

Annual Report



March
2026

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Chairman's Message

MISFA's continued support has enabled Microfinance Institutions (MFIs) in Afghanistan to scale up their financing operations and move beyond mere survival. In 2025, MISFA partner institutions disbursed a total of 6.4 billion Afghanis to over 64,000 clients, equivalent to 82% of the financing made in 2022-2024 period combined. This achievement would not have been possible without MISFA's provision of customized and subsidized wholesale financing.

In line with its strategic objectives, MISFA has continued to provide Mudarabah financing capital to established MFIs, while also extending Qard-ul-hasan facilities to newly registered institutions. This approach helps emerging institutions gradually expand their portfolios and achieve operational sustainability quicker, through their financing income.

The Board recognizes the importance of geographic expansion and outreach to underserved communities. In this regard, MISFA continues to promote Digital Financial Services (DFS), as a sustainable and cost-efficient means of reaching remote communities across the country. MISFA also provides incentives to MFIs seeking

to expand into new provinces subject to the development of viable and sound business cases.

Recognizing the critical role of Small and Medium Enterprises (SMEs) in job creation, MISFA has partnered with Ghazanfar Bank to support SME financing through dedicated funding.

MISFA's Board remains committed to consultation, stakeholder engagement and demand-driven initiatives. A five-year strategic plan has been developed in close coordination with key stakeholders outlining the sector's priorities, targets and implementation mechanisms.

While we are grateful for the achievements of MISFA and the microfinance sector, including MISFA's role as the only national development program in the country, we remain mindful of existing challenges, risks, and areas for improvement. Together with our partners, we remain committed to addressing these issues and contributing to poverty alleviation and sustainable economic development in Afghanistan.

As Chairman of the Board of Directors, I extend my sincere appreciation to my fellow Board members for their continued guidance and oversight, and to MISFA's management for their professionalism and dedication. I also commend the leadership and staff of our partner institutions for their resilience in delivering financial services under challenging conditions.

Last but not least, I would like to acknowledge the continued support of the Ministry of Finance, Da Afghanistan Bank, and the valuable contributions of the World Bank and Afghan Credit Guarantee Fund (ACGF) to the development of the sector.

Best Regards,

Assoc Professor Dr. Ziyaad Mahomed
Chairman, Board of Directors





CEO's Statement

I am pleased to present the annual report for the period April 2025 to March 2026. This report highlights the key achievements of MISFA and its partner financial institutions during the reporting year.

The year 2025 marked a significant transition from a period of survival and stabilization (2021-2024) to a phase of operational scale up. During the reporting year, the number of active Islamic financing clients, the outstanding Islamic financing portfolio and active female clients all increased by over 50% demonstrating a strong sectoral growth compared to rates below 15% in other South Asian countries such as Pakistan, Bangladesh and India. This strong growth reflects both institutional performance and continued high demand for financial services in an underpenetrated market.

In addition to provision of Mudarabah financing to well established institutions and Qard-ul-hasan facilities to the new entrants; MISFA delivered a range of financial and technical support to partner institutions. This included incentives for expansion to new provinces, capacity building initiatives, and the adjustment of pre-2021 interests received against the outstanding conventional principal portfolio.

During the reporting year, the transfer of Mutahid's ownership to the Community and Enterprise Development Organization (CAEDO) was completed. This strategic transition will allow Mutahid to mobilize donor funding, including a grant of US\$3.4 million under the World Bank-funded EMERG(e) project.

In line with MISFA's Strategic Plan for 2026-2030; a new financing policy was developed to provide a transparent and consistent framework for financing financial institutions including the allocation of adequate funding towards green financing initiatives.

Furthermore, MISFA revived the Afghanistan Microfinance Association (AMA), a platform to enhance coordination and facilitate networking for the sector. We also worked closely with DAB and other key stakeholders to review sector performance, address challenges and identify priorities for the future.

While these achievements are significant; we remain focused on promoting financial inclusion. We are committed to keep pace with global financial developments and continue with efforts to expand financial services to all segments of the population.

On behalf of MISFA's management team, I would like to express my sincere gratitude to the Board of Directors for their strategic guidance and support. I also extend my appreciation to the leadership and staff of partner financial institutions for their dedication and courage in delivering their services in a constrained environment.

We are especially thankful to our stakeholders including the Ministry of Finance, DAB, the Ministry of Industries and Commerce and the World Bank for their unwavering support.

Sincerely,

Khalil Baheer
CEO



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Acronyms

ACGF	Afghanistan Credit Guarantee Fund
ADF	Agriculture Development Fund
AIBF	Afghanistan Institute of Banking and Finance
AKAM	Aga Khan Agency for Microfinance
AMA	Afghanistan Microfinance Association
CAEDO	Community and Enterprise Development Organization
CEO	Chief Executive Officer
DAB	Da Afghanistan Bank
DFI	Development Finance Institution
DFS	Digital Financial Services
FINTECH	Financial Technology
FMFB-A	First MicroFinance Bank-Afghanistan
GFP	Gross Financing Portfolio
IEA	Islamic Emirate of Afghanistan
IFC	International Finance Corporation
LLC	Limited Liability Company
MFI	Microfinance Institution
MISFA	Microfinance Investment and Support Facility for Afghanistan
MoF	Ministry of Finance
MRRD	Ministry of Rural Rehabilitation and Development
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
PAR	Portfolio at Risk
SKM	Shahy Khazana Microfinance
SPA	Share Purchase Agreement
TUP	Targeting the Ultra-Poor



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About The Report

This Annual Report highlights the key events, achievements and challenges of the microfinance sector during the period April 2025 – March 2026.

Section 1 outlines MISFA's background, strategic priorities and institutional developments.

Sections 2 and 3 present the status of the microfinance sector portfolio and provide a brief overview of partner MFIs' performance.

Section 4 summarizes the funding agreements signed by MISFA during the reporting year.

Section 5 covers additional institutional and technical support provided to partner financial institutions.

Section 6 concludes the report and highlights MISFA's key initiatives in 2026.

Section 7 presents MISFA's audited financial overview for the period April 2025 to March 2026.



Section 1

About MISFA

Since its establishment in 2003, as an apex institution for the microfinance sector, the Microfinance Investment and Support Facility for Afghanistan (MISFA) has played a pivotal role in channeling wholesale financing, providing technical and financial support and leading lobbying and advocacy efforts for the sector. It has also streamlined funding flows to avoid counter-productive donor interventions arising from potentially conflicting objectives.

Over the past two decades, MISFA's support has enabled microfinance institutions (MFIs) to serve millions of Micro, Small and Medium Enterprises (MSMEs), and acted as a lifeline for the sector during external shocks including the regime change in mid-August 2021. The immediate challenges arising from the return of Islamic Emirate of Afghanistan (IEA) to power were severe and existential; however, the improvement of the security situation across the country has created a unique opportunity for expansion and outreach.

With the change of regime, the regulatory environment was fundamentally changed as well requiring financial institutions to waive interest receivable, cease disbursement of conventional interest-based loans and obtain approval for alternative Sharia-compliant solutions. In practical terms, this resulted in complete loss of income while operational and financial costs persisted, accompanied by declining repayment rates and significant pressure on the financial positions of MFIs.

Amid widespread uncertainty regarding MFIs' operational viability, MISFA remained steadfast in its support. It provided MFIs with a comprehensive package of assistance including interest waivers exceeding AFN 210 million, loans rescheduling, development and obtaining the approval of Sharia-complaint products (Mudarabah and Murabaha) and provision of additional capital to facilitate the resumption of financing.

Over the past five years; MISFA had committed over AFN 5.4 billion as Mudarabah capital and disbursed AFN 4.3 billion to MFIs and banks in addition to AFN 164 million Qard-ul-hasan provided to the newly established MFIs. MISFA's interventions helped the MFIs remain resilient to the shock and challenges associated with the regime change, ensure their operational viability, substantially grow their Sharia-compliant portfolio and significantly improve their operational self-sufficiency and equity position.

In addition, MISFA transformed its wholesale lending policies and products to Shari'ah-compliant alternatives and secured the approval of governmental authorities both on Mudarabah (profit and loss sharing) which is used a wholesale financing mechanism, and Murabaha, a 'cost plus mark-up' retail financing product. The approval of these products in September 2022 helped both MISFA and MFIs to resume financing.

Since its inception, MISFA's partner institutions have disbursed more than 2.56 million financings valued at AFN 144 billion (USD 2.2 billion) across the country. Impact evaluation studies conducted by independent entities indicate that each microfinance financing leads to the creation of 1.5 jobs and sustenance of 2.3 existing ones. Furthermore, studies reveal that a large number of the microenterprises have grown to become small and medium enterprises with the potential to create more jobs.

Looking ahead, MISFA will closely coordinate its activities and funding with the Afghan government and donor community to ensure that MISFA's initiatives feed into broader national efforts and priorities including addressing climate change.

Given the vulnerability of Afghanistan to climate-relevant conditions and disasters (<https://www.unocha.org/news/afghanistan-alarming-effects-climate-change>); MISFA has a particular focus on green financing in its Strategic Plan 2026-2030 and its financing policy. MISFA's financing policy requires financial institutions to invest at least 5% of MISFA's funds on initiatives that promote environmental sustainability and address climate change. In addition; MISFA will undertake a number of targeted initiatives as part of its Corporate Social Responsibility (CSR) policy, and Zakat framework that will help in mitigation of and adaptation to climate change.

The vision, mission and values that MISFA cherishes are briefly highlighted below:

Vision:

Building a sustainable, inclusive, and climate-smart Islamic finance sector that drives digital innovation, jobs, and economic growth in Afghanistan.

Mission:

To strengthen Afghanistan's financial sector by mobilizing capital, technology, and expertise so that MFIs and banks can deliver responsible Islamic financing and climate-smart digital services that fuel entrepreneurship, create employment opportunities and build sustainable livelihoods.

Values:

Integrity (Amanah): We safeguard every Afghan, and every data point through transparent, Shari’ah-compliant procedures that uphold public trust.

Inclusion (‘Adl): Our products and guarantees ensure that women, youth, and rural families participate equitably in Afghanistan’s economic growth.

Innovation (Ibtikar): We embrace digital solutions and new ideas to reduce costs, increase efficiency and encourage rapid delivery, and broaden access to Islamic financing.

Stewardship (Khalifah): We direct capital toward climate-smart, water-secure investments, protecting livelihoods and natural resources for future generations.

Accountability (Mas’uliyah): We set clear targets, publish progress, and act decisively, holding ourselves and partners responsible for impact and prudence.





I. Governance

MISFA is governed by a seven-member and independent Board of Directors representing donors, private sector, civil society and key line ministries including Ministry of Finance (MoF) and Ministry of Rural Rehabilitation and Development (MRRD). In accordance with MISFA's Articles of Association (AoA), the Board serves as the highest decision making authority of the organization.

The Board is currently led by Dr. Ziyaad Mahomed, an internationally renowned expert in Islamic Finance. He serves as an Associate Professor and Lead Researcher (Sharia) for the Centre of Excellence in Social Finance, and Head of Online Programs at INCEIF University, Malaysia.

For more information about MISFA's Board of Directors, please click here. <https://misfa.org.af/>

II. Strategic Plan for 2026–2030

MISFA has developed its 2026–2030 strategy, which sets out clear strategic objectives and key priorities. The strategy focuses on:

- **Supporting sector expansion** — both in breadth and depth;
- **Targeting the ultra-poor** to ensure inclusive outreach and creating jobs; and
- **Strengthening MISFA** as an institution.

OVERARCHING GOAL



Promoting an enabling environment for the development of stronger, sustainable and effective financial institutions with a focus on market-driven products/services and efficient delivery models in order to expand outreach and develop the sector towards inclusive and climate-smart finance.



Strategic Objective - I

To promote financial inclusion by supporting MFIs to provide tailor-made, diversified and demand-driven Islamic microfinance services to potential clients across the country.



Strategic Objective - II

To assist the ultra-poor escape abject poverty and become creditworthy.



Strategic Objective - III

To strengthen MISFA's resources (physical, technical, intellectual and human capacities) in order to effectively lead the sector and respond to the needs of stakeholders.



VISION

Building a sustainable, inclusive, and climate-smart Islamic finance sector that drives digital innovation, jobs, and economic growth in Afghanistan.



MISSION

To strengthen Afghanistan's financial sector by mobilizing capital, technology, and expertise so that MFIs and banks can deliver responsible Islamic financing and climate-smart digital services that fuel entrepreneurship, create employment opportunities and build sustainable livelihoods.

VALUES



Integrity (Amanah): We safeguard every Afghan, and every data point through transparent, Shari'ah-compliant procedures that uphold public trust.



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Accountability (Mas'uliyah): We set clear targets, publish progress, and act decisively, holding ourselves and partners responsible for impact and prudence.

Each strategic objective is further broken down into specific priorities and interventions designed to guide the sector’s growth and impact over the five-year period.

The charts below briefly highlight key objectives and pillars of the strategy.

The document was developed in consultation with all relevant and key stakeholders. In May 2025, MISFA hosted a Strategic Planning Workshop in Kabul, bringing together key stakeholders from the microfinance sector, including practitioners, regulators, donors, and support organizations. The workshop served as a platform to discuss MISFA’s role in steering the sector toward greater financial inclusion.

KEY PILLARS



Pillar-I

Sector Leadership & Funding

Coordinate donor resources and champion national policy reforms that advance inclusive, climate-smart Islamic finance.



Pillar - II

Institutional Strengthening & Systems Resilience

Upgrade MISFA's risk, HR and IT platforms while delivering targeted capacity-building to partner MFIs and banks.



Pillar III

Market Expansion & New Products

Extend outreach to rural farmers, urban SMEs, women and youth by offering a full suite of Shari'ah-compliant instruments.



Pillar IV

Driving Digital Finance & Innovation

Support the integration of partner institutions with the Afghanistan Payment System (APS) to establish interoperability within the financial sector's ecosystem, leading to reduction of transaction cost and expanding outreach.



Pillar - V

Poverty Graduation & Ultra-Poor Inclusion

Scale up the proven ultra-poor programme and create clear pathways into mainstream financial services for households at the very bottom of the economic ladder.



III. Financing Policy

MISFA developed a financing policy to provide a transparent and consistent framework for wholesale financing to partner institutions.

Supporting sustainability and outreach, performance-based financing, risk diversification and sound financial practices, institutional development, regulatory compliance, environmental sustainability, economic and livelihood development and targeted financing will be the guiding principles of this policy.

Under the targeted financing principle, MISFA will allocate at least 5% of its financing to partner institutions to be directed towards green financing.

In addition, MISFA introduced exposure limits to:

- Prevent concentration risk
- Reflect each partner institution's absorption and repayment capacity
- Encourage diversification of funding sources

In accordance with the policy, MISFA's exposure to an institution cannot exceed the lowest of:

- An absolute portfolio cap which limits the exposure to a single institution to no more than 20% of MISFA's equity
- Gross Financing Portfolio (GFP) based limits which suggests different percentages depending on the GFP size of an institution.

IV. MISFA and BRAC Signed a Settlement Agreement

In January 2026, MISFA and BRAC signed a settlement agreement which ended a long-standing dispute between the parties regarding BRAC's liabilities to MISFA. Under this agreement, BRAC will pay USD 2.2 million to MISFA-nominated financial institutions in three tranches which will be invested in the microfinance sector under modalities and terms to be defined by MISFA. Upon the payment of the stipulated amount, MISFA will provide a clearance certificate to BRAC and its affiliated entities.

BRAC-Afghanistan, then the largest MFI in the country was declared bankrupt and ceased operations in 2013 leaving MISFA's outstanding loans to the institution unresolved.

Section 2

Microfinanc Sector Status



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Microfinance Sector Status

April 2025 – March 2026

Sustaining growth, inclusion and resilience for a stronger financial sector

Sector at a Glance

The microfinance sector recorded significant growth in both portfolio size and client outreach during the period April 2025 – March 2026. During this period, six MISFA-partner MFIs and the First MicroFinance Bank (FMFB) disbursed more than 66,000 financings totaling AFN 6.4 billion indicating over 53% growth compared to the corresponding period ending March 2025.

The number of active female clients exceeded 28,500 constituting 43% of all active clients which can be considered very significant given the overall socio-economic environment for women.

The sector remains concentrated in urban and peri-urban areas with its footprint in 16 out of 34 provinces.

From an Islamic product perspective, the microfinance sector is heavily dominated by Murabaha, vetted by the Supreme Court of Afghanistan and relevant regulatory bodies. Other potential products such as Salam, Istisna'a, Murabahah, Wakala etc. remain either non-existent or at pilot stage.

Portfolio growth has helped financial institutions improve their operational indicators. As of the end of March 2026, the overall PAR>30 days of the Islamic financing portfolio was just 0.17%. Three institutions have achieved operational sustainability >100% and two are approaching the breakeven point.

While the microfinance sector has demonstrated resilience against shocks; the sector remains vulnerable to external risks and internal challenges. Key constraints include lack of wholesale financiers and investors, underdeveloped DFS ecosystem, regulatory cap on profit margin (16%), lack of institutional capacity, inadequate and insufficient human capital, and an absence of donor coordination.

KEY SECTOR HIGHLIGHTS



Active Clients

65,841

▲ +22,168

vs. March 2025



Gross Islamic Financing AFN

4.46 B

▲ +1.53 B

vs. March 2025



Women Clients

28,325

▲ +9,307

vs. March 2025



Branches

84

▲ +6

vs. March 2025



Total Staff

1,841

▲ +92

vs. March 2025



Portfolio at Risk (>30)

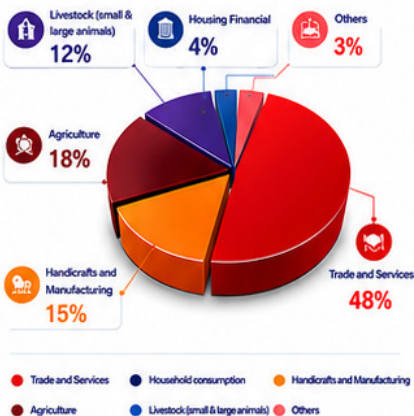
0.17%

▼ -0.13 pp

vs. March 2025

OUTSTANDING AMOUNT OF FINANCING BY SECTOR

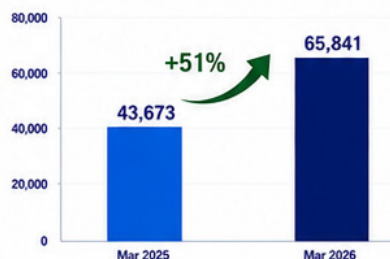
— March – 2026 —



MICROFINANCE OUTREACH OVERALL



ACTIVE CLIENTS GROWTH TREND



WOMEN'S PARTICIPATION



PRODUCTIVITY & PORTFOLIO QUALITY



MFI NETWORK & WORKFORCE (MARCH 2026)



Branches

84

(+6)



Financing Officers

672

(+80)



Total Staff

1,841

(+92)

PORTFOLIO QUALITY



PRODUCTIVITY





MISFA

Partner Organizations





”



Section 3

MISFA-partner Financial Institutions' Profiles

I. OXUS

Created in 2007 with funding from MISFA, OXUS Afghanistan (OXUS-A) was able to build on ACTED's (an international NGO) experience and past programs in the country, in particular a micro-loan initiative to provide farmers with seeds and tools for sowing. OXUS Afghanistan operates through 33 branches across the country and is one of the country's biggest microfinance providers in terms of portfolio.

OXUS-A's Islamic Financing figures (cumulative) increased from AFN 3.3 billion in March 2025 to AFN 6 billion in March 2026. The entire outstanding portfolio of OXUS-A is Sharia-compliant. In terms of operational self-sufficiency (OSS%), OXUS-A has shown a notable increase from 116.4% in March 2025 to 136% in March 2026 representing a 20% increase in the reporting year.

The table below reflects the changes in OXUS key performance indicators as of March 2026.

OXUS Status Comparison 2025-2026

SN	Description	Mar 25	Mar-26	Change
1	Provinces	14	15	+1
2	Urban district (نواحی)	102	107	+5
3	Rural district (ولسوالی)	17	17	0

Islamic Financing Outreach

1	Active Islamic Financing Clients	18,490	28,949	+10,459
2	Gross Islamic Financing outstanding, AFN	1,073,535,331	1,726,914,678	+653,379,347
3	No. of Islamic Financing disbursed, (cumulative)	38,897	68,989	+30,092
4	Amount of Islamic Financing disbursed, (cumulative)	3,229,663,100	5,949,634,939	+2,719,971,839

5	Women Islamic Financing Clients	10,207	15,521	+5,314
6	Women as % of Active Islamic Financing Clients	55%	54%	-1%
7	Branches	29	33	+4
8	Male Staff	302	367	+65
9	Female Staff	145	179	+34
11	PAR Islamic Financing (>30 days), %	0.1%	0.25%	+0.15%
12	Operational Self-Sufficiency, % (YTD)	116.4%	136%	+19.6%

Click on <https://oxusaf.org/> to learn more about OXUS-Afghanistan.

II. MUTAHID-DFI

Mutahid-Development Finance Institution (Mutahid-DFI) was established in April 2011 and is one of the leading microfinance institutions in Afghanistan. It is dedicated to empowering entrepreneurs and driving economic growth. Through Sharia compliant financial solutions, comprehensive guidance, and a commitment to financial inclusion, Mutahid is trying to transform the landscape of entrepreneurship in the country.

Mutahid-DFI's Islamic Financing figures (cumulative), increased from AFN 962 million in March 2025 to around AFN 2 billion in March 2026. The outstanding Islamic Financing portfolio amounts to AFN 607 million which makes up 100% of the institution's outstanding portfolio. Mutahid's operational self-sufficiency rate for the reporting year is 103%, indicating a satisfactory operational and financial health of the institution. The table below indicates key indicators and compares with the same period in 2025.



Mutahid Status Comparison 2025-2026

SN	Description	Mar-25	Mar-26	Change
1	Provinces	11	10	-1
2	Urban district (نواحی)	93	91	-2
3	Rural district (ولسوالی)	46	27	-19

Islamic Financing Outreach

1	Active Islamic Financing Clients	9,923	14,267	+4,344
2	Gross Islamic Financing outstanding, AFN	306,963,660	609,589,270	+302,625,610
3	No. of Islamic Financing disbursed, (cumulative)	18,724	33,968	+15,244
4	Amount of Islamic Financing disbursed, (cumulative)	961,748,163	1,978,148,385	+1,016,400,222
5	Women Islamic Financing Clients	4,880	6,675	+1,795
6	Women as % of Active Islamic Financing Clients	49%	47%	-2%
7	Branches	16	17	+1
8	Male Staff	198	221	+23
9	Female Staff	116	114	-2
10	Active Islamic Financing clients per Finance officer	93	115	+22
11	PAR Islamic Financing (>30 days), %	0%	0.23%	+0.23%
12	Operational Self-Sufficiency, % (YTD)	120.0%	103%	-17%

Please, see <https://mutahid.org.af/en> for further information about Mutahid.

III. FMFB-A

The First MicroFinance Bank-Afghanistan (FMFB-A) is MISFA's largest partner in terms of operations. It started its business in 2004 and is part of the Aga Khan Agency for Microfinance (AKAM), which has financial institutions operating in over 15 countries throughout the developing world. It is affiliated with the Aga Khan Development Network (AKDN). The primary objective of FMFB-A in Afghanistan is to contribute to poverty alleviation and economic development through the provision of sustainable financial services to the poor and underserved.

The FMFB-A's Islamic Financing figures (cumulative), increased from AFN 3.6 billion in March 2025 to AFN 6 billion in March 2026. Islamic Financing outstanding now makes up 100% of the bank's gross financings outstanding. In terms of operational self-sufficiency (OSS%), the bank has shown a notable increase from 69.7% in March 2025, to 116% in March 2026 representing a 46% positive progress within a year.

The table below reflects FMFB's status as of March 2026 and compares its key indicators with the same period in 2025

FMFB Status Comparison 2025-2026				
SN	Description	Mar-25	Mar-26	Change
1	Provinces	14	14	0
2	Urban district (نواحی)	212	212	0
3	Rural district (ولسوالی)	80	80	0

Islamic Financing Outreach

1	Active Islamic Financing Clients	15,260	20,601	+5,341
2	Gross Islamic Financing outstanding, AFN	1,547,510,267	1,927,770,482	+380,260,215
3	No. of Islamic Financing disbursed, (cumulative)	25,790	42,631	+16,841
4	Amount of Islamic Financing disbursed, (cumulative)	3,635,684,619	6,038,286,367	+2,402,601,748
5	Women Islamic Financing Clients	3,931	5,662	+1,731
6	Women as % of Active Islamic Financing Clients	55%	27%	-28%
7	Branches	33	23	-10
8	Male Staff	808	684	-124
9	Female Staff	180	146	-34
11	PAR Islamic Financing (>30 days), %	0%	0.02%	+0.02%
12	Operational Self-Sufficiency, % (YTD)	69.7%	116%	+46.3%

For more information about FMFB, see: <https://www.fmfb.com.af/>

IV. MAMI

Momin Afghan Microfinance Institution (MAMI) obtained its operating license from Da Afghanistan Bank, the Central Bank, in November 2024. However, the first financing was actually provided in January 2022. MAMI is a Limited Liability Company registered with the Afghan Ministry of Commerce.

MAMI's vision is to be the leading Islamic microfinance provider in Afghanistan and a role model in the industry. MAMI offers Murabaha financing product for the clients.

MAMI has signed two financing agreements with MISFA, the first one being Qard-ul-hasan and the second Mudarabah.

The table below provides a snapshot of MAMI's financing operations as of end March 2026.

March-26		MAMI
SN	Outreach - Overall	
1	Provinces	1
2	Total Districts	22
3	Urban district (نواحی)	22
4	Rural district (ولسوالی)	-
Islamic Financing Outreach		
1	Active Islamic Financing Clients	967
2	Gross Islamic Financing outstanding, AFN	109,035,989
3	No. of Islamic Financing disbursed,(cumulative)	997
4	Amount of Islamic Financing disbursed,(cumulative)	139,196,747
5	Women Clients	285
6	Women as % of Total Clients	29%
7	Women Islamic Financing Clients	285
8	Women as % of Active Islamic Financing Clients	29%
9	Islamic Financing outstanding, (women)	16,273,025
10	Branches	4
11	Male staff	39
12	Female staff	18
13	Total staff	57
14	PAR Islamic Financing (>30 days), %	2.48%
15	Operational Self-Sufficiency, % (YTD)	80%

For more information about MAMI, explore: <https://mami.af/eng>

V. Lamen

Lamen Microfinance Institution was established in November 2024 and received an operating license from Da Afghanistan Bank (DAB), the Central Bank, to provide microfinance in March 2025. Lamen is registered as a Limited Liability Company with the Afghan Ministry of Commerce and Industries.

Lamen currently offers Murabaha financing to clients, although it initially also offered Qard-ul- Hasan and Mudarabah financing. Lamen signed a funding agreement with MISFA under which the institution received a Qard-ul-hasan facility tied with clear operational targets and the improvement of the identified gaps.

The table below provides an update of Lamen's operational and performance indicators as of end March 2026.

March-26		LAMEN
Outreach - Overall		
1	Provinces	3
2	Total Districts	40
3	Urban district (نواحی)	20
4	Rural district (ولسوالی)	20
Islamic Financing Outreach		
1	Active Islamic Financing Clients	186
2	Gross Islamic Financing outstanding, AFN	25,527,371
3	No. of Islamic Financing disbursed,(cumulative)	186
4	Amount of Islamic Financing disbursed,(cumulative)	25,527,371
5	Women Islamic Financing Clients	7
6	Women as % of Active Islamic Financing Clients	4%
7	Islamic Financing outstanding, (women)	324,929
8	Branches	3
9	Male staff	20
10	Female staff	4
11	Total staff	24
12	Repayment rate, %	100%
13	PAR Islamic Financing (>30 days), %	0%
14	Operational Self-Sufficiency, % (YTD)	20%

To learn more about Lamen, click on <https://www.lamen.af>

VI. SKM

Shahy Khazana Microfinance (SKM) is licensed as a Microfinance Institution with DAB and registered with the Ministry of Commerce as a Limited Liability Company (LLC) with Head Office based in Kabul, Afghanistan.

SKM disbursed its first financing in March 2025. SKM's vision is to become Afghanistan's top Shariah-compliant financial institution, recognized for ethical practices, community empowerment, and contributions to a sustainable, inclusive economy.

SKM defines its objectives as:

- Serve 22,900 clients within five years of which 30% are Women Entrepreneurs, supporting and creating around 22,900 jobs which includes 7,000 Women through targeted financial support.
- Bridge the financial inclusion gap for women and small businesses, aiming to empower 7,000 women entrepreneurs.
- Promote environmental sustainability by financing aligned with eco-friendly practices

MISFA signed a funding agreement under which SKM was provided with Qard-ul-hasan facility to grow its portfolio.

The table below briefly highlights the operational and performance targets as of end March 2026:

March-26		SKM
Outreach - Overall		
1	Provinces	2
2	Total Districts	7
3	Urban district (نواحی)	7
4	Rural district (ولسوالی)	-
Islamic Financing Outreach		
1	Active Islamic Financing Clients	871
2	Gross Islamic Financing outstanding, AFN	61,309,682
3	No. of Islamic Financing disbursed,(cumulative)	911
4	Amount of Islamic Financing disbursed,(cumulative)	83,788,000
5	Women Islamic Financing Clients	375
6	Women as % of Active Islamic Financing Clients	43%
7	Islamic Financing outstanding, (women)	16,381,286

8	Branches	4
9	Male staff	36
10	Female staff	13
11	Total staff	49
12	Repayment rate, %	100%
13	PAR Islamic Financing (>30 days), %	0%
14	Operational Self-Sufficiency, % (YTD)	75%

Click on <https://skm.af/#> to learn more about SKM.

VII. Ghazanfar Bank

Ghazanfar Bank, a fully-fledged licensed commercial Bank, was licensed by DAB and commenced its operations in March 2009. The Bank provides a wide range of banking services.

Ghazanfar Bank has been operating through 15 branch offices across the country.

In May 2024, MISFA signed a *Mudarabah* financing agreement with Ghazanfar Bank. Under the agreement MISFA would provide AFN1 billion. The term of this agreement was three years, that is until the 19th of May 2027. From the total amount of AFN1 billion, MISFA has already provided Ghazanfar Bank with financing of AFN900 million. This was provided in five tranches (four tranches of AFN200 million, and one instalment of AFN 100 million).

A summary of key indicators relating to the partnership (as of the end March 2026) is shown in the following table.

1	Number of financed clients	180
2	Number of active clients	149
3	Total amount of financing provided	1,311,860,041.50
4	Value of outstanding financing	726,663,716.66
5	Total amount of MISFA financing provided	1,103,311,206.17
6	Value of outstanding MISFA financing	615,938,890.89
7	Average financing amount per client	7,288,111.34
8	Number of female clients	3.00
9	PAR30 ratio	2.51%
10	Total amount of repayments	585,196,324.84
11	Total amount of MISFA repayments	487,372,315.28
12	Number of clients that have fully repaid their financings	31

Click on <https://www.ghazanfarbank.com/> to learn more about the bank.

VIII. Others:

In addition to supporting MSMEs through MFIs and Banks; MISFA also invests in Azizi Bank, Bank-e-Milli Afghan (BMA) and Alfalah Bank through placements in general Mudarabah pools and other ventures.





Section 4

Financing Agreements

MISFA is the largest wholesale finance provider in the microfinance sector in Afghanistan supplying approximately 54% of the total sector funding. The funding contribution of MISFA rises to 81% excluding banks.

In addition to honoring the requests for disbursement of the existing financing agreements; MISFA signed new funding agreements with the financial institutions in the period April 2025 to March 2026.

MISFA is now supporting seven MFIs/Banks (OXUS-A, Mutaqid, FMFB-AF, Ghazanfar Bank, MAMI, Lamen and SKM). It is expected to increase the number of partners to eight organizations soon pending an agreement with Hassel Microfinance.

I. MISFA – SKM Funding Agreement

On July 1, 2025; MISFA signed a funding agreement with Shahy Khazana Microfinance (SKM), a newly established microfinance institution in Afghanistan committed to providing Sharia-compliant financial services.

As part of the agreement, MISFA will extend AFN 60 million to SKM as Qard-al-Hasan (an interest free loan). This funding will enable SKM

to expand its Islamic finance portfolio and utilize the generated proceeds to cover operational expenses.

Founded in November 2024, SKM is a for-profit microfinance institution. Its mission is to promote economic growth and financial inclusion by offering accessible, ethical, and Sharia-compliant financial services aimed at empowering underserved populations and fostering entrepreneurship.

II. MISFA – MAMI Financing Agreements

On July 24, 2025; MISFA signed a funding agreement with Momin Afghan Microfinance Institution (MAMI), a newly established microfinance institution in Afghanistan committed to providing Sharia-compliant financial services.

As part of the agreement, MISFA extended AFN 80 million to MAMI as Qard-al-Hasan (an interest-free loan).

This funding enabled MAMI to expand its Islamic finance portfolio and utilize the generated proceeds to cover operational expenses.

Supporting new entrants in the microfinance sector is a strategic priority for MISFA. The current number of microfinance institutions in Afghanistan remains limited and is insufficient to meet the country's growing demand for financial services—especially in light of the improved security environment, which presents significant opportunities for sector expansion.

Additionally, following the successful utilization of Qard-ul-Hasan funds; MISFA signed a Mudarabah agreement worth AFN 100 million with MAMI in December 2025.

Founded in November 2024, MAMI operates through five branches. MAMI defines its mission as ‘providing full-fledged Islamic microfinance products to all Afghans as an equal opportunity in coordination with our national and international stakeholders’.

Based on the partners’ commitment to addressing the identified institutional gaps, MISFA provides capital support. MISFA will continue to monitor the institutions’ performance and may consider further funding, contingent on their adherence to regulatory requirements, implementation of recommendations, and satisfactory operational outcomes.

III. MISFA- LAMEN Financing Agreement

On December 11, 2025; MISFA signed a funding agreement with Lamen, a newly licensed microfinance institution. In accordance with the agreement, MISFA will provide an initial AFN 24 million Qard-ul-hasan (an interest free loan) to Lamen in four equal tranches. Upon satisfactory utilization of the funds and addressing the identified shortcomings; MISFA will continue supporting Lamen and provide additional funding under Mudarabah or Qard-ul-hasan financing mode.

Lamen was established in November 2024 and received an operating license from Da Afghanistan Bank (DAB) to provide microfinance in March 2025.

IV. MISFA-Hassel Mudarabah Agreement

MISFA is expected to sign a Mudarabah agreement with Hassel, a newly registered MFI owned by Agriculture Development Fund (ADF). MISFA’s Board has approved providing AFN 200 million as Mudarabah capital to Hassel for a period of 2-years subject to compliance of the institution with microfinance regulation and MISFA’s performance standards. The contract is expected to be signed between the parties in June 2026.

Prior to providing any funding, MISFA conducts comprehensive due diligence on partner institutions.

V. MISFA –AMA Funding Agreement

In the second quarter of 2025, MISFA signed a funding agreement with Afghanistan Microfinance Association (AMA) to cover the operating costs of the association for the second half of 2025.

This funding enabled the AMA to continue delivering its core services including knowledge sharing, advocacy, coordination and networking activities aimed at supporting the operations of the member financial institutions across the country.

MISFA had resumed funding the association following the reforms implemented by the member-organizations at AMA. Historically, MISFA has been the founder and either the sole or primary donor of AMA.

Looking ahead, MISFA will work closely with AMA’s new leadership and senior management to ensure timely and effective support to the partner organizations operating in the field.

MISFA has pledged an additional AFN 6.1 million to cover the operational costs of the association in 2026. MISFA is closely working with the association and its member organization to gradually reduce its dependency on MISFA and help AMA become fully self-sufficient in the future.



Section 5

Technical Support to the Microfinance Sector

I. Transfer of Mutahid's Ownership to CAEDO

MISFA transferred the ownership of Mutahid to the Community and Enterprise Development Organization (CAEDO), a non-governmental organization (NGO) established to support Micro, Small and Medium Enterprises (MSMEs) and underserved communities.

The transfer of ownership will enable Mutahid to access funding from donor organizations including a grant from the World Bank-funded EMERG(e) project as well as credit guarantee facilities for its portfolio. This support will strengthen Mutahid's financial position, expand its outreach and increase its financing portfolio.

Mutahid, previously a subsidiary of MISFA, has been a key player in the microfinance sector. As of end March 2026, Mutahid's active Islamic Financing Clients exceeded 14,200 with an outstanding portfolio of AFN 610 million.

The Share Purchase Agreement (SPA) was signed between the parties on December 01, 2025 at MISFA's office.



II. Transfer of AIBF's Share to DAB

MISFA transferred its shares in the Afghanistan Institute of Banking and Finance (AIBF) to DAB in order to enhance institutional efficiency. MISFA had held a 2% share at AIBF since its establishment. In response to a request from DAB, MISFA agreed to the transfer of its shares accordingly.

As a result, AIBF is now fully owned by DAB while previously it held 96% share and the remaining 4% was owned by MISFA and the Afghanistan Banking Association (ABA).

MISFA pledges to continue supporting the institution by sponsoring the participation of the staff from its partner financial institutions in AIBF's capacity development programs.

III. Islamic Finance Training

MISFA organized a one-day Islamic finance training on December 09, 2021 attended by the senior management and Sharia advisors of the partner institutions. The main topics of the training included:

- Principles of Islamic Finance
- Islamic Banking & Microfinance Models
- Sharia Governance Framework

The session was facilitated by Dr. Ziyaad Mahomed, an internationally renowned Islamic financing expert and MISFA's Chairman of the Board.

Additionally, MISFA has sponsored the participation of 20 microfinance practitioners

to an online Islamic Financing Diploma course offered by Frankfurt School of Finance and Management in Germany. Furthermore, MISFA has financed the attendance of 44 staff members of MISFA and its partner financial institutions in short-term courses offered by AIBF.

MISFA signed a (no cost) agreement with Zahin OXUS consulting who are providing training to MISFA, and MFI and bank staff on issues such as digitalization.

In 2026, MISFA intends to sponsor the participation of the partners' staff to the Professional Accounting and Finance Certification and other capacity building programs offered by Afghanistan Institute of Banking and Finance (AIBF).

IV. Adjustment of Interests Paid Against the Outstanding Principle Loans:

In accordance with the Directive (Decree) from the leadership of IEA regarding the adjustment of interest paid against the outstanding principle loan amounts, MISFA waived over AFN 302.4 million of its outstanding loans to partner institutions against the interests paid prior to regime change in mid-August 2021.

The adjustment of interests reduced the liabilities of the partner institutions to MISFA proportionately and improved their equity position significantly. In September 2022, MISFA waived over AFN 210 million of interest receivable to its partner MFIs and banks.

In fact, the adjustment and waiver of interests is the largest grant-like support provided to the financial institutions post August-2021.



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Section 6

Concluding Remarks

Aligned with its strategic plan for 2026-2030, MISFA will continue promoting financial inclusion by providing wholesale financing and technical support to financial institutions. In addition to sustaining support for existing institutions, MISFA is currently evaluating funding proposals from Aurum Microfinance Institution and the Islamic Bank of Afghanistan (IBA) as well.

Financial inclusion, the core mandate of MISFA and its partner organizations is a means to an end. The ultimate objective is poverty reduction, economic development, job creation and improvement of citizens' quality of life. To this end, MISFA will collaborate with academic and research institutions to conduct a statistically significant, longitudinal study to assess the impacts of the microfinance services on clients' businesses and overall well-being.

To strengthen its systems and infrastructure, MISFA will also replace its manual, excel-based monitoring database titled 'Monthly Performance Report- MPR' with a cloud-based, robust, secure and scalable Management Information System (MIS) in order to provide the relevant stakeholders access to accurate, timely and interactive information and data on the microfinance sector.

While celebrating the sector's achievement and looking ahead to upcoming initiatives; MISFA

remains mindful of existing internal weaknesses and external threats. Accordingly, MISFA will continue to collaborate and coordinate with stakeholders to proactively identify and manage both existing and emerging risks. As part of this effort, MISFA will fund and support the AMA in organizing the first national microfinance conference in 2026, which will serve as a platform to discuss the sector's achievements, challenges and define a forward looking roadmap for the sector.

Furthermore, MISFA will launch an internship program, an initiative targeted at recruiting fresh graduates, equipping them with relevant skills and minimum experience required for employment within microfinance institutions. This will help the financial institutions access qualified talent while supporting graduates in securing entry-level jobs in the financial sector.

In conclusion, as the apex institution, MISFA will continue to provide the vital support for the microfinance sector, the only national development program in the country. However, the existing demand for financial services outstrips MISFA's funding capacity. Therefore, MISFA will promote creating synergies by encouraging private investors, commercial banks and development partners to co-invest in and support the sector alongside MISFA.

Section 7

Financial Overview



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MISFA Ltd. Overall Financial Summary

For the period from April 1, 2003 to March 20, 2026

	01 Apr 2003 To March 20, 2026 AFN'000
INCOME STATEMENT	
Profit & Similar Income	6,266,985
Operating grants	287,468
Other income	364,031
Total operating income	6,918,484
Administrative & other expenses	(4,638,749)
Operating profit / (loss)	2,279,735
Income tax expense on taxable profits	(384,663)
Operating profit / (loss) after tax	1,895,072
Grant income (grants for loan funds or MFI grants)	13,807,153
Exchange gain / (loss)	(43,302)
Grant expenditure (grants to MFIs for operating or equity)	(5,707,323)
Provision against loans and advances to MFIs & Banks	(1,865,357)
Provision for MFI shut-down costs	(39,638)
Finance cost (For IDA Credit)	(370,546)
TOTAL COMPREHENSIVE INCOME	7,676,059

CASH FLOW	
Inflows:	
Total comprehensive income	23,913
Share capital	100
Long-term loans	-
Total inflows	24,013

Outflows:	
Net Loans and advances to MFIs & Banks	(751,074)
Loan note investments in MFIs	-
Investments	-
Operating fixed assets	(551)
Working capital (amounts receivable)	3,648,417
Total outflows	2,896,793

NET CASH FLOW	2,920,706
Opening cash & bank balances	-
CLOSING CASH & BANK BALANCES	2,920,706

Source: MISFA audited financial statements covering the period April 1 2003 to March 20, 2026





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