

BANK-E-MILLIE AFGHAN (BMA)

Audited Statements

For the year ended December 20, 2024

(30 Qaws 1403)

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK-E-MILLIE AFGHAN**

Introduction

We have audited the accompanying financial statements of Bank-e-Millie Afghan (the Bank), which comprise the statement of financial position as at December 20, 2024, (30 Qaws 1403) and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 20, 2024, (30 Qaws 1403) and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank (DAB).

Basis for Qualified Opinion

- a) As of the year-end, the Bank holds an investment in its wholly owned foreign subsidiary, Afghan American Trading Co. Inc. (AATC), which is carried at a cost of USD 2.200 million (translated to AFN 154.385 million) (2023: USD 2.2 million translated to AFN 150.392 million). In accordance with IFRS 10 - Consolidated Financial Statements, the Bank has determined that it does not exercise control over AATC. As a result, the investment is accounted for at cost, and the subsidiary has not been consolidated in the Bank's financial statements.
- b) As at year-end, the Bank held account balance totaling USD 28.52 million equivalent to (AFN 2,001.123 million) with the Citibank New York. However, Citibank New York has not confirmed this balance and replied that the account is closed. As per management, due to political developments, this balance was transferred to Federal Reserve Bank NY (FRB NY), and management is pursuing this with FRB NY. However, we were not provided with correspondence or confirmation from FRB NY. Therefore, we were unable to obtain sufficient and appropriate audit evidence to verify the existence of these balances.

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

Other Matter

The financial statements for the year ended 30 Qaws 1402 (21 December 2023) were audited by another auditor who has expressed qualified audit opinion dated on March 16, 2024 with respect to matter a, b and qualified opinion due to discrepancies arising from the implementation of the Islamic core banking module, including unverified liability-side balances and a suspense account balance of AFN 56,341,364. UHY

Other Information

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

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

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

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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UHY Shafiq Umar Daraz & Co.
Chartered Accountants
Date: March 15, 2025
Kabul, Afghanistan



BANK-E-MILLIE AFGHAN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024	21 December 2023
		30 Qaws 1403	30 Qaws 1402
	Note	AFN	AFN
Assets			
Cash and bank balances	5	22,524,911,687	23,665,357,055
Gold and silver at bank vault	6	85,655,307	65,762,452
Short-term investments	7	788,299,228	730,534,194
Loans and advances to customers - net	8	1,019,388,427	1,382,179,406
Long term investments	9	1,025,862,977	978,178,167
Property and equipment	10	1,273,291,936	1,263,829,956
Intangible assets	11	2,593,566	2,649,586
Investment properties	12	6,311,451,633	6,122,431,274
Other assets	13	3,470,718,861	3,616,386,283
Total assets		36,502,173,622	37,827,308,373
Liabilities			
Deposits from banks and customers	14	29,079,626,911	30,645,457,926
Lease liabilities	15	25,371,774	21,829,428
Deferred tax liability	16	747,663,221	685,039,373
Other liabilities	17	645,599,751	526,548,745
Total liabilities		30,498,261,657	31,878,875,472
Equity			
Share capital	18	1,000,000,000	1,000,000,000
Retained earnings		4,169,320,969	4,127,941,758
Surplus on revaluations - net		803,152,955	792,247,503
Exchange translation reserves		22,125,025	18,930,624
General reserve		9,313,016	9,313,016
Total equity		6,003,911,965	5,948,432,901
Total liabilities and equity		36,502,173,622	37,827,308,373
Contingencies and Commitments	19		

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

Chief Executive Officer

Chief Finance Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Net income from financial assets & liabilities	Note		
Income from financial assets		145,163,131	186,459,048
Expense on financial liabilities		(35,514,407)	(9,660,272)
Net interest income	20	109,648,724	176,798,776
Fee and commission income and expenses			
Fee and commission income		260,371,261	203,675,656
Fee and commission expense		(1,534,961)	(1,645,965)
Net commission income	21	258,836,300	202,029,691
Other income			
Realized exchange gain		18,001,568	36,315,918
Unrealized exchange gain / (loss)		23,265,215	(778,915,054)
Gain on revaluation of gold and silver		19,892,855	-
Other operating income	22	269,435,345	91,600,624
		330,594,983	(650,998,512)
Total operating income		699,080,007	(272,170,045)
Operating expenses			
Provision on loans and advances	8.4	161,407,358	1,992,970,913
Reversal of provision on other assets	13.4	-	15,031,028
Impairment on associates and equity investments		-	231,599,335
Personnel expenses	23	226,932,714	239,115,818
Finance cost on lease liability	15	1,094,998	1,463,981
Depreciation	10	39,456,637	41,431,613
Amortization	11	584,110	3,340,900
Other expenses	24	212,817,904	205,089,910
Total operating expenses		642,293,721	2,730,043,498
Total operating profit / (loss)		56,786,286	(3,002,213,543)
Share in gain on associates and equity investments		43,691,810	-
Profit/(loss) before taxation		100,478,096	(3,002,213,543)
Taxation	25	(59,098,885)	99,870,120
Profit / (loss) for the year		41,379,211	(2,902,343,423)
Other comprehensive gain / (loss)			
<i>Items that may be classified to profit or loss subsequently</i>			
Exchange differences on translation of investment in Afghan American Trading Company - Subsidiary		3,993,001	(46,068,000)
Revaluation gain on vehicles		13,631,815	-
Related deferred tax		(3,524,963)	9,213,600
Reserve for investments and shares		-	469,514
Other comprehensive loss, net of tax		14,099,853	(36,384,886)
Total comprehensive profit/(loss) for the year		55,479,063	(2,938,728,309)

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

Chief Executive Officer

Chief Finance Officer

Chairman BOS

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BANK-E-MILLIE AFGHAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

	Share capital	Retained earnings	Revaluation surplus	Exchange translation reserves	General reserve	Total
Balance as at 30 Qaws 1401 (21 December 2022) Restated	1,000,000,000	7,030,285,181	792,247,503	55,785,024	8,843,502	8,887,161,210
Loss for the year	-	(2,902,343,423)	-	-	-	(2,902,343,423)
Reserve for investments and shares	-	-	-	-	469,514	469,514
Exchange rate differences on translation of investment in AATC	-	-	-	-	-	-
Subsidiary -net of tax	-	-	-	(36,854,400)	-	(36,854,400)
Balance as at 30 Qaws 1402 (21 December 2023)	1,000,000,000	4,127,941,758	792,247,503	18,930,624	9,313,016	5,948,432,901
Balance as at 30 Qaws 1402 (21 December 2023)	1,000,000,000	4,127,941,758	792,247,503	18,930,624	9,313,016	5,948,432,901
Profit for the year	-	41,379,211	-	-	-	41,379,211
Revaluation gain on vehicles	-	-	10,905,452	-	-	10,905,452
Exchange rate differences on translation of investment in AATC	-	-	-	-	-	-
Subsidiary -net of tax	-	-	-	3,194,401	-	3,194,401
Balance as at 30 Qaws 1403 (20 December 2024)	1,000,000,000	4,169,320,969	803,152,955	22,125,025	9,313,016	6,003,911,965

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

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Chief Executive Officer

Chief Finance Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024	21 December 2023
		30 Qaws 1403	30 Qaws 1402
	Note	AFN	AFN
Operating activities			
Profit / (loss) before taxation		100,478,096	(3,002,213,543)
Adjustments for non-cash items:			
Depreciation	10	39,456,637	41,431,613
Amortization	11	584,110	3,340,900
Share in (gain) / loss of associate and equity investments	9.4	(43,691,810)	231,599,335
Provision on loans and advances	8.4	161,407,358	1,992,970,913
Provision on other assets	13.4	-	15,031,028
Other assets written off	13.4	(110,217,151)	-
Loans and advances written off	8.4	(1,632,576,891)	-
Finance cost on lease liability	15	1,094,998	1,463,981
Loss on disposal of property and equipment		(2,028,498)	-
Gain on disposal of intangible assets		(11,090)	-
Adjustments		3,524,963	-
Provision for retirement benefit		-	6,401,083
		(1,582,457,374)	2,292,238,853
Adjustments for changes in operating assets and liabilities:			
Loans and advances to customers	8	1,768,324,040	552,897,666
Other assets		208,733,787	9,512,592
Deposits from banks and customers	14	(1,565,831,015)	(3,357,869,583)
Other liabilities		130,469,848	192,142,716
		541,696,660	(2,603,316,609)
		(11,418,842)	(49,285,095)
		(11,418,842)	(49,285,095)
Net cash used in operating activities		(951,701,460)	(3,362,576,394)
Investing activities			
Divestment in long term investments	9	-	45,598,487
(Investment in) / divestment from placements with banks	7	(61,231,004)	177,332,044
Acquisition of intangible assets	11	(517,000)	(1,604,082)
Acquisition of investment properties	12.2	(183,004,320)	-
Capital expenditure on investment properties	12	(6,016,039)	(308,323,499)
Acquisition of Rights of use assets	10	(10,941,830)	(15,987,508)
Acquisition of property and equipment	10	(25,042,837)	(41,014,706)
Net cash used in investing activities		(286,753,030)	(143,999,264)
Cash flows from financing activities			
Recognition / (repayment) of lease obligations - net		2,447,348	(16,553,957)
Net cash generated from / (used in) financing activities		2,447,348	(16,553,957)
Effect of exchange rate differences on provisions		60,284,493	-
Net decrease in cash and cash equivalents		(1,175,722,649)	(3,523,129,615)
Cash and cash equivalents at beginning of year		26,366,323,582	29,889,453,197
Cash and cash equivalents at end of year	5.4	25,190,600,933	26,366,323,582

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

Chief Executive Officer

Chief Finance Officer

Chairman BOS

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

1 Status and nature of operations

Bank-e-Millie Afghan (the Bank) is domiciled in The Islamic Republic of Afghanistan. The Bank was incorporated in 1935 and it has been granted license for commercial banking by Da Afghanistan Bank (DAB) on 26 June 2004. The Bank also obtained a private investment license on 08 November 2004 under the Law of Domestic and Foreign Investment and is primarily engaged in the business of banking as mentioned in Law of Banking in Afghanistan. Ministry of Finance is the majority shareholder of the Bank having shareholding of 96.75%. The Bank has 39 branches (2023:39 branches) in operation.

The registered office of the Bank is at Pashtanistan Square, Kabul, Afghanistan.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the Law of Banking in Afghanistan and the directives issued by DAB. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IFRS, the requirement of the Law of Banking in Afghanistan takes precedence.

Bank-e-Millie Afghan holds one wholly owned subsidiaries namely 'Afghan American Trading Co. Inc. As per International Financial Reporting Standard (IFRS) 10 'Consolidated Financial Statements', being a parent, Bank-e-Millie Afghan is required to prepare consolidated financial statements, but the same cannot be prepared by the management, due to non-availability of latest audited financial statements of the subsidiaries for the reasons disclosed in note 8 'Long term investments.

2.2 Mandatory Departure

Mandatory departure of International Financial reporting Standards (IFRS) - 9 "Financial Instruments", based on the decision of Da Afghanistan Bank until further notice.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property, land and building which are measured at revalued amount.

2.4 Functional and presentation currency

These financial statements are presented in Afghani, which is the Bank's functional currency. The amounts in the financial statements have been rounded to the nearest Afghani.

2.5 Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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 judgments will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of assets and liabilities are outlined below:

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 2.5 (continued)

a) **Provision for loan losses**

The Bank reviews loans and advances to customer balances monthly for possible impairment and records the provision for possible loan losses in accordance with DAB regulations as disclosed in note 7. The Bank maintains a general provision of 1% standard loans (2023: 1%) against outstanding loan and advances to customers as at the period end.

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 and intangible assets**

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 affect the carrying amounts of the respective items of property and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge.

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

- a) Useful lives of property and equipment
- b) Impairment of loans and advances to customers
- c) Taxation
- d) Revaluation of the investment property and property plant and equipment
- e) Provision for retirement benefit

3 New accounting standards / amendments and IFRS interpretations

3.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Name of Standard, Project, Improvement, or Amendment	Effective Date
Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	January 1, 2026
IFRS 19 Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures - Basis for Conclusions	January 1, 2027
IFRS 18 Presentation and Disclosure in Financial Statements	January 1, 2027

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 3.1 (continued)

IFRS 18 Presentation and Disclosure in Financial Statements - Basis for Conclusions	January 1, 2027
IFRS 18 Presentation and Disclosure in Financial Statements - Illustrative Examples	January 1, 2027

4 Significant accounting policies

4.1 IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Bank has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 22 December 2020. At this date, the Bank has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for prepaid/ accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Bank has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The Bank did not have any finance lease. On transition to IFRS 16 the incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 5% per annum. The Bank has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

4.1.1 Leased assets

The Bank as a Lessee

For any new contracts entered into on or after 22 December 2020, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 4.1.1 (continued)

- a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment within operating fixed assets and lease liabilities have been disclosed on the face of the statement of financial position.

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 4.1.1 (continued)

Extension options for leases

When the Bank has the option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

4.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balance held with DAB except under required reserve account, balance in Nostro accounts, placements and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

4.3 Financial assets and liabilities

Recognition

The Bank initially recognizes loans and advances to customers and deposits from customers on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

De-recognition

The Bank de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank also de-recognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 4.3 (continued)

Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Identification of measurement of impairment

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

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

In determining the potential loss in specific loans, groups of loans, or in the aggregate loan portfolio, all relevant factors are considered including, but not limited to: current economic conditions, historical loss experience, delinquency trends, the effectiveness of the Bank's lending policies and collection procedures, and the timeliness and accuracy of its loan review function.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount, (if applicable).

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

4.4 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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Note 4.4 (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, if any, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

4.6 Foreign currency

4.6.1 Foreign currencies transactions and translations

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date, with the exchange gain or loss on translation recognized in profit or loss.

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Note 4.6.1 (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was measured. For those non-monetary items for which gain or loss is recognized in other comprehensive income, the exchange gain loss arising on translation is also recognized in other comprehensive income. While, for those for non-monetary items for which gain or loss is recognized in profit or loss, the exchange gain loss arising on translation is also recognized in profit or loss.

4.6.2 Foreign operations

Net investment in foreign subsidiaries is translated to Afghani at the reporting date. Foreign currency differences are recognized directly in other comprehensive income.

4.7 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss comprise of interest on financial assets and liabilities at amortized cost on effective interest rate basis.

4.8 Income from Islamic products

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

4.8.1 Murabaha

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

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4.8.2 Musharaka

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

4.9 Share of investors / Investment in Associates

The Bank uses the equity method of accounting for determining the carrying value of investments in associates. Under this method, the initial investment is recorded at cost and subsequently adjusted for the Bank's share of the associate's profits or losses. Dividends received from the associate reduce the carrying amount of the investment. The Bank assesses its investments in associates for impairment whenever indicators of impairment exist.

4.10 Fee and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fee, funds transfer fee and placement fee, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fee are recognized on a straight-line basis over the commitment period.

Other fee and commission expense relates mainly to transaction and service fee and funds transfer fee, which are expensed as the services are received.

4.11 Rental income

Rental income from investment property is recognized in profit or loss on accrual basis.

4.12 Dividend income

Dividend income is recognized on the date when the Bank's right to receive payment is established.

4.13 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially recognized at fair value plus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method less allowance for impairment.

Loans and advances classified as loss are written off as required by DAB's regulations.

All loans and advances are classified in accordance with the regulations of DAB.

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4.14 Investments in subsidiary and associates

Investment in subsidiaries are initially recognized at cost, being the aggregate of fair value at the date of acquisition and any cost directly attributable to the acquisition. Investment in subsidiaries are subsequently carried at cost less accumulated impairment losses, if any. Foreign exchange difference on investment in foreign subsidiaries is recognized in equity.

Investments in associates, where the Bank has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognized in the associates profit and loss account, are recognized directly in equity of the Bank. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.

After the application of equity method including recognizing the associates losses, the Bank determines whether it is necessary to recognize any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell.

4.15 Property and equipment
Recognition and measurement

Items of property and equipment except for land and building are measured at cost less accumulated depreciation and impairment losses, if any, except for land and building which are described below separately.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Land and building are carried under revaluation model, wherein fair value of each item of land and building is determined every year and the resulting increase / decrease in value is recorded in "surplus / (deficit) on revaluation of property and equipment" in equity. Surplus / (deficit) on revaluation of property and equipment is reported in equity, net of deferred tax and incremental depreciation. However, during the year, the central bank has issued letter to the bank, instructing the bank for suspending of revaluation of land and building till further notice. Incremental depreciation is the excess depreciation arising due to increase in carrying value of the asset due to revaluation and is recognized in profit or loss every year.

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Note 4.15 (continued)

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the useful life of an item of property and equipment. The estimated useful lives of the items of property and equipment for the current and comparative periods are as follows:

Right of Use - Leased buildings	1- 3 Years
Land and Building	50 years
Furniture, fixtures and office equipment	5 years
Computer equipment	5 years
Vehicles	20 years
Books	20 years

Depreciation is charged on property and equipment on the basis of days the asset is being used during the year. Gains and losses (if any) on disposals are determined by comparing proceeds with the carrying amount and are taken to the profit or loss.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

Capital work-in-progress

Capital work in progress is stated at cost less impairment losses, if any.

4.16 Intangible assets

Banking software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on the software is capitalized only when it is expected that it will increase the future economic benefits embodied in the asset. All other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss over the useful life of the asset, using straight line method. Amortization is charged from the month the asset is available for use. Gain and loss (if any) on disposal is determined by comparing proceeds with the carrying amount and is recognized in profit or loss.

Amortization method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

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4.17 Investment property

The Bank is carrying its investment properties at fair values determined in the year 1386 (2007). In 1393 (2014), the Bank conducted a revaluation exercise for its investment properties and submitted the same to DAB for approval. During the year ended 30 Qaws 1394 (21 December, 2015), DAB through its letter no. 4952 / 5165 dated 19 JADI 1394 (09 January 2016), has allowed the Bank to take the revaluation impact at value reduced by 20% from the market value assessed by the valuer, for those properties only for which the Bank has Qabala (local title deed) available.

The total market value (reduced by 20%) assessed by the valuer in year 1393 (2014) for the properties, for which the Bank has Qabala available is Afs. 3,995,000,341. While the market value (reduced by 20%) assessed by the valuer in year 1393 (2014), for the properties for which the Qabala is not available with the Bank is Afs 626,428,835.

The bank has also recognized the Revaluation Gain amounting to Afn1,058,990,863.50 bn on investment properties as result of the revaluation carried out by the independent valuer during year 2020. However, the results of said revaluations were approved by DAB during 2021 in accordance with letter number 1853/1226 dated 1400/02/09.

However, the management has decided not to take the impact of revaluations of the properties for which Qabala is not available with the management. Further, due to non-availability of property wise book value, the bank has proportioned the total book value of its investment properties on the basis of proportionate market value of respective property. The management has further decided to arrange court orders for properties for which the Qabala is not available with the Bank to recognise the impact of revaluation in the books.

During the year the bank has obtained approval from the DAB allowing the bank for not carrying the revaluation investments properties, until the real estate market is stable.

4.18 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the

4.19 Employee benefits

Defined benefit plan

The Bank operates a pension scheme for its current and former employees entitled to pension after normal retirement (65 years of age or 40 years of service), voluntary retirement (55 years of age and 25 years of service), disability and in case of death, their legal heirs. Pension is based on formula which takes into account the years of service, average salary and a percentage and in case of death or disability, number of salaries depending upon the years of service. Deductions are made at the rate of 8% from the monthly salary of employees and the Bank contributes an equivalent amount. Liability of the Bank for this scheme is calculated on the basis of actuarial valuation using the Projected Unit Credit Method. Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised).

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		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
5 Cash and bank balances			
Cash in hand	5.1	4,770,888,878	6,046,915,401
Balances with Da Afghanistan Bank	5.2	14,665,278,036	15,460,721,614
Nostro accounts & balances with domestic	5.3	3,088,744,773	2,157,720,040
		22,524,911,687	23,665,357,055
5.1 Cash in hand			
Local currency	5.1.1	2,278,613,216	2,728,118,470
Foreign currency	5.1.2	2,433,673,162	3,286,619,331
Cash in ATMs		58,602,500	32,177,600
		4,770,888,878	6,046,915,401
5.1.1	This represents cash at vaults in the branches of the bank.		
5.1.2	The foreign currencies includes USD, GBP, EURO and PKR.		
		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
5.2 Balances with Da Afghanistan Bank (DAB)			
Local currency		12,259,180,426	10,913,837,411
Foreign Currency	5.2.1	2,406,097,610	4,546,884,203
		14,665,278,036	15,460,721,614
5.2.1	The foreign currencies includes USD, GBP, EURO and PKR.		
5.3 Nostro accounts & balances with domestic banks			
Nostro accounts balances	5.3.1	2,081,122,252	2,156,432,424
Balances with domestic banks - Local currency	5.3.3	134,193	137,427
Balances with domestic banks - Foreign currency	5.3.4	1,007,488,328	1,150,189
		3,088,744,773	2,157,720,040
5.3.1 Nostro accounts balances			
Citibank New York	5.3.2	2,001,227,417	1,949,467,848
Zhejiang Chaozhou		67,365,977	-
Commercial Bank China			
Habib Bank - Pakistan	5.3.2	11,869,992	11,596,534
Canara Bank	5.3.2	658,866	641,825
Bank of Africa - Europe		-	194,726,217
		2,081,122,252	2,156,432,424

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FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

5.3.2 "No debit restrictions" were imposed on these foreign currency accounts since prior years.

	Note	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
5.3.3 Balances with domestic banks - Local currency			
Pashtany Bank		124,593	127,827
Azizi Bank		9,600	9,600
		<u>134,193</u>	<u>137,427</u>
5.3.4 Balances with domestic banks - Foreign currency			
Pashtany Bank		261,706	266,988
New Kabul Bank		262,868	263,589
Azizi Bank		10,760	14,583
Ghazanfar Bank		1,006,952,994	605,029
		<u>1,007,488,328</u>	<u>1,150,189</u>
5.4 Cash and cash equivalents			
Cash in hand		4,770,888,878	6,046,915,401
Balances with Da Afghanistan Bank (DAB)		14,665,278,036	15,460,721,614
Nostro accounts & balances with domestic banks		3,088,744,773	2,157,720,040
Required reserve at Da Afghanistan Bank (DAB)	13.1	2,580,033,939	2,635,204,075
Gold and silver at bank vault	6	85,655,307	65,762,452
		<u>25,190,600,933</u>	<u>26,366,323,582</u>
6 Gold and silver at bank vault			
Gold		35,496,387	30,314,452
Silver		50,158,920	35,448,000
	6.1	<u>85,655,307</u>	<u>65,762,452</u>
6.1	This represents gold and silver coins located at bank's main vault, acquired in the early years after inception of BMA in Afghanistan. However, these gold coins were revalued on 18 December 2024, (28 Qaws 1403) resulting in revaluation gain, the impact was accordingly taken in the financial statements, approved by the BoM of the bank.		

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		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
7	Short-term investments		
	Note		
	Murabaha Deposit in RAK Bank - by IBW	134,007,946	130,541,976
	First Abu Dhabi Bank	775,267,201	698,741,456
		909,275,147	829,283,432
	Accrued Interest	13,032,027	31,792,738
		922,307,174	861,076,170
	Provision on RAK Bank placement	(134,007,946)	(130,541,976)
		788,299,228	730,534,194

- 7.1** This represent USD denominated fixed term placement with First Abu Dhabi Bank up to a maximum period of 365 days (2023: 365 days) and carry interest at rate of 5.28% (21 December 2023: 5.20%) per annum.

	Note	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
7.2	Provision on RAK Bank placement		
	Balance at the beginning of the year	130,541,976	170,529,527
	Exchange rate differences	3,465,970	(39,987,551)
	Balance at the end of year	134,007,946	130,541,976

8	Loans and advances to customers - net		
	Conventional Loans	732,977,902	2,261,443,356
	Islamic Loans		
	- Murabaha	659,772,086	849,368,152
	- Diminishing mushareka	747,862,537	830,876,840
		1,407,634,623	1,680,244,992
	Loans and advances to customers - gross	2,140,612,525	3,941,688,348
	Allowance for impairment loss		
	Conventional	(732,977,902)	(2,036,020,690)
	Islamic loans - murabaha	(189,476,416)	(290,570,895)
	Islamic loans - diminishing mushreka	(198,769,780)	(200,165,574)
		(1,121,224,098)	(2,526,757,159)
	General provision	-	(32,751,783)
		1,019,388,427	1,382,179,406

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		----- 20 December 2024 -----		
	Note	Gross	Impairment	Carrying Value
8.1	Conventional loans			
Overdrafts	8.1.2	671,197,307	(671,197,307)	-
Commercial loans	8.1.3	5,138,915	(5,138,915)	-
Microfinance loans	8.1.5	51,509,574	(51,509,574)	-
Entrepreneurs	8.1.6	5,132,106	(5,132,106)	-
		732,977,902	(732,977,902)	-
		----- 21 December 2023 -----		
		Gross	Impairment	Carrying Value
Overdrafts	8.1.2	1,592,732,190	(1,367,309,524)	225,422,666
Commercial loans	8.1.3	584,329,972	(584,329,972)	-
Construction loans	8.1.4	6,668,864	(6,668,864)	-
Microfinance loans	8.1.5	70,678,826	(70,678,826)	-
Entrepreneurs	8.1.6	6,992,421	(6,992,421)	-
Loans to employees	8.1.7	41,083	(41,083)	-
		2,261,443,356	(2,036,020,690)	225,422,666

- 8.1.1** During the year, the Bank has opted to implement the Asset Classification and Provisioning Regulation on loans and advances, as per the regulatory framework established by Da Afghanistan Bank (DAB). As a result, the Bank has charged off loans amounting to AFN 1,632,576,891. The charge-off represents loans that have been deemed uncollectible after all reasonable efforts for recovery have been exhausted. These charge-offs are recognized as a reduction in the carrying value of the loan portfolio and are reflected in the financial statements as an expense. The Bank continues to pursue recovery efforts on charged-off loans where feasible.
- 8.1.2** These overdraft facilities are extended to borrowers for a period of 12 months, after which the same are subject to renewal. These facilities carry mark-up at rates ranging from 10% to 13% (2023: 10% to 13%) per annum. These facilities are secured against immovable properties.
- 8.1.3** Commercial loans are defined as all loans not properly categorized as consumer, construction, agricultural, or real estate. This category of loans includes all business purpose loans. When a loan cannot be otherwise categorized, it is by definition a commercial loan. These carry mark-up rate ranging from 10% to 11% (2023: 10% to 11%) per annum.
- 8.1.4** Construction loans are made for the purpose of constructing improvements on real property and are extended to borrowers for a period of 6-24 months. These carry interest rate ranging from 5% to 15% (2023: 5% to 15%) per annum.
- 8.1.5** These loans are specially designed for permanent government employees who have served for more than 5 years and less than 35 years. The maximum amount of loan is 500,000. These carry interest rate ranging from 5% to 15% per annum.
- 8.1.6** These loans are specially designed for individuals who are in start up of their businesses.
- 8.1.7** These loans are specially designed for internal employee of the bank. The maximum amount of loan that may be given is 35% of net annual salary of employee.

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		----- 20 December 2024 -----		
	Note	Gross	Impairment	Carrying Value
8.2	Islamic loans (Murabaha)			
Car financing	8.2.1	65,972,606	(17,067,591)	48,905,015
House financing	8.2.1	1,250,008	(12,500)	1,237,508
Construction material	8.2.1	46,496,257	(35,104,361)	11,391,896
Home appliances	8.2.2	4,813,323	(48,133)	4,765,190
Trade Finance	8.2.3	31,325,348	(1,466,641)	29,858,707
Corporate equipment	8.2.3	509,914,544	(135,777,190)	374,137,354
		659,772,086	(189,476,416)	470,295,670
		----- 21 December 2023 -----		
		Gross	Impairment	Carrying Value
Car financing	8.2.1	30,370,234	(9,899,308)	20,470,926
House financing	8.2.1	51,970,823	(49,908,320)	2,062,503
Construction material	8.2.1	111,225,661	(92,738,811)	18,486,850
Home appliances	8.2.2	1,273,172	(16,907)	1,256,265
Trade finance	8.2.3	45,984,473	(1,746,098)	44,238,375
Corporate equipment	8.2.3	608,543,789	(136,261,451)	472,282,338
		849,368,152	(290,570,895)	558,797,257

8.2.1 These represent financing for purchase of cars, houses and for the purpose of construction. These carry profit at rates ranging from 5% to 8% (2023: 5% to 8%) per annum and have maturity between 1 to 5 years. These are secured against personal guarantees and in certain cases the mortgage of immovable properties.

8.2.2 These represent financing for purchase of home appliances, which include air conditioners and refrigerators, mobiles and other appliances, These carry profit at rates ranging from 5% to 8% (2023: 5% to 8%) per annum and are extended for 24 months. These are secured against personal guarantees and immovable properties.

8.2.3 These represent financing for purchase of Raw material, plant, machinery and other equipment for the business purposes for corporates, These carry profit at rates ranging from 5% to 8% (2023: 5% to 8%) per annum and have maturity between 1 to 3 years. These are secured against personal guarantees and in certain cases the mortgage of immovable properties.

		----- 20 December 2024 -----		
	Note	Gross	Impairment	Carrying Value
8.3	Islamic loans (Diminishing mushareka)			
	8.3.1	747,862,537	(198,769,780)	549,092,757
		747,862,537	(198,769,780)	549,092,757

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Note 8.3 (continued)

		----- 21 December 2023 -----		
		Gross	Impairment	Carrying Value
Islamic loans (Diminishing mushareka)	8.3.1	830,876,840	(200,165,574)	630,711,266
		830,876,840	(200,165,574)	630,711,266

8.3.1 These represents restructuring of conventional loans into Diminishing Musharaka, carrying profit rate of 10% per annum.

8.4 Allowance for impairment loss

----- 20 December 2024 -----			
	Conventional loans	Islamic loans (Murabea and diminishing mushareka)	Total
Balance at the beginning	2,036,020,690	490,736,469	2,526,757,159
Charge for the year	456,137,559	35,758,836	491,896,395
Reversals during the year	(302,941,596)	(27,547,441)	(330,489,037)
Provision on loans and advances	153,195,963	8,211,395	161,407,358
Write offs during the year	(1,632,576,891)	-	(1,632,576,891)
Exchange rate difference	176,338,140	(110,701,668)	65,636,472
Balance at the end	732,977,902	388,246,196	1,121,224,098

----- 21 December 2023 -----			
	Conventional loans	Islamic loans (Murabea and diminishing mushareka)	Total
Balance at the beginning	483,275,143	130,541,976	613,817,119
Charge for the year	1,660,616,334	407,991,465	2,068,582,158
Reversals during the year	(33,140,646)	(42,496,240)	(75,611,245)
Provision on loans and advances	1,627,475,688	365,495,225	1,992,970,913
Exchange rate difference	(74,730,141)	(5,300,732)	(80,030,873)
Balance at the end	2,036,020,690	490,736,469	2,526,757,159

8.5 This represents additional general provision maintained by the bank, approved by BOS to cover any future unexpected losses.

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- 8.6** During the year, the bank has opted to take into effect the implementation of the Asset Classification and provisioning Regulation on loan and advances, the said regulation was deferred since 28 august 2021 until 21 November 2024 by the bank which was permitted by DAB. Subsequently, the bank has reclassified it's loan and advances, resulted into incorporation of additional impairment allowance on loan and advances as of 20 December 2024, approved by BoS of the bank, which has resulted in significant losses for the year.
- 8.7** In accordance with the regulatory guidelines established by Da Afghanistan Bank, it is mandatory to allocate a 100% provision for loans categorized as Loss. Furthermore, if a loan remains classified as Loss for a period of one year, it is to be charged off from the balance sheet, ensuring full compliance with the regulatory framework. Therefore, in line with these requirements, these loans have been charged off from the balance sheet.

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
9 Long term investments	Note		
Afghan American Trading Co. .	9.1	154,385,000	150,392,000
Pashtany Bank	9.2	679,243,094	635,551,284
Investment in equity instruments	9.3	192,234,883	192,234,883
		1,025,862,977	978,178,167

9.1 Afghan American Trading Co. Inc.

Opening balance	150,392,000	196,460,000
Exchange gain / (loss)	3,993,000	(46,068,000)
Closing balance	154,385,000	150,392,000

9.2 Investment in associates

The bank use equity method of accounting for determining the carrying value of the investment in Pashtany Bank. Set out below is the movement during the year in the investment in associates:

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Pashtany Bank		
Opening balance	635,551,284	867,150,619
Share of profit / (loss)	43,691,810	(231,599,335)
Closing balance	679,243,094	635,551,284

9.3 Investment in equity instruments

Afghan National Insurance Company	18,606,641	18,606,641
Ariana Afghan Airlines Company	172,256,476	172,256,476
Sherkat Saderat Pakhta Herat	844,289	844,289
Sherkat Nasaji Afghan	455,853	455,853
Edahdia Mazar Sharif	30,150	30,150
Sherkat Pashmena Bafi Qandahar	15,944	15,944
Edahdia Andkhoy Maimana	12,479	12,479
Sherkat Yakhsazi Herat	7,076	7,076
Sherkat Teel Kashi Herat	4,794	4,794
Sherkat Sahami Pashtoon Kandahar	1,181	1,181
	192,234,883	192,234,883

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9.4	Movement in investment	Note	Opening Balance as at 21 December 2023	Translation difference	Share of profit	Equity Share	Provision for loss	Closing Balance, as at 20 December 2024
For the year 20 December 2024								
	Afghan American Trading Co. Inc.	9.4.1	150,392,000	3,993,000	-	-	-	154,385,000
	Pashtany Bank		635,551,284	-	43,691,810	-	-	679,243,094
	Afghan National Insurance Company	9.4.1	18,606,641	-	-	-	-	18,606,641
	Ariana Afghan Airlines Company	9.4.1	172,256,476	-	-	-	-	172,256,476
	Edahdia Mazar Sharif		30,150	-	-	-	-	30,150
	Sherkat Saderat Pakhta Herat		844,289	-	-	-	-	844,289
	Sherkat pashmena Bafi Qandahar		15,944	-	-	-	-	15,944
	Sherkat Yakhsazi Herat		7,076	-	-	-	-	7,076
	Sherkat Teel Kashi Herat		4,794	-	-	-	-	4,794
	Sherkat Nasaji Afghan		455,853	-	-	-	-	455,853
	Edahdia Andkhoy Maimana		12,479	-	-	-	-	12,479
	Sherkat Sahami Pashtoon Kandahar		1,181	-	-	-	-	1,181
			978,178,167	3,993,000	43,691,810	-	-	1,025,862,976
For the year 21 December 2023								
	Afghan American Trading Co		196,460,000	(46,068,000)	-	-	-	150,392,000
	Pashtany Bank		867,150,619	-	(231,599,335)	-	-	635,551,284
	Afghan National Insurance		18,606,641	-	-	-	-	18,606,641
	Ariana Afghan Airlines		172,256,476	-	-	-	-	172,256,476
	Edahdia Mazar Sharif		30,150	-	-	-	-	30,150
	Sherkat Saderat Pakhta Herat		844,289	-	-	-	-	844,289
	Sherkat pashmena Bafi Qandahar		15,944	-	-	-	-	15,944
	Sherkat Yakhsazi Herat		7,076	-	-	-	-	7,076
	Sherkat Teel Kashi Herat		4,794	-	-	-	-	4,794
	Sherkat Nasaji Afghan		-	-	-	455,853	-	455,853
	Edahdia Andkhoy Maimana		-	-	-	12,479	-	12,479
	Sherkat Sahami Pashtoon Kandahar		-	-	-	1,181	-	1,181
			1,255,375,989	(46,068,000)	(231,599,335)	469,513	-	978,178,167

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9.5 Financial Information - Summary

For the year ended on 20 December 2024

	Total Assets	Total Liabilities	Net Assets	Profit After Tax	OC Income / (loss)	Holding %age
9.5.1 Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank	28,178,029,312	24,806,805,343	3,371,223,969	151,880,649	151,880,649	28.77%
9.5.1 Afghan National Insurance Company	-	-	-	-	-	7.66%
9.5.1 Ariana Afghan Airlines	-	-	-	-	-	6.25%
	<u>28,178,029,312</u>	<u>24,806,805,343</u>	<u>3,371,223,969</u>	<u>151,880,649</u>	<u>151,880,649</u>	

For the year ended on 21 December 2023

	Total Assets	Total Liabilities	Net Assets	Profit After Tax	OC Income / (loss)	Holding %age
9.5.1 Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank	23,385,242,587	20,097,063,447	3,288,179,140	(805,081,255)	-	28.77%
9.5.1 Afghan National Insurance Company	-	-	-	-	-	7.66%
9.5.1 Ariana Afghan Airlines	-	-	-	-	-	6.25%
	<u>23,385,242,587</u>	<u>20,097,063,447</u>	<u>3,288,179,140</u>	<u>(805,081,255)</u>	<u>-</u>	

9.5.1 Audited / management financial statements of 'Afghan American Trading Co, Afghan National Insurance Company and Ariana Afghan Airline were not available, hence no information was presented.

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10	Property and equipment	Leased buildings - Right of use assets		Land and building		Furniture and fixtures		Computer equipment		Vehicles		Library books		Total
		AFN		AFN		AFN		AFN		AFN		AFN		
Cost	Balance as at 30-Qaws-1401 (21-Dec-2022)	41,249,178		1,181,201,827		174,514,387		155,341,673		71,800,996		445,384		1,624,553,445
	Adjustment on extension of lease term	15,987,508		-		-		-		-		-		15,987,508
	Additions	-		4,941,103		19,670,897		16,402,706		-		-		41,014,706
	Derecognition / Reclassification	-		(269,919)		(37,331)		118,425		-		-		(188,825)
	Balance as at 30-Qaws-1402 (21-Dec-2023)	57,236,686		1,185,873,011		194,147,953		171,862,804		71,800,996		445,384		1,681,366,834
	Balance as at 30-Qaws-1402 (21-Dec-2023)	57,236,686		1,185,873,011		194,147,953		171,862,804		71,800,996		445,384		1,681,366,834
	Additions	10,941,830		-		8,921,827		16,121,010		-		-		35,984,667
Accumulated Depreciation	Revaluation	-		-		-		-		23,038,500		-		23,038,500
	Write-Off during the year	-		-		(81,017,032)		(83,694,341)		(71,800,996)		-		(236,512,369)
	Adjustments	(27,061,650)		-		-		-		-		-		(27,061,650)
	Balance as at 30-Qaws-1403 (20-Dec-2024)	41,116,866		1,185,873,011		122,052,748		104,289,473		23,038,500		445,384		1,476,815,982
	Balance as at 30-Qaws-1401 (21-Dec-2022)	24,766,590		29,874,409		134,671,031		126,328,600		60,881,685		252,610		376,774,925
	Charge for the year	15,190,326		3,322,703		11,785,620		10,297,429		813,266		22,269		41,431,613
	Derecognition / Reclassification	(48,741)		(269,918)		(387,851)		36,850		-		-		(669,660)
Carrying values as at:	Balance as at 30-Qaws-1402 (21-Dec-2023)	39,908,175		32,927,194		146,068,800		136,662,879		61,694,951		274,879		417,536,878
	Balance as at 30-Qaws-1402 (21-Dec-2023)	39,908,175		32,927,194		146,068,800		136,662,879		61,694,951		274,879		417,536,878
	Charge for the year	10,943,785		3,379,251		13,248,531		11,163,518		699,344		22,208		39,456,637
	Write-Off during the year	-		-		(78,837,853)		(78,017,883)		(62,394,295)		-		(219,250,031)
	Adjustments	(34,219,438)		-		-		-		-		-		(34,219,438)
	Balance as at 30-Qaws-1403 (20-Dec-2024)	16,632,522		36,306,445		80,479,478		69,808,514		-		297,087		203,524,046
	Balance as at 30-Qaws-1402 (21-Dec-2023)	17,328,511		1,152,945,817		48,079,153		35,199,925		10,106,045		170,505		1,263,829,956
Balance as at 30-Qaws-1403 (20-Dec-2024)	24,484,344		1,149,566,566		41,573,270		34,480,959		23,038,500		148,297		1,273,291,936	

10.1 Vehicles were revalued as at 06 January 2024 by independent property dealer Stable Consultancy Services Co, a valuation expert having knowledge and experience in the location and category of property plant and equipment, on the basis of market values. The resulting impact from the revaluation exercise was recorded under revaluation reserve in the statement of changes in equity.

10.2 The title of the land and building has not yet been transferred in the name of the Bank. 

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- 10.3** Had no revaluation been carried out, the carrying amount of the vehicles that would have been recognised in these financial statements is as under:

	20 December 2024 30 Qaws 1403 Vehicles AFN	21 December 2023 30 Qaws 1402 Vehicles AFN
Cost	71,800,996	71,800,996
Accumulated depreciation	62,508,216	61,694,951
Carrying amount	9,292,780	10,106,045

- 10.4** Depreciation is recognized in profit or loss on a straight line basis over the useful life of an item of property and equipment. The estimated useful lives of the items of property and equipment for the current and comparative periods are as follows:

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Land and Building	2%	2%
Furniture, fixtures and office equipment	20%	20%
Computer equipment	20%	20%
Vehicles	5%	5%
Books	5%	5%

11 Intangible assets

Cost

Balance at beginning of the year	81,739,578	80,135,496
Additions	517,000	1,604,082
Disposals	(54,811,295)	-
11.1	27,445,283	81,739,578

Amortization

Balance at beginning of the year	79,089,992	75,749,092
Charge for the year	584,110	3,340,900
Disposals	(54,822,385)	-
	24,851,717	79,089,992

Carrying amount

	2,593,566	2,649,586
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- 11.1** Intangibles assets include core banking software and licensing rights.

- 11.2** Intangibles are amortized at the rates ranging from 20% to 33% (2023: 20% to 33%) per annum.

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		20 December 2024	21 December 2023
		30 Qaws 1403	30 Qaws 1402
12	Investment Properties	Note	AFN
	Investment properties	12.1	5,723,657,579
	Capital work in progress	12.2	587,794,054
			6,311,451,633

12.1 As of 25th September 2024 (04/07/1403), the company recorded land at Serahi Alaudin, Kabul, valued at AFN 42,056,640, as investment property. The valuation was conducted by an independent valuer approved by Da Afghanistan Bank (DAB) and the Ministry of Finance (MoF). The land is held for long-term capital appreciation, and its fair value is based on market conditions and comparable transactions. Management has reviewed and approved the valuation report. Any significant changes in fair value will be disclosed in subsequent financial statements.

12.1.1 During the year, the Ministry of Finance (MoF), the major shareholder of the Bank, transferred an investment property with a fair value of Afs 140,947,680 to the Bank, instructing that it be recorded as capital contributed by MoF. The fair value of the property was determined by an independent valuer and approved by both Da Afghanistan Bank (DAB) and MoF. The Bank subsequently obtained approval from DAB to record this transaction in its financial records. However, in accordance with DAB regulations, capital contributions cannot be made in non-cash form. As a result, the Bank has recorded the property as an investment property and recognized a corresponding payable of Afs 140,947,680 under other liabilities, to MoF.

12.1.2 As of the reporting date, the legal titles of the investment properties have not yet been transferred to the Bank's name.

		20 December 2024	21 December 2023
		30 Qaws 1403	30 Qaws 1402
12.2	Capital work in progress	Note	AFN
	Opening balance		581,778,015
	Additions during the year	12.2.1	6,016,039
	Closing balance		587,794,054

12.2.1 The bank made an advance payment of AFN 1,027,744,997 to National Development Corporation (NDC), a related party, for construction work on an investment property in Dehmazang, Kabul. The payment, net of a 5% discount, relates to a contract dated 1401/12/07 with a duration of 912 days (2.5 years). The advance will be expensed over the contract period based on the progress of the construction.

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		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN	
13	Other assets	Note		
	Required reserve at Da Afghanistan Bank (DAB)	13.1	2,580,033,939	2,635,204,075
	Receivable from Afghan American Trading Co.	13.2	-	22,364,589
	Advance salaries		9,535,158	9,702,953
	Prepayments		2,963,174	9,155,769
	Advance tax to MoF	13.3	580,806,446	597,965,939
	Rent receivable against investment properties		37,903,562	25,010,722
	Accrued interest on loans and advances - Conventional		-	71,930,890
	Accrued profit on loans and advances - Islamic		154,617,894	213,533,898
	Security deposits with Pashtany Bank		40,000,000	40,000,000
	Security deposit with Western union		8,421,000	8,203,200
	Receivable from Western union inbound / outbound		64,735,788	84,723,834
	Other receivables		14,541,770	39,666,785
			3,493,558,731	3,757,462,654
	Provision held against other assets	13.4	(22,839,870)	(141,076,371)
			3,470,718,861	3,616,386,283

13.1 Required reserve at Da Afghanistan Bank (DAB)

Local currency	1,454,920,843	1,513,619,399
Foreign currency	1,125,113,096	1,121,584,676
	2,580,033,939	2,635,204,075

13.1.1 This represents required reserve amount being maintained with DAB in order to meet minimum reserve requirement of Article 64 "Required Reserves Regulation" of DAB Bank Law with the percentage set as per Circular No. 7530/8679 dated 3/6/1444 of DAB. Required reserves are not available for use in the Bank's day-to-day operations. It is calculated by applying 8% to deposits denominated in AFN and 10% to deposits denominated in foreign currency, credited by the DAB from the respective nostro current accounts of the bank with DAB.

13.2 This represents advances against municipality charges given to Afghan American Trading Company (100% owned Subsidiary of the bank).

13.3 This represents outstanding amount of advance income tax paid on 18 September 2019 to Ministry of Finance (MoF), based on approval of the BOS, which is adjustable against the future tax liabilities to MoF.

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		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
13.4	Provision held against other assets	Note	
	Balance at the beginning of the year	141,076,371	133,589,509
	Charge for the year		
	Charge for the year	-	33,478,286
	Reversals during the year	-	(18,447,258)
	Net (reversal) / charge for the year	-	15,031,028
	Write offs during the year	(110,217,151)	-
	Exchange rate differences	(8,019,350)	(7,544,166)
	Balance at the end of the year	22,839,870	141,076,371
14	Deposits from banks and customers		
	Local currency		
	Conventional deposits	14.1 17,540,263,009	18,516,999,112
	Islamic deposits	14.2 899,246,876	603,344,466
	Margin against letter of guarantee	14.3 82,150,388	100,500,145
		18,521,660,273	19,220,843,723
	Foreign Currency		
	Conventional deposits	14.1 9,927,875,956	10,956,463,193
	Islamic deposits	14.2 544,013,395	409,773,347
	Margin against letter of guarantee	14.3 86,077,287	58,377,663
		10,557,966,638	11,424,614,203
		29,079,626,911	30,645,457,926
14.1	Conventional deposits		
	Local currency		
	Current deposits	16,300,259,318	13,578,915,136
	Saving deposits	1,209,226,702	1,049,235,628
	Term deposits	30,776,989	3,888,848,348
		17,540,263,009	18,516,999,112
	Foreign currency		
	Current deposits	5,422,668,416	6,451,746,761
	Saving deposits	4,173,328,911	4,180,908,768
	Term deposits	331,878,629	323,807,664
		9,927,875,956	10,956,463,193
		27,468,138,965	29,473,462,305

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		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
14.2	Islamic deposits	Note	
	Local currency		
	Current deposits	297,059,646	15,051,541
	Saving deposits	14.2.1 23,261,328	17,910,310
	Term deposits	14.2.1 578,925,902	570,382,615
		899,246,876	603,344,466
	Foreign currency		
	Current deposits	48,333,337	40,547,725
	Saving deposits	14.2.1 54,489,812	37,856,743
	Term deposits	14.2.1 441,190,246	331,368,879
		544,013,395	409,773,347
		1,443,260,271	1,013,117,813
14.2.1	Saving deposits and term deposits under Islamic banking are not based on fixed rates arrangements, it is dependent upon actual earned profit or sustained loss, if any.		
14.3	Margin against letter of guarantee	Note	
	Foreign currency - active	86,077,287	58,377,663
	Local currency - active	82,150,388	100,500,145
		168,227,675	158,877,808
15	Lease liabilities		
	Opening balance	21,829,428	20,931,897
	Recognition of lease liability	10,941,830	-
	Finance cost for the year	1,094,998	1,463,981
	Lease rentals paid	(9,651,650)	(16,553,959)
	Rent payable	(1,795,230)	-
	Adjustment for Modification of lease liability	2,952,398	15,987,509
		25,371,774	21,829,428
16	Recognized deferred tax liability		
	Property and equipment	219,343,477	219,343,477
	Investment in associate	(47,363,702)	(91,384,645)
	Defined Contribution plan (Pension Scheme)	-	(3,628,086)
	Investment property	772,458,219	772,458,219
	Exchange translation reserve	4,425,005	(3,845,600)
	Carry forward taxable losses	(201,199,778)	(207,903,992)
		747,663,221	685,039,373

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16.1 Movement in deferred tax liability / (asset) during the year

As at 30 Qaws 1403 (20 December 2024)

Property and equipment - revalued amount
Investments:
Pashtany Bank
Afghan National Insurance Company
Ariana Afghan Airlines
Investment property
Defined Contribution plan
Exchange translation reserve
Carry forward taxable losses

Opening Balance	Recognized in profit or loss	OCI	Closing Balance
----- AFN -----			
219,343,477	(2,726,363)	2,726,363	219,343,477
(92,686,143)	8,738,362	-	(83,947,781)
1,301,498	887,536	-	2,189,034
-	34,395,045	-	34,395,045
772,458,219	-	-	772,458,219
(3,628,086)	3,628,086	-	-
(3,845,600)	7,472,005	798,600	4,425,005
(207,903,992)	6,704,214	-	(201,199,778)
685,039,373	59,098,885	3,524,963	747,663,221

As at 30 Qaws 1402 (21 December 2023)

Property and equipment - revalued amount
Investments:
Afghan American Trading Co.
Pashtany Bank
Afghan National Insurance Company
Investment property
Defined Contribution plan
Exchange translation reserve
Carry forward taxable losses

Opening Balance	Recognized in profit or loss	OCI	Closing Balance
----- AFN -----			
198,061,876	21,281,601	-	219,343,477
-	-	-	-
(46,366,276)	(46,319,867)	-	(92,686,143)
1,301,498	-	-	1,301,498
754,517,790	17,940,429	-	772,458,219
(2,347,868)	(1,280,218)	-	(3,628,086)
5,368,000	-	(9,213,600)	(3,845,600)
(116,411,926)	(91,492,066)	-	(207,903,992)
794,123,094	(99,870,121)	(9,213,600)	685,039,373

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

16.2 Details of Temporary differences (Assets/liabilities)

As at 30 Qaws 1403 (20 December 2024)

Property and equipment - revalued amount
Investments:
Pashtany Bank
Afghan National Insurance Company
Ariana Afghan Airlines
Investment property
Defined Contribution plan
Exchange translation reserve
Carry forward taxable losses

Accounting Base of Asset / Liability	Tax Base of Asset / Liability	Taxable / (Deductable) Temporary Difference	Deferred Tax (Asset) / Liability @20%
1,248,807,592	152,090,207	1,096,717,385	219,343,477
679,243,094	1,098,982,000	(419,738,906)	(83,947,781)
18,605,169	7,660,000	10,945,169	2,189,034
172,256,476	281,250	171,975,226	34,395,045
6,311,451,633	2,449,160,540	3,862,291,093	772,458,219
(137,371,886)	(137,371,886)	-	-
22,125,025	-	22,125,025	4,425,005
-	1,005,998,888	(1,005,998,888)	(201,199,778)
8,292,992,078	3,570,802,111	4,744,314,992	747,663,221

As at 30 Qaws 1402 (21 December 2023)

Property and equipment - revalued amount
Investments:
Afghan American Trading Co.
Pashtany Bank
Afghan National Insurance Company
Ariana Afghan Airlines
Investment property
Defined Contribution plan
Exchange translation reserve
Carry forward tax losses

Accounting Base of Asset / Liability	Tax Base of Asset / Liability	Taxable / (Deductable) Temporary Differences	Deferred Tax (Asset) / Liability @20%
1,246,501,446	149,784,061	1,096,717,385	219,343,477
150,392,000	150,392,000	-	-
635,551,284	1,098,982,000	(463,430,716)	(92,686,143)
18,605,169	12,097,681	6,507,488	1,301,498
172,256,476	172,256,476	-	-
6,122,431,274	2,260,140,181	3,862,291,093	772,458,219
(137,371,886)	(155,512,307)	18,140,421	(3,628,086)
(19,228,000)	-	(19,228,000)	(3,845,600)
-	1,039,519,960	(1,039,519,960)	(207,903,992)
8,189,137,763	4,727,660,052	3,461,477,711	685,039,373

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
17 Other liabilities			
Accrued interest on deposits - conventional		-	470,177
Accrued profit on deposits - islamic		8,160,870	6,216,265
Deferred income on murabaha loans		172,200,670	229,792,019
Deferred income on donated assets		1,685,733	5,648,491
Deferred Income on Operational Ijara AFN		13,293,540	-
Security deposits on rented investment properties		18,982,360	14,455,234
Withholding tax payable	17.1	19,148,874	10,783,664
Dividend payable		20,716,068	20,716,068
Guarantee on construction of investment property		58,558,801	58,558,801
Defined benefit plan (pension scheme)	17.2	127,643,129	137,371,886
Accrued expenses		28,765,002	17,259,943
Government salaries payable		13,984,349	-
Rent payable		1,795,230	-
Bidding Guarranty		8,788,599	5,782,318
Others	17.3	151,876,526	19,493,879
		645,599,751	526,548,745

17.1 This represents withholding taxes deducted from contractors and payroll, which will be offsetted with advance tax paid by the bank to MoF, subject to official initiation from MoF.

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
17.2 Defined benefit plan (pension scheme)			
Opening net liability		137,371,886	173,854,815
Charge for the year		-	6,401,083
Employee contribution		1,690,085	6,401,083
Benefits paid during the year		(11,418,842)	(49,285,095)
Closing net liability		127,643,129	137,371,886

17.2.1 On March 31, 2024 (1445/9/21), H.E. Ameerul-Moomneen under Order # 4802, has discontinued the pension scheme across all government sectors. This change shall take effect from 20 March, 2024.

17.3 This amount includes a balance of Afs 140,947,680 payable to the Ministry of Finance (MOF) for the property acquired in Dehamang on 07/01/1402.

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
18	Share capital	Note	
18.1	Authorised		
	100,000 (2023: 100,000) ordinary shares of AFN 10,000 each	1,000,000,000	1,000,000,000
18.2	Issued, subscribed and paid up capital		
	100,000 (2023: 100,000) ordinary shares of AFN 10,000 each	1,000,000,000	1,000,000,000
18.3	The issued shares are subscribed by the following parties:		
	Ministry of Finance	967,508,024	967,508,024
	Afghan Red Crescent	20,731,432	20,731,432
	Pashtany Bank	11,343,832	11,343,832
	Afghan Air Force Commander	370,411	370,411
	Kabul Municipality	46,301	46,301
		1,000,000,000	1,000,000,000
19	Contingencies and Commitments		
	Letter of guarantees		
	Off Balance sheet assets - AFN	212,510,388	230,860,145
	Off Balance sheet assets - USD	128,977,159	58,377,663
		341,487,547	289,237,808
20	Net income from financial assets & liabilities		
	Income from financial assets		
	Interest on short term investment	39,150,344	42,726,476
	Interest on loans and advances - conventional	-	92,180,391
	Profit on loans and advances - Islamic	106,012,787	51,552,181
		145,163,131	186,459,048
	Expense on financial liabilities		
	Interest on deposits - conventional	-	7,254
	Profit to Murabaha customers - Islamic	35,514,407	9,653,018
		35,514,407	9,660,272
	Net income from financial assets & liabilities	109,648,724	176,798,776

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
21	Fee and commission income and expenses		
	Fee and commission income		
Commission income	21.1	130,570,047	56,798,549
Commission on Western Union inbound & outbound		34,343,002	43,675,200
Payroll processing fee		32,054,005	30,806,132
Customer account service charges		13,498,014	33,106,812
Commission on government revenue collection		38,075,197	21,564,941
Income on remittances inward & outward		11,830,996	17,724,022
		260,371,261	203,675,656
	Fee and commission expense		
Fund transfer charges		1,415,197	1,527,742
Inter bank transaction fee		24,764	28,854
Others		95,000	89,369
		1,534,961	1,645,965
Net fee and commission income		258,836,300	202,029,691
21.1	This includes commission income on bank guarantees, electricity utility bills collection, commission on ATM services and other miscellaneous commission of the bank.		
		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
22	Other operating income		
Rental income		62,996,185	54,676,658
Recoveries from loan and advances written off		177,224,793	11,596,546
Dividend received from investment associates		10,927,254	7,131,398
Income on fixed assets granted by world bank - grants		-	5,883,930
Other income		18,287,113	12,312,092
		269,435,345	91,600,624
23	Personnel expenses		
Salaries and benefits		221,971,668	226,013,496
Bonus		4,597,233	6,658,388
Charge for the retirement benefits	16.3.1	-	6,401,083
Scholarship and training expenses		363,813	42,851
		226,932,714	239,115,818

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
24 Other expenses			
Advertising and publicity		8,131,216	6,522,771
Repairs and maintenance	24.1	63,965,944	41,119,002
Postage and telegram		9,658	20,322
Deposits insurance expense		11,377,678	34,575,265
Utilities		13,360,150	14,278,991
Operating lease		-	770,001
Fuel expenses		5,011,907	6,799,766
Printing and stationery		11,357,538	10,802,728
Travelling		3,368,629	4,044,872
Telephone and communication		17,735,530	18,123,376
Security charges		34,730,043	19,462,809
Statuary audit & compliance review fee		4,825,831	1,302,225
Swift charges		1,655,276	1,397,095
Loss on disposal of non-current assets		7,856,046	-
DAB inspection fee		-	4,056,000
Penalties imposed by DAB		-	1,572,000
Legal and professional fees	24.2	-	720,000
Write off of unreconciled receivable balances		-	30,090,930
Others		29,432,458	9,431,757
		212,817,904	205,089,910

24.1 This represents repairs and maintenance cost on investment properties, software's, office equipment's, furniture, vehicles and other miscellaneous items of the bank.

24.2 This represents the expenses paid by the bank toward the court fees in UAE for registering the case against RAK bank for recovery of RAK bank placement.

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
25 Taxation			
Current tax		-	-
Deferred tax	16.1	59,098,885	99,870,120
		59,098,885	99,870,120

25.1 Reconciliation of effective tax rate

Profit / (loss) before taxation		100,478,096	(3,002,213,543)
Adjustments for tax	25.2	(66,957,025)	2,544,753,214
Tax profit / (loss) for the year		33,521,071	(457,460,329)

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Note 25.1 (continued)

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
Available tax losses relief			
Opening tax losses / CF		1,039,519,959	582,059,630
Tax relief available for the year	25.1.1	(33,521,071)	-
Tax relief for the current year tax losses		-	457,460,329
Tax losses carried forward		1,005,998,888	1,039,519,959
Net loss carried forward to the future years		(1,005,998,888)	(1,039,519,959)

25.1.1 According to Article 47 paragraph (3) of Income tax law 2009 of Afghanistan, approved enterprises incurring a net operating loss in a tax year based on legal and accounting records may, from June 21 2004 and as an exception to Article 42, carry forward this loss as a deduction from taxable income in each subsequent year until the loss is fully set off. The loss incurred by such approved enterprises shall be calculated in accordance with Article 42 of this Law. Depreciation and expenditure which relate to a period covered by a tax exemption or to a period before an enterprise first became an approved enterprise shall not be allowable in the calculation of a net operating loss.

		20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
	Note		
25.2 Adjustment for Tax			
Items to be deducted			
Retirement benefit paid		-	(49,285,095)
Share in gain on associates and equity investments		(43,691,810)	-
Unrealized exchange gain		(23,265,215)	-
		(66,957,025)	(49,285,095)
Items to be added back			
DAB penalties		-	1,572,000
Unrealized exchange loss		-	778,915,054
Share in loss of associate		-	231,599,335
Finance cost on lease liabilities		-	1,463,981
Provision for loans and advances		-	1,574,086,855
Provision for retirement benefit		-	6,401,084
		-	2,594,038,309
		(66,957,025)	2,544,753,214

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

26 Related parties

The Bank has a related party relationship with its shareholders, subsidiaries and associated companies, directors and key management personnel. Details is as follows:

	Note	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Shareholders (percentage)			
Ministry of Finance		96.751%	96.751%
Afghan Red Crescent		2.073%	2.073%
Pashtany Bank		1.134%	1.134%
Afghan Air Force		0.037%	0.037%
Kabul Municipality		0.005%	0.005%
		100%	100%
Shareholders (Amount in AFN)			
Ministry of Finance		967,508,024	967,508,024
Afghan Red Crescent		20,731,432	20,731,432
Pashtany Bank		11,343,832	11,343,832
Afghan Air Force Commander		370,411	370,411
Kabul Municipality		46,301	46,301
		1,000,000,000	1,000,000,000
Subsidiaries and associated companies			
	Country of Incorporation	Ownership Percentage	
Afghan American Trading Co. Inc.	USA	100%	
Pashtany Bank	Afghanistan	28.77%	
Afghan National Insurance Company	Afghanistan	7.66%	
Ariana Afghan Airlines Company	Afghanistan	6.25%	
Edahdia Mazar Sharif	Afghanistan	41.63%	
Sherkat Saderat Pakhta Herat	Afghanistan	8.00%	
Sherkat pashmena Bafi Qandahar	Afghanistan	29.95%	
Sherkat Yakhsazi Herat	Afghanistan	8.46%	
Sherkat Teel Kashi Herat	Afghanistan	17.99%	
Sherkat Nasaji Afghan	Afghanistan	54.25%	
Sherkat Pashtoon Kandahar	Afghanistan	12.32%	
Sherkat Atahadia Andkhoy Maimana	Afghanistan	38.21%	

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

26.1 Transactions with related parties

The Bank had transactions with following related parties at mutually agreed terms during the year:

Supervisors and key management pers	Note	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Basic salary & Bonus	26.1.1	19,310,237	20,074,303
Board of Supervisor's meeting fee		4,720,000	4,169,650
		24,030,237	24,243,953

26.1.1 During the year bonus has been paid to the staff and key management personnel .

Associates	Note	20 December 2024 30 Qaws 1403 AFN	21 December 30 Qaws 1402 AFN
Pashtany Bank		679,243,094	635,551,284
Ariana Afghan Airlines Company		172,256,476	172,256,476
Afghan National Insurance Company		18,606,641	18,606,641
Sherkat Saderat Pakhta Herat		844,289	844,289
Sherkat Nasaji Afghan		455,853	455,853
Edahdia Mazar Sharif		30,150	30,150
Sherkat pashmena Bafi Qandahar		15,944	15,944
Edahdia Andkhoy Maimana		12,479	12,479
Sherkat Yakhsazi Herat		7,076	7,076
Sherkat Teel Kashi Herat		4,794	4,794
Sherkat Sahami Pashtoon Kandahar		1,181	1,181
Subsidiaries:			
Afghan American Trading Co. Inc.		154,385,000	150,392,000

26.2 Balances with related parties:

Pashtany Bank	679,243,094	635,551,284
Afghan National Insurance Company	18,606,641	18,606,641
Afghan American Inc.	154,385,000	150,392,000
Ariana Afghan Airlines	172,256,476	172,256,476

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

27 Segmental information (for operating segments)

	Conventional	ISBW	Total
	----- AFN -----		
Statement of Profit or Loss (30 Qaws 1403)			
Income from financial assets	39,150,344	106,012,787	145,163,131
Expense on financial liabilities	-	(35,514,407)	(35,514,407)
Fee and commission income	213,637,261	46,734,000	260,371,261
Fee and commission expense	(1,534,961)	-	(1,534,961)
Realized exchange gain	18,001,743	(175)	18,001,568
Unrealized exchange gain / (loss)	24,148,764	(883,549)	23,265,215
Gain on revaluation of gold and silver	19,892,855	-	19,892,855
Other operating income	195,511,906	73,923,439	269,435,345
Provision on loans and advances	(153,195,963)	(8,211,395)	(161,407,358)
Reversal of provision on other assets	-	-	-
Personnel expenses	(212,106,898)	(14,825,816)	(226,932,714)
Depreciation	(38,264,819)	(1,191,818)	(39,456,637)
Amortization	(187,800)	(396,310)	(584,110)
Other expenses	(193,427,776)	(19,390,128)	(212,817,904)
Finance cost on lease liability	(1,094,998)	-	(1,094,998)
Operating Profit	(89,470,342)	146,256,628	56,786,286
Share in gain on associates and equity investments	43,691,810	-	43,691,810
Profit before taxation	(45,778,532)	146,256,628	100,478,096
Taxation	(59,098,885)	-	(59,098,885)
Profit after taxation	(104,877,417)	146,256,628	41,379,211

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Statement of Financial Position (30 Qaws 1403)

Assets

Cash and bank balances	19,855,228,037	2,669,683,652	22,524,911,689
Gold and silver at bank vault	85,655,307	-	85,655,307
Short-term investments	788,299,228	-	788,299,228
Loans and advances to customers - net	-	1,019,388,427	1,019,388,427
Long term investments	852,234,735	173,628,242	1,025,862,977
Property and equipment	1,270,526,475	2,765,461	1,273,291,936
Intangible assets	1,479,272	1,114,294	2,593,566
Investment properties	-	6,311,451,633	6,311,451,633
Other assets	5,704,963,432	(2,234,244,571)	3,470,718,861
Total assets as per balance sheet	28,558,386,486	7,943,787,138	36,502,173,622

Off balance sheet interbranch and charge off balances

	1,546,066,038	(1,546,066,038)	-
	30,104,452,524	6,397,721,100	36,502,173,622

Liabilities

Deposits from banks and customers	27,636,366,640	1,443,260,271	29,079,626,911
Lease liabilities	25,371,774	-	25,371,774
Recognized deferred tax liability	2,950,336	744,712,885	747,663,221
Other liabilities	62,565,154	583,034,597	645,599,751
Total liabilities	27,727,253,904	2,771,007,753	30,498,261,657

Represented by:

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	373,968,529	3,795,352,440	4,169,320,969
Surplus on revaluations - net	157,469,866	645,683,089	803,152,955
Exchange translation reserves	20,472,010	1,653,015	22,125,025
General reserve	9,313,016	-	9,313,016
	1,561,223,421	4,442,688,544	6,003,911,965
	29,288,477,327	7,213,696,297	36,502,173,622

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

Statement of Financial Position (30 Qaws 1402)

Assets

Cash and cash equivalents	23,717,138,500	2,649,185,082	26,366,323,582
Short-term investments	730,534,194	-	730,534,194
Loans and advances to customers - net	192,670,913	1,189,508,494	1,382,179,406
Long term investments	804,549,925	173,628,242	978,178,167
Property and equipment	1,259,790,201	4,039,755	1,263,829,956
Intangible assets	1,138,982	1,510,605	2,649,586
Investment properties	-	6,122,431,274	6,122,431,274
Other assets	3,897,807,682	(2,916,625,474)	981,182,208
Total assets	30,603,630,398	7,223,677,978	37,827,308,373

Liabilities

Deposits from bank and customers	28,771,397,128	1,874,060,798	30,645,457,926
Current tax liability	-	-	-
Lease liabilities	21,829,428	-	21,829,428
Deferred tax liability	(59,673,512)	744,712,885	685,039,373
Other liabilities	218,076,369	308,472,376	526,548,746
Total liabilities	28,951,629,413	2,927,246,059	31,878,875,473

Represented by:

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	478,845,945	3,649,095,812	4,127,941,757
Surplus on revaluations - net	146,664,414	645,583,089	792,247,503
Exchange translation reserves	18,930,624	-	18,930,624
General reserve	7,660,000	1,653,016	9,313,016
	1,652,100,983	4,296,331,917	5,948,432,900
	30,603,730,398	7,223,577,976	37,827,308,373

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

28 Segmental information (for operating segments)

	Conventional	ISBW	Total
Statement of Profit or Loss (30 Qaws 1402)			
Interest income	134,936,867	51,522,181	186,459,048
Interest expense	(7,254)	(9,653,018)	(9,660,272)
Fee and commission income	202,407,593	1,268,063	203,675,656
Fee and commission expense	(1,640,815)	(5,150)	(1,645,965)
Realized exchange gain	(728,078,901)	(14,520,235)	(742,599,136)
Other operating income	29,792,568	61,808,057	91,600,625
Personnel expenses	(223,128,445)	(15,987,373)	(239,115,818)
Depreciation	(39,673,594)	(1,758,019)	(41,431,613)
Amortization	(2,864,432)	(476,468)	(3,340,900)
Other expenses	(195,780,901)	(9,309,010)	(205,089,911)
Impairment loss on loans and advances	(1,627,475,688)	(365,495,225)	(1,992,970,913)
Impairment of other assets	(13,189,641)	(1,841,387)	(15,031,028)
Finance cost on lease liability	(1,463,981)	-	(1,463,981)
Operating Profit	(2,466,166,624)	(304,447,584)	(2,770,614,208)

Impairment (loss) / gain on investment
Share in loss and profit of associate and equity investment

Profit before taxation

Taxation

Profit after taxation

	-	-	-
	(231,599,335)	-	(231,599,335)
	(2,697,765,959)	(304,447,584)	(3,002,213,543)
	117,810,548	(17,940,429)	99,870,120
	(2,579,955,411)	155,734,373	(2,902,343,424)

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

29 Financial assets and liabilities

29.1 Accounting classifications and fair values

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

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

Accounting classifications and fair values		Amount in AFN					
Accounting classifications and fair values	Note	Designated at Fair Value	Available for sale	Held to maturity	Loans and receivables	Others	Fair value
30 Qaws 1403 (2024)							
Cash and bank balances	5	-	-	-	-	-	22,524,911,687
Short-term investments	7	-	-	-	-	-	788,299,228
Loans and advances	8	-	-	-	1,019,388,427	-	1,019,388,427
Long term investments	9	-	-	-	-	-	1,025,862,977
Other assets	13	-	-	-	-	-	3,470,718,861
							28,829,181,180
Deposits	14	-	-	-	-	-	29,079,626,911
Other liabilities	16	-	-	-	-	-	517,956,622
							29,597,583,533
30 Qaws 1402 (2023)							
Cash and cash equivalents	5	-	-	-	-	-	26,366,323,582
Short-term investments	6	-	-	-	-	-	730,534,194
Loans and advances	7	-	-	-	1,382,179,406	-	1,382,179,406
Long term investments	8	-	-	-	-	-	978,178,167
Other assets	12	-	-	-	-	-	981,182,208
							30,438,397,557
Deposits	14	-	-	-	-	-	30,645,457,926
Other liabilities	16	-	-	-	-	-	389,052,877
							31,034,510,803

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

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29.2 Financial risk management

Introduction and overview

As disclosed in Note 2.2 "Mandatory Departure" it has been disclosed that bank has not adopted the implications of IFRS 09 "Financial Instruments", thus bank disclosed the exposure to the following risks from its use of financial instruments on the basis of prior implications.

- a) Credit risk
- b) Liquidity risk
- c) Market risks
- d) Operational risks

Risk management framework

The Board of Supervisors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board of Management comprised of Heads of Departments, which are responsible for developing and monitoring the Bank's risk management policies. Board of Management report regularly to the Board of Supervisors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Management has delegated responsibility for the management of credit risk to the Bank's credit department. Head of credit department reports to the Board of Management and Credit Department is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. Bank's Credit department assesses all credit exposures in excess of designated limits. Renewals and reviews of facilities are subject to the same review process.

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Note 29.2 (continued)

- Limiting concentrations of exposure to counterparties, for loans and advances.
- Developing and maintaining the Bank's risk grading's in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Management Board.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit related matters to local management and the Bank's Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

Maximum gross exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-balance sheet assets are as follows:

	2024	2023
	30 Qaws 1403	30 Qaws 1402
	AFN	AFN
Cash and cash equivalents	3,088,744,773	2,157,720,040
Short-term investments	788,299,228	730,534,194
Loans and advances	1,019,388,427	1,382,179,406
Other assets	329,755,172	515,136,871
	5,226,187,600	4,785,570,511

Credit risk exposure relating to off-balance sheet assets are as follows:

	20 December	21 December
	2024	2023
	30 Qaws 1403	30 Qaws 1402
	AFN	AFN
Contingencies and Commitments	341,487,547	289,237,808

The above table represents credit exposures of the Bank at 21 December 2023 and 20 December 2024, 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.

Exposure of the Bank do not include balances with related parties and Da Afghanistan Bank (DAB) being the regulator.

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Note 29.2 (continued)

The percentage of the maximum credit exposure in balances with cash and bank balances, Loans and advances to customers and other assets are as follows:

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Cash and bank balances	59%	45%
Short-term investments	15%	15%
Loans and advances	20%	29%
Other assets	6%	11%

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interests or principal payments are past due but the Bank believes impairment is not appropriate.

Concentration of credit risks by sector

All the loans have been disbursed in geographical territory of Afghanistan. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Concentration by sector - Carrying amount	1,019,388,427	1,382,179,406
Airline		-
Vegetable ghee and cooking oil	508,919,948	612,054,621
Manufacturer	164,900,039	334,358,346
Pharmaceuticals	218,610,634	236,995,165
Fuel suppliers	649,771,566	797,649,919
Food	100,398,522	148,267,948
Construction	32,776,721	1,468,744,933
Trading	315,820,445	216,262,398
Others	149,414,650	127,355,018
Concentration by sector - Gross amount	2,140,612,525	3,941,688,348

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents the Bank's estimate of incurred losses on loan portfolio. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective allowance for impairment established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

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Note 29.2-(a), (continued)

Write-off policy

The Bank recognized 100% provision on loans after 480 days and keeping these on books of account for additional 06 months after expiry of additional 06 months these loans would be written off as per Da Afghanistan bank regulations. 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.

Loan Grading

All loans are classified into one of the five classification grades mentioned below for minimum provisioning amounts.

	All other Loans		Microfinance & Small Loans	
	Days past due 1 - 30 Days	Percentage % 1%	Days past due 0-30 Days	Percentage % 1%
Standard				
Watch	31 - 60 Days	5%	31 - 60 Days	5%
Substandard	61 - 120 Days	25%	61 - 90 Days	25%
Doubtful	121 - 480 Days	50%	91 - 180 Days	50%
Loss	481 or past due dates	100%	181 or above	100%

b) Liquidity risk

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

Management of liquidity risk

The Board of Supervisors ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. Management Board is entrusted with the responsibility of managing the mismatch in maturities to ensure availability of sufficient cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

Finance Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally have shorter maturities and large portion is repayable on demand.

20 December 2024	21 December 2023
30 Qaws 1403	30 Qaws 1402
AFN	AFN

Exposure to liquidity risk

The key measures used by the Bank to measure the liquidity risk includes the Broad Liquidity Ratio (calculated as a percentage of Liquid Assets to Attracted Funds and designated off-balance sheet liabilities. Liquid assets include cash in vault, balances with DAB, demand and time deposits with banks.

	Broad Liquidity Ratio	
	20 December 2024	21 December 2023
At year end	88.71%	87.66%
Average for the year	87.88%	89.81%
Maximum for the year	88.67%	91.50%
Minimum for the year	86.09%	87.19%

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Note 29.2-(b) (continued)

Maturity analysis for financial liabilities		Note	Carrying amount	Gross nominal outflow	Less than 1 month	Amount in AFN				1-5 years	More than 5 years
30 Qaws 1403 (2024)											
On balance sheet exposures:											
Deposits from banks and Customers	13		29,079,626,911	(29,079,626,911)	22,068,320,717	5,460,306,753	1,382,771,766	-	-	-	-
Other liabilities	16		645,599,751	(645,599,751)	645,599,751	-	-	-	-	-	-
			29,725,226,662	(29,725,226,662)	22,713,920,468	5,460,306,753	1,382,771,766	-	-	-	-
Off balance sheet exposures:											
Letters of guarantees	13.3		168,227,675	(168,227,675)	-	-	(168,227,675)	-	-	-	-
			29,893,454,337	(29,893,454,337)	22,713,920,468	5,460,306,753	1,214,544,091	-	-	-	-
30 Qaws 1402 (2023)											
On balance sheet exposures:											
Deposits from banks and Customers	13		30,645,457,926	(30,645,457,926)	20,086,261,163	5,285,911,449	5,114,407,506	-	-	-	-
Other liabilities	16		526,424,763	(526,424,763)	526,424,763	-	-	-	-	-	-
			31,171,882,689	(31,171,882,689)	20,612,685,926	5,285,911,449	5,114,407,506	-	-	-	-
Off balance sheet exposures:											
Letters of guarantees	13.3		158,877,808	(158,877,808)	-	-	(158,877,808)	-	-	-	-
			31,330,760,497	(31,330,760,497)	20,612,685,926	5,285,911,449	4,955,529,698	-	-	-	-
Maturity analysis for financial Assets											
30 Qaws 1403 (2024)											
Cash and bank balances	5		22,524,911,687	(22,524,911,687)	20,523,684,270	2,001,227,417	-	-	-	-	-
Short-term investments	7		788,299,228	(788,299,228)	-	-	788,299,228	-	-	-	-
Loans and advances	8		1,019,388,427	(1,019,388,427)	-	-	-	1,019,388,427	-	-	-
Long term investments	9		1,025,862,977	(1,025,862,977)	-	-	-	-	1,025,862,977	-	-
Other assets	13		3,470,718,861	(3,470,718,861)	-	2,580,033,939	-	890,684,922	-	-	-
			28,829,181,180	(28,829,181,180)	20,523,684,270	4,581,261,356	788,299,228	1,910,073,349	1,025,862,977	-	-
30 Qaws 1402 (2023)											
Cash and cash equivalents	5		26,366,323,582	(26,366,323,582)	21,781,651,659	4,584,671,923	-	-	-	-	-
Short-term investments	6		730,534,194	(730,534,194)	-	-	730,534,194	-	-	-	-
Loans and advances	7		1,382,179,406	(1,382,179,406)	-	-	-	1,382,179,406	-	-	-
Long term investments	8		978,178,167	(978,178,167)	-	-	-	-	978,178,167	-	-
Other assets	13		981,182,208	(981,182,208)	-	-	-	981,182,208	-	-	-
			30,438,397,557	(30,438,397,557)	21,781,651,659	4,584,671,923	730,534,194	2,363,361,614	978,178,167	-	-

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c) Market risks

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

Management of market risks

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in Management Board.

Exposure to interest rate risk

The Bank's risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. Management Board is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. Overall non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks, deposits from banks to manage the overall position arising from the Bank's non-trading activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

Exposure to interest rate risk	Interest rates % (p.a)	Interest Bearing				Non-Interest bearing Total	Gross Total
		Less than 3 months	3-6 months	6-12 months	1-5 years		
----- Amount in AFN -----							
30 Qaws 1403 (2024)							
Financial assets							
Cash and cash equivalents	0%	-	-	-	-	22,524,911,687	22,524,911,687
Short-term investments	5.28%	-	-	788,299,228	-	788,299,228	788,299,228
Long term investments	0%	-	-	-	-	1,025,862,977	1,025,862,977
Other assets	0%	-	-	-	-	3,470,718,861	3,470,718,861
		-	-	788,299,228	-	788,299,228	27,809,792,753
Financial liabilities							
Deposits	0%	-	-	-	-	29,079,626,911	29,079,626,911
Others Liabilities	0%	-	-	-	-	645,599,751	645,599,751
		-	-	-	-	29,725,226,662	29,725,226,662
On balance sheet sensitivity gap		-	-	788,299,228	-	788,299,228	(1,915,433,909)
30 Qaws 1402 (2023)							
Financial assets							
Cash and cash equivalents	0%	-	-	-	-	26,366,323,582	26,366,323,582
Short-term investments	5.2%	-	-	730,534,194	-	730,534,194	730,534,194
Long term investments	0%	-	-	-	-	978,178,167	978,178,167
Other assets	0%	-	-	-	-	981,182,208	981,182,208
		-	-	730,534,194	-	730,534,194	29,056,218,151
Financial liabilities							
Deposits	0%	-	-	-	-	30,645,457,926	30,645,457,926
Others Liabilities	0%	-	-	-	-	526,424,763	526,424,763
		-	-	-	-	31,171,882,689	31,171,882,689
On balance sheet sensitivity gap		-	-	730,534,194	-	730,534,194	(2,115,664,538)

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Exposure to currency risk

The Bank's exposure to foreign currency risk is as follow, based on notional amounts.

Exposure to currency risk	Note	Total	AFN	EUR	USD	GBP	Other
30 Qaws 1403 (2024)			Amount in AFN				
Assets							
Cash and bank balances		22,524,911,687	14,682,185,642	45,615,282	7,850,923,585	19,867,978	11,974,506
Short-term investments		788,299,228	-	-	730,534,194	-	-
Loans and advances - gross		2,140,612,525	130,472,300	1,129,224,099	880,916,126	-	-
Long term investments		1,025,862,977	869,638,222	-	154,385,000	-	-
Other assets		3,470,718,861	2,190,316,671	11,412,057	1,317,385,421	-	524,605
		29,950,405,278	17,872,612,835	1,186,251,438	10,934,144,326	19,867,978	12,499,111
Liabilities							
Deposits from banks and Customers		29,079,626,911	18,521,660,273	115,713,050	10,427,487,376	14,736,023	30,189
Other liabilities		645,599,751	533,116,831	2,381,595	161,327,252	-	117,283
		29,725,226,662	19,054,777,104	118,094,645	10,588,814,628	14,736,023	147,472
		225,178,616	(1,182,164,269)	1,068,156,793	345,329,698	5,131,955	12,351,639
Net currency exposure							
30 Qaws 1402 (2023)							
Assets							
Cash and bank balances		26,366,323,582	15,253,652,759	118,464,140	10,962,344,978	20,274,675	11,587,030
Short-term investments		730,534,194	-	-	730,534,194	-	-
Loans and advances		3,941,688,349	2,483,000,573	40,652,691	1,418,035,088	-	-
Long term investments		978,178,167	827,786,167	-	150,392,000	-	-
Other assets		981,182,208	720,862,790	11,941,475	248,377,943	-	-
		32,997,906,500	19,285,302,289	171,058,305	13,509,684,202	20,274,675	11,587,030
Liabilities							
Deposits from banks and Customers		30,645,457,926	19,220,843,723	129,441,906	11,277,733,348	17,406,791	32,157
Other liabilities		526,424,763	408,082,980	4,673,372	102,015,301	-	-
		31,171,882,689	19,628,926,703	134,115,278	11,379,748,649	17,406,791	32,157
		1,826,023,811	(343,624,415)	36,943,027	2,129,935,553	2,867,884	11,554,873
Net currency exposure							

Sensitivity analysis

A 10% increase in the exchange rates of USD, GBP, PKR and EUR at year end would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	20 December 2024		21 December 2023	
	30 Qaws 1403		30 Qaws 1402	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	70.18	70.18	87.03	68.36
GBP	87.60	87.60	107.77	87.42
PKR	0.25	0.25	0.28	0.24
EUR	73.63	73.63	92.90	76.17

A 10% decrease in the exchange rates of USD, GBP, PKR and EUR at year end would have had the equal but opposite effect on the above currencies, on the basis that all other variables remain constant.

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d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Head of Departments. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with the Bank standards is supported by a programmed of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and Chief Executive Officer of the Bank.

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30 Capital management

Regulatory capital

DAB sets and monitors capital requirements for the Bank. The Bank is required to maintain at all times the paid up capital plus reserves in excess of Afs 1,000 million and regulatory capital to be 12% of the risk weighted assets. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Tier 1 capital		
Total equity	6,003,911,965	5,948,432,901
Less: Current year profit	(41,379,211)	-
Less: Surplus on revaluation of property and equipment - net	(803,152,955)	(792,247,503)
Less: Intangible assets	(2,593,566)	(2,649,586)
Total Tier 1	5,156,786,233	5,153,535,812
Tier 2 capital		
Profit for the year	41,379,211	-
Surplus on revaluation of property and equipment - net	803,152,955	792,247,503
General loss reserves on credits Allowable Portion	6,936,882	7,963,056
Total Tier 2	851,469,048	800,210,559
Allowable deduction-equity investment	(1,025,862,977)	(978,178,167)
Total regulatory capital (Tier 1 + Tier 2)	4,982,392,304	4,975,568,204

Risk-weight categories

0% risk weight:

Cash in Afghani and fully-convertible foreign currencies
Direct claims on DAB
Precious metals and precious stones

0% risk-weight total (above total x 0%)

4,770,888,878	6,046,915,401
17,245,311,975	18,095,925,689
85,655,307	65,762,452
22,101,856,160	24,208,603,542
-	-

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Note 30 (continued)

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
20% risk weight:		
Balances with other banks	3,998,019,920	2,987,003,472
20% risk-weight total (above total x 20%)	799,603,984	597,400,694
50% risk weight:		
Balances with other banks	-	-
50% risk-weight total (above total x 50%)	-	-
100% risk weight:		
All other assets	11,680,369,526	13,462,828,649
Less: intangible assets	(2,593,566)	(2,649,586)
Allowable deduction-equity investment	(1,025,862,977)	(978,178,167)
	10,651,912,983	12,482,000,896
100% risk-weight total (above total x 100%)	10,651,912,983	12,482,000,896
0% risk weight:		
Guarantees	341,487,547	289,237,808
	341,487,547	289,237,808
0% credit conversion factor total (risk-weighted total x 0%)	-	-
Total risk-weighted assets	11,451,516,967	13,079,401,590
Tier 1 Capital Ratio (Tier 1 capital as % of total risk-weighted assets)	45.03%	39.40%
Regulatory Capital Ratio (Regulatory capital as % of total risk-weighted assets)	43.51%	38.04%

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 QAWS 1403 (20 December 2024)

31 Reclassifications

During the year, the Bank reclassified the required reserve with Da Afghanistan Bank (DAB) from Cash and Cash Equivalents to Other Assets to ensure a more appropriate presentation of transactions and events for comparison purposes. Corresponding figures for the prior year have been re-arranged and re-classified where necessary to ensure consistency and comparability in the financial statements.

	20 December 2024 30 Qaws 1403 AFN	21 December 2023 30 Qaws 1402 AFN
Cash and bank balances (excluding required reserves with DAB)	22,524,911,687	23,665,357,055
Cash and bank balances (including required reserves with DAB)	25,104,945,626	26,300,561,130
	(2,580,033,939)	(2,635,204,075)
Other assets (including required reserves with DAB)	3,470,718,861	3,616,386,283
Other assets (excluding required reserves with DAB)	890,684,922	981,182,208
	2,580,033,939	2,635,204,075
Effect on equity and profit or loss and other comprehensive income	-	-

32 General

The amounts have been rounded off to nearest AFN.

33 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Supervisors of the Bank-e-Mille Afghan on March 15, 2025 UH4

Chief Executive Officer

Chief Finance Officer

Chairman BOS