**31-Dec-2022**
	------ (AFN in '000) ------	
Tier 1 capital		
Total equity capital	**1,089,083**	1,422,382
Less: Intangible assets	**(77,814)**	(52,184)
Less: Net Deferred Tax Assets	**(219,356)**	(141,265)
Less: Profit for the year	**-**	-
Total tier 1 (core) capital	**791,913**	1,228,933
Tier 2 (Supplementary) Capital:		
General loss reserves on credits as per DAB's regulation, but restricted to 1.25% of total risk-weighted exposures	**32,811**	36,155
Add: Profit for the year	**-**	-
Total tier 2 (supplementary) capital	**32,811**	36,155
Total Regulatory capital = Tier 1 + Tier 2	**824,724**	**1,265,088**
Risk-weighted assets		
On-balance sheet		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	**1,457,893**	1,903,134
Direct claims on DAB	**4,261,537**	5,368,893
Loans guaranteed by development institutions	**297,903**	411,593
Total	**6,017,333**	7,683,620
0% risk-weight total (above total x 0%)	**-**	-
20% risk weight:		
Balances with banks operating in category A countries	**1,773,379**	2,256,839
Direct claims in non-category A countries	**146,056**	139,096
Loans guaranteed by development institutions	**-**	-
Total	**1,919,435**	2,395,935
20% risk-weight total (above total x 20%)	**383,887**	479,187
100% risk weight:		
All other assets	**2,536,358**	2,604,590
Less: intangible assets	**(77,814)**	(52,184)
Less: Net Deferred Tax Assets	**(219,356)**	(141,265)
All other assets - net	**2,239,188**	2,411,141
100% risk-weight total (above total x 100%)	**2,239,188**	2,411,141

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30.5 Capital management (Continued....)

	31-Dec-2023	31-Dec-2022
	------ (AFN in '000) ------	
Off-balance sheet		
0% risk weight:		
Guarantees issued	-	-
Undrawn loan and overdraft facilities	16,066	20,822
0% credit conversion factor total (risk-weighted total x 0%)	-	
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Guarantees issued	9,038	10,334
20% credit conversion factor total (risk-weighted total x 20%)	1,808	2,067
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	2,624,883	2,892,395
Tier 1 Capital Ratio (Tier 1 capital as % of total risk-weighted assets)	30.2%	42.5%
Regulatory Capital Ratio (Regulatory capital as % of total risk-weighted assets)	31.4%	43.7%

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 5 | May | 24 by the Board of Supervisors of the Bank.

33. GENERAL

Figures have been rounded off to the nearest thousand. UHM.

Chief Financial Officer

Chief Executive Officer

Chairman