

# Pashtany Bank –Financial Statements and Auditors’ Report

For the year ended December 21, 2018



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# Independent Auditors' Report

To the shareholders of Pashtany Bank

## Qualified Opinion

We have audited the financial statements of Pashtany Bank ("the Bank"), which comprise the statement of financial position as at December 21, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for effects of the matters described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 21, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan.

## Basis for Qualified Opinion

- 1) As referred in Note 6, the Bank has investments in equity instruments of various entities of which investment in Shirkat Nasaji Afghan has a carrying value of AFN 83.518 million. The most recent financial information on the entity is not available with the Bank and financial condition of the entity is also not known to the Bank, therefore, we are unable to determine whether the carrying value of the investment is appropriate or not.
- 2) The Bank has property and equipment with written down value of AFN 756.182 million and this includes land having value of AFN 352.591 million and buildings having written down value of AFN 367.695 million. As per the accounting policy of the Bank, land and building are carried at revalued amounts, however, we noted that revaluation of these assets has not been carried out since 2009. We understand that the fair values of land and buildings can significantly change over a period of more than five years. Paragraph 34 of IAS 16, "Property, Plant and Equipment", states that *frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.* In absence of the related information, we are unable to conclude whether these values are fairly stated or not.

- 3) Article 66 of the Banking Law of Afghanistan provides the list of allowed activities for the banks which includes banking operations only. Activities outside Article 66 are further specified in Article 67 of the Banking Law of Afghanistan as prohibited activities and the banks cannot be engaged in such activities with maximum period allowed to disengage from such activities was originally set out at five years with two extensions of one year each from the date of promulgation of the Banking Law of Afghanistan i.e. December 14, 2003. However, the Bank continue to hold investment properties and interest in those properties has not been disposed-off till date. Any effect of such non-compliance is currently not determinable.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Emphasis of Matter – Material Uncertainty Related to Going Concern**

We draw attention to note 1.2 in the financial statements, which indicates that the Bank has accumulated losses amounting to AFN 2.209 billion (equivalent US\$ 32.835 million) which have significantly eroded the equity of the Bank. The Bank is not currently lending, and the deposits from customers and banks are largely invested in capital notes issued by the Central Bank of Afghanistan and placements with other banks. The Bank is unable to generate sufficient return from investment in capital notes issued by the Central Bank of Afghanistan since return on capital notes has been significantly reduced in the current year and short-term placements with other banks are also not generating adequate returns. Therefore, the income from operating activities i.e. interest income and commission income is not sufficient to meet the operating expenditure of the Bank with substantial shortfall would result in the absence of loan recoveries. During the current year, cashflows from operating activities of the Bank also went into negative by AFN 142.972 million. In the absence of sufficient income to meet expenditure and negative operating cashflows, the Bank may not be in position to meet its current liabilities amounting to AFN 201.150 million. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Key audit matter**

Except for the matters described in the *Basis of Qualified Opinion* section and the matter described in *Material Uncertainty Related to Going Concern* Section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan, and for such internal control as



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management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements of the current period and is, therefore, the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Matter**

The financial statements of the Bank for the year ended December 21, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2018.

**Grant Thornton Afghanistan**

**Chartered Accountants**

Engagement Partner: Saqib Rehman Qureshi - FCA

Location: Kabul, Afghanistan

Date: 26 March 2019



### **ANNEXURE – Auditor’s Responsibilities**

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

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

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

# **PASHTANY BANK**

## **Financial Statements**

For the year ended December 21, 2018

**PASHTANY BANK**

## Statement of Financial Position

*As of 30 Qaws 1397 (21 December 2018)*

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>Assets</b>			
Cash and bank balances	5	16,673,499,096	16,869,697,707
Investments	6	122,952,512	121,585,011
Property and equipment	7	824,813,888	826,621,686
Investment properties	8	962,183,000	962,183,000
Deferred tax asset - net	9	162,056,156	124,397,759
Repossessed assets	10	-	323,128,500
Other assets	11	1,800,728,994	2,090,782,311
<b>Total assets</b>		<b>20,546,233,647</b>	<b>21,318,395,975</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	12	3,820,257,000	3,820,257,000
Accumulated losses		(2,134,875,746)	(2,329,239,263)
Surplus on revaluation - net	13	444,913,400	447,463,800
<b>Total equity</b>		<b>2,130,294,654</b>	<b>1,938,481,537</b>
<b>Liabilities</b>			
Deposits from banks	14	756,598,119	8,384,659
Deposits from customers	15	17,441,007,603	18,822,135,472
Deferred income against repossessed assets		-	323,128,500
Other liabilities	16	218,333,271	226,265,808
<b>Total liabilities</b>		<b>18,415,938,993</b>	<b>19,379,914,438</b>
<b>Total equity and liabilities</b>		<b>20,546,233,647</b>	<b>21,318,395,975</b>
<b>Contingencies and Commitments</b>	17		

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


  
Chief Executive Officer


  
Chairman


  
Chief Finance Officer

# PASHTANY BANK

## Statement of Comprehensive Income

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
Interest income		65,331,722	272,589,468
Interest expense		(5,640,818)	(47,477,454)
<b>Net interest income</b>	18	<b>59,690,905</b>	<b>225,112,014</b>
Fee and commission income		56,180,714	50,392,354
Fee and commission expense		(1,371,020)	(4,250,923)
<b>Net fee and commission income</b>	19	<b>54,809,694</b>	<b>46,141,431</b>
Other income	20	401,502,306	397,218,982
		<b>401,502,306</b>	<b>397,218,982</b>
<b>Operating income</b>		<b>516,002,905</b>	<b>668,472,427</b>
Impairment reversal/(loss) on investments and other assets		4,509,045	(8,874,247)
Employee costs	21	(194,884,873)	(195,799,380)
Depreciation	7.1	(23,456,657)	(27,590,794)
Other operating expenses	22	(170,290,805)	(180,558,531)
Exchange gain		53,049,682	35,878,877
<b>Operating expenses</b>		<b>(331,073,608)</b>	<b>(376,944,076)</b>
<b>Profit before taxation</b>		<b>184,929,297</b>	<b>291,528,351</b>
Income tax	23	36,277,967	(263,068,817)
<b>Profit for the year</b>		<b>221,207,264</b>	<b>28,459,534</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial loss on defined benefit pension plan		(29,394,147)	-
		(29,394,147)	-
<b>Total comprehensive income for the year ended</b>		<b>191,813,117</b>	<b>28,459,534</b>

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

Chief Executive Officer

Chairman

Chief Finance Officer

**PASHTANY BANK**

## Statement of Cash Flows

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before income tax</b>		<b>184,929,297</b>	<b>290,890,749</b>
Adjustments for:			
Depreciation	7.1	23,456,657	27,590,794
Accounting loss on disposal of assets		178,364	-
Surplus on revaluation - net		2,550,400	2,550,400
Incremental depreciation		(3,188,000)	(3,188,000)
Provision reversed against advances and receivables	11.	(37,362,451)	-
Foreign exchange gain		(53,049,682)	(35,878,877)
		<b>117,514,584</b>	<b>281,965,066</b>
(Increase) decrease in operating assets and liabilities:			
Other assets		327,415,768	(1,174,388,444)
Deposits from customers and banks		(632,914,408)	2,785,896,293
Deferred tax asset / liability adjustment		-	202,976,400
Deferred income - non current assets held for sale		-	12,322,500
Other liabilities		(37,326,684)	(229,472,193)
<b>Net cash from operating activities before interest and tax</b>		<b>(225,310,740)</b>	<b>1,879,299,621</b>
Tax paid / adjustment		(742,831)	(261,451,333)
<b>Net cash from operating activities</b>		<b>(226,053,571)</b>	<b>1,617,848,288</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	7.1	(21,827,222)	(12,780,732)
Investment made		(1,367,499)	(662,500)
Recognition of non current assets held for sale		-	(12,322,500)
<b>Net cash used in investing activities</b>		<b>(23,194,721)</b>	<b>(25,765,732)</b>
Net increase / (decrease) in cash and cash equivalents		(249,248,293)	1,592,082,556
Cash and cash equivalents at beginning of the year		16,869,697,707	15,241,736,274
Effect of exchange differences in cash and cash equivalents		53,049,682	35,878,877
<b>Cash and cash equivalents at the end of the year</b>	5	<b>16,673,499,096</b>	<b>16,869,697,707</b>

The annexed notes from 1 to 28 form an integral part of the financial statements. *GTA*

  
Chief Executive Officer


  
Chairman


  
Chief Finance Officer

**PASHTANY BANK**

## Statement of Changes in Equity

For the year ended 30 Qaws 1397 (21 December 2018)

	Share capital	Retained earnings	Surplus on revaluation	Total
<b>Balance as at December 21, 2016</b>	<b>3,820,257,000</b>	<b>(2,360,249,197)</b>	<b>450,014,200</b>	<b>1,910,022,003</b>
Incremental depreciation - net of deferred tax	-	2,550,400	(2,550,400)	-
<b>Total comprehensive income</b>				
Profit for the year	-	28,459,534		28,459,534
Other comprehensive income	-	-		-
<b>Balance as at December 21, 2017</b>	<b>3,820,257,000</b>	<b>(2,329,239,263)</b>	<b>447,463,800</b>	<b>1,938,481,537</b>
Incremental depreciation - net of deferred tax	-	2,550,400	(2,550,400)	-
<b>Total comprehensive income</b>				
Profit for the year	-	221,207,264	-	221,207,264
Other comprehensive income	-	(29,394,147)	-	(29,394,147)
<b>Balance as at December 21, 2018</b>	<b>3,820,257,000</b>	<b>(2,134,875,746)</b>	<b>444,913,400</b>	<b>2,130,294,654</b>

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

  
Chief Executive Officer  
Chairman  
Chief Finance Officer

# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

## 1 STATUS AND NATURE OF BUSINESS

- 1.1 Pashtany Bank ("the Bank") got registered with Afghanistan Investment Support Agency (AISA) on 26 June 2004 as a limited liability company and received formal commercial bank license from Da Afghanistan Bank (DAB) to operate nationwide at the same date. The principal business place of the Bank is at Muhammad Jan Khan Watt, Kabul, Afghanistan with 20 (2017: 20) branches nationwide.

The financial statements for the year ended December 21, 2018 have been approved and authorized for issue by the Board of Supervisors on 26 March 2019.

- 1.2 Accumulated losses amounting to AFN 2.125 billion (equivalent US\$ 29.42 million) have significantly eroded the equity of the Bank. The Bank is not currently lending, and the deposits from customers and banks are largely invested in capital notes issued by the Central Bank of Afghanistan and placements with other banks. The Bank is unable to generate sufficient return from investment in capital notes issued by the Central Bank of Afghanistan since return on capital notes has been significantly reduced in the current year and short-term placements with other banks are also not generating adequate returns. Therefore, the income from operating activities i.e. interest income and commission income is not sufficient to meet the operating expenditure of the Bank with substantial shortfall would result in the absence of loan recoveries. During the current year, cashflows from operating activities of the Bank also went into negative by AFN 226.05 million. In the absence of sufficient income to meet expenditure and negative operating cashflows, the Bank may not be in position to meet its current liabilities amounting to AFN 201.15 million. Considering all the above factors, management has prepared a plan which shows that the Bank will be able to generate sufficient income to meet its on-going expenditure from placement of amount of US\$ 71 million (equivalent AFN 5,322 million) with a foreign bank at a higher rate of return and during the current year, His Excellency the President has provided principal approval to the Bank to collect and realize rental income from the investment properties which was previously collected and retained by the Ministry of Finance. Current deposits of the Bank are mainly from the Government entities and saving deposits of the Bank are well diversified. Based on these mitigating factors, management is of the view that the Bank is a going concern and the financial statements are prepared on a going concern basis.

## 2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan will prevail.
- 2.2 **Standards, amendments and interpretations to publish accounting standards that became effective in the current year**

Following amendments and clarifications became applicable in the current year;

- Amendments IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IAS 40 "Transfers of Investment Property"
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

- Annual Improvements 2014-2016 cycle

The adoption of above amendments and clarifications do not have any impact on the financial statements of the bank.

### 2.3 Standards, amendments and interpretations to publish approved accounting standards that are not yet effective

The following are the standards, interpretations and amendments which have been issued but are not yet effective:

<i>Description</i>	<i>Effective date for annual</i>
• IFRS 9 "Financial Instruments"	1 January 2018
• IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
• IFRS 16 "Leases"	1 January 2019
• IFRS 17 "Insurance Contracts"	1 January 2021
• Amendments to IFRS 10 and IAS 28 "IFRS 10 and IAS 28 Sale or	Not yet finalized
• Amendments to IFRS 9 "Prepayment Features with Negative	1 January 2019
• Amendments to IAS 19 "Plan Amendment, Curtailment or	1 January 2019
• Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures	1 January 2019
• Clarifications to IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
• IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"	1 January 2019
• Annual Improvements 2015-2017 Cycle (issued in December 2017)	1 January 2019

Management does not intend to adopt any of the above standards, interpretations and amendments earlier than the applicable date. These will not have a significant impact on the financial statements of the Bank in the year of initial application except for IFRS9 and IFRS 16 which will have an impact on the financial statements but assessment in this regard is currently under process.

## 3 BASIS OF PREPARATION

### 3.1 Basis of measurement

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

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

### 3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- a) Note 9 Provision against advances and receivables
- b) Note 22 Income taxes

### 3.3 Functional and presentation currency

These financial statements are presented in Afghani (AFN), which is the Bank's functional currency.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with central bank (unrestricted), balances with other banks and investments having maturity less than 3 months.

### 4.2 Financial instruments

#### Recognition, initial measurement and de-recognition

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

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

#### Classification and subsequent measurement of financial assets and financial liabilities

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

1. Designated at Fair Value Through Profit or Loss (FVTPL)

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

2. Held for trading
3. Loans and receivables
4. Held to maturity
5. Available for sale

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

### a) Classification, recognition and subsequent measurement of financial assets

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

The Bank determines allowance for impairment in accordance with regulation issued by DAB "Asset Classifications and Provisioning Regulation" issued December 2017.

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

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

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

### b) Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

## 4.3 Investment in equity instruments

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

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

### 4.4 Property and equipment

#### Owned

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

Repairs and maintenance expenditures are charged to profit or loss during the period in which they are incurred.

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

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

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

Net gains and losses on disposal or derecognition of fixed assets are included in profit or loss currently.

#### Depreciation

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

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

-	Building	50 years
-	Furniture and fixture	2-10 years
-	IT equipment	3-10 years
-	Computer equipment	3.33 years
-	Vehicles	4 years
-	Electric equipment	3-10 years

### 4.5 Investment property

Investment properties are those properties which are held to earn rental income or for capital appreciation or for both. Investment properties are stated at fair values. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

based on an annual valuation performed by an accredited external independent valuer applying a valuation model.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for on straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### 4.6 Repossessed assets

Collateral repossessed by the Bank upon loan default is included in the repossessed assets at the date when the title is transferred to the Bank where the Bank is unable to find a suitable buyer for selling collateral through court process. Repossessed assets are recognized at an amount established by the court (final Mazhar value) together with costs for acquiring the title including legal fees and transfer costs etc. and equivalent amount is recorded as deferred income in the statement of financial position. The Bank is required to sell these assets within a period of four years failing which the Bank derecognizes these assets from its books and the related deferred income. Gain or loss on disposal of repossessed assets is recognized in profit or loss.

### 4.7 Impairment of non-financial assets

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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

### 4.8 Deposits from customers and banks

These are recorded at the amount of proceeds received.

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## **PASHTANY BANK**

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

### **4.9 Taxation**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### **Current tax**

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

#### **Deferred tax**

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

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

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

### **4.10 Defined benefits pension plan**

The Bank operates an approved defined benefit pension plan for all of its permanent employees. An annual provision has been made on the basis of an actuarial valuation to cover obligation under the scheme for all eligible employees.

The latest actuarial valuation of the Bank's defined benefit plan based on the Projected Unit Credit Method was carried out as at 21 December 2018 (Qaws 30, 1397). Actuarial losses arising during the year are recognized in Other Comprehensive Income (OCI) in accordance with IAS-19 (Revised 2011).

### **4.11 Employee compensation**

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

### **4.12 Foreign currency transactions**

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

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

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

### 4.13 Interest income and expense

Interest/ profit on investments is recognized in profit or loss using effective interest rate method. Gain or loss on sale of investments is recognized in profit or loss in the year in which these arise.

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

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

### 4.14 Fee and commission

Fees and commission income include account servicing fees and commissions on transactions and are recognized as the related services are performed.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

### 4.15 Lease payments

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

### 4.16 Provisions

Provisions for restructuring costs and legal claims are recognized when:

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

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

### 4.17 Off-setting

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

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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

	Note	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
		AFN	
<b>5. CASH AND BANK BALANCES</b>			
Cash in hand	5.1	394,134,335	985,597,997
Balances with Da Afghanistan Bank	5.2	10,835,099,537	15,812,185,220
Balances with other banks	5.3	5,444,265,224	71,914,491
		<b>16,673,499,096</b>	<b>16,869,697,707</b>
<b>5.1 Cash in hand</b>			
Local currency		168,732,548	193,278,379
Foreign currency		225,401,787	792,319,618
		<b>394,134,335</b>	<b>985,597,997</b>
<b>5.2 Balances with Da Afghanistan Bank</b>			
Local currency current accounts		570,040,526	325,673,377
Foreign currency current accounts		2,805,597,743	6,456,022,715
Capital notes	5.4	6,999,088,658	8,451,371,650
Over night	5.5	460,372,610	579,117,478
		<b>10,835,099,537</b>	<b>15,812,185,220</b>
<b>5.3 Balances with other banks</b>			
<b>In Afghanistan</b>			
Azizi Bank		1,642,960	92,062
Bank Millie Afghan		660,613	2,880,781
New Kabul Bank		2,813,536	17,999,913
		<b>5,117,109</b>	<b>20,972,756</b>
<b>Outside Afghanistan</b>			
Afghan National Credit & Finance Limited, London		-	173,165
Aktif Bank, Turkey		389,268,738	10,038,008
BMCE, Spain		520,576,553	-
Citi Bank, UAE		749,600,000	-
Citi Bank, USA		3,748,000,000	-
Habib Bank Limited, Pakistan		-	51,477
MCB Bank Limited, Pakistan		-	3,384,032
United Bank Limited, Pakistan		31,702,824	37,295,053
		<b>5,439,148,115</b>	<b>50,941,735</b>
		<b>5,444,265,224</b>	<b>71,914,491</b>
<b>5.4</b>	These represent capital notes issued by Da Afghanistan bank carrying interest rate from 0.15% to 0.34% (2017: 0.15% to 6.67%) p.a. and having maturity date in January 2019.		
<b>5.5</b>	This represent over night deposit with Da Afghanistan Bank carrying interest rate of 0.01% (2017: 0.01%) per annum.		

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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>6. INVESTMENTS</b>			
Investment in associated company:			
Balance at beginning of year		17,372,500	16,710,000
Exchange loss recognized in income statement		1,367,500	662,500
	6.1	<u>18,740,000</u>	<u>17,372,500</u>
Investment in equity instruments	6.2	<u>104,212,511</u>	<u>104,212,511</u>
		<u>122,952,511</u>	<u>121,585,011</u>

- 6.1 The Bank has made an investment of USD 250,000 in Afghanistan Payment Systems during the year ended 1389. The Bank currently holds 16.66% (2017: 16.66%) shares in the Company. As per the Articles of Association of the investee company, its shares cannot be sold or transferred or offered to the public.

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>6.2 Investment in equity instruments</b>			
Bank-e-Mille Afghan		9,800,000	9,800,000
Afghan National Insurance Company		7,660,000	7,660,000
Shirkat-e-Ariyana		281,250	281,250
Hotel Intercontinental		64,435	64,435
Afghan Card Corporation		2,822,884	2,822,884
Pakht-e-Herat		65,542	65,542
Shirkat Nasaji Afghan		83,518,400	83,518,400
		<u>104,212,511</u>	<u>104,212,511</u>

## 7. PROPERTY AND EQUIPMENT

Operating fixed assets	7.1	756,182,136	757,989,934
Capital work-in-progress		68,631,752	68,631,752
		<u>824,813,888</u>	<u>826,621,686</u>

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# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

## 7.1 Operating fixed assets

	Land	Building	Electric equipment	IT equipment	Furniture and fittings	Computers	Motor vehicles	Total
	AFN							
<b>Cost/ Revalued amounts</b>								
Balance at December 21, 2017	352,591,506	496,013,506	63,831,396	26,141,735	23,090,880	55,474,701	18,318,603	1,035,462,327
Additions	-	709,363	2,618,145	14,941,435	996,340	2,561,940	-	21,827,223
Disposals / Adjustment	-	-	(140,485)	(262,940)	(50,120)	(154,230)	-	(607,775)
Balance at December 21, 2018	352,591,506	496,722,869	66,309,056	40,820,230	24,037,100	57,882,411	18,318,603	1,056,681,775
<b>Depreciation</b>								
Balance at December 21, 2017	-	119,103,646	51,041,940	18,811,266	18,308,023	53,590,892	16,616,627	277,472,393
Charge for the year	-	9,923,396	6,884,230	3,048,043	1,914,640	1,039,347	647,000	23,456,657
Disposals / Adjustment	-	-	(140,476)	(102,111)	(32,598)	(154,226)	-	(429,411)
Balance at December 21, 2018	-	(129,027,042)	(57,785,694)	(21,757,198)	(20,190,065)	(54,476,013)	(17,263,627)	(300,499,639)
<b>Carrying amounts</b>								
At December 21, 2017	352,591,506	376,909,860	12,789,456	7,330,469	4,782,857	1,883,810	1,701,976	757,989,934
At December 21, 2018	352,591,506	367,695,827	8,523,362	19,063,032	3,847,035	3,406,398	1,054,976	756,182,136

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

#### 8. INVESTMENT PROPERTIES

Investment properties are stated at fair values. These are held to earn rental income and capital appreciation. These includes land and buildings.

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
Land		5,786,500	5,786,500
Buildings		956,396,500	956,396,500
	8.1	<u>962,183,000</u>	<u>962,183,000</u>

##### 8.1 Province wise details of investment properties:

###### Kabul

Andarabi market 1	33,209,379	33,209,379
Andarabi market 2	33,721,601	33,721,601
Saraji Building	200,443,652	200,443,652
Baghban Koja Building 1	96,818,941	96,818,941
Baghban Koja Building 2	22,004,461	22,004,461
Abida Maiwand	75,000,000	75,000,000
Timorshahi Building	68,200,000	68,200,000
Gul Bahar Center	395,997,256	395,997,256
Qala-Qazi	1,210	1,210
	<u>925,396,500</u>	<u>925,396,500</u>

###### Herat

Torghondi land	2,186,500	2,186,500
Karwan Sarai land	3,600,000	3,600,000
	<u>5,786,500</u>	<u>5,786,500</u>

###### Mazar Sharif

Bagha hozori	31,000,000	31,000,000
	<u>31,000,000</u>	<u>31,000,000</u>
	<u>962,183,000</u>	<u>962,183,000</u>

- 8.1 As per Initial Decree No. 39 dated Jadi 21, 1388 (January 11, 2010) issued from Presidential Office and correspondence through Directorate General of Properties with the Ministry of Finance (MoF) and Da Afghanistan Bank vide letter no. 4002 dated Dalwa 7, 1394 (January 27, 2016), all the rental income of the investment properties were to be collected and vested with the MoF. Based on request letter no 228 dated Qaws 21, 1397 (December 12, 2018) by MoF and in consequence special Decree issued by His Excellency the President of Afghanistan No. 2344 dated Jaddi 1, 1397 (December 22, 2018), investment properties of Pashtany Bank have been exempted from the Initial Decree No. 39 dated Jadi 21, 1388 (January 11, 2010) and all collected rental income through the Director General Properties to be reverted back to Pashtany Bank. Receivable has not been recorded as the matter is currently under discussion.

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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>9 DEFERRED TAX ASSET - NET</b>			
<i>Deferred tax asset</i>			
Carried forward tax losses	9.1	272,548,356	235,527,558
<i>Deferred tax liability</i>			
Surplus on revaluation	9.2	(110,492,200)	(111,129,800)
		<u>162,056,156</u>	<u>124,397,758</u>
9.1 The movement in carried forward tax losses is as follows:			
Opening balance		235,527,558	438,503,958
Charge to profit or loss		(37,020,798)	202,976,400
Closing balance		<u>272,548,356</u>	<u>235,527,558</u>
9.2 The movement in surplus on revaluation is as follows:			
Opening balance		111,129,800	111,767,400
Deferred tax on incremental depreciation (recognized in retained earnings)		(637,600)	(637,600)
Closing balance		<u>110,492,200</u>	<u>111,129,800</u>
<b>10 REPOSSESSED ASSETS</b>			
	10.1	<u>-</u>	<u>323,128,500</u>
10.1 The movement in repossessed assets is as follows:			
Opening balance		323,128,500	310,806,000
Gain on foreign currency balance translation		25,435,500	12,322,500
Disposed-off during the year		-	-
Derecognized during the year	10.2	(348,564,000)	-
	10.3	<u>-</u>	<u>323,128,500</u>
10.2 Pursuant to the regulations issued by the Central Bank of Afghanistan (DAB), the Bank has to sell-off the majority portion of the collateral repossessed within two years of transfer in the name of the Bank and to dispose off remaining within a period of four years. However, the Bank was unable to sell those collaterals within two years and pursuant to the regulations issued by DAB these have been written-off along with reversal of the related deferred income.			
10.3 An amount equivalent to the value recognized against repossessed assets is recorded as deferred income in the statement of financial position and included in the liabilities.			

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>11. OTHER ASSETS</b>			
Required reserve account	11.1	1,377,754,769	1,633,852,256
Advance tax		353,072,899	408,773,753
Advances to employees		14,868,690	9,403,211
Advances to suppliers		60,862,858	64,149,493
Interest accrued on capital notes & Demand deposits		25,613,215	47,295,449
Others		3,885,963	-
		<u>1,836,058,394</u>	<u>2,163,474,162</u>
Provision against advances and receivables	11.2	(3,655,127)	(41,017,578)
Provision against misappropriation		(31,674,273)	(31,674,273)
Net carrying amount		<u><u>1,800,728,994</u></u>	<u><u>2,090,782,311</u></u>

11.1 This represents statutory reserve maintained with DAB as minimum reserve in accordance with Banking Regulations issued by Da Afghanistan Bank. These minimum reserves carry no interest (2017: nil).

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	
<b>11.1.1 Currency profile of required reserve with DAB</b>			
Local currency		574,866,194	871,526,420
Foreign currencies		802,888,575	762,325,836
		<u><u>1,377,754,769</u></u>	<u><u>1,633,852,256</u></u>

#### 11.2 PROVISION AGAINST ADVANCES AND RECEIVABLES

Opening for the year		(41,017,578)	(148,022,334)
(Charged) / Reversed for the year	11.2.1	37,362,451	107,004,756
Closing for the year		<u><u>(3,655,127)</u></u>	<u><u>(41,017,578)</u></u>

11.2.1 This represents provision against other asset in accordance with the DAB's Asset Classification and Provisioning Regulation (December 2017).

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note	AFN	

## 12. SHARE CAPITAL

### 12.1 Authorized

3,820,257 (2017: 3,820,257) ordinary shares of AFN 1,000 each		<u><u>3,820,257,000</u></u>	<u><u>3,820,257,000</u></u>
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### 12.2 Issued, subscribed and paid-up

3,820,257 (2017: 3,820,257) ordinary shares of AFN 1,000 each		<u><u>3,820,257,000</u></u>	<u><u>3,820,257,000</u></u>
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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
12.3	The issued shares are subscribed by the following parties:		
	Ministry of Finance	2,584,800,000	2,584,800,000
	Bank-e- Millie Afghan	1,098,982,000	1,098,982,000
	Afghan Red Crescent Society	20,050,000	20,050,000
	Health Insurance	1,200,000	1,200,000
	Spinzar Corporation	725,000	725,000
	Ministry of Labor and Social Affairs	91,600,000	91,600,000
	Chamber of Commerce	11,450,000	11,450,000
	Saderaat Kashmesh	3,900,000	3,900,000
	Institute of Qaraqol	3,775,000	3,775,000
	Carpet corporation	3,775,000	3,775,000
		<u>3,820,257,000</u>	<u>3,820,257,000</u>
13	<b>SURPLUS ON REVALUATION - NET</b>		
	13.1	<u>444,913,400</u>	<u>447,463,800</u>
13.1	Opening balance	447,463,800	450,014,200
	Recognized in retained earnings		
	Incremental depreciation	(3,188,000)	(3,188,000)
	Deferred tax on incremental depreciation	637,600	637,600
		<u>(2,550,400)</u>	<u>(2,550,400)</u>
	Closing balance	<u>444,913,400</u>	<u>447,463,800</u>
14.	<b>DEPOSITS FROM BANKS</b>		
	<b>Current deposit</b>		
	Agricultural Bank Kabul	14.1 234,321	234,821
	Construction Bank	14.1 1,603,240	1,599,059
	Bank-e-Millie Afghan	345,756	332,569
	Maiwand Bank	835,805	783,629
	Afghan United Bank	3,800,411	3,559,781
	Azizi Bank	104,308	1,837,421
	New Kabul Bank	33,957	-
	Ghazanfar Bank	40,322	37,379
		<u>6,998,119</u>	<u>8,384,659</u>
	<b>Time Deposit</b>		
	New Kabul Bank	14.2 749,600,000	-
		<u>756,598,119</u>	<u>8,384,659</u>

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

- 14.1 These deposits are from the banks which became defunct in 2008. DAB has yet to determine the status of these deposits.
- 14.2 This represents deposit of USD 10 million carrying interest rate of 1.4% p.a. with maturity on May 15, 2019. The deposit has been received under a memorandum of understanding signed with New Kabul Bank.

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
<b>15. DEPOSITS FROM CUSTOMERS</b>			
Fixed deposit	15.1	32,638,602	32,508,056
Saving deposits	15.2	8,125,548,155	7,715,876,688
Current deposits		9,282,820,846	11,073,750,727
		<u>17,441,007,603</u>	<u>18,822,135,472</u>

- 15.1 This deposit carries an interest rate of 1% (2017: 1%) p.a.
- 15.2 These carry interest rate of 0.05% (2017: 1.5%) p.a. for AFN currency and 0.5% (2017: 0.5%) for USD currency p.a.

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
<b>16. OTHER LIABILITIES</b>			
Employees pension fund	16.1	130,042,326	95,422,040
Creditors		30,433,100	59,847,342
Accrued expenses		28,169,026	16,995,772
Other payables		10,609,596	16,927,425
Withholding tax payable		1,895,797	20,138,085
Inter-branch unreconciled balance		17,183,426	16,935,145
		<u>218,333,271</u>	<u>226,265,808</u>

#### 16.1 Employees pension fund

##### 16.1.1 General description

The Bank operates an approved defined benefit pension plan for all of its permanent employees. An annual provision has been made on the basis of an actuarial valuation to cover obligation under the scheme for all eligible employees.

##### 16.1.2 Principal actuarial assumptions

The latest actuarial valuation of the bank's defined benefit plan based on the Projected Unit Credit Method was carried out as at December 21, 2018 (Qaws 30, 1397). Actuarial gains or losses arising during the year are recognized in Other Comprehensive Income (OCI) in accordance with IAS-19 (Revised 2011). The significant assumptions used in the valuation are as follows:

- Discount rate of 4.50% (2017: 7%) per annum
- Expected increase in salary levels of 4.5% (2017: 6%) per annum
- Withdrawal rate of 11% p.a. for service upto 10 years and 3% p.a. for service after that

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

#### 16.1.3 Fair value of plan assets and present value of obligation under the scheme at the balance sheet date are as follows:

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
Note	AFN	
Present value of defined benefit obligation	130,042,326	95,422,040
Fair value of plan assets	-	-
	<u>130,042,326</u>	<u>95,422,040</u>

#### 16.1.4 Movement in the present value of defined benefit obligation:

Opening net liability		95,422,040	94,988,973
Expense for the year	16.1.5	10,843,352	16,784,939
Contributions made to the scheme by employees		3,401,076	2,575,447
Actuarial loss - recognized in OCI		29,394,147	-
Benefits paid during the year		(9,018,289)	(18,927,319)
Liability at end of the year		<u>130,042,326</u>	<u>95,422,040</u>

#### 16.1.5 Charge for the defined benefit plan:

Current service cost	6,752,272	10,452,162
Interest cost	4,091,080	6,332,777
	<u>10,843,352</u>	<u>16,784,939</u>

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# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
<b>17. CONTINGENCIES AND COMMITMENTS</b>			
Bank guarantees issued	17.1	<u>946,798,203</u>	<u>958,708,847</u>
17.1	Bank guarantees issued by the Bank are backed up by 100% cash margin.		
<b>18. NET INTEREST INCOME</b>			
<b>Interest income</b>			
Cash and cash equivalents		65,331,722	272,589,468
<b>Interest expense</b>			
Term deposits		(1,213,276)	(324,435)
Saving deposits		(4,427,542)	(47,153,019)
		<u>(5,640,818)</u>	<u>(47,477,454)</u>
<b>Net interest income</b>		<u>59,690,905</u>	<u>225,112,014</u>
<b>19. NET FEE AND COMMISSION INCOME</b>			
<b>Fee and commission income</b>			
Fee		10,241,900	7,973,727
Commission		45,938,814	42,418,627
		<u>56,180,714</u>	<u>50,392,354</u>
<b>Fee and commission expense</b>			
Fund transfer charges		(1,234,427)	(3,576,060)
Account maintenance charges		(136,593)	(674,863)
		<u>(1,371,020)</u>	<u>(4,250,923)</u>
		<u>54,809,694</u>	<u>46,141,431</u>
<b>20. OTHER INCOME</b>			
Recovery of loans written-off			
Loan principal		332,328,076	273,429,558
Loan interest		50,051,301	113,395,200
		<u>382,379,376</u>	<u>386,824,758</u>
Rental income		1,175,370	8,138,547
Income from investments		39,325	506,110
Other		17,908,234	1,749,567
		<u>401,502,306</u>	<u>397,218,982</u>

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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
Note	AFN	
<b>21. EMPLOYEE COSTS</b>		
Salaries, wages and benefits	158,974,305	167,058,167
Bonus	33,381,148	26,022,007
Staff welfare	2,529,420	2,719,206
	<b>194,884,873</b>	<b>195,799,380</b>
<b>22. OTHER OPERATING EXPENSES</b>		
Repair and maintenance	5,063,465	6,331,532
Travel and conveyance	1,801,836	2,751,840
Advertisement and publicity	5,519,347	6,799,417
Rent expense	15,565,095	15,393,299
Building tax	217,950	146,290
Deposit insurance	50,886,680	47,749,141
Internet expense	9,324,073	11,069,005
Security expense	36,113,358	39,921,904
Printing and stationery	5,401,802	5,487,658
Communication	943,301	856,397
Electricity	9,342,659	7,623,468
Fuel expenses	3,126,904	3,726,898
Auditor's remuneration	900,020	722,177
Cleaning and water	465,650	568,807
Kindergarten expenses	271,773	267,460
Employees training expenses	2,663,537	6,652,513
Others	22,683,354	24,490,727
	<b>170,290,805</b>	<b>180,558,531</b>

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## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

		30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Note		AFN
<b>23. TAXATION</b>			
Current	23.1	-	-
Prior		742,831	60,092,417
Deferred		(37,020,798)	202,976,400
		<u>(36,277,967)</u>	<u>263,068,817</u>

23.1 Owing to the carried forward tax losses of the Bank, no provision for current taxation has been recognized.

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

#### 24. RELATED PARTIES

The related parties of the Bank comprise entities with equity holdings, common directors, major shareholders, directors and key management personnel and close family members of such individuals. Following are the related parties of the Bank:

##### Key management personnel

Chief Executive Officer

Chief Financial Officer

Chief Operating Officer

Chief Credit Officer

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

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	AFN			
	Balances		Transactions	
<b>Investment in equity instruments</b>				
Bank-e-Mille Afghan	9,800,000	9,800,000	-	-
Afghan National Insurance Company (ANIC)	7,660,000	7,660,000	-	-
Shirkat-e-Ariyana	281,250	281,250	-	-
Hotel Intercontinental	64,435	64,435	-	-
Afghan Card Corporation	2,822,884	2,822,884	-	-
Pakht-e-Herat	65,542	65,542	39,325	506,110
Shirkat Nasaji Afghan	83,518,400	83,518,400	-	-
Afghanistan Payment Systems	18,740,000	17,372,500	-	-
<b>Deposits from banks</b>				
Bank-e-Mille Afghan	345,756	332,569	(13,187)	(1,569)
<b>Transactions with key management personnel</b>				
Short-term employee benefits	-	-	13,890,000	13,074,800

In addition to their salaries and allowances, the Bank also provides non-cash benefits to directors and executive officers, and contribute to a post employment defined plan on their behalf. The terms of the plan are same as for all employees.

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# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

## 25 FINANCIAL ASSETS AND LIABILITIES

### Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

	Note	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total Carrying Value
		AFN				
2018						
Cash and balances with Da Afghanistan Bank	5.2	6,999,088,658	3,836,010,879	-	-	10,835,099,537
Balances with other banks	5.3	5,322,160,000	122,105,224	-	-	5,444,265,224
Other assets	1	25,613,215	1,775,115,780	-	-	1,800,728,994
		12,346,861,872	5,733,231,884	-	-	18,080,093,756
Deposits from banks	14	756,598,119	-	-	6,998,119	763,596,239
Deposits from customers	15	32,638,602	-	-	17,408,369,001	17,441,007,603
Other liabilities	16	-	-	-	218,333,271	218,333,271
		789,236,721	-	-	17,633,700,391	18,422,937,113
2017						
Cash and balances with Da Afghanistan Bank	5.2	8,451,371,650	7,360,813,570	-	-	15,812,185,220
Balances with other banks	5.3	-	71,914,491	-	-	71,914,491
Other assets	1	47,295,449	2,043,486,862	-	-	2,090,782,311
		8,498,667,099	9,476,214,922	-	-	17,974,882,022
Deposits from banks	14	-	-	-	8,384,659	8,384,659
Deposits from customers	15	32,508,056	-	-	18,789,627,416	18,822,135,472
Other liabilities	16	-	-	-	226,265,808	226,265,808
		32,508,056	-	-	19,024,277,882	19,056,785,938

The fair values of financial assets and financial liabilities approximates their carrying amounts at the reporting date.

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## **PASHTANY BANK**

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

### **26 FINANCIAL RISK MANAGEMENT**

#### **26.1 Introduction and overview**

The Bank has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

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

##### *Risk management framework*

The Board of Supervisor has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Supervisors on their activities.

#### **26.2 Credit risk**

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

##### *Management of credit risk*

The Board has delegated responsibility for the management of credit risk to its Bank's Credit Committee. Credit department reporting to the Bank Credit Committee is responsible for oversight of the Bank's credit risk.

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The Credit department is headed by Chief Credit Officer (CCO). Credit Officer along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit risk.

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

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

The amount of credit risk in this regard is represented by the carrying amounts of the assets on the balance sheet date. The Bank has major concentration of credit risk in trading sector. Exposure to credit risk is managed through regular analysis of borrower to meet interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immovable property duly registered with the court of law and hypothecation over stock duly verified by the Bank's Credit Officer on monthly basis.

#### *Past due but not impaired loans*

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

#### *Allowances for impairment*

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

#### *Write-off Policy*

The Bank write off a loan balance against allowances for impairment losses when the Bank's Credit Department determines that the loan are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrowers 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. For smaller standardized loans, charge off decisions generally are based on a product specific past due status. Loan past due by more than 480 days are 100% provisioned and would be kept on books of account for 06 months additional after 480 days and than after expiry of 06 months loans would be written off pursuant to guidelines issued by the Central Bank of Afghanistan, however, this does not waive off the right of the Bank to recover these loans including through legal action.

#### *Concentration of credit risks by sector*

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 nil (2017: nil)

The Bank held cash and cash equivalents of AFN 16.67 billion (2017: AFN 16.87 billion) which represents its maximum credit exposure on these assets. The cash and cash equivalent are held with central banks and other banks.

#### *Settlement risk*

The Banks activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honor its obligation to deliverable cash, other assets as constructed agreed.

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

#### 26.3 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 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. The Bank's management is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. Asset & Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

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

##### *Exposure to liquidity risk*

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

Note	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
At period end / year end	93.77	93.50
Average for the period / year	93.74	93.60
Maximum for the period / year	99.88	97.79
Minimum for the period / year	89.34	90.02

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# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

## Maturity analysis for financial liabilities

	Note	Carrying	Gross inflow/	Less than 1 month	1-3 months	3 months to 1	More than 5
		amount	(outflow)			year	years
AFN							
2018							
Deposits from banks	14	756,598,119	(756,598,119)	(6,998,119)	-	(749,600,000)	-
Deposits from customers	15	17,441,007,603	(17,441,007,603)	(17,441,007,603)	-	-	-
Other liabilities	16	218,333,271	(218,333,271)	(218,333,271)	-	-	-
		18,415,938,993	(18,415,938,993)	(17,666,338,993)	-	(749,600,000)	-
2017							
Deposits from banks	14	8,384,659	(8,384,659)	(8,384,659)	-	-	-
Deposits from customers	15	18,822,135,472	(18,822,135,472)	(18,822,167,980)	-	-	-
Other liabilities	16	206,129,424	(206,129,424)	(206,129,424)	-	-	-
		19,036,649,554	(19,036,649,554)	(19,036,682,063)	-	-	-

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

## 26.4 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 holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in 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 ALCO. The Bank's Assets and Liability Committee (ALCO) is responsible for the development of detailed risk management

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# PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

## Exposure to interest rate risk

The Bank 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 managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary

Note	Carrying amount	Less than one month	Less than 3 months	6-12 months	1-5 years	More than 5 years
AFN						
<b>2018</b>						
Cash and balance with DAB	7,459,461,268	7,459,461,268	-	-	-	-
Balances with other banks	5,322,160,000	-	3,748,000,000	1,574,160,000	-	-
	12,781,621,268	7,459,461,268	3,748,000,000	1,574,160,000	-	-
Deposits from banks	14	(749,600,000)	-	(749,600,000)	-	-
Deposits from customers	15	(8,125,548,155)	-	-	-	-
	(8,875,148,155)	(8,125,548,155)	-	(749,600,000)	-	-
	3,906,473,113	(666,086,887)	3,748,000,000	824,560,000	-	-
<b>2017</b>						
Cash and balance with DAB	5.2	9,030,489,128	579,117	9,029,910,011	-	-
Balances with other banks	5.3	-	-	-	-	-
	9,030,489,128	579,117	9,029,910,011	-	-	-
Deposits from banks	14	-	-	-	-	-
Deposits from customers	15	(7,715,876,688)	(7,715,876,688)	-	-	-
	(7,715,876,688)	(7,715,876,688)	-	-	-	-
	1,314,612,440	(7,715,297,571)	9,029,910,011	-	-	-

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# PASHTANY BANK

## Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

### Exposure to currency risk

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

	AFN	USD	Others
<b>2018</b>			
Cash and balance with DAB	8,029,501,794	2,915,310,131	115,689,399
Balances with other banks	381,589	5,347,096,606	96,787,029
Other assets	945,266,611	831,127,115.92	7,151,814
	<b>8,975,149,994</b>	<b>9,093,533,853</b>	<b>219,628,242</b>
Deposits from banks	2,464,196	754,021,169	112,753
Deposits from customers	9,345,146,318	8,005,714,993	90,146,292
Other liabilities	159,541,409	9,859,265	-
	<b>9,507,151,922</b>	<b>8,769,595,428</b>	<b>90,259,046</b>
Net foreign currency exposure	<b>(532,001,928)</b>	<b>323,938,426</b>	<b>129,369,196</b>
<b>2017</b>			
Cash and balance with DAB	10,399,995	7,119,950	911,690
Balances with other banks	20,973	173	50,769
Loans and advances	-	-	-
Other assets	411,253	25,461	75
	<b>10,832,220</b>	<b>7,145,584</b>	<b>962,534</b>
Deposits from banks	3,150,268	5,122,320	112,071
Deposits from customers	11,036,377	7,603,166	182,592
Other liabilities	188,195	17,934	0
	<b>14,374,840</b>	<b>12,743,420</b>	<b>294,664</b>
Net foreign currency exposure	<b>(3,542,620)</b>	<b>(5,597,836)</b>	<b>667,870</b>

The following significant exchange rates were applied during the periods.

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	72.23	74.96	68.17	69.49
EURO	83.79	85.39	76.045	82.18
GBP	93.42	94.53	87.60	92.31

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## PASHTANY BANK

### Notes to the Financial Statements

For the year ended 30 Qaws 1397 (21 December 2018)

#### Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, and 10% strengthening euro at 21 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	Equity	Profit or loss	Equity	Profit or loss
	AFN			
USD	25,915,074	32,393,843	(447,826,888)	(559,783,611)

A 10 % weakening of the Afghani against the above currencies at 21 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 27 Capital management

The Bank's objective when managing capital, which is broader concept than the equity on the face of

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

The Bank regulatory capital position as at December 21, 2018 is as follows:

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	AFN	
<b>Regulatory capital:</b>		
Core (Tier 1) Capital:		
Total shareholder's equity	2,130,294,654	1,938,481,535
Less:		
Profit for the year	(221,207,264)	(27,821,932)
Deferred tax assets - Net	(162,056,156)	(124,397,758)
Surplus on revaluation	(444,913,400)	(447,463,800)
	<b>1,302,117,834</b>	<b>1,338,798,045</b>
Supplementary (Tier 2) Capital:		
Profit for the year	221,207,264	27,821,932
Surplus on revaluation	444,913,400	447,463,800
Allowable deduction-equity investment	(122,952,512)	(121,585,012)
	<b>543,168,152</b>	<b>353,700,720</b>
<b>Total regulatory capital</b>	<b>1,845,285,985</b>	<b>1,692,498,766</b>

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# PASHTANY BANK

## Notes to the Financial Statements


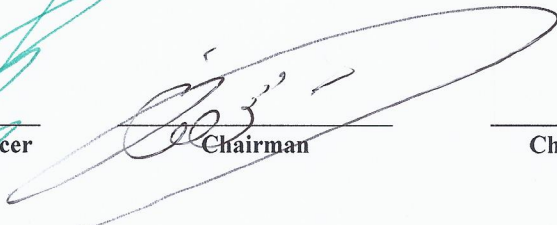

For the year ended 30 Qaws 1397 (21 December 2018)

	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1396 (21 Dec 2017)
	AFN	
<b>27.1 Risk-weight categories</b>		
<i>0% risk weight:</i>		
Cash in Afghani and fully-convertible foreign currencies	394,134,335	985,597,997
Direct claims on DAB	12,212,854,306	17,447,537,475
<b>Total</b>	<b>12,606,988,641</b>	<b>18,433,135,471</b>
0% risk-weight total (above total x 0%)	12,606,988,641	18,433,135,471
<i>20% risk weight:</i>		
Balances with other banks	5,444,265,224	71,914,491
20% risk-weight total (above total x 20%)	<b>1,088,853,045</b>	<b>14,382,898</b>
<i>100% risk weight:</i>		
All other assets	2,498,634,909	2,787,315,850
Allowable deduction-equity investment	(122,952,512)	(121,585,012)
Net deferred tax asset	(162,056,156)	(124,397,759)
100% risk-weight total (above total x 100%)	<b>2,213,626,241</b>	<b>2,665,730,838</b>
<i>0% risk weight:</i>		
Guarantees	958,708,847	958,708,847
0% credit conversion factor total (risk-weighted total x 0%)	<b>958,708,847</b>	<b>958,708,847</b>
<b>Total risk-weighted assets</b>		
<b>Tier 1 Capital Ratio</b>		
(Tier 1 capital as % of total risk-weighted assets)	39.43	49.95
<b>Regulatory Capital Ratio</b>		
(Regulatory capital as % of total risk-weighted assets)	55.88	63.15

## 28 CORRESPONDING FIGURES

Significant reclassification / rearrangement has been made in these financial statements

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Chief Executive Officer      Chairman      Chief Financial Officer