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CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Afghan United Bank

Opinion

We have audited the financial statements of Afghan United Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2024, 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 present fairly, in all material respects, the financial position of the Bank as at December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan and directivities issued by the Central Bank of Afghanistan (DAB).

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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in 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

1. We draw attention to the note no. 8.5.1 of these financial statements, which describes the effects of prior suspension of "Asset Classifications and Provisioning Regulations" and current partial waiver on suspension of the regulations by the Da Afghanistan Bank and its related effective implications in the forthcoming financial years. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there is no key audit matter to communicate in our report.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International

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Accounting Standards Board (IASB) and with the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank (DAB), 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 Responsibility

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 the 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 scepticism 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

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of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Lynx Eyed Chartered Accountants

Lynx Eyed Chartered Accountants
An independent member firm of Morison Global

Kabul, Afghanistan

LYNX EYED CHARTERED ACCOUNTANTS
12 APR 2025

AFGHAN UNITED BANK
Statement of Financial Position
As at December 31, 2024

	Note	2024	2023
		AFN '000'	
ASSETS			
Cash and balances with the Central Bank	5	7,897,325	6,688,103
Balances with other banks	6	6,488,873	5,399,929
Investments	7	2,200,832	1,514,828
Loans and advances to customers - net	8	4,392,401	4,333,110
Property and equipment	9	1,025,945	1,129,513
Intangible assets	10	6,817	4,315
Deferred tax asset - net	15	31,767	103,725
Other assets	11	2,955,405	2,750,413
Total assets		**24,999,365**	**21,923,936**
EQUITY AND LIABILITIES			
EQUITY			
Issued and paid up capital	12	1,925,210	1,925,210
Retained earnings		(302,876)	(611,778)
Revaluation reserve on property and equipment	13	451,452	522,056
Revaluation reserve on Available for Sale Investments		44,480	(20,104)
Total equity		**2,118,266**	**1,815,384**
LIABILITIES			
Deposits from customers	14	22,206,340	19,599,242
Other liabilities	16	674,759	509,310
Total liabilities		**22,881,099**	**20,108,552**
Total equity and liabilities		**24,999,365**	**21,923,936**
CONTINGENCIES AND COMMITMENTS	17		

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN BOS

AFGHAN UNITED BANK

Statement of Comprehensive Income

For the year ended December 31, 2024

	Note	2024	2023
		AFN '000'	
Mark-up/ return/ interest earned		106,970	60,096
Mark-up/ return/ interest expense		(11,396)	(19,094)
Net mark-up/ return/ interest income	18	**95,574**	**41,002**
Fee and commission income		839,609	831,058
Fee and commission expense		(89,985)	(73,763)
Net fee and commission income	19	**749,624**	**757,295**
Other income	20	98,624	(794,800)
Net operating income		**943,822**	**3,497**
Provision against non-performing loans and advances to customers	8.5	43,665	(259)
Net provision against investments, off balance sheet items and other assets		(6,471)	(8,507)
Gain / (Loss) on disposal of fixed assets		554	(3)
Depreciation	9.4	(146,961)	(161,715)
Amortization	10	(3,900)	(7,801)
Employee compensation	21	(286,759)	(279,438)
Operating lease expenses		(7,591)	(4,379)
Other expenses	22	(246,949)	(296,574)
Proft /(Loss) before tax		**289,410**	**(755,179)**
Income tax expense	23	(50,357)	153,997
Proft /(Loss) for the year		**239,053**	**(601,182)**
Other comprehensive income			
Other comprehensive income that will not be reclassified to the profit or loss			
Gain/Loss on remeasurement of available for sale investments		49,714	69,748
Related deferred tax		(25,338)	(13,950)
		24,376	**55,799**
Total comprehensive (loss)/ income for the period		**263,429**	**(545,383)**

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN BOS

AFGHAN UNITED BANK
Statement of Changes in Equity
For the year ended December 31, 2024

	Share capital	Revaluation reserve on property and equipment	Revaluation reserve on Available for Sale Investments	Retained earnings	Total
	AFN '000'				
Balance as at January 01, 2023	1,925,210	660,319	(75,903)	(97,907)	2,411,720
Adjustment for revaluation surplus-Deferred Tax		(50,951)			(50,951)
Incremental depreciation on revaluation surplus on property and equipment- net of tax	-	(87,311)	-	87,311	-
Total comprehensive income for the year					
Loss for the year	-	-	-	(601,182)	(601,182)
Other comprehensive income / (loss)	-	-	55,799	-	55,799
	-	-	55,799	(601,182)	(545,383)
Balance as at December 31, 2023	**1,925,210**	**522,057**	**(20,104)**	**(611,778)**	**1,815,385**
Balance as at January 01, 2024	1,925,210	522,057	(20,104)	(611,778)	1,815,385
Incremental depreciation on revaluation surplus on property and equipment- net of tax	-	(69,849)	-	69,849	-
Proceeds from issue of shares	-	-	-	-	-
Total comprehensive income for the year					
Profit for the year	-	-	-	239,053	239,053
Other comprehensive Income/Loss	-	(755)	24,376	-	23,621
	-	(755)	24,376	239,053	262,674
Balance as at December 31, 2024	**1,925,210**	**451,452**	**44,480**	**(302,876)**	**2,078,059**

The annexed notes 1 to 29 form an integral part of these financial statements.

For

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN BOS

AFGHAN UNITED BANK

Statement of Cash Flows

For the year ended December 31, 2024

	Note	2024	2023
		AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		289,410	(755,179)
Adjustments for:			
Net impairment loss on financial assets		(43,665)	259
Net provision against investments, off balance sheet items and other assets		6,471	8,507
Depreciation	9.4	146,961	161,715
Amortization	10	3,900	7,801
Loss on disposal and de-recognition of fixed assets - net		(554)	3
		402,523	**(576,894)**
Increase/decreased in current assets			
Loans and advances to customers		(15,626)	474,624
Other assets		(206,241)	(256,291)
Deferred tax asset - net		71,958	(138,614)
Decrease in current liabilities			
Deposits from customers		2,607,098	4,525,997
Other liabilities		163,928	41,774
		3,023,640	**4,070,596**
Income tax paid		(2,383)	(1,965)
Net cash used in operating activities		**3,021,257**	**4,068,631**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9.1 & 9.3	(25,168)	(41,307)
Modification in right-of-use assets		955	1,896
Purchase of intangible assets	10	(6,402)	(1,122)
Investments		(692,476)	(457,666)
Net cash generated from investing activities		**(723,091)**	**(498,199)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing from financial institution		-	(192,881)
Net cash generated from financing activities		**-**	**(192,881)**
Net (decrease)/ increase in cash and cash equivalents		2,298,166	3,377,551
Cash and cash equivalents, beginning of year		12,088,032	8,710,481
Cash and cash equivalents, end of year		**14,386,198**	**12,088,032**
Cash and balances with the Central Bank		7,897,325	6,688,103
Balances with other banks		6,488,873	5,399,929
Total		**14,386,198**	**12,088,032**

The annexed notes 1 to 29 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER | **CHIEF EXECUTIVE OFFICER** | **CHAIRMAN BOS**

1 STATUS AND NATURE OF BUSINESS

1.1 The Bank commenced its operations on 4 October 2007 under the license of commercial banking issued by Da Afghanistan bank (DAB) under the Law of Banking in Afghanistan. It is a full fledge bank principally engaged in the business of commercial banking with a network of 35 operational branches including two full fledge Islamic banking branches in different provinces of Afghanistan. The bank also holds license from Afghanistan Investment Support Agency (AISA) bearing license no: D-27284. The registered office of the Bank is located at Shahr-e-Naw, Kabul, Afghanistan.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

2.2 Standards, amendments and interpretations to publish accounting standards that became effective in the current year

Amendment to standards issued and effective beginning 1 January 2024:

- IFRS 10 - Consolidated Financial Statements and IAS 28 (Not yet finalised)
- IFRS 17: Insurance Contracts and related amendments to IFRS 17
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single IFRS Practice Statement 2)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The above standards and interpretations do not have a significant impact on the financial statements and therefore the disclosure have not been made.

Da Afghanistan Bank (DAB) vide its circular number 298 dated Hamal 8, 1398 (March 28, 2019), initially deferred the applicability of IFRS 9 "Financial Instruments" till January 1, 2021. DAB in its communication dated January 12, 2021 has indefinitely delayed the implementation of IFRS 9.

2.3 Standards, amendments and interpretations to publish approved accounting standards that are not yet effective and have not been adopted early by the Bank

Standard and amendments	Effective date (annual period beginning on or after)
IFRS Sustainability Disclosure Standards	
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2025
- IFRS S2 Climate-related Disclosures	1 January 2025
International Financial Reporting Standards (IFRSs)	
- Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2025
- Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2025
- Amendment to IAS 7 and IFRS 7 - Supplier finance	1 January 2025

- Amendments to IAS 21 - Lack of Exchangeability 1 January 2025

The above standards, amendments and interpretations are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. Management does not intend to adopt any of the above standards, interpretations, and amendments earlier than the applicable date.

3 BASIS OF PREPARATION

3.1 Basis of measurement

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

3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting 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 periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

a) Note 7.4 Provision against investments
b) Note 8.5 Provision against non-performing loans and advances to customers
c) Note 9.1 Depreciation rates for property and equipment
d) Note 10.1 Amortization rates for intangible assets
e) Note 24 Income taxes

3.3 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise stated.

4.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with the Central Bank (unrestricted), balances with other banks and investments having original maturity of less than three months.

4.2 Financial instruments

Recognition, initial measurement and de-recognition

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

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

Classification and subsequent measurement of financial assets and financial liabilities

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

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

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

a) Classification, recognition and subsequent measurement of financial assets

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

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

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

The criteria that Bank uses to determine that there is objective evidence that there is an indication to impairment loss includes 1) default or delinquency by a borrower 2) restructuring of a loan or advance by the

Bank on terms that the Bank would not otherwise consider 3) indication that a borrower or issuer will enter bankruptcy 4) disappearance of an active for a security 5) other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

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

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

The Bank writes off certain loans and advances when they are determined to be uncollectable.

b) Classification and subsequent measurement of financial liabilities

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

4.3 Investment in equity instruments

Investment in equity instruments is carried at cost less impairment if any.

4.4 Leased assets

The Bank as a Lessee

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

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

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

c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Ban 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, i.e., less than AFN 750,000, 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 property and equipment within operating fixed assets and lease liabilities have been included in other liabilities and disclosed in notes to the financial statement.

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.

4.5 Loans and advances

Loans and advances are stated net of provisions against non–performing loans and advances. Specific and general provision are made based on an appraisal of the loan portfolio that takes into account Regulations and other directives issued by the Da Afghanistan Bank from time to time.

The provisions made / reversed during the year are charged to the statement of comprehensive income and accumulated provision is netted off against loans and advances. Loans and advances are written off when there is no realistic prospect of recovery or when the regulation requires.

In Murabaha transactions, the Bank purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e., sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are shown as inventories.

4.6 Property and equipment

Owned

Property and equipment are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Furniture and fixtures, computer equipment and office equipment are stated at revalued amounts less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the period in which they are incurred.

Surplus arising on revaluation is credited to the 'revaluation reserve' account (net of deferred tax) whereas deficit (if any) is adjusted against the balance in the above-mentioned surplus account. The revaluation is carried out with sufficient regularity to ensure that the carrying amount does not differ materially form that which would have been determined using fair value at the balance sheet date.

Surplus on revaluation of fixed assets (net of deferred tax) is transferred to retained earnings to the extent of incremental depreciation charged on related assets.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight-line method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives. The depreciation method, residual values and useful lives of fixed assets are reviewed and adjusted (if appropriate) at each balance sheet date. Net gains and losses on disposal or derecognition of fixed assets are included in statement of comprehensive income currently.

Depreciation

Depreciation is recognized in profit or loss account on straight-line basis from the month an asset is put in use over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

-	Office Buildings	20 years
-	Furniture and fixtures	5 years
-	Computer equipment	3.3 years
-	Vehicles	4 years
-	Office equipment	4 years

4.7 Intangible assets

Intangible assets include computer software which are capitalized on the basis of costs incurred to acquire and bring those to use for intended purpose. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

These costs are amortized over their expected useful lives using the straight-line method from the date it is available for use since this most closely reflects the pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of software is three to ten years. Amortization methods, useful lives and residual values are reassessed at each financial year end and adjusted, if appropriate.

4.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date 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 or its cash-generating unit 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. In assessing value in use, the estimated future cash flows are 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.

4.9 Deposits

These are recorded at the amount of proceeds received.

4.10 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense 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.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year (using tax rates enacted or substantively enacted at the balance sheet date), and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.11 Employee compensation

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. The Bank does not provide any retirement benefits to its employees.

4.12 Foreign currency transactions

Transactions in foreign currencies are translated to AFN at exchange rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AFN at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognized in profit or loss.

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 transaction.

4.13 Interest income and expense

Mark-up /interest /return on advances and investments is recognized in the profit or loss using effective interest rate method, and in case of advances classified as doubtful or loss, mark-up is recognized on receipt basis. Mark-up /interest /return on rescheduled /restructured loans and advances and investments is recognized as permitted by DAB. Income from Murabaha is accounted for on a time proportionate basis over the period of Murabaha transaction. Gain or loss on sale of investments is recognized in profit or loss in the year in which these arise. The rentals from Ijarah are recognized as income over the term of the contract net of depreciation expense relating to the Ijarah assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

4.14 Fee and commission

Fees and commission income include account servicing fees and commission on transfers and are recognized as the related services are performed. Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

4.15 Lease payments

Payments under operating leases are recognized in profit or loss on straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

4.16 Provisions

Provisions for restructuring costs and legal claims are recognized when:

a) the Bank has a present legal or constructive obligation as a result of past events;
b) it is more likely than not that an outflow of resources will be required to settle the obligation; and
c) The amount has been reliably estimated.

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

4.17 Off-setting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.18 Dividend and appropriations to reserves

Dividends and appropriations to reserves are recognized in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

	Note	2024	2023
		AFN '000'	
5 CASH AND BALANCES WITH THE CENTRAL BANK			
In hand			
Local currency		1,269,201	1,121,247
Foreign currencies		1,635,785	1,986,698
		2,904,986	3,107,945
With Da Afghanistan Bank:			
Local currency current accounts		4,079,992	1,537,541
Foreign currency current accounts		912,340	2,042,609
Overnight deposit		8	8
		4,992,339	3,580,158
		7,897,325	6,688,103
6 BALANCES WITH OTHER BANKS			
In Afghanistan-current accounts		41,852	42,629
Outside Afghanistan		6,447,021	5,357,300
		6,488,873	5,399,929
7 INVESTMENTS			
Placements - held to maturity			
Aktif Bank, Turkey		197,600	173,600
Nurol Bank, Turkey		123,674	-
AL Salam Bank Bahrain		1,056,750	421,500
Siraj Finance PJSC Dubai		352,250	349,664
Yes Bank India		-	140,500
	7.1	1,730,274	1,085,264
General provision	7.4	(17,303)	(10,853)
Total placements-net of provision		1,712,972	1,074,412
Sovereign Sukuks			
Available for sale	7.2	191,742	192,453
		191,742	192,453
Investment in equity securities			
Available for sale		-	13,511
Investment in gold bullion			
Available for sale	7.3	296,120	234,452
Investment-net		2,200,832	1,514,828

7.1 This represents foreign currency fixed term placements under Islamic Wakala agreements carrying profit rates ranging from 3.5% to 37% (2023: 3% to 32%) per annum and having maturities up to Nov 27, 2029 (2023: Nov 2024)

7.2 This represents investment in sukuks with Kindom of Saudi Arabia, UAE, and Dubai Islamic Bank having maturity ranging 2026 to 2030 (2023: 2026 to 2030) and carry profit rates ranging from 1.96% to 2.97% (2023: 1.96% to 2.97%) per annum.

7.3 This represents investment in gold, delivered under the custody of an specialized agent in UAE. The Bank can dispose the investment with ease and without incurring any other costs.

	2024	2023
	AFN '000'	
7.4 Particulars of provision against placements		
Opening balance	10,853	4,461
(Reversal) / Charge for the year	6,450	6,392
Write off during the year	-	-
	6,450	**6,392**
Closing balance	**17,303**	**10,853**

General provision is maintained against held to maturity placements as per the DAB's *Asset Classification and Provisioning Regulation* @ 1% of the gross amount of those placements.

	0	2024	2023
		AFN '000'	
8 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	8.2	3,486,881	3,517,622
Term finance	8.3	1,351,432	1,413,237
		4,838,313	**4,930,859**
Islamic financing			
Murabaha	8.4	235,589	126,450
Loans and advances to customers - gross		**5,073,903**	**5,057,309**
Provision against non-performing loans and advances	8.5	(681,502)	(724,199)
Loans and advances to customers - net of provision		**4,392,401**	**4,333,110**

8.1 Particulars of loans and advances to customers - gross

	2024	2023
In local currency	3,219,222	3,138,021
In foreign currencies	1,854,681	1,919,288
	5,073,903	**5,057,309**

8.2 These carry interest rate ranging between 10% to 15% (2023: 10% to 15%). These are secured against personal guarantees, mortgage of immoveable properties and hypothecation over stock in trade.

8.3 These carry interest rate at 10% to 15% (2023: 10% to 15%) per annum. These loans are secured against personal guarantees, mortgage of immoveable commercial and residential properties and assignment of receivables.

8.4 These represent sale and purchase agreements under which the Bank had paid finance for the purchase of goods and then sold the requisite goods to the customer on profit margin which is ranging from 12% to 15% (2023: 12% to 15%) per annum. These facilities are extended for the period of two months to five years (2023: two months to five years) and secured against personal guarantees, mortgage of immovable properties and goods supplied under the sale and purchase agreement.

	Note	2024	2023
		AFN '000'	
8.5 Particulars of provision against non-performing loans and advances to customers			
Opening balance		724,199	1,252,159
Charge for the year	8.5.1	(43,665)	259
Write off during the year		-	-
Impact of translation		968	(528,219)
		(42,697)	**(527,960)**
Closing balance		**681,502**	**724,199**

8.5.1 The latest relief with regard to waiving off the implications of 'Asset Classification and Provisioning Regulations (ACPR) 2017' issued by Da Afghanistan Bank (DAB) was granted through letter no. 6214/4518 dated 28/05/1446 (November 17, 2024) where the waiver has been extended till December 31, 2024, however, 30% of the provision have to be booked onwards till the end of 2025. This relief is the continuation of relief extension after letter ref. 12398/12923 dated 22 Ramzan 1444- Islamic Hijri Date (i.e., April 13, 2023) letter ref. 11227 dated 27/09/1445.
Subsequent to the exemption period, the bank has booked a 30% provision in the first quarter of 2025, amounting to AFN 134.1 million.

9 PROPERTY AND EQUIPMENT

		2024	2023
		AFN '000'	
Fixed assets - owned	9.1	895,294	969,402
Right of use assets - buildings	9.3	130,651	160,111
		1,025,945	**1,129,513**

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9.1 Fixed assets - owned

	Land	Office Buildings	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total
	AFN '000'						
COST/ REVALUED AMOUNTS							
Balance as at January 01, 2023	305,350	1,246,431	105,215	265,879	129,416	203,911	2,256,202
Additions during the year	-	-	3,264	12,430	-	25,613	41,307
Adjustments/ Write-off during the year	-	-	-	-	(2,813)	-	(2,813)
Balance as at December 31, 2023	**305,350**	**1,246,431**	**108,479**	**278,309**	**126,603**	**229,524**	**2,294,696**
Additions during the year	-	-	1,093	8,785	492	14,798	25,168
Adjustments/ Write-off during the year	-	-	-	-	(1,339)	-	(1,339)
Balance as at December 31, 2024	**305,351**	**1,246,433**	**109,572**	**287,094**	**125,756**	**244,322**	**2,318,525**
ACCUMULATED DEPRECIATION							
Balance as at January 01, 2023	-	586,287	90,919	244,812	118,520	171,306	1,211,844
Charge for the year	-	62,321	6,526	17,784	8,424	21,208	116,264
Adjustments/ Write-off during the year	-		-	-	(2,813)	-	(2,813)
Balance as at December 31, 2023	**-**	**648,608**	**97,445**	**262,596**	**124,131**	**192,514**	**1,325,294**
Charge for the year	-	62,322	6,875	10,171	2,383	17,278	99,028
Adjustments/ Write-off during the year	-	-	-	-	(1,088)		(1,088)
Balance as at December 31, 2024	**-**	**710,930**	**104,320**	**272,767**	**125,426**	**209,792**	**1,423,231**
WRITTEN DOWN VALUE AS AT							
- December 31, 2024	**305,351**	**535,503**	**5,252**	**14,327**	**330**	**34,530**	**895,294**
- December 31, 2023	305,350	597,823	11,034	15,713	2,472	37,010	969,402
Rate of depreciation in %		5	20	33	25	25	

9.2 The Bank's land and building were revalued on May and June 2019, however other items including furniture and fixtures, computer equipment, office equipment and Vehicle were revalued in the month of September 2019, by independent accredited professional valuer, Rayan Kabul Consulting Services Company. The valuation performed by the valuers was based on active market prices, adjusted for any difference in the nature, location or condition of the specific revalued asset. Approval was secured from Da Afghanistan Bank (DAB) through official email on 12 April 2020 for all class of assets. The revaluation has resulted in a net surplus of Afs 685.016 million over the book value. DAB had approved 70% of this surplus on 12 April 2020 which aggregates to Afs 479.511 million.

The cost/ revalued amount of fully depreciated property and equipment still in use are as follows:

	Note	2024	2023
		AFN '000'	
Furniture and fixtures		75,752	74,311
Computer equipment		202,078	245,357
Vehicles		92,907	92,907
Office equipment		151,987	142,936
		522,724	**555,511**

9.3 Right of use assets - buildings

	Note	2024	2023
Cost			
Opening balance		318,834	242,861
Additions		22,255	78,272
Deletion during the year		(2,823)	-
Modification		(955)	(1,896)
Adjustment	9.3.1	(1,339)	(403)
Closing balance		**335,972**	**318,834**
Accumulated depreciation			
Opening balance		158,723	114,067
Depreciation expense for the year		47,933	45,452
Deletion during the year		-	-
Adjustment	9.3.1	(1,335)	(796)
Closing balance		**205,321**	**158,723**
Written down value		**130,651**	**160,111**

9.3.1 The adjustment made during the year by the management was to re-adjust the cost and accumulated depreciation on ROU to comply with International Financial Reporting Standards - 16 "Leases" requirements.

	2024	2023
	AFN '000'	
9.4 Depreciation expense for the year		
Fixed assets - owned	99,028	116,263
Right of use assets - buildings	47,933	45,452
	146,961	**161,715**

10 INTANGIBLE ASSETS

	2024	2023
	AFN '000'	
Cost		
Opening balance	275,530	277,016
Additions during the year	6,402	1,122
Adjustment	-	(2,608)
Closing balance	**281,932**	**275,530**
Accumulated amortization		
Opening balance	271,215	263,414
Charge for the year	3,900	7,801
Adjustment	-	-
Closing balance	**275,115**	**271,215**
Written down value	**6,817**	**4,315**

10.1 Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2023: 33.33%). The gross carrying amount of fully amortized intangible assets still in use is AFN 271.619 thousand (2023: AFN 260.621 thousand).

11 OTHER ASSETS

	Note	2024	2023
		AFN '000'	
Advances to suppliers and employees		25,536	23,959
Sarqulfi Properties	11.1	98,630	98,350
Security deposits	11.2	406,819	405,570
Prepayments		10,280	10,084
Balances with Daman Investments		18,668	3,129
Receivable from Xpress Money and Money Gram		109,972	151,785
Restricted deposits with Da Afghanistan Bank	11.3	2,041,342	1,683,488
Income/ mark-up accrued	11.4	192,075	198,400
Advance Income Tax		23,597	23,544
Balance Receivable of UN Disbursement		13,456	135,460
Others		15,030	16,644
		2,955,405	**2,750,413**

11.1 These are properties owned by AUB under Sarqulfi contracts.

11.2 This also includes margin money of AFN 352 million deposited with Pashtany Bank for a guarantee in favour of Da Afghanistan Breshna Sherkat (DABS) for the collection of electricity bills by the Bank on behalf of DABS.

11.3 This represents statutory reserve maintained with DAB as minimum reserve in accordance with Banking Regulations issued by Da Afghanistan Bank. These minimum reserves carry no interest. During the year minimum reserve rates on deposits for AFN 8% and for foreign currency 10%.

11.4 This includes the AFN 187.846 million (2023: 189.607 million) interest receivables on loan and advances which is outstanding from August 2021. The interest receivable is not yet reversed due to partial waiver of suspension of ACPR as disclosed fully in note 8.5.1.

12 SHARE CAPITAL

12.1 Authorized capital

2024	2023		2024	2023
Number of shares			AFN '000'	
40,000,000	**40,000,000**	Ordinary shares of AFN 250 each	**10,000,000**	**10,000,000**

12.2 Issued and paid up capital

2024	2023		2024	2023
7,700,840	**7,700,840**	Ordinary shares of AFN 250 each fully paid in cash	**1,925,210**	**1,925,210**

13 REVALUATION RESERVE ON PROPERTY AND EQUIPMENT

	2024	2023
	AFN '000'	
Vehicles	32,191	32,442
Furniture and fixtures	30,377	30,377
Computer equipment	70,724	70,724
Office equipment	44,034	44,588
Land	294,916	294,916
Building	979,904	979,904
	1,452,146	**1,452,952**
Accumulated incremental depreciation	(757,592)	(670,281)
Related deferred tax liability	(243,102)	(260,615)
	451,452	**522,056**

14 DEPOSITS FROM CUSTOMERS

		2024	2023
		AFN '000'	
Conventional			
Current deposits		14,914,010	12,746,150
Saving deposits	14.1	478,413	389,811
Term deposits	14.2	391,579	390,467
Margin deposits		2,524,451	2,573,134
		18,308,453	**16,099,562**
Islamic			
Current deposits		2,340,042	2,218,976
Saving deposits	14.3	722,125	731,163
Term deposits	14.4	240,130	37,300
Margin deposits		595,591	512,241
		3,897,888	**3,499,680**
		22,206,340	**19,599,242**

14.1 Saving deposits carries annual interest rate of 1% for USD and 3% for AFN accounts till January 2023. However, from the month of February it was resolved through Board approval to charged zero percent interest rate on saving deposits.

14.2 Term Deposits carry 1.5% to 2.75% for USD and 3% to 3.5% for AFN accounts interest rate till January 2023 per annum with maturity date ranging from three to twelve months. However, from the month of February it was resolved through Board approval to charged zero percent interest rate on term deposits.

14.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.25% to 0.38% (2023: 0.25% to 0.38%) per annum.

14.4 Profit distribution rates on Islamic term deposits during the year ranged from 1.73% to 3.456% (2023: 1.73% to 3.456%) per annum.

	Note	2024	2023
		AFN '000'	
15 DEFERRED TAX ASSET - NET			
Deferred tax (Asset) and liability on account of:			
Property and equipment		(194,138)	(223,992)
Intangible assets		(351)	(611)
Surplus on Available for Sale Investments		(21,812)	3,535
Lease Liability on buildings		19,816	25,221
Carry forward losses	15.1	228,252	299,573
Closing balance		**31,767**	**103,725**
Reconciliation of deferred tax asset and liability is as follows:			
Opening balance		103,725	16,062
Recognition on revaluation surplus		17,562	(50,951)
Recognition of tax expense - recognized in profit or loss		(64,183)	153,997
Tax expense - recognized in OCI		(25,338)	(15,383)
Closing balance		**31,767**	**103,725**

15.1 This represents the deferred tax asset related to carried forward losses for the year ended 2022 and 2023 amounting to Afn 1,497,866 million. During the current year taxable profit is adjusted against these losses amounitng to Afn. 356,604 million and currently the related deferred tax assets has been reduced on carried forward losses of amunting to 1,141,262 million. Management have sufficient evidence supporting its recognition and future taxable profits that will be available to absorb those un-used tax losses. Moreover, in the first quarter of 2025 bank has also received refund from Da Afghanistan Bank related to deposit insurance of conventional banking amounting to US Dollars 1.934 Million, EUR 13,730 and Afghani 288.962 Million , which also entails that bank would be able to have future taxable profit at the year end of 2025 to absorb the carried forward losses.

16 OTHER LIABILITIES

		2024	2023
Creditors and accruals		37,437	45,726
Withholding tax payable		3,997	2,476
Lease Liability on buildings		99,080	126,103
Murabaha risk and equalization reserve		83,950	85,645
Mark-up/ return/ interest payable		22,465	23,337
Deferred income on bank guarantees and letter of credits		40,508	18,097
Profit in suspense		137,344	137,197
Others		249,978	70,729
		674,759	**509,310**

17 CONTINGENCIES AND COMMITMENTS

	Note	2024	2023
LCs and BGs issued	17.1	3,514,207	3,229,014
Un-used commitments		236,269	221,753

17.1 This include outstanding exposure in bank guarantees amounting to AFN 1,474 million (2023: 405.327 million) issued in Islamic mode.

AFGHAN UNITED BANK
Notes to the Financial Statements
For the year ended December 31, 2024

		Note	2024	2023
			AFN '000'	
18	**NET MARK-UP/ RETURN/ INTEREST INCOME**			
	Mark-up/ return/ interest earned			
	- On loans and advances to customers		(1,567)	6,228
	- On placements and balances with Da Afghanistan Bank		-	-
	- On held to maturity investments		101,188	43,276
	- On available for sale investments		5,874	6,777
	- On overnight nostro deposits		1,475	3,815
			106,970	**60,096**
	Mark-up/ return/ interest expense			
	- on borrowing from FI	18.1	(1,235)	(10,819)
	- deposits from customers		(10,161)	(8,275)
			(11,396)	**(19,094)**
			95,574	**41,002**

18.1 This represent mark-up paid on leverage facility which carries a variable interest rate.

		Note	2024	2023
19	**NET FEE AND COMMISSION INCOME**			
	Fee and commission income			
	- Commission and processing fee on bank guarantees		100,649	41,307
	- Commission and processing fee on letters of credit		10,062	1,498
	- Funds transfer, account maintenance, and other service charges		728,898	788,253
			839,609	**831,058**
	Fee and commission expense			
	- Inter bank transaction fee		(89,985)	(73,763)
			749,624	**757,295**
20	**OTHER INCOME**			
	Foreign exchange gain/ (loss) - net	20.1	77,264	(829,367)
	Recovery of loans written off		-	5,424
	Other income		21,360	29,143
			98,624	**(794,800)**
20.1	Foreign exchange gain/(loss) - net			
	- On dealing in foreign currencies		258,994	463,394
	- On translation of monetary assets and liabilities		(181,730)	(1,292,761)
			77,264	**(829,367)**

	Note	2024	2023
		AFN '000'	
21 EMPLOYEE COMPENSATION			
Salaries and wages		236,098	231,412
Remuneration to the Board of Supervisors		7,325	9,219
Other allowances and benefits		43,336	38,807
		286,759	**279,438**
22 OTHER EXPENSES			
Communication		19,437	20,373
Travelling and conveyance		2,402	3,526
Insurance	22.1	27,126	24,769
Advertisement		12,683	17,294
Fuel expenses		15,206	18,170
Food expenses		6,021	8,087
Audit and inspection fee		3,270	8,472
Repairs and maintenance		32,713	77,502
Legal and professional charges		3,178	737
Stationery and printing		11,204	11,990
Staff training		349	1,367
Utilities		20,264	19,550
Security services		49,912	32,662
Other expenses		43,184	52,075
		246,949	**296,574**

22.1 These represents charges against deposit insurance as required by the Central Bank and is payable to Afghan Deposit Insurance Corporation (ADIC) @ 0.15% (2023: at 0.15%) per annum of the total deposits.

As per Da Afghanistan Bank (DAB) Circular No. 10200/7814 dated 2/9/1446, based on the decision letter no. 211/373 dated 5th Rabi al-awal 1446 and the approval no. 308 dated 22/9/1403 of the esteemed Executive Board of DAB, the amounts collected in previous years under the title of "Insurance Premium" by the former Directorate of the Deposit Protection fund of Afghanistan have been refunded by the DAB amounting to AFN 288.963 million (80% of total Afghan currency premium), USD 1.934 million and EUR 13,730. However, remaining 20% of the total Afghan currency premium amounting to AFN 72.241 million was held as a reserve for Islamic deposits and no further instructions have been received from DAB.

23 INCOME TAX EXPENSE

The major components of tax expense and reconciliation of tax expense based on applicable tax rates of 20% (2023: 20%) is as follows:

	2024	2023
	AFN '000'	
Taxation:		
Current	71,321	-
Prior	3,687	-
Deferred	(24,651)	(153,997)
	50,357	**(153,997)**

24 RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Bank is owned by individual shareholders who owns the Bank's shares in different proportions.

Key management personnel

Key management personnel includes Board of Supervisors, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Credit Officer, Chief Risk Officer and Chief Compliance Officer.

Transactions with related parties

Transactions and balances with related parties, including remuneration and benefits paid to key management personnel under the terms of their employment are as follows:

	Balances		Transactions	
	2024	2023	2024	2023
	AFN '000'			
Shareholders				
Deposit	1,714	1,720	-	-
Transactions with key management personnel				
Salary and other benefits	-	-	25,516	38,385
Fee to Board of Supervisors			7,412	9,049
Advance salary	2,121	1,042	-	-

24.1 In addition to salaries and remuneration, the Bank also provides non-cash benefits to executives which include furnished accommodation, meals and travel.

25 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

Note 26 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available for sale financial assets (carried at fair value)	Held for trading (carried at fair value)	Fair value through profit or loss (carried at fair value)	Held to maturity (carried at amortized cost)	Loans and receivables (carried at amortized cost)	Total
		AFN '000'					
December 31, 2024							
Financial assets							
Cash and balances with central bank	5	-	-	-	-	7,897,325	7,897,325
Balances with other banks	6		-	-		6,488,873	6,488,873
Investments	7	487,863	-	-	1,712,970	-	2,200,832
Loans and advances to customers	8	-	-	-	-	4,392,401	4,392,401
Other assets	11	-	-	-		2,919,589	2,919,589
		487,863	**-**	**-**	**1,712,970**	**21,698,187**	**23,899,019**

	Note	Derivatives used for hedging (carried at fair value)	Designated at FVTPL (carried at fair value)	Other liabilities at FVTPL (carried at fair value)	Other liabilities (amortized cost)	Total
		AFN '000'				
Financial liabilities						
Deposits from customers	14	-	-	-	22,206,340	22,206,340
Other liabilities	16	-	-	-	546,304	546,304
		-	**-**	**-**	**22,752,644**	**22,752,644**

	Note	Available for sale financial assets	Held for trading	Fair value through profit or loss	Held to maturity	Loans and receivables	Total
		(carried at fair value)			(carried at amortized cost)		
		AFN '000'					
December 31, 2023							
Financial assets							
Cash and balances with central bank	5	-	-	-	-	6,688,103	6,688,103
Balances with other banks	6	-	-	-	-	5,399,929	5,399,929
Investments	7	426,906	-	-	1,087,923	-	1,514,828
Loans and advances to customers	8	-	-	-	-	4,333,110	4,333,110
Other assets	11	-	-	-	-	2,716,370	2,716,370
		426,906	**-**	**-**	**1,087,923**	**19,137,512**	**20,652,340**

	Note	Derivatives used for hedging	Designated at FVTPL	Other liabilities at FVTPL	Other liabilities (amortized cost)	Total
		(carried at fair value)				
		AFN '000'				
Financial liabilities						
Deposits from customers	14	-	-	-	19,599,242	19,599,242
Other liabilities	16	-	-	-	403,092	403,092
		-	**-**	**-**	**20,002,334**	**20,002,334**

The carrying values approximate fair values as mostly the assets and liabilities have short maturities and are expected to be recovered/settled at their carrying values except for lease liabilities for which liability repreent present value of future lease payments discounted at incremental borrowing rate.

26 FINANCIAL RISK MANAGEMENT

26.1 Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:
a) credit risks
b) liquidity risks
c) market risks
d) operational risks

This note presents information about Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Supervisors has overall responsibility for the establishment and oversight of risk management framework of the Bank. The Board has established a Risk Management Committee to review and monitor the various risks faced by the Bank in the regular course of business and guide with suitable strategy and direction for mitigation. Different functional departments are entrusted with the ownership for management of these risks by implementing suitable systems & procedures duly to comply with the regulatory guidelines and laws.

The Bank has established Operational Risk Management Committee and Credit Risk Management Committee at Management level to review and monitor operational risk and credit risk respectively.

The Bank has put in place a Risk Management Policy for Conventional Banking, apart from a separate Islamic Banking Risk Management Policy to deal with the risks relating to Islamic Banking activities. The Bank has developed a stress testing policy covering Credit Risk, Market Risk, and Liquidity Risk, which is a forward looking exercise to evaluate the impact on the Bank's financial position under severe but plausible scenarios. The output shall be used for risk mitigation methods, contingency plans, capital and liquidity management plans in stressed circumstances.

In the overall process of risk management of various risks encountered by the Bank, certain tools, models, frameworks are developed for identification, assessment and monitoring of risks.

The Board's Audit and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit and Compliance departments whereas Risk Committee is provided frequent feedback by Risk Department.

a) Credit risk

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

Management of credit risk

The Bank has both Board of Management and Board of Supervisors level Credit Committees to mitigate the credit risks. Credit Department, reporting to the Credit Committee is responsible for managing the Bank's credit risk while the Board is responsible for oversight of same. The Credit Department is headed by the Chief Credit Officer (CCO). The Chief Credit Officer along with Credit Department staff look after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained a sound loan portfolio in terms of a well-defined credit policy approved by the Board. The credit evaluation system comprises of awell designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

The amount of credit risk is represented by the carrying amounts of the assets on the balance sheet date. Exposure to credit risk is managed through regular analyses of borrowers to meet interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed through personal guarantees of the borrowers and mortgage of immoveable properties duly registered with the court of law and hypothecation over stock duly verified by the Bank's Credit Officers on a monthly basis.

Exposure to credit risk

The Bank's maximum exposure to credit risk is the carrying amount of financial assets at the reporting date, as summarized below:

	2024	2023
	AFN '000'	
Classes of financial assets		
Balances with other banks	6,488,873	5,399,929
Investments	2,200,832	1,514,828
Loans and advances to customers	4,392,401	4,333,110
Other assets	878,247	1,032,882
Total carrying amounts	**13,960,353**	**12,280,749**

As at the balance sheet date, all of the loan portfolio of the Bank is recoverable and all the assets which are past due, are provided for as per DAB guidelines.

In addition to the above, the Bank has issued financial guarantees and letter of credits contracts for which the maximum amount payable by the Bank assuming all guarantees/ letter of credits (less margin) are called on, is AFN 2,189 million (2023: AFN 2,210 million).

The Bank's management considers that all the above financial assets that are not impaired or past due on the reporting dates under review, are of good credit quality. The credit risk for cash and balances with central bank, balances with other banks, investments and other assets are considered negligible.

Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the loans are outstanding for more than 481 days, as per DAB regulation. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing the loan to be written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted.

The Bank holds collateral against loans and advances in the form of property documents, pledge of stocks and scratch cards, assignment of receivables and guarantees.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligation to deliver cash or other financial assets as contractually agreed.

Concentration of credit risks by industry

The Bank monitors concentrations of credit risk by industry. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

	Note	2024	2023
		AFN '000'	
Gros amount	8	**5,073,903**	**5,057,309**
Concentration by sector			
Construction		630,445	633,544
Livestock and farms		94,320	8,135
Services		1,770,815	1,769,764
Trade		2,012,265	2,074,524
Manufacturing		429,675	429,375
Others		136,383	141,967
		5,073,903	**5,057,309**

b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial assets.

Management of liquidity risk

The Board ensures that the Bank has necessary tools and framework to cater to the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures, keeping in view the strategic direction and risk appetite specified by the Board. The Asset & Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities. For day to day liquidity risk management, integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problems.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. For day to day liquidity risk management, the management relies on several liquidity scenarios to ensure that the Bank is best prepared to respond to any unexpected problems. Currently Central Bank has improved morotorium on withdrawals with limited withdrawals allowed to individual and corporate customers.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquidity assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents less any deposits from banks. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Detail of the reported ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	2024	2023
At the end of the year	70%	64%
Average for the year	65%	60%
Maximum for the year	80%	67%
Minimum for the year	58%	48%

Maturity analysis for financial liabilities

	Note	Carrying amount	Gross nominal outflow	Less than 1 month	1-3 months	3 months to 1 year	More than 1 to 5 years
		AFN '000'					
December 31, 2024							
Deposits from customers	14	22,206,340	(22,206,340)	(17,254,052)	(1,200,538)	(3,751,162)	(589)
Other liabilities	16	674,759	(674,759)	(451,221)	-	(99,080)	(124,458)
		22,881,099	**(22,881,099)**	**(17,705,273)**	**(1,200,538)**	**(3,850,242)**	**(125,047)**
December 31, 2023							
Deposits from customers	14	19,599,242	(19,599,242)	(14,965,126)	(1,120,974)	(3,512,553)	(589)
Other liabilities	16	509,310	(509,310)	(279,465)	-	(126,103)	(103,742)
		20,108,552	**(20,108,552)**	**(15,244,591)**	**(1,120,974)**	**(3,638,656)**	**(104,331)**

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal out flow disclosed in the above table is the contractual, undiscounted cash flow on the financial liability.

c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing), will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The overall authority for market risk management is vested in the Asset & Liability Committee (ALCO). The Bank's ALCO is responsible for the development of detailed risk management policies and day to day review of their implementation. Risk management Department's scope covers the market risk identification, evaluation and reporting back with its recommendation to the management.

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Exposure to interest rate risk

The risk to which the Bank's portfolios are exposed, is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through the monitoring of interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management Department in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
		AFN '000'					
December 31, 2024							
Investments	7	1,922,016	-	1,730,274	191,742	-	-
Loans and advances to customers	8	5,073,903	4,069,648	1,004,255	-	-	-
		6,995,919	**4,069,649**	**2,734,529**	**191,742**	**-**	**-**
Deposits from customers	14	**22,206,340**	**5,845,719**	**17,613**	**16,343,009**	**-**	**-**
December 31, 2023							
Investments	7	1,277,006		1,085,264	191,742	-	-
Loans and advances to customers	8	5,057,309	4,117,492	-	20,953	918,864	-
		6,334,315	**4,117,492**	**1,085,264**	**212,695**	**918,864**	**-**
Deposits from customers	14	**19,599,242**	**5,210,155**	**2,050**	**14,387,036**	**-**	**-**

Exposure to currency risk

The Bank's exposure to foreign currency risk based on notional amounts are as follows:

	Note	Total	AFN	USD	EURO	OTHERS
		AFN '000'				
December 31, 2024						
Cash and balances with central bank	5	7,897,325	746,529	2,517,855	25,470	4,607,472
Balances with other banks	6	6,488,873	1,981	5,977,686	564,500	(55,295)
Investments	7	2,218,135	-	2,218,135	-	-
Loans and advances to customers	8	5,073,903	3,219,222	1,854,681	-	-
Other assets	11	2,856,775	1,210,049	1,706,320	3,309	(62,903)
		24,535,011	**5,177,780**	**14,274,677**	**593,278**	**4,489,275**
Deposits from customers	14	(22,206,340)	(11,565,793)	(10,607,680)	(32,765)	(103)
Borrowing from financial institution	15	-	-		-	-
Other liabilities	16	(674,759)	(538,198)	(117,118)	(154)	(19,289)
		(22,881,099)	(12,103,991)	(10,724,798)	(32,919)	(19,392)
Net foreign currency exposure		**1,653,911**	**(6,926,211)**	**3,549,880**	**560,359**	**4,469,884**
December 31, 2023						
Cash and balances with central bank	5	6,688,103	746,529	4,003,027	21,425	1,917,123
Balances with other banks	6	5,399,929	1,981	5,977,686	564,500	(1,144,239)
Investments	7	1,525,680	-	1,525,680	-	-
Loans and advances to customers	8	5,057,309	3,138,021	1,919,288	-	-
Other assets	11	2,750,411	1,124,613	1,615,544	3,284	6,969
		21,421,432	**5,011,144**	**15,041,225**	**589,209**	**779,854**

Deposits from customers	14	(19,599,242)	(8,459,307)	(11,106,739)	(33,001)	(195)
Borrowing from financial institution	15	-	-	-	-	-
Other liabilities	16	(509,310)	(382,207)	(124,390)	(31)	(2,682)
		(20,108,552)	(8,841,514)	(11,231,129)	(33,032)	(2,877)
Net foreign currency exposure		**1,312,880**	**(3,830,370)**	**3,810,096**	**556,177**	**776,976**

Sensitivity analysis

	December 31, 2024		December 31, 2023	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	70.31	70.45	81.41	70.25
EURO	75.45	73.79	87.74	76.85

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD and EURO at December 31, 2024 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2024		December 31, 2023	
	Equity	Profit or loss	Equity	Profit or loss
	AFN '000'			
USD	(283,990)	(354,988)	(304,808)	(381,010)
EURO	(44,829)	(56,036)	(44,494)	(55,618)

A 10% weakening of the Afghani against the above currencies at December 31, 2024 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.

d) Operational risk

We define the operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operations Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management function within Risk Management department. The Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators and Risk Control Self-Assessment activities for key operational risks.

27 CAPITAL MANAGEMENT

Regulatory capital

The Banks' regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- 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. Besides, Tier 2 capital cannot exceed from total amount of Tier 1 capital. The Bank complies with these regulations.

The Bank's regulatory capital position at December 31, 2024 was as follows:

	2024	2023
	AFN '000'	
Tier 1 capital		
Total Equity	2,118,266	1,815,384
Less:		
Intangible assets	6,817	4,315
Net Deferred Tax Assets	31,767	103,725
Profit for the year	239,053	-
Revaluation reserve on property and equipment	451,452	522,056
Revaluation reserve on Available for Sale Investments	44,480	(20,104)
	773,569	**609,992**
Total tier 1 (core) capital	**1,344,697**	**1,205,392**
Tier 2 capital		
Profit for the year	239,053	-
Revaluation reserve on property and equipment	451,452	522,056
Revaluation reserve on Available for Sale Investments	20,016	(9,047)
Total tier 2 (supplementary) capital	**710,521**	**513,009**
Total regulatory capital	**2,055,218**	**1,718,401**
Risk-Weight Categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	2,904,986	3,107,945
Direct claims on DAB	7,033,681	5,263,646
Total	**9,938,667**	**8,371,591**
0% Risk-Weight Total (Above Total x 0%)	**-**	**-**

	2024	2023
	AFN '000'	
20% risk weight		
Loans Collateralized by Claims on Central Banks and Central Governments of Category A Countries	-	-
Direct Claims on banks licensed in Category A countries	504,674	229,919
Short-term Claims on Banks Licensed In Non-Category A Countries Guaranteed by Multilateral Lending Institutions	7,714,473	6,255,274
Cash Items in Process of Collection	-	-
Other	-	-
Total	**8,219,147**	**6,485,193**
20% Risk-Weight Total (Above Total x 20%)	**1,643,829**	**1,297,039**
100% risk weight		
All Other Assets	7,561,405	8,078,198
Minus: Intangible Assets	6,817	4,315
Net Deferred Tax Assets	31,767	103,725
Deducted Equity Investments	-	-
Total	**7,522,821**	**7,970,158**
100% Risk-Weight Total (Above Total x 100%)	**7,522,821**	**7,970,158**
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	236,269	221,753
Unused Portions of Commitments that are Unconditionally Cancelable	-	-
Total	**236,269**	**221,753**
0% Credit Conversion Factor Total (Above Total x 0%)	**-**	**-**
Off-balance-sheet items with 20% Credit Conversion Factor		
Commercial Letter of Credits		
0 % Risk Weight	-	-
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	-	-
Total	**-**	**-**
Risk-Weighted Total	-	-
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	**-**	**-**

	2024	2023
	AFN '000'	
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	1,296,751	1,018,815
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	2,217,456	2,210,199
Total	**3,514,207**	**3,229,014**
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	**2,217,456**	**2,210,199**
Total Risk-Weighted Assets	**11,384,106**	**11,477,396**
Tier 1 Capital Ratio	**11.81%**	**10.50%**
Regulatory Capital Ratio	**18.05%**	**14.97%**

28 General

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

29 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the bank of supervisors for issue on 01- April -2025

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

CHAIRMAN BOS