

Pashtany Bank

Unaudited financial statement
with accompanying information
for three months ended 20 March 2017

Report on Review of Interim Financial Statements to Shareholders

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **Pashtany Bank** ("the bank") **as at March 20, 2017**, and the related Condensed Interim income statement, Statement of Condensed Interim changes in equity and Statement of Condensed Interim cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank (DAB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent auditor of the entity". A review of interim financial information consist of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

1. The bank owns investment properties amounting to Afs. 962.183 million (December 20, 2016: Afs. 962.183 million) which is in contravention of the requirements of Article 34 'Prohibited Activities' of law of banking of Afghanistan, which prohibits banks from engaging in such type of business activities.
2. Impairment test of financial assets "Investment in Equity Instruments" as required by International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" was not carried out. We therefore, are not in a position to ascertain whether carrying amounts of 'Investment in Equity Instruments' of the bank are not stated in excess of their recoverable amount as at March 20, 2017.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as of **March 20, 2017** and of its financial performance and its cash flows for the three month period then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) rules and regulations.

Horwath MAK 


Auditors & Business Advisors
Kabul

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM FINANCIAL POSITION
AS AT 30 Hoot 1395 (20 March 2017)

		30 Hoot 1395 March 20, 2017	30 Qaws 1395 December 20, 2016
	Notes	----- (AFN) -----	
Assets			
Cash and bank balances	5	15,340,278,298	15,241,736,274
Investments	7	121,178,761	120,922,512
Property and equipment		841,609,446	842,411,632
Investment properties		962,183,000	962,183,000
Non-current asset held for sale		315,572,250	310,806,000
Deferred tax assets		438,503,958	438,503,958
Other assets	8	790,969,412	896,257,482
Total assets		18,810,295,124	18,812,820,858
Liabilities			
Deposits from banks	9	453,575,199	457,149,697
Deposits from Customers	10	15,499,499,650	15,587,474,140
Deferred tax liabilities		111,767,400	111,767,400
Deferred income - Non current assets held for sale		315,572,250	310,806,000
Other liabilities	11	451,464,875	435,601,618
Total liabilities		16,831,879,374	16,902,798,855
Equity			
Share capital		3,820,257,000	3,820,257,000
Retained earnings		(2,291,855,449)	(2,360,249,197)
Surplus on revaluation of property and equipment - net		450,014,200	450,014,200
Total equity		1,978,415,750	1,910,022,003
Total liabilities and equity		18,810,295,124	18,812,820,858

The annexed notes form an integral part of the financial statements from Note 01 to 18



Chief Executive Officer



Chief Financial Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

		March 20, 2017	March 19, 2016
	Notes	----- (AFN) -----	-----
Interest / profit income		83,038,966	101,956,372
Interest / profit expense		(6,020,098)	(12,429,207)
Net interest / profit income	12	<u>77,018,868</u>	<u>89,527,165</u>
Fee and commission income		15,420,504	7,702,459
Fee and commission expense		(1,000,153)	(1,721,323)
Net fee and commission income		<u>14,420,351</u>	<u>5,981,136</u>
Other income	13	<u>60,469,903</u>	<u>150,981,270</u>
		<u>60,469,903</u>	<u>150,981,270</u>
Operating income		<u>151,909,122</u>	<u>246,489,571</u>
Impairment reversal / (loss) on loans and advances		-	(4,000,044)
Personnel expenses	14	(39,938,228)	(39,254,186)
Depreciation		(3,997,444)	(5,957,118)
Other expenses	15.	(41,258,063)	(38,732,087)
Exchange gain		18,643,858	11,647,684
Profit before taxation		<u>85,359,244</u>	<u>170,193,820</u>
Income tax		(16,965,498)	(15,172,623)
Net profit for the year		<u>68,393,746</u>	<u>155,021,197</u>
Other comprehensive income		-	-
Total comprehensive income for the period ended		<u>68,393,746</u>	<u>155,021,197</u>

The annexed notes form an integral part of the financial statements from Note 01 to 18.



 Chief Executive Officer


 Chief Financial Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM CASH FLOWS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

	March 20, 2017	March 19, 2016
	----- (AFN) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	85,359,244	170,193,820
Adjustments for:		
Depreciation	3,997,444	5,957,118
Net impairment loss on loans and advances	-	4,000,000
Foreign exchange (gain) / loss	(18,643,858)	(11,647,684)
	<u>70,712,831</u>	<u>168,503,254</u>
(Increase) decrease in operating assets and liabilities:		
Loans and advances - net	-	462,000
Other assets	105,288,071	(139,327,110)
Deposits from customers and banks	(91,548,988)	(676,066,195)
Other liabilities	15,863,257	38,927,398
Net cash from operating activities before interest and tax	<u>100,315,170</u>	<u>(607,500,653)</u>
Tax paid	(16,965,498)	(15,172,623)
Net cash from operating activities	<u>83,349,672</u>	<u>(622,673,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,195,257)	(824,053)
Investment made	(256,250)	(3,912)
Net cash used in investing activities	<u>(3,451,506)</u>	<u>(827,964)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	79,898,166	(623,501,240)
Cash and cash equivalents at beginning of the period / year	15,241,736,274	14,440,452,000
Effect of exchange differences in cash and cash equivalents	18,643,858	11,647,684
Cash and cash equivalents at the end of the period / year	<u>15,340,278,298</u>	<u>13,828,598,444</u>

The annexed notes form an integral part of the financial statements from Note 01 to 18.


Chief Executive Officer


Chief Financial Officer

PASHTANY BANK

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The annexed notes form an integral part of the financial statements from Note 01 to 18.

[Signature]
Chief Executive

Chief Executive Officer


Chief Financial Officer

Chief Financial Officer

PASHTANY BANK

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)**

1. STATUS AND NATURE OF OPERATIONS

Pashtany Bank ("the Bank") was registered with Afghanistan Investment Support Agency (AISA) on 26 June 2004 and on 26 June 2004 received formal commercial bank license from Da Afghanistan Bank (DAB), the Central Bank in Afghanistan, to operate nationwide. The Bank is a Limited Liability Company and is incorporated and domiciled in Afghanistan. The Principal business place of the Bank is at Muhammad Jan Khan Watt, Kabul, Afghanistan.

- 1.1 The Bank has been operating as one of the leading commercial banking service provider in Afghanistan. The Bank has twenty one branches (2016: twenty one branches) in operation.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as 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 shall prevail.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

These financial statements have been authorized to be issue at _____ with approval of Board of Supervisors.

3.2 Functional and presentation currency

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

3.3 Use of critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial years. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgment will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of pertinent assets and liabilities have been taken into consideration.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of accounting policies will be read with the last year audited financial statements.

PASHTANY BANK
NOTES TO THE CONDENSED I NTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

	Note	March 20, 2017 ----- (AFN) -----	December 20, 2016
5. CASH AND BALANCES W ITH DA AFGHANISTAN BANK (DAB)			
Cash in hand			
Local currency		205,057,045	154,168,095
Foreign currency		838,839,156	528,892,573
		1,043,896,201	683,060,668
Balances with Da Afghanistan Bank	5.1	13,912,132,516	14,164,189,080
Balances with other banks	6	384,249,581	394,486,525
		15,340,278,298	15,241,736,274
5.1 Balances with Da Afghanistan Bank			
Local currency			
Required reserve account		1,284,223,000	1,244,576,000
Current accounts		60,096,215	189,074,288
		1,344,319,215	1,433,650,288
Foreign currency			
Current accounts		6,961,258,277	7,744,285,991
Placements			
Capital notes	5.2	5,353,918,149	4,835,317,203
Over night Account with DAB		252,636,875	150,935,599
		13,912,132,516	14,164,189,080

5.2 This represents capital notes issued by DAB from 28, 90, 184 and 365 days (2016: 07, 28 ,184 and 365 days) carrying coupon interest at rate ranging from 3.530% to 6.665 p.a.% for the period ended as at March 20, 2017 (2016: 1.80% to 6.77 % p.a.)

	Note	March 20, 2017 ----- (AFN) -----	December 20, 2016
6. BALANCES WITH OTHER BANKS			
In Afghanistan			
Current accounts		4,194,973	34,990,457
Outside Afghanistan			
Current accounts		380,054,607	359,496,068
		384,249,581	394,486,525

PASHTANY BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 March 2017

	Note	March 20, 2017	December 20, 2016
		----- (AFN) -----	
7. INVESTMENTS - NET			
Investment in equity instruments			
Bank-e-Mille Afghan		9,800,000	9,800,000
Afghan National Insurance Company		7,660,000	7,660,000
Shirkat-e-Aryana		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
Afghanistan Payment System	7.1	16,966,250	16,710,000
		<u>121,178,761</u>	<u>120,922,512</u>
7.1 Afghanistan Payment System			
Balance at beginning of year		16,710,000	17,359,000
Exchange gain recognized in income statement		256,250	(649,000)
Balance at end of year	7.1.1	<u>16,966,250</u>	<u>16,710,000</u>
7.1.1	The Bank has made investment of USD 250,000 in Afghanistan Payment System (APS) LLC during the year 1389. The Bank currently holds 16.66% (December 20, 2016: 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.		

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

8. OTHER ASSETS

	March 20,	December 20,
	2017	2016
	----- (AFN) -----	
Advances to employees	8,287,148	4,466,006
Advances to suppliers	133,564,512	73,303,146
Interest accrued on capital notes & demand deposit	176,615,137	122,249,746
Other assets	330,993,988	354,303,089
Receivable against sale of collaterals	183,642,690	384,062,640
Receivable from BCCI-London	107,519,105	105,895,189
	<u>940,622,580</u>	<u>1,044,279,816</u>
Provision against advances and receivables	8.1 <u>(149,653,169)</u>	<u>(148,022,334)</u>
Net carrying amount	<u>790,969,412</u>	<u>896,257,482</u>

8.1 PROVISION AGAINST ADVANCES RECEIVABLES

Opening for the period / year	(148,022,334)	(150,424,000)
Charged for the period / year	(1,630,835)	2,401,666
Closing for the period / year	<u>(149,653,169)</u>	<u>(148,022,334)</u>

9. DEPOSITS FROM BANKS

Agricultural Bank Kabul	444,067	617,180
Construction Bank	1,594,539	1,598,939
Bank-e-Millie Afghan	218,546	314,507
Maiwand Bank	769,892	759,720
Afghan United Bank	386,373,853	334,714,210
Azizi Bank	39,815,488	-
Ghazanfar Bank	24,358,814	119,145,141
	<u>453,575,199</u>	<u>457,149,697</u>

10. DEPOSITS FROM CUSTOMERS

Term deposits	32,508,056	119,324,292
Saving deposits	7,605,880,307	7,362,005,819
Current deposits	7,861,111,286	8,106,144,028
	<u>15,499,499,650</u>	<u>15,587,474,140</u>

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

	Note	March 20, 2017	December 20, 2016
		----- (AFN) -----	
11 OTHER LIABILITIES			
Withholding tax payable		35,100,157	33,618,113
Employees pension funds		86,755,095	94,988,972
Other payables		249,249,102	74,226,211
Creditor payable		80,360,521	232,768,321
		<u>451,464,875</u>	<u>435,601,618</u>
11.1	This includes an amount of M/s Eco Afghanistan received against the written off loan and advance, where by the management is awaiting the final decree from court for transferring the title of document in the name of the related customer as earlier the title was transferred to bank. Hence management has decided to offset the related receivable after receiving final court decree so that the customer will pay all pending payments.		
		March 20, 2017	March 19, 2016
12. NET INTEREST INCOME		----- (AFN) -----	
Interest income			
Cash and cash equivalents		83,038,966	88,812,861
Loans and advances to customers		-	13,143,511
		<u>83,038,966</u>	<u>101,956,372</u>
Interest expense			
Deposits from customers	12.1	(6,020,098)	(12,429,207)
Net interest income		<u>77,018,868</u>	<u>89,527,165</u>
12.1	Deposits from customers		
Term deposits		161,880	28,916
Saving deposits		5,858,218	12,400,291
		<u>6,020,098</u>	<u>12,429,207</u>
13. OTHER INCOME			
Rental income		7,251,366	8,507,091
Bad debt recovered			
Loan principal		33,957,153	127,104,718
Loan interest		18,595,860	12,241,115
Income from investments			-
Other		665,524	3,128,346
		<u>60,469,903</u>	<u>150,981,270</u>
14. PERSONNEL EXPENSES			
Salaries and wages		29,590,860	30,661,568
Contribution towards pension fund		-	8,034,338
Staff welfare		10,347,368	558,280
		<u>39,938,228</u>	<u>39,254,186</u>

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 Hoot 1395 (20 March 2017)

	March 20, 2017	March 19, 2016
	----- (AFN) -----	
15. OTHER OPERATING EXPENSES		
Repair and maintenance	1,278,786	348,586
Travel and conveyance	261,287	352,879
Advertisement and publicity	1,208,869	51,948
Rent expense	3,079,478	2,124,306
Building tax	-	448,207
Deposit insurance	12,000,000	9,333,093
Internet expense	2,452,279	6,218,770
Security expense	10,318,366	7,740,186
Printing and stationery	876,163	2,156,135
Communication	160,913	225,228
Electricity	1,529,188	1,091,288
Fuel expenses	1,074,278	2,018,739
Auditor's remuneration	4,677	402,266
Cleaning and water	108,198	195,315
Kindergarten expenses	64,839	59,712
Employees training expenses	96,958	15,000
Others	6,743,783	5,950,430
	<u>41,258,063</u>	<u>38,732,087</u>
16. CONTINGENCIES AND COMMITMENTS		
Counter guarantees issued	<u>941,776,820</u>	<u>366,941,860</u>

17. CAPITAL MANAGEMENT

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


The Bank regulatory capital position as at March 19, 2016 is as follows:

	March 20 2017	December 20 2016
	----- (AFN) -----	
Regulatory capital:		
Core (Tier 1) Capital:		
Total shareholder's equity	1,978,415,750	1,910,022,003
Less:		
Profit for the year	(68,393,746)	(844,514,567)
Deferred tax assets - Net	(438,503,958)	(326,736,558)
Surplus on revaluation	(450,014,200)	(450,014,200)
	<u>1,021,503,846</u>	<u>288,756,678</u>
Supplementary (Tier 2) Capital:		
Profit for the year	68,393,746	844,514,567
Surplus on revaluation	450,014,200	450,014,200
	<u>518,407,946</u>	<u>1,294,528,767</u>
Total regulatory capital	<u>1,539,911,792</u>	<u>1,583,285,445</u>

18. GENERAL

Figures have been rounded off to the nearest Afghanis.


 Chief Executive Officer


 Chief Financial Officer