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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
TO THE COUNTRY MANAGER BANK ALFALAH AFGHANISTAN

Introduction

We have audited the financial statements of Bank Alfalah Afghanistan (the Bank), which comprise the statement of financial position as of 31 December 2024, and the statement of comprehensive income, the 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 at 31 December 2024, and of its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRs) 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 Standard 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 for Accountants' Code of Ethics for Professional Accountants that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, 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.

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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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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.
- 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 the audit.

Mazars Afghanistan Limited

Chartered Accountants

Engagement Partner: Muhammad Saqlain Siddiqui

Date: 18 - March - 2025

Place: Kabul, Afghanistan

MAZARS AFGHANISTAN LIMITED KABUL

BANK ALFALAH LIMITED AFGHANISTAN
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
ASSETS			
Cash and cash equivalents	5	**2,734,574**	3,389,921
Investments - net	6	**3,029,872**	3,441,043
Property and equipment	7	**4,255**	6,372
Deferred tax assets - net	8	**32,279**	65,728
Other assets	9	**589,181**	851,551
Total assets		**6,390,161**	7,754,615
LIABILITIES			
Deposits from customers	10	**4,606,582**	5,944,119
Lease liabilities	11	**3,456**	5,707
Other liabilities	12	**198,402**	333,481
Total liabilities		**4,808,441**	6,283,307
EQUITY			
Capital contributed by Head Office	13	**1,000,000**	1,000,000
Capital reserve	14	**84,121**	79,620
Retained earnings		**462,749**	377,246
Revaluation reserve on financial instruments at FVOCI		**34,850**	14,442
Total equity		**1,581,720**	1,471,308
Total liabilities and equity		**6,390,161**	7,754,615
Contingencies and commitments	15		

The annexed notes 1 to 28 form an integral part of these financial statements.

Country Finance Manager

Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
Interest income		**252,863**	308,551
Interest expense		**(11,165)**	-
Net interest income	16	**241,698**	308,551
Fee and commission income		**6,062**	12,128
Fee and commission expense		**(10,769)**	(18,007)
Net fee and commission (expense)	17	**(4,707)**	(5,879)
Losses from dealing in foreign currencies		**(4,006)**	(104,733)
Other income	18	**3,309**	19,181
Total operating income		**236,293**	217,120
Reversal of provisions on investments and off balance sheet items - net	19	**27,632**	20,637
Net gain on re-measurement of IRS		**3,929**	15,303
Net operating income		**267,854**	253,059
Personnel expenses	20	**(91,587)**	(98,470)
Depreciation	7	**(9,052)**	(10,692)
Other operating expenses	21	**(39,633)**	(36,563)
Finance cost on lease liability		**(819)**	(1,377)
Total operating expenses		**(141,091)**	(147,102)
Profit before taxation		**126,763**	105,957
Taxation	22	**(36,760)**	(26,622)
Profit for the year		**90,003**	79,335
Other comprehensive income			
Items that may be reclassified to profit or loss subsequently			
Mark to market adjustment on investments at FVOCI		**32,512**	361,167
Related deferred tax		**(6,502)**	(72,233)
Mark to market adjustment on interest rate SWAP		**(7,001)**	(152,458)
Related deferred tax		**1,400**	30,492
Other comprehensive income, net of tax		**20,409**	166,967
Total comprehensive income for the year		**110,412**	246,303

The annexed notes 1 to 28 form an integral part of these financial statements.

Country Finance Manager

Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Capital contributed by Head Office	Revaluation reserve on financial instrument at FVOCI	Capital reserve	Retained earnings	Total
		AFN '000'				
Balance as at 01 January 2023		1,000,000	(152,526)	75,654	301,878	1,225,006
Total comprehensive income:						
Profit for the year		-	-	-	79,335	79,335
Other comprehensive income			166,967	-	-	166,967
		-	166,967	-	79,335	246,302
Transferred to capital reserve	14	-	-	3,967	(3,967)	-
Transactions with shareholders						
Profits remitted to Head Office		-	-	-	-	-
As at 31 December 2023		1,000,000	14,442	79,620	377,246	1,471,308
Balance as at 01 January 2024		**1,000,000**	**14,442**	**79,620**	**377,246**	**1,471,308**
Total comprehensive income:						
Profit for the year		-	-	-	**90,003**	**90,003**
Other comprehensive income		-	**20,409**	-	-	**20,409**
		-	**20,409**	-	**90,003**	**110,412**
Transferred to capital reserve	14	-	-	**4,500**	**(4,500)**	-
Transactions with shareholders						
Profits remitted to Head Office		-	-	-	-	-
As at 31 December 2024		**1,000,000**	**34,850**	**84,121**	**462,749**	**1,581,720**

The annexed notes 1 to 28 form an integral part of these financial statements.

Country Finance Manager

Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
Cash flows from operating activities			
Profit before taxation		**126,763**	105,957
Adjustments for:			
Depreciation	7	**9,052**	10,692
Finance cost on lease liabilities	11	**819**	1,377
Credit losses on financial assets and off balance sheet items	19	**25,573**	23,536
Gain on disposal of property and equipment		**(433)**	-
Loss on lease termination		**27**	-
Net gain on re-measurement of IRS		**(3,929)**	(15,303)
		157,872	126,258
Adjustments for changes in operating assets and liabilities:			
Other assets		**358,015**	1,060,051
Deposits from customers		**(1,337,537)**	(2,992,520)
Lease liability		**(12,308)**	(18,703)
Other liabilities		**(135,079)**	(108,024)
		(1,126,908)	(2,059,196)
Net cash flow used in operating activities before tax		**(969,036)**	(1,932,938)
Tax paid		**-**	-
Net cash flow used in operating activities		**(969,036)**	(1,932,938)
Investing activities			
Acquisition of operating fixed assets	7	**(270)**	-
Acquisition of right of use assets		**(2,312)**	-
Proceeds from disposal of property and equipment	7	**433**	-
Investments		**323,196**	734,485
Net cash flow from investing activities		**321,047**	734,485
Cash flows from financing activities			
Acquisition of right of use assets		**2,312**	-
Payment against lease liabilities	11	**(9,670)**	(10,338)
Net cash used in financing activities		**(7,358)**	(10,338)
Net decrease in cash and cash equivalents		**(655,347)**	(1,208,791)
Cash and cash equivalent at beginning of the year		**3,389,921**	4,598,711
Cash and cash equivalents at end of the year	5	**2,734,574**	3,389,921

The annexed notes 1 to 28 form an integral part of these financial statements.

Country Finance Manager

Country Manager

1 Status and nature of business

Bank Alfalah Limited Afghanistan ("the Bank") is a foreign branch of Bank Alfalah Limited, Pakistan and is registered and operating in Afghanistan as a commercial bank. The Bank obtained business license from Afghanistan Investment Support Agency which has been renewed by the Ministry of Commerce and Industries (MoCI) on 20 August 2023. Under the license of Commercial banking issued by the Da Afghanistan Bank (DAB), the Bank commenced its operations on 5 September 2005.

Currently, the Bank has two conventional banking branches at Kabul and Herat. The registered office of the Bank is located in Kabul, Afghanistan.

2 Basis of preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the law of Banking in Afghanistan, other laws and regulations issued by Da Afghanistan Bank, differs with the requirements of the IFRS, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank takes precedence.

These financial statements have been prepared under the historical cost convention except that certain investments and derivative financial instruments are stated at fair value.

These financial statements comprise 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1 New accounting standards / amendments and IFRS interpretations

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2024, but do not have an impact on the Bank's financial statements.

3 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.

3.1 Leased assets

a) 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 contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- The Bank has the right to obtain substantially all 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
- 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.

b) Measurement and recognition of leases as 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 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 asset 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 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 property and equipment within operating fixed assets and lease liabilities have been disclosed in the statement of financial position.

c) Extension option 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.

3.2 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity including cash in hand and at ATM, unrestricted balances with the DAB, balances with banks and placements.

3.3 Financial instruments

3.3.1 Financial instruments - initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognize balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. in those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when inputs become observable, or when the instrument is derecognized.

3.3.2 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either;

- Amortized cost, as explained in note (a) below
- FVOCI, as explained in notes (b) and (c) below
- FVPL, as explained in note (e) below

The Bank classifies and measures its trading portfolio at FVPL as explained in note (f) below. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note (f) below.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in note (e) below.

a) Due from banks, Loans and advances to Customers, Financial investments at amortized cost

The bank measures Due from bank and loans and advances to customers, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Bank intended to sell immediately or in the near term
- That the Bank upon initial recognition, designated as at FVPL or as available-for-sale
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument -by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on contractual cash flow collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

Second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset (for example, if there are repayments of principal or amortization of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b) Debt instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in the fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss. The ECL for Debt instruments at FVOCI is explained in 3.3.4. Where the Bank holds more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

c) Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

d) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

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e) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities (or financial assets), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount / premium and qualifying transaction costs being an integral part of the instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as operating income when the right to get payment has been established.

f) Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit making. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.3.3 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.3.4 Derivative financial instrument

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

3.3.5 Impairment of financial assets

a) Overview of the ECL principles

The Bank measures loan loss impairment by using forward-looking ECL approach. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the life time expected credit losses or TECL), unless there has been no significant increase in credit risk origination, in which case, the allowance based on the 12 months' expected credit loss (12m ECL) as outlined in note (b) below. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 24.1.1.

Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Bank believes impairment is not appropriate. As at 31 December 2024, there is no loan to be classified in the category as per IFRS 9 or ACPR issued by DAB.

The 12mECL portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 24.1.1.

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Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1	When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
Stage 2	Where a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
Stage 3	Loans considered credit-impaired. The Bank records an allowance for LTECLS.
POCI	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on credit-adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b) Considerations in calculation of ECL

The Bank calculates ECL based on three-probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in note 24.1.1.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 24.1.1.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. the LGD is further explained in note 24.1.1.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, downside, ('average base')). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarized below:

Stage 1	The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12m ECL allowance based on expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit - adjusted EIR.

Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment ECLs are calculated and present together with the loan. For loan commitments and letters of credit, the ECL is recognized within provisions.

Financial guarantee contracts

The Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within provisions.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities, . Based on experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year for corporate and 3 years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in note 24.1.1. but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolio of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Consumer price indices

The Bank maintains provision higher of expected credit loss determined under IFRS 9 and provision required under Asset Classification Provisioning Regulation (ACPR).

3.3.6 Impairment provision under local regulations

a) Loans and advances to banks and customers

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

Standard:
These are loans and advances, which are paying in a current manner or at most past due for the period of 1-30 days, fully secured and is supported by sound net worth, profitability, liquidity and cash flow of the obligor. Standard assets are sufficiently secured with respect to the repayment of both the principal amount and interest. An overdraft would be regarded as standard if monthly payments and other charges are past due for 1-30 days, and there was regular activity on the account with no sign of a hard core of debt developing.

Watch list:
These are loans and advances which are adequately protected but are potentially weak. Such an asset constitutes an unwarranted credit risk, but not to the point of requiring a classification of Substandard. The credit risk may be minor, and most instances, bank management can correct the noted deficiencies with increased attention. Further, all loans and advances which are past due by 31 to 60 days for principal or interest payments are classified as Watch. A provision is maintained in the books of account not less than 5% of value of such loans and advances.

Substandard:
These are loans and advances which show clear manifestations of credit weaknesses that jeopardize the liquidation of the debt. Substandard loans and advances include loans to borrowers whose cash flows are not sufficient to meet currently maturing debts, loans to borrowers which are significantly undercapitalized, and loans to borrowers lacking sufficient working capital to meet their operating needs.

Further, all loans and advances which are past due by 61 to 120 days for principal or interest payments are also classified as Substandard. A provision is maintained in the books of account not less than 25% of value of such loans.

Doubtful:

These are loans and advances which display all the weaknesses inherent in loans and advances classified as Substandard but with the added characteristics that they are not well secured and the weaknesses make collection or liquidation in full, on the basis of currently available information highly questionable and improbable. The possibility of loss is extremely high, but because of certain mitigating circumstances, which may work to the advantage and strengthening the facility, its classification as an estimated loss is postponed until its more defined status is ascertained. Further all loans and advances which are past due by 121 to 480 days for principal or interest payments are also classified as Doubtful. A provision is maintained in the books of account not less than 50% of value of such loans and advances.

Loss:

These are loans and advances which are considered uncollectable and of such little value their continuation as recoverable facilities is not defensible. This classification does not imply that the facility has absolutely no recoverable value, but rather it is not practical or desirable to defer making full provisions for the facility even though partial recovery in future may not be entirely ruled out. Loans and advances classified as Loss include those to bankrupt companies and insolvent firms with negative working capital and cash flow or those to judgement debtors with no means or foreclosable collateral to settle the debts. further, all loans and advances which are past due over 481 days for principal and interest payments are classified as Loss. This category of loans shall be retained in bank balance sheet for the period of 6 months for recovery purposes and 100% loan loss provisioning should be made. After 6 months, they shall be immediately written off with the provisioning made.

The Bank maintains provision higher of expected credit loss determined under IFRS 9 and provision under Asset Classification Provisioning Regulation (ACPR).

b) Cash and cash equivalents, Investments, other assets and Off-balance sheet item

The Bank currently maintains 0% general provision on cash and cash equivalents, investments and other assets under ACPR since 1% general provision under ACPR is optional. However, the provision for expected credit losses determined under IFRS 9 is also calculated and recorded in financial statements for these categories.

3.4 Fair value measurement

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at the date. The fair value of a liability reflects its non-performance risk.

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 (refer note 23.1).

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 minimize the use of unobservable all of 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 is 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 positions 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 next 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.

3.5 Property and equipment

These are stated at historical cost less accumulated depreciation and impairment, if any, except for land and capital work in progress which is stated at cost less impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the depreciable amount of the assets over their useful life as per the depreciation rates disclosed in note 7 to the financial statements.

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Depreciation is charged on additions during the year from the date they become available for their intended use till disposal of the asset or completion of useful life, whichever occur earlier. This is in accordance with IFRS where depreciation should be charged from the date the asset become available for intended use of management.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are included in other income in the statement of comprehensive income.

3.6 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Non-financial assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing the impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversal of impairment losses is restricted to the original cost of the assets.

3.7 Taxation

Current

The current income tax charge is calculated in accordance with Income Tax Law, 2009. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts and expected to be paid to the tax authorities.

Deferred

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are recognized if the temporary differences arises from the goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3.8 Revenue recognition

a) Interest income and expenses for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method.

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 exactly 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.

b) Due but unpaid interest income is accrued on overdue advances for period up to 120 days in compliance with the Banking regulations issued by DAB. After 120 days, overdue advances are classified as non-performing and further accrual of unpaid interest income ceases.

c) Gains and losses on disposal of property and equipment are recognized in the period in which disposal is made.

d) Fees and commission income and expenses are recognized in the period in which disposal is made.

e) Fee and commission income that are integral part to the effective interest rate on financial assets and liability are included in the measurement of effective interest rate. Other fee and commission expenses related mainly to the transactions are services fee, which are expensed as the services are received.

3.9 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is Afghani (AFN). All amounts have been rounded to the nearest thousands , except when otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency assets and liabilities are translated using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end-exchange rates of assets and liabilities denominated in foreign currencies are recognized in income currently.

The exchange rate for following currencies against AFN were:

	1 USD	1 EURO	1 GBP
As at 31 December 2024	70.4450	73.7886	87.7075
As at 31 December 2023	70.2500	76.8500	88.0500

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3.10 Provisions

Provisions are recognized when they are present, legal or constructive obligations as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off-balance-sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

3.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognized amounts and the Bank intends to settle either on a net basis or realize the assets and settle the liabilities simultaneously.

3.12 Employee benefits

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

4 Use of critical accounting estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgements will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgements used to measure and classify the carrying amounts of assets and liabilities are outlined below:

a) Impairment losses on financial assets

The Bank's accounting framework considers both the provision described under local regulations in Afghanistan and IFRS 9. Therefore, the Bank's level of provision for impairment against financial asset considers the requirements of both regimes.

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The Bank's internal credit grading model
- The segmentation of financial assets when their ECL is assessed on a collective basis development of ECL models, including the various formulas and the choice of inputs to such models.
- Determination of associations between macroeconomics scenarios and, economic inputs, such as GDP growth.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.
The Bank assesses financial assets on a quarterly basis for possible impairment and records the provision for possible loan losses as per IFRS 9 or ACPR whichever is higher.

b) Provision for 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.

c) Useful life of property and equipment

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

		Note	31-Dec-24	31-Dec-23
			...... AFN '000'	
5	**CASH AND CASH EQUIVALENTS**			
	Cash in hand	5.1	**50,442**	56,596
	Balances with Da Afghanistan Bank	5.2	**2,102,005**	2,540,787
	Balances with other banks	5.3	**582,127**	792,538
			2,734,574	3,389,921
5.1	**Cash in hand**			
	Local currency		**23,467**	29,308
	Foreign currency		**26,975**	27,288
			50,442	56,596
5.2	**Balances with Da Afghanistan Bank**			
	Current account			
	Local currency		**2,048,773**	2,223,841
	Foreign currency		**53,231**	316,946
			2,102,005	2,540,787
5.3	**Balances with other banks**			
	Current accounts	5.3.1	**582,127**	792,538
			582,127	792,538

5.3.1 This represents balances in nostro accounts with Citi Bank New York, Habib American Bank New York, National Bank of Pakistan Frankfurt Germany and First Abu Dhabi Bank UAE. Current account with Habib American Bank New York, carries interest rate ranging from 3.83% to 4.83% (2023: 3.83% to 4.83%) per annum on floating interest rates under the SPPI scheme, the balances are available on demand basis.

		Note	31-Dec-24	31-Dec-23
			...... AFN '000'	
6	**INVESTMENTS - NET**			
	Debt instruments at fair value through OCI:			
	Investment bonds	6.1	**3,086,976**	3,523,720
			3,086,976	3,523,720
	Allowance for ECL / impairment losses	6.2	**(57,103)**	(82,677)
			3,029,872	3,441,043

6.1 The breakup of debt instruments at fair value through OCI is as follows:

	Rating	Rating Agency	31-Dec-24	31-Dec-23
			...... AFN '000'	
Bonds at FVOCI:				
African Finance Corp.	A3	Moody's	**346,481**	338,268
Islamic Republic of Pakistan 2031	Caa2	Moody's	**224,856**	183,597
Oman Government International Bond	Ba1	Moody's	**450,064**	447,311
South Africa	Ba2	Moody's	**330,036**	331,939
Sharjah Sukuk	Ba1	Moody's	**383,157**	379,978
Kingdom of Saudi Sukuk	Aa3	Moody's	**384,309**	390,435
Italy Government International Bond	Baa3u	Moody's	**255,514**	252,699
Perusahaan Penerbit SBSN 2025	Baa2	Moody's	**69,504**	67,779
Perusahaan Penerbit SBSN 2030	Baa2	Moody's	**312,554**	317,913
Dubai DOF Sukuk	Unrated		**323,135**	321,283
Republic of Chille	A2	Moody's	**7,366**	7,525
Pakistan Euro Bond			**-**	236,907
Republic of Italy			**-**	34,396
Republic of Turkey			**-**	213,691
			3,086,976	3,523,720

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6.1.1 These represent investments in sovereign bonds having maturity ranging from January 2025 to April 2031 (31 December 2023: April 2024 to April 2031) and carrying interest rates ranging from 1.63% to 7.38% (31 December 2023: 1.63% to 8.25%) per annum. These investments are managed by Treasury head office of Alfalah Bank.

6.2 Impairment allowance for investments

6.2.1 The table below shows stage wise classification as at 31 December 2024 and 2023, respectively.

	31 December 2024				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total	31 December 2023
	AFN '000'				
Debt instruments at fair value through OCI:					
Investment in bonds - Gross	3,011,682	261,647	-	3,273,330	3,742,589
Effect of fair value changes	(149,563)	(36,791)	-	(186,354)	(218,868)
	2,862,120	224,856	-	3,086,976	3,523,720
Debt instruments at amortized cost					
Capital notes	-	-	-	-	-
	2,862,120	224,856	-	3,086,976	3,523,720
Provision for expected credit losses (6.2.2)	(9,403)	(47,700)	-	(57,103)	(82,677)
Net Charge for the year	(9,587)	(15,986)	-	(25,573)	(23,536)
Net balance	2,852,717	177,156	-	3,029,872	3,441,043

6.2.2 The Bank does not maintain optional provision of 1% under ACPR, This represents provision for expected credit losses calculated under IFRS 9.

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7 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Right-of-use Assets (Building)	Total
	(AFN '000')					
Cost						
Balance at 1 January 2023	28,342	8,934	31,698	20,155	44,816	133,944
Additions	-	-	-		343	343
Lease modifications	-	-	-	-	(1,124)	(1,124)
Balance at 31 December 2023	28,342	8,934	31,698	20,155	44,034	133,163
Balance at 1 January 2024	**28,342**	**8,934**	**31,698**	**20,155**	**44,034**	**133,163**
Additions	**-**	**14**	**256**	**-**	**2,312**	**2,582**
Lease modifications	**-**	**-**	**-**	**-**	**4,958**	**4,958**
Adjustment	**-**	**-**	**-**	**-**	**(605)**	**(605)**
Disposals	**-**	**-**	**(2,939)**	**-**	**-**	**(2,939)**
Balance at 31 December 2024	**28,342**	**8,948**	**29,015**	**20,155**	**50,699**	**137,159**
Depreciation						
Balance at 1 January 2023	28,253	8,028	29,790	17,982	32,046	116,100
Charge for the year	33	250	765	2,172	7,471	10,692
Balance at 31 December 2023	28,287	8,278	30,555	20,155	39,517	126,791
Balance at 1 January 2024	**28,287**	**8,278**	**30,555**	**20,155**	**39,517**	**126,791**
Charge for the year	**33**	**235**	**633**	**-**	**8,151**	**9,052**
Disposals	**-**	**-**	**(2,939)**	**-**	**-**	**(2,939)**
Balance at 31 December 2024	**28,320**	**8,513**	**28,249**	**20,155**	**47,668**	**132,904**
Carrying amounts						
Balance at 31 December 2023	55	656	1,143	0	4,517	6,372
Balance at 31 December 2024	**22**	**435**	**766**	**0**	**3,032**	**4,255**
Depreciation rate %	**20**	**10 to 25**	**20 to 25**	**25**	**17 to 100**	

7.1 The cost of property and equipment includes the fully depreciated assets that are still in use having cost of AFN 81,026 thousands (31 December 2023: AFN 83,423 thousands).

7.1.1 Fully depreciated assets - details

	31-Dec-24	31-Dec-23
	...... AFN '000'	
Leasehold improvements	**28,175**	28,175
Furniture & fixtures	**6,599**	6,582
Electrical, office and computer equipment	**26,098**	28,512
Vehicles	**20,155**	20,155
	81,026	83,423

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8 DEFERRED TAX ASSETS - NET

	Balance as at 31 December 2022	Charge to profit or loss	Recognized in other comprehensive income	Balance at 31 December 2023	Charge to profit or loss	Recognized in other comprehensive income	Balance at 31 December 2024
	(AFN '000')						
Deferred tax liabilities arising in respect of:							
Unrealized gain on interest rate SWAP	(6,184)	3,122	-	(3,061)	**2,275**	**-**	**(786)**
Accelerated tax depreciation	(993)	626	-	(367)	**122**	**-**	**(245)**
Revaluation reserve on IRS	(77,875)	-	30,492	(47,383)	**-**	**1,400**	**(45,983)**
	(85,052)	3,748	30,492	(50,810)	**2,397**	**1,400**	**(47,014)**
Deferred tax assets arising in respect of:							
Fair value changes debt investments at FVOCI	116,006	-	(72,231)	43,775	**-**	**(6,502)**	**37,273**
ECL charge	21,355	(4,127)	-	17,228	**(5,526)**	**-**	**11,702**
Carried forward losses	71,348	(15,813)	-	55,536	**(25,217)**	**-**	**30,318**
	208,710	(19,940)	(72,231)	116,539	**(30,744)**	**(6,502)**	**79,293**
	123,658	(16,191)	(41,739)	65,728	**(28,347)**	**(5,102)**	**32,279**

9 OTHER ASSETS

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
Required reserve with DAB	9.1	**343,898**	438,853
Receivable from overseas units (Related party)	9.2	**43,717**	70,778
Accrued interest on bonds & capital notes		**125,684**	134,247
Interest receivable on interest rate swaps		**8,088**	25,763
Advance tax -net		**-**	4,517
Unrealized gain on IRS		**163,440**	273,039
		684,826	947,196
Provision against other asset	9.3	**(95,645)**	(95,645)
		589,181	851,551

9.1 Required reserve with DAB:

	Note	31-Dec-24	31-Dec-23
Local currency		**9,311**	8,979
Foreign currency		**334,587**	429,874
	9.1.1	**343,898**	438,853

9.1.1 This represents required reserve amount being maintained with DAB in order to meet minimum reserve requirement of Article 3 "Required Reserves Regulation" of the Banking Regulations of Afghanistan. Required reserves are not available for use in the Bank's day-to-day operations. It is calculated by applying 7% to deposits denominated in AFN and 9% to deposits denominated in foreign currency, credited by the by the DAB from the respective nostro current accounts of the bank with DAB.

9.2 This amount represents receivable from BAFL Dubai against interest received on bonds and from BAFL Bahrain against net interest income and Call margin on IRS on behalf of Bank Alfalah Limited Afghanistan.

9.3 This represents provision against interest receivable on capital notes from DAB.

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		Note	31-Dec-24	31-Dec-23
			...... AFN '000'	
10	**DEPOSITS FROM CUSTOMERS**			
	Current deposits		**3,938,370**	**4,999,788**
	Saving deposits		**645,087**	**921,242**
	Margin deposits - expired	10.1	**23,125**	**23,089**
			4,606,582	**5,944,119**

10.1 This represents cash margin on deposits from customers against issuance of letter of guarantees.

		31-Dec-24	31-Dec-23
		...... AFN '000'	
11	**LEASE LIABILITIES**		
	Opening balance as at	**5,707**	15,449
	Addition during the year	**2,312**	343
	Lease modification	**4,958**	-
	Adjustment	**(605)**	
	Derecognized during the year	**-**	(1,124)
	Lease rentals paid	**(9,670)**	(10,338)
	Finance cost for the year	**755**	1,377
		3,456	5,707

		Note	31-Dec-24	31-Dec-23
			...... AFN '000'	
12	**OTHER LIABILITIES**			
	Call margin on Interest rate swaps	12.1	**173,013**	303,480
	Interest payable on Interest Rate Swap		**4,283**	12,684
	Accrued expenses		**10,380**	10,808
	DAB assessment fee		**1,212**	1,512
	Professional charges		**4,256**	3,640
	Prior year additional income tax liability		**3,897**	-
	Bills payable		**776**	779
	Others		**149**	149
	Provision for ECL - LG	12.2	**437**	430
			198,402	333,481

12.1 This represents call margin received from First Abu Dhabi Bank (FAB) against the interest rate swap agreements (IRS), to cover the risk of fair value changes in the investment bonds due to interest rates fluctuations in the market. The call margin amount of AFN 173 Million (2023: 303 Million) represents the Bank's share in the call margin received from FAB to ensure the margin requirements.

12.2 This represents expected credit losses on letter of guarantees under IFRS9.

13 CAPITAL CONTRIBUTED BY HEAD OFFICE

Da Afghanistan Bank (DAB) vide its Letter No. 3783/3971 dated 7 January 2014 directed all branches of foreign banks to convert their minimum equity from other currencies to local currency equivalent to AFN 1 billion gradually till 31 March 2014. Accordingly, the Board of Directors (BOD) of the Head Office, in its meeting held on 2 March 2014 approved capitalization of unappropriated profit to meet the minimum equity requirements of AFN 1 billion. The BoD had also approved the remittance of the then remaining inappropriate profit to the Head Office to the extent as may be decided by the management of the Bank.

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14 CAPITAL RESERVES

Article 93 Reserve Capital of Corporations and Limited Liability Companies Law of Afghanistan, requires that Bank should transfer 5% of its profit to Capital Reserve to compensate for future possible losses to the extent such capital reserves reach up to 25% of the Bank's capital. Bank's capital reserves as at 31 December 2024 stood at AFN 84,088 thousands (31 December 2023: AFN 79,620 thousands).

15 CONTINGENCIES AND COMMITMENTS

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
Contingencies			
Financial guarantees	15.1	**184,296**	183,786
Commitments	15.2	**1,408,900**	2,627,350

15.1 These represent performance guarantees issued by the Bank in the normal course of business. These are 100% secured against counter guarantees of Standard Chartered Bank - Pakistan. The Bank is also facing certain litigations on which no provision is required as per the opinion of legal advisor.

15.2 This represents interest rate swap contract amounting to AFN 1.409 billion and contingency regarding IRS principal amount payable/receivable against notional amount of AFN 1.409 billion. The Bank has hedged 4 bonds which are Kingdom of Saudi Sukuk, Italy Government International Bond, Perusahaan Penerbit SBSN 2030 - Indonesia and Dubai DOF Sukuk.

16 NET INTEREST INCOME

	31-Dec-24	31-Dec-23
	...... AFN '000'	
INTEREST INCOME		
Cash and cash equivalents	**20,228**	21,533
Investments	**144,882**	181,208
Net interest income / (expense) on IRS	**87,753**	105,809
	252,863	308,551
INTEREST EXPENSE		
Interest on term deposits	**(38)**	-
Interest on call margins	**(11,127)**	-
Net interest expense	**(11,165)**	-
Net Interest income	**241,698**	308,551

17 NET FEE AND COMMISSION (EXPENSE) / INCOME

		31-Dec-24	31-Dec-23
		...... AFN '000'	
FEE AND COMMISSION INCOME			
Funds transfer fee		**3,423**	6,280
Customers' account service charges		**2,640**	5,848
		6,062	12,128
Fee and commission expense	17.1	**(10,769)**	(18,007)
NET FEE AND COMMISSION (EXPENSE)		**(4,707)**	(5,879)

17.1 This represents bank charges AFN 4.225 million (2023: AFN 12.425mn), SWIFT charges AFN 631 thousands (2023: AFN 400 thousand) and other expenses for visa card charges AFN 5.914 million (2023: AFN 5.180mn).

18 OTHER INCOME

	31-Dec-24	31-Dec-24
	...... AFN '000'	
Provision reversal on interest payable	-	19,181
Gain on sale of foreign currency bonds - net	**2,876**	-
Gain on disposal of property and equipment	**433**	-
	3,309	**19,181**

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19 IMPAIRMENT LOSS ON FINANCIAL ASSETS AND OFF-BALANCE SHEET ITEMS

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

		31 December 2024					2023
		Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Regulatory	Total	Total
		(AFN '000')					
	Note						
Investments	6.2	9,587	15,986	-	-	25,573	23,536
Other assets		2,065	-	-	-	2,065	(3,032)
Financial Guarantees	15	-	(6)	-	-	(6)	134
Impairment charge for the year		11,652	15,980	-	-	27,632	20,637

20 PERSONNEL EXPENSES

	Note	31-Dec-24	31-Dec-23
		AFN '000'	
Basic salaries		34,489	33,853
Allowances and bonus		57,098	64,617
		91,587	98,470

21 OTHER OPERATING EXPENSES

	31-Dec-23	31-Dec-22
	AFN '000'	
Rent, taxes, insurance and utilities	7,160	5,879
Deposit insurance expense - ADIC	5,263	5,416
Legal and professional charges	3,867	4,810
Communications	3,100	3,518
Repairs and maintenance	1,353	1,323
Stationery and printing	329	511
Auditors' remuneration	2,618	3,154
Office food expense	2,228	2,665
Residence and travel	4,955	2,127
Security cost	7,154	6,659
Loss on sale of IRS - Net	1,114	-
Other operating expenses	492	501
	39,633	36,563

22 TAXATION

		31-Dec-24	31-Dec-23
		AFN '000'	
Prior year taxation	22.1	(8,413)	(10,430)
Deferred	8	(28,347)	(16,192)
		(36,760)	(26,622)

22.1 This represents provision of prior year's additional tax liability payable to MoF tax authorities, as a result of on-going tax audit for the years 2020 and 2021.

22.2 Reconciliation of effective tax rate

	2024		2023	
	Rate	(AFN '000')	Rate	(AFN '000')
Accounting profit for the year		126,763		105,957
Applicable tax @ 20%	20%	25,353	20%	21,191
Effect of tax on dividend to shareholders	0.00%	-	0.00%	-
Effect of inadmissible expenses	0.00%	-	0.00%	-
Deferred tax effect relating to:				
Reversal and (origination) of temporary differences	-42.87%	(54,348)	-35.28%	(37,383)
	-22.87%	(28,995)	-15.28%	(16,192)

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23 FINANCIAL ASSETS AND LIABILITIES

Accounting classification and fair values

The following table shows the carrying amounts and classification of financial assets and financial liabilities:

	Note	Financial assets (other than investments)- At amortized cost	Debt investments at amortized cost	Debt investments at fair value through OCI	Financial liabilities at amortized cost	Total
		AFN "000"				
31 December 2024						
Assets						
Cash and cash equivalents	5	**2,734,574**	-	-	-	**2,734,574**
Investments - net	6	-	-	**3,029,872**	-	**3,029,872**
Other assets	9	**589,181**	-	-	-	**589,181**
		3,323,755	-	**3,029,872**	-	**6,353,627**
Liabilities						
Deposits from customers	10	-	-	-	**4,606,582**	**4,606,582**
Lease liabilities	11	-	-	-	**3,456**	**3,456**
Other liabilities	12	-	-	-	**197,966**	**197,966**
		-	-	-	**4,808,004**	**4,808,004**
31 December 2023						
Assets						
Cash and cash equivalents	5	3,389,921	-	-	-	3,389,921
Investments - net	6	-	-	3,441,043	-	3,441,043
Other assets	9	851,551	-	-	-	851,551
		4,241,472	-	3,441,043	-	7,682,515
Liabilities						
Deposits from customers	10	-	-	-	5,944,119	5,944,119
Lease liabilities	11	-	-	-	5,707	5,707
Other liabilities	12	-	-	-	331,539	331,539
		-	-	-	6,281,365	6,281,365

23.1 Fair value of financial assets and financial liabilities

(a) Financial instruments measured at fair value using a valuation technique

The table below analyses financial instruments carried at fair value, by valuation method. The various fair value levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	AFN "000		
Debt investments at fair value through OCI (December 31, 2024)	**3,086,976**	-	-
Debt investments at fair value through OCI (December 31, 2023)	**3,523,720**	-	-

Valuation technique and key inputs used for investments in bonds were quoted market bid price in active market.

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(b) Fair values

Set out below is a comparison of the carrying amounts and fair value of the Bank's financial assets and liabilities, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying Value		Fair Value	
	31-Dec-24	31-Dec-23	31-Dec-24	31-Dec-23
	AFN "000			
Financial assets				
Cash and cash equivalents	**2,734,574**	3,389,921	**2,734,574**	3,389,921
Investments	**3,029,872**	3,441,043	**2,997,360**	3,079,876
Other assets	**589,181**	851,551	**589,181**	851,552
Financial liabilities				
Deposits from customers	**4,606,582**	5,944,119	**4,606,582**	5,944,119
Lease liabilities	**3,456**	5,707	**3,456**	5,707
Other liabilities	**197,966**	331,540	**197,966**	331,540

24 Risk management policies

The Bank is a foreign branch of Bank Alfalah Limited Pakistan (Head Office), therefore, the Board of Directors of the Head Office (the Board) has overall responsibility for the establishment and oversight of risk management framework of the Head Office as well as overseas branches. The Head Office has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk, and operational risk as evidenced by its Board approved "Risk Management Policy" and "Risk Management Manual". The Board has established the Management Board, Asset and Liability Committee (ALCO), a Credit Committee and Board Risk Management Committee and Board Audit Committee which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Management Board assists in these functions by the Internal Audit, compliance and Risk Management Division at the Head Office. Internal audit function is an independent risk review function that reports directly to the Board Audit Committee at the Head Office. The Head Office appoints Country Head specifically to oversee operations in Afghanistan and to manage the risks in accordance with the risk management policies of the Head Office.

The Bank's Internal Audit and Compliance Departments in Afghanistan are responsible for monitoring compliance with the risk management policies and procedures, and for reviewing adequacy of risk management framework in relation to the risks faced by the Bank. As a policy, the reporting line of the risk management function has been kept completely independent of the business division.

The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Operational risk

24.1 Credit risk

Credit risk management processes encompass identification, assessment, measurement, monitoring and control of credit risk exposure. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to the risk management function. The Board has delegated responsibility for the management of credit risk to its Head Office Credit Committee. A separate credit department has been established by the Bank for its Afghanistan operations that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The Credit department is headed by Head Credit/CRO along with credit department staff who looks after credit risk matters and conduct portfolio analysis and stress testing on regular basis for managing credit risk.

The Bank has established and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board of Directors. The credit evaluation system comprises of well 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 function is also supported by Credit Administration and Credit Monitoring Departments at Head Office level to ensure segregation of duties and efficient management of credit risk. The Banks manages its portfolio of loan assets with a view to limit its concentrations in terms of risk quality, geography, industry, maturity and large exposure.

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The amount of credit risk in this regard is represented by the carrying amounts of the assets on the balance sheet date. Exposure to credit risk managed through regular analysis of borrower to meet interest and principal repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immoveable property duly registered with the Court of Law and hypothecation/pledge over stock and current assets duly verified by the Bank's Credit Officer on quarterly basis.

A sophisticated Internal Credit Rating System has been developed by the Bank, which is capable of quantifying counter-party and transaction risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure, security etc. and generates an internal rating vis-a-vis anticipated customer behavior.

The adherence to Risk-appetite statement approved by the Board is monitored by RMD. Further the compliance of regulatory & internal limits is also monitored and any deviations are ratified from the competent authorities.

24.1.1 Credit risk measurement

Impairment assessment under IFRS 9

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 3 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

Credit ratings and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. PDs for rated portfolios are determined using migration of rating grades from one period to other within the PD observation period. Consumer lending comprises credit cards. PDs models of these products are primarily driven by days past due.

Estimated historical realized default rates are adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate. For debt securities in the Treasury portfolio, external rating agency credit grades are used. The PDs associated with each grade are determined based on realized default rates as published by the rating agency.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

The EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any prepayments made by the borrower. For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The bank has used 50% LGD for sovereign whereas 45% LGD for corporate and bank exposures, as per the Basel II standard credit risk guidance.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Measuring expected credit losses - ECL

PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Forward looking economic information is also included in determining the 12 month and lifetime ECL. The bank has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecast of these economic variables (the "base economic scenario") are obtained from external sources on a monthly basis.

In addition to the base economic scenario, the management also estimate other possible scenarios along with scenarios weighting. The scenario weighting are determined by an expert credit judgment. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The bank considers these estimates of the possible outcomes. The bank has used base, upside and downside scenarios for its ECL estimation.

Impairment under local regulations

(i) Over due balances on loans to banks / customers are segmented into five categories as described in note 3.3.6. The percentage of provision created on such over due balances are as per guidelines issued by DAB and reflects the range of default probabilities defined for each category. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

(ii) Exposure at default is based on the amounts, the Bank expects to be owed at the time of default. For example, for a loan this is the face value.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Other than loans and advances to banks and customers

Other than loans and advances includes balances with other banks and financial institutions and placements with other banks, investments in bonds and held with DAB and other assets. Judgments and instructions from the Bank's treasury are being used by the Bank's management in placing funds with other banks and are viewed as a way to gain better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time when required.

Concentration of risk of financial assets with credit risk exposure

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, Da Afghanistan Bank has prescribed regulatory limits on bank's maximum exposure to single borrower and group borrowers. The Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industries for every business group.

	Notes	31-Dec-24	31-Dec-23
		...... AFN '000'	
Credit risk relating to on-balance sheet items are as follows:			
Balances with DAB and other banks	5	**2,684,132**	3,333,325
Investments	6	**3,029,872**	3,441,043
Other assets	9	**245,283**	412,699
		5,959,287	7,187,067
Credit risk relating to off-balance sheet items is as follows:			
Guarantees	15	**184,296**	183,786
		184,296	183,786

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The above table represents credit risk exposure to the Bank at 31 December 2024 and 31 December 2023, without taking account of any collateral held or other enhancements attached. For on-balance sheet assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

Credit quality of financial assets

The credit qualities of Bank's financial assets have been assessed below by reference to the external credit ratings of counter parties determined by various international credit rating agencies. The counterparties for which external credit ratings were not been available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

Investments

Investments held carries various credit rating and ranges from Aaa to B3. These investments are made on defined investment criteria of the Bank. The credit quality and the maximum exposure to credit risk for under expected credit losses model is based on external credit rating grades and year-end stage classification as at 31 December 2023 and 2022 as disclosed in note 6.1 to the financial statements.

	Note	31-Dec-24	31-Dec-23
		...... AFN '000'	
Loans and advances			
Loans and advances to customers and financial institutions		-	-
Neither past due but nor impaired:			
Gross amount		-	-
Provision for expected credit losses		-	-
Carrying amount		-	-

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Bank believes impairment is not appropriate. As at 31 December 2024, there is no loan to be classified in the category as per IFRS 9 or ACPR issued by DAB.

Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the Bank's Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

Settlement risk

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

For certain types of transactions, the Bank mitigate this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades require transactions specific or counterparty specific approvals from the Bank's risk department.

24.2 Liquidity risk

Liquidity risk is the potential for loss to the bank arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses.

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as a core retail deposits form a considerable part of the Bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios. Further, the Bank has designed different scenarios of cash outflows to stress test efficacy of its liquid assets and its impact on profit and loss. The results are regularly reviewed by ALCO for taking appropriate measures.

The Bank relies on deposits from customers as its primary source of funding. Deposits form customers generally has shorter maturities and large proportion of them are repayable on demand. For day to day liquidity risk management integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problem.

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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 are considered as including cash and cash equivalent 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 Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	2024	2023
Year - end	**59%**	57%
Average for the period	**57%**	49%
Maximum for the period	**60%**	57%
Minimum for the period	**54%**	44%

24.2.1 Maturity analysis for financial liabilities

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

	Note	Gross nominal outflow	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
		AFN '000'						
As at 31 December 2024								
Liabilities								
Deposits from customers	10	**4,606,582**	**94,739**	**143,887**	**647,296**	**1,493,636**	**2,227,024**	4,606,582
Lease liabilities	11	**3,456**	**899**	**1,102**	**1,455**	-	-	3,456
Other liabilities	12	**194,506**	**189,753**	-	**4,753**	-	-	198,402
		4,804,544	**285,390**	**144,989**	**653,504**	**1,493,636**	**2,227,024**	4,808,441
As at 31 December 2023								
Liabilities								
Deposits from customers	10	**5,944,119**	**115,180**	**184,997**	**832,212**	**1,926,381**	**2,885,349**	5,944,119
Lease liabilities	11	**5,707**	**683**	**640**	**2,764**	**1,620**	-	5,707
Other liabilities	12	**336,515**	**332,342**	**81**	**4,092**	-	-	333,481
		6,286,341	**448,205**	**185,718**	**839,068**	**1,928,001**	**2,885,349**	6,283,307

The Bank conducted a behavioral study of non-maturity deposits (non-contractual deposits) and performed regression analysis to determine deposits withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern in line with the best practices.

A significant variation in future maturities is imputed due to uncertain economic environments and limits imposed by DAB on withdrawals and capital controls.

24.3 Market risk

Market risk is the risk of loss in earnings and capital due to on and off balance sheet positions arising out of adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. It also includes investments and structural positions in the banking books of the Bank. To manage and control market risk a well defined limits structure is in place. These limits received, adjusted and approved periodically. Market risk can be further divided as follows:

The Head Office (Bank) deals in derivative instruments including Interest Rate Swaps and Cross Currency Swaps for hedging and market making purposes within bank's risk appetite. Interest rate swaps are primarily conducted to hedge interest rate risk present in the bank's foreign currency bond portfolio.

24.3.1 Interest rate risk exposure

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to the changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Committee (ALCO) monitors the re-pricing of the assets and liabilities on a regular basis. The Bank's interest rate risk is limited since the majority of customer deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles. The Bank's interest rate gap position on its financial assets and financial liabilities is as follows:

		Interest bearing							
	Note	Interest rates (%)	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Total (Gross)
		AFN '000'							
31 December 2024									
Assets									
Cash and cash equivalents	5	**3.83 to 4.83**	**439,173**	-	-	-	-	**2,295,401**	**2,734,574**
Investments	6	**1.625-7.375**	**457,334**	**69,498**	-	**1,696,536**	**806,504**	-	**3,029,872**
Other assets	9		-	-	-	-	-	**589,181**	**589,181**
			896,508	**69,498**	-	**1,696,536**	**806,504**	**2,884,582**	**6,353,627**
Liabilities									
Deposits from customers	10		-	-	-	-	-	**4,606,582**	**4,606,582**
Lease liabilities	11	12%	**2,001**	**851**	**604**	-	-	-	**3,456**
Other liabilities	12		-	-	-	-	-	**198,402**	**198,402**
			2,001	**851**	**604**	-	-	**4,804,984**	**4,808,440**
On balance sheet interest sensitivity gap			**894,507**	**68,647**	**604**	**1,696,536**	**806,504**	**1,920,403**	**1,545,188**
31 December 2023									
Assets									
Cash and cash equivalents	5	3.83 to 4.83	418,044	-	-	-	-	2,971,877	3,389,921
Investments	6	1.625 - 8.25	-	236,907	34,396	1,074,573	2,177,844	-	3,523,720
Loans and advances to customers			-	-	-	-	-	-	-
Other assets	9		-	-	-	-	-	851,552	851,552
			418,044	236,907	34,396	1,074,573	2,177,844	3,823,429	7,765,192
Liabilities									
Deposits from customers	10		-	-	-	-	-	5,944,119	5,944,119
Lease liabilities	11	12%	1,323	705	2,059	1,620	-	-	5,707
Other liabilities	12		-	-	-	-	-	333,481	333,481
			1,323	705	2,059	1,620	-	6,277,600	6,283,307
On balance sheet interest sensitivity gap			**416,721**	**236,202**	**32,337**	**1,072,953**	**2,177,844**	**2,454,171**	**1,481,885**

Variable rate instruments	31-Dec-24	31-Dec-23
	...... AFN '000'	
Financial assets and liabilities at variable interest rates		
Loans and advances to financial institutions	-	-
	-	-

Cash flow sensitivity analysis for variable rate instruments

The Bank does not have any such instruments therefore there will be no impact for the current year on profit or loss (2023: Nil). This analysis assumes that all other variables remain constant.

Fixed rate instruments	31-Dec-24	31-Dec-23
	...... AFN '000'	
Financial assets and liabilities at fixed interest rates		
Investments	**3,086,976**	3,523,720
Deposits from customers	-	-

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate financial assets at fair value through profit and loss account, therefore a change in interest rates at the reporting date would not affect profit and loss account of the Bank.

24.4 Currency risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

Off-balance sheet financial instruments are contracts which are the resultant outcome of the IRS and clean placements transactions. Moreover, counterparties enter into forward transactions in inter-bank market on behalf of customers to cover-up their position against stipulated risks. The buy and sell transactions are matched in view of their maturities in the different predefined time buckets.

The Bank's exposure to foreign currency risk, based on notional amount, is as follows:

31 December 2024	**USD**	**EURO**	**GBP & other**	**Total**
Financial assets				
Cash and cash equivalents	608,267	8,840	46,162	663,270
Investments	3,079,610	7,366	-	3,086,976
Other assets	579,276	594	-	579,870
	4,267,154	16,800	46,162	4,330,115
	USD	**EURO**	**GBP**	**Total**
Financial liabilities				
Deposits from customers	3,906,091	4,223	166	3,910,481
Other liabilities	182,842	-	668	183,510
	4,088,933	4,223	835	4,093,991
Net foreign currency exposure	178,220	12,577	45,328	236,124

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31 December 2023	USD	EURO	GBP	Total
Financial assets				
Cash and cash equivalents	1,063,951	29,809	45,976	1,139,736
Investments	3,516,195	7,525	-	3,523,720
Other assets	836,416	1,641	-	838,056
	5,416,563	38,974	45,976	5,501,512
Financial liabilities				
Deposits from customers	4,966,421	14,113	167	4,980,700
Other liabilities	323,952	51	671	324,674
	5,290,373	14,164	838	5,305,374
Net foreign currency exposure	**126,190**	**24,810**	**45,138**	**196,137**

24.4.1 Sensitivity analysis on foreign currency financial assets and liabilities

A 1% strengthening of the Afghani, as indicated below, against the USD, GBP, Euro at 31 December 2024 would have decreased profit before tax 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.

31 December 2024	USD	EURO	GBP and other	Total
Effect of 1% increase in exchange rate				
Financial assets				
Cash and cash equivalents	**(6,083)**	**(88)**	**(462)**	**(6,633)**
Investments	**(30,796)**	**(74)**	-	**(30,870)**
Other assets	**(5,793)**	**(6)**	-	**(5,799)**
Losses from financial assets	**(42,672)**	**(168)**	**(462)**	**(43,302)**
Financial liabilities				
Deposits from customers	**39,061**	**42**	**2**	**39,105**
Other liabilities	**1,828**	-	**7**	**1,835**
Gains from financial liabilities	**40,889**	**42**	**9**	**40,940**
Net-unrealized losses on foreign currency	**(1,783)**	**(126)**	**(453)**	**(2,362)**

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	USD	EURO	GBP	Total
31 December 2023				
Effect of 1% increase in exchange rate				
Financial assets				
Cash and cash equivalents	(10,640)	(298)	(460)	(11,398)
Investments	(35,162)	(75)	-	(35,237)
Other assets	(8,364)	(16)	-	(8,380)
Losses from financial assets	(54,166)	(389)	(460)	(55,015)
Financial liabilities				
Deposits from customers	49,664	141	2	49,807
Other liabilities	3,240	1	7	3,248
Gains from financial liabilities	52,904	142	9	53,055
Net-unrealized losses on foreign currency	(1,262)	(247)	(451)	(1,960)

24.5 Operational risk

Operational Risk is the risk of loss resulting from inadequate internal processes, people and systems, or from external events including legal risks. This excludes strategic and reputational risk.

Embedding a sustainable risk culture remains the bank's core objective that includes effective management of operational issues and emerging risks across the bank and in our overseas operations via deployment of required resources, tools and continuous supervision. The new Operational Risk Framework, Policy and Standards, duly approved by the Board, have been rolled out along with new system platforms (Operational Risk System) for recording and tracking of risk events including non-financial risks. The bank aim to implement a new process based Risk and Control Self-Assessment method across the group in order to effectively manage operational risks and continuously monitor effectiveness of defined controls through first line self-assessment reviews especially for the processes and activities which may significantly impact the bank's risk appetite. Further, new and amended products, systems, activities and processes are subject to comprehensive operational risk assessments before implementation or launch.

24.6 Subsequent event - unadjusted

The bank will receive the reimbursement of ADPF (formerly ADIC) insurance premiums totaling AFN 217.728 million, paid by the bank from October 2009 to 30 June 2024. This is in accordance with Sharia Ruling No. 1151, dated 27 May 2024, issued by the Dar-ul-Eftah of the Islamic Emirate of Afghanistan, following the orders issued by the Supreme Court of the Islamic Emirate of Afghanistan, No. 373, dated 27 August 2024, and DAB letter No. 8306/6070, dated 11 January 2025. Subsequently, on 12 February 2025, the bank has received the total amount in AFN 189.56mn.

25 Related parties

The bank has related party relationship with Head office, shareholders, directors of the Head office, associated undertakings and key management personnel. The bank had the following transactions with related parties at mutually agreed terms during the year:

		31-Dec-24	31-Dec-23
		...... AFN '000'	
Name of group companies	**Nature of transactions**		
Bank Alfalah Limited - Pakistan	Profit remitted to Head Office	-	-
Alfalah Insurance Company Ltd.	Insurance premium	**2,218**	2,142

25.1 Transactions with key management personnel

	31-Dec-24	31-Dec-23
	...... AFN '000'	
(a) Deposits from key management personnel		
Deposits at the beginning of the year	**262**	30
Deposits received during the year	**35,390**	41,031
Deposits repaid during the year	**(34,971)**	(40,800)
Exchange rate difference	**-**	-
Deposits at the end of the year	**681**	262

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(b) Salaries and benefits	**35,390**	41,031
	35,390	41,031

Key Management personnel of the Bank include country manager, operation manager, credit manager, finance manager, HR manager, internal audit manager, risk manager and compliance manager.

In addition to their salaries, the bank also provides non-cash benefits to executives which include furnished accommodation.

25.2 The related party receivables and payable balances are disclosed in the respective notes to the financial statements.

26 Capital Management

Regulatory Capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

(i) to comply with the capital requirements set by the DAB;
(ii) to safeguard the Bank's ability to continue as a going concern so that it can continue to be; and
(iii) to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management. DAB requires each bank to maintain its Tier 1 Capital ratio and Regulatory Capital ratio to be at least 6 % and 12 % respectively. The Bank is maintaining this ratio well above the required level.

The table below summarizes the composition of the regulatory capital and ratio of the Bank:

	31-Dec-24	31-Dec-23
	...... AFN '000'	
Tier 1 (Core) Capital:		
Total equity capital	**1,581,720**	1,471,308
Less:		
Revaluation surplus on financial instruments at FVOCI	**34,850**	14,442
Profit for the year	**90,003**	79,335
Deferred tax asset	**32,279**	65,728
Total tier 1 (core) capital	**1,424,587**	1,311,803
Tier 2 (Supplementary) Capital:		
General reserves as per DAB's regulation, but restricted to 1.25% of total risk-weighted exposure	-	-
Revaluation reserve on bonds (45%)	**15,683**	6,499
Profit for the year	**90,003**	79,335
Total Tier 2 (Supplementary) Capital	**105,686**	85,834
Regulatory Capital = Tier 1 + Tier 2	**1,530,274**	1,397,637

	31-Dec-24	31-Dec-23
	...... AFN '000'	
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	**50,442**	56,596
Direct claims on Central Banks and Central Governments of Category A countries	-	-
Precious metals and precious stones	-	-
Direct claims on DAB	**2,445,903**	2,981,912
Loans collateralized by blocked deposits	-	-
Other	-	-
Total	**2,496,345**	3,038,508
0% risk-weight total (above total x 0%)	-	-

	31-Dec-24	31-Dec-23
	...... 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	138,124	348,425
Short-term Claims on Banks Licensed In Non-Category A Countries	444,385	444,873
Loans Collateralized by Claims on or Guaranteed by Multilateral Lending Institutions	-	-
Cash Items in Process of Collection	-	-
Other	391,674	-
Total	974,183	793,298
20% risk-weight total (above total x 20%)	194,837	158,660
50% risk weight:		
Qualifying Residential Mortgage Loans	-	-
Qualifying Real Estate Construction Loans	-	-
Other	-	3,523,720
Total	-	3,523,720
50% risk-weight total (above total x 50%)	-	1,761,860
100% risk weight:		
All other assets	3,072,763	580,443
Less: Deferred tax assets	32,279	65,728
Total	3,040,484	514,715
100% risk-weight total (above total x 100%)	3,040,484	514,715
Credit conversion factor		
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	-	-
Unused Portions of Commitments that are Unconditionally Cancelable	-	-
Total	-	-
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	-	-
20% risk-weight total (above total x 20%)	-	-
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	-	-
20% Risk Weight	184,296	183,786
50% Risk Weight	185,864	2,627,350
100% Risk Weight	-	-
Total	370,160	2,811,136
100% credit conversion factor total (risk-weighted total x 100%)	129,791	1,350,432
Total risk-weighted assets	3,365,112	3,785,667
Tier 1 Capital Ratio (Tier 1 capital as % of total risk-weighted assets)	42.33%	34.65%
Regulatory Capital Ratio (Regulatory capital as % of total risk-weighted assets)	45.47%	36.92%

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27 General

The figures in these financial statements have been rounded off to the nearest in thousands in AFN.

28 Date of authorization of financial statements

These financial statements were authorized for issue by the Country Finance Manager and Country Manager of the Bank on 18-March-2025.

Country Finance Manager

Country Manager