



Grant Thornton

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Report on Review of Interim Financial Information to the Shareholders of Pashtany Bank

Grant Thornton Afghanistan

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pashtany Bank** ("the Bank") as at March 20, 2019 (Hoot 29, 1397) and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the three months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial statements consists of making inquiries, 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 that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

- 1) As referred in Note 5, 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 751.224 million and this includes land having value of AFN 352.591 million and buildings having written down value of AFN 365.361 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.

Qualified Conclusion

Based on our review, with the exception of the matters described in preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the bank as at March 20, 2019 (Hoot 29, 1397), and of its financial performance and its cash flows for the three months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan.

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Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date *7th May 2019*

PASHTANY BANK

Condensed Interim Statement of Financial Position

As of 29 Hoot 1397 (20 March 2019)

| | | Unaudited | Audited |
|--|------|-----------------------|-----------------------|
| | | 29 Hoot 1397 | 30 Qaws 1397 |
| | | (20 March 2019) | (21 Dec 2018) |
| | Note | (AFN) | |
| Assets | | | |
| Cash and bank balances | 4 | 16,694,138,855 | 16,673,499,096 |
| Investments | 5 | 123,077,511 | 122,952,512 |
| Property and equipment | 6 | 819,855,883 | 824,813,888 |
| Investment properties | | 962,183,000 | 962,183,000 |
| Deferred tax asset - net | | 162,056,156 | 162,056,156 |
| Other assets | 7 | 2,059,322,083 | 1,800,728,994 |
| Total assets | | 20,820,633,488 | 20,546,233,647 |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | | 3,820,257,000 | 3,820,257,000 |
| Accumulated losses | | (2,125,315,361) | (2,134,875,746) |
| Surplus on revaluation of property and equipment | | 444,913,400 | 444,913,400 |
| Total equity | | 2,139,855,039 | 2,130,294,654 |
| Liabilities | | | |
| Deposits from banks | 8 | 765,740,968 | 756,598,119 |
| Deposits from customers | 9 | 17,690,762,793 | 17,441,007,603 |
| Other liabilities | 10 | 224,274,688 | 218,333,271 |
| Total liabilities | | 18,680,778,449 | 18,415,938,993 |
| Total equity and liabilities | | 20,820,633,488 | 20,546,233,647 |
| Contingencies and Commitments | 11 | | |

The annexed notes from 1 to 18 form an integral part of the financial statements.


Chief Executive Officer
Chief Finance Officer

PASHTANY BANK

Condensed Inerim Statement of Comprehensive Income [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | | <i>Three months ended</i> | |
|--|-----------|---------------------------|----------------------|
| | | 29 Hoot 1397 | 30 Hoot 1396 |
| | | (20 Mar 2019) | (20 Mar 2018) |
| | | (AFN) | |
| | | | |
| Interest income | | 37,348,744 | 4,584,781 |
| Interest expense | | (7,149,792) | (1,052,664) |
| Net interest income | <i>12</i> | 30,198,952 | 3,532,117 |
| Fee and commission income | | 14,023,924 | 10,953,912 |
| Fee and commission expense | | (91,513) | (1,734,036) |
| Net fee and commission income | | 13,932,411 | 9,219,876 |
| Other income | <i>13</i> | 48,003,620 | 65,950,445 |
| | | 48,003,620 | 65,950,445 |
| Operating income | | 92,134,983 | 78,702,438 |
| Impairment reversal/ (loss) on investments and other assets | | (123,097) | 4,507,469 |
| Employee costs | <i>14</i> | (36,898,884) | (35,675,357) |
| Depreciation | | (7,107,412) | (3,608,364) |
| Other operating expenses | <i>15</i> | (41,289,394) | (42,117,288) |
| Exchange gain | | 3,876,242 | (112,211) |
| Operating expenses | | (81,542,545) | (77,005,751) |
| Profit before taxation | | 10,592,438 | 1,696,688 |
| Income tax | | (1,032,053) | (1,537,345) |
| Profit for the year | | 9,560,385 | 159,343 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period ended | | 9,560,385 | 159,343 |

The annexed notes from 1 to 18 form an integral part of the financial statements.

Chief Executive Officer

Chief Financial Officer

PASHTANY BANK

Condensed interim Statement of Cash Flows [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | Three months ended | |
|---|-------------------------------|-------------------------------|
| | 29 Hoot 1397 (20 Mar 2019) | 30 Hoot 1396 (20 Mar 2018) |
| | (AFN) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | 10,592,438 | 1,696,688 |
| Adjustments for: | | |
| Depreciation | 7,107,412 | 3,608,364 |
| Unrealized exchange (gain)/ loss on investments | (125,000) | 97,500 |
| Provision on investments and other assets | 123,097 | (4,507,469) |
| | 17,697,947 | 895,083 |
| <i>(Increase)/ decrease in current assets:</i> | | |
| Other assets | (258,716,183) | 28,945,857 |
| <i>Increase/ (decrease) in current liabilities:</i> | | |
| Deposits from banks | 9,142,849 | (28,819) |
| Deposits from customers | 249,755,190 | (1,214,966,559) |
| Other liabilities | 5,941,417 | (54,493,734) |
| | 6,123,273 | (1,240,543,255) |
| Cash inflows / (outflow) from operations | 23,821,220 | (1,239,648,172) |
| Taxes paid | (1,032,053) | (1,537,345) |
| Net cash inflow / (outflow) from operating activities | 22,789,167 | (1,241,185,517) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (2,149,408) | (1,000,034) |
| Net cash used in investing activities | (2,149,408) | (1,000,034) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | - | - |
| Net cash used in financing activities | - | - |
| Net increase / (decrease) in cash and cash equivalents | 20,639,759 | (1,242,185,551) |
| Cash and cash equivalents at beginning of the year | 16,673,499,096 | 18,503,549,962 |
| Cash and cash equivalents at the end of the year | 16,694,138,855 | 17,261,364,411 |

The annexed notes from 1 to 18 form an integral part of the financial statements.



Chief Executive Officer



Chief Financial Officer

PASHTANY BANK

Condensed Interim Statement of Changes in Equity [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | Share capital | Retained earnings | Surplus on revaluation of property and equipment | Total |
|-------------------------------------|---------------|-------------------|--|---------------|
| | -----AFN----- | | | |
| Balance as at 20 December 2017 | 3,820,257,000 | (2,329,239,265) | 447,463,800 | 1,938,481,535 |
| Comprehensive income for the period | - | 159,343 | - | 159,343 |
| Balance as at 20 March 2018 | 3,820,257,000 | (2,329,079,922) | 447,463,800 | 1,938,640,878 |
| Balance as at 21 December 2018 | 3,820,257,000 | (2,134,875,746) | 444,913,400 | 2,130,294,654 |
| Comprehensive income for the period | | 9,560,385 | | 9,560,385 |
| Balance as at 20 March 2019 | 3,820,257,000 | (2,125,315,361) | 444,913,400 | 2,139,855,039 |

The annexed notes from 1 to 18 form an integral part of the financial statements.


Chief Executive Officer


Chief Financial Officer

PASHTANY BANK

Selected Notes to and forming part of the Condensed Interim Financial Statements [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

1. LEGAL STATUS AND OPERATIONS

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.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, 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.

The disclosures in these condensed interim financial statements do not include those reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements for the year ended 30 Qaws 1397 (21 December 2018).

Comparative statement of financial position is extracted from the annual audited financial statements as of 30 Qaws 1397 (21 December 2018), whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from unaudited condensed interim financial statements for the three months period ended 30 Hoot 1395 (20 March 2017).

These condensed interim financial statements are unaudited.

3. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 30 Qaws 1397 (21 December 2018).

PASHTANY BANK

Selected Notes to and forming part of the Condensed Interim Financial Statements [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|--|--|-------------------------------|-------------------------------|
| | Note | (AFN) | |
| 4. CASH AND BANK BALANCES | | | |
| Cash in hand | 4.1 | 344,109,880 | 394,134,335 |
| Balances with Da Afghanistan Bank | 4.2 | 10,886,404,167 | 10,835,099,537 |
| Balances with other banks | 4.3 | 5,463,624,808 | 5,444,265,224 |
| | | 16,694,138,855 | 16,673,499,096 |
| 4.1 Cash in hand | | | |
| Local currency | | 117,786,083 | 168,732,548 |
| Foreign currency | | 226,323,797 | 225,401,787 |
| | | 344,109,880 | 394,134,335 |
| 4.2 Balances with Da Afghanistan Bank | | | |
| Local currency current accounts | | 253,551,486 | 570,040,526 |
| Foreign currency current accounts | | 2,986,203,325 | 2,805,597,743 |
| Capital notes | 4.4 | 2,999,136,915 | 6,999,088,658 |
| Over night | 4.5 | 4,647,512,441 | 460,372,610 |
| | | 10,886,404,167 | 10,835,099,537 |
| 4.3 Balances with other banks | | | |
| In Afghanistan | | | |
| Azizi Bank | | 1,653,692 | 1,642,960 |
| Bank Millie Afghan | | 636,607 | 660,613 |
| New Kabul Bank | | 2,830,794 | 2,813,536 |
| | | 5,121,093 | 5,117,109 |
| Outside Afghanistan | | | |
| Aktif Bank, Turkey | | 391,803,456 | 389,268,738 |
| BMCE, Spain | | 507,053,612 | 520,576,553 |
| Citi Bank, UAE | | 754,600,000 | 749,600,000 |
| Citi Bank, USA | | 3,773,000,000 | 3,748,000,000 |
| United Bank Limited, Pakistan | | 32,046,647 | 31,702,824 |
| | | 5,458,503,715 | 5,439,148,115 |
| | | 5,463,624,808 | 5,444,265,224 |
| 4.4 | These represent capital notes issued by Da Afghanistan bank carrying interest rate from 0.37% (21 Dec 2018: 0.15% to 0.34%) p.a. and having maturity date in April 2019. | | |
| 4.5 | This represent over night deposit with Da Afghanistan Bank carrying interest rate of 0.01% (21 Dec 2018: 0.01%) per annum. | | |

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|--|------|-------------------------------|-------------------------------|
| | Note | (AFN) | |
| 5. INVESTMENTS | | | |
| Investment in associated company: | | | |
| Balance at beginning of year | | 18,740,000 | 17,372,500 |
| Exchange loss recognized in income statement | | 125,000 | 1,367,500 |
| | 5.1 | <u>18,865,000</u> | <u>18,740,000</u> |
| Investment in equity instruments | 5.2 | <u>104,212,511</u> | <u>104,212,511</u> |
| | | <u>123,077,511</u> | <u>122,952,511</u> |

- 5.1 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% (2018: 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.

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|---|------|-------------------------------|-------------------------------|
| | Note | (AFN) | |
| 5.2 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-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> |

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|--|--|-------------------------------|-------------------------------|
| | | (AFN) | |

6. PROPERTY AND EQUIPMENT

Gross Carrying Amount

| | | |
|----------------------------------|----------------------|----------------------|
| At beginning of the period/ year | 1,056,681,775 | 1,035,462,327 |
| Addition during the period/ year | 2,149,408 | 21,827,223 |
| Disposal during the period/ year | - | (607,775) |
| Revaluation adjustment | - | - |
| Closing balance | <u>1,058,831,183</u> | <u>1,056,681,775</u> |

Accumulated Depreciation

| | | |
|--------------------------------------|--------------------|--------------------|
| At beginning of the period/ year | 300,499,640 | 277,472,393 |
| Charge for the period/ year | 7,107,412 | 23,456,657 |
| Accumulated depreciation on disposal | - | (429,411) |
| Revaluation adjustment | - | - |
| Closing balance | <u>307,607,052</u> | <u>300,499,639</u> |

Capital work-in-progress

Net Book value

| | | |
|--------------------------|--------------------|--------------------|
| Operating fixed assets | 751,224,131 | 756,182,137 |
| Capital work-in-progress | 68,631,752 | 68,631,752 |
| | <u>819,855,883</u> | <u>824,813,889</u> |

PASHTANY BANK

Selected Notes to and forming part of the Condensed Interim Financial Statements [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|---|------|-------------------------------|-------------------------------|
| 7. OTHER ASSETS | Note | (AFN) | |
| Required reserve account | 7.1 | 1,569,042,850 | 1,377,754,769 |
| Advance tax | | 353,072,899 | 353,072,899 |
| Advances to employees | | 17,371,700 | 14,868,690 |
| Advances to suppliers | | 61,127,109 | 60,862,858 |
| Interest accrued on capital notes & Demand deposits | | 19,199,265 | 25,613,215 |
| Others | | 74,960,756 | 3,885,963 |
| | | 2,094,774,579 | 1,836,058,394 |
| Provision against advances and receivables | | (3,778,223) | (3,655,127) |
| Provision against misappropriation | | (31,674,273) | (31,674,273) |
| Net carrying amount | | <u>2,059,322,083</u> | <u>1,800,728,994</u> |

- 7.1 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 (2018: nil).

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|---|------|-------------------------------|-------------------------------|
| 7.1.1 Currency profile of required reserve with DAB | Note | (AFN) | |
| Local currency | | 747,360,708 | 574,866,194 |
| Foreign currencies | | 821,682,142 | 802,888,575 |
| | | <u>1,569,042,850</u> | <u>1,377,754,769</u> |

8. DEPOSITS FROM BANKS

Current deposit

| | | | |
|-------------------------|-----|------------------|------------------|
| Agricultural Bank Kabul | 8.1 | 234,321 | 234,321 |
| Construction Bank | 8.1 | 1,605,439 | 1,603,240 |
| Bank-e-Millie Afghan | | 345,661 | 345,756 |
| Maiwand Bank | | 840,747 | 835,805 |
| Afghan United Bank | | 3,822,453 | 3,800,411 |
| Azizi Bank | | 105,003 | 104,308 |
| New Kabul Bank | | 34,183 | 33,957 |
| Ghazanfar Bank | | 40,591 | 40,322 |
| | | <u>7,028,398</u> | <u>6,998,119</u> |

Time Deposit

| | | | |
|----------------|-----|--------------------|--------------------|
| New Kabul Bank | 8.2 | 758,712,570 | 749,600,000 |
| | | <u>765,740,968</u> | <u>756,598,119</u> |

- 8.1 These deposits are from the banks which became defunct in 2008. DAB has yet to determine the status of these deposits.
- 8.2 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.

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|-----------------------------------|-------------|-------------------------------|-------------------------------|
| | <i>Note</i> | (AFN) | |
| 9. DEPOSITS FROM CUSTOMERS | | | |
| Fixed deposit | 9.1 | 32,638,602 | 32,638,602 |
| Saving deposits | 9.2 | 8,247,484,660 | 8,125,548,155 |
| Current deposits | | 9,410,639,531 | 9,282,820,846 |
| | | <u>17,690,762,793</u> | <u>17,441,007,603</u> |

- 9.1 This deposit carries an interest rate of 1% (2018: 1%) p.a.

- 9.2 These carry interest rate of 0.05% (2018: 0.05%) p.a. for AFN currency and 0.5% (2018: 0.5%) for USD currency p.a.

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|-----------------------------------|-------------|-------------------------------|-------------------------------|
| | <i>Note</i> | (AFN) | |
| 10. OTHER LIABILITIES | | | |
| Employees pension fund | | 127,364,486 | 130,042,326 |
| Creditors | | 30,479,923 | 30,433,100 |
| Accrued expenses | | 30,242,402 | 28,169,026 |
| Other payables | | 35,894,785 | 10,609,596 |
| Withholding tax payable | | 293,092 | 1,895,797 |
| Inter-branch unreconciled balance | | - | 17,183,426 |
| | | <u>224,274,688</u> | <u>218,333,271</u> |

PASHTANY BANK

Selected Notes to and forming part of the Condensed Interim Financial Statements [unaudited]

For the three months ended 29 Hoot 1397 (20 March 2019)

| | | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|--|--|-------------------------------|-------------------------------|
| | Note | (AFN) | |
| 11. CONTINGENCIES AND COMMITMENTS | | | |
| Bank guarantees issued | 11.1 | <u>1,001,512,373</u> | <u>953,838,708</u> |
| 11.1 | Bank guarantee issued by the Bank are backed up by 100% cash margin. | | |
| | | 29 Hoot 1397 (20 Mar 2019) | 30 Hoot 1396 (20 Mar 2018) |
| | | (AFN) | |
| 12. NET INTEREST INCOME | | | |
| Interest income | | | |
| Cash and cash equivalents | | 37,348,744 | 4,584,781 |
| Interest expense | | | |
| Term deposits | | 1,736,015 | - |
| Saving deposits | | 5,413,777 | 1,052,664 |
| Net interest income | | <u>30,198,952</u> | <u>3,532,117</u> |
| 13. OTHER INCOME | | | |
| Recovery of loans written-off | | | |
| Loan principal | | 35,838,534 | 49,235,753 |
| Loan interest | | 2,570,381 | 16,327,282 |
| Rental income | | 9,060,610 | 241,295 |
| Other | | 534,095 | 146,115 |
| | | <u>48,003,620</u> | <u>65,950,445</u> |

| | 29 Hoot 1397 (20 Mar 2019) | 30 Hoot 1396 (20 Mar 2018) |
|------|-------------------------------|-------------------------------|
| Note | (AFN) | |

14. EMPLOYEE COSTS

| | | |
|------------------------------|-------------------|-------------------|
| Salaries, wages and benefits | 36,569,579 | 34,728,693 |
| Bonus | 214,305 | - |
| Staff welfare | 115,000 | 946,664 |
| | <u>36,898,884</u> | <u>35,675,357</u> |

15. OTHER OPERATING EXPENSES

| | | |
|-----------------------------|-------------------|-------------------|
| Repair and maintenance | 1,620,035 | 1,865,560 |
| Travel and conveyance | 466,730 | 587,332 |
| Advertisement and publicity | 874,056 | 3,075,727 |
| Rent expense | 3,480,277 | 3,863,654 |
| Building tax | 3,000 | - |
| Deposit insurance | 12,268,190 | 12,000,000 |
| Internet expense | 2,060,857 | 2,023,908 |
| Security expense | 10,980,404 | 10,061,616 |
| Printing and stationery | 973,670 | 422,748 |
| Communication | 237,318 | 237,961 |
| Electricity | 1,517,529 | 2,955,923 |
| Fuel expenses | 1,480,185 | 808,115 |
| Auditor's remuneration | 301,520 | - |
| Cleaning and water | 118,387 | 107,727 |
| Kindergarten expenses | 69,284 | 43,030 |
| Employees training expenses | 558,143 | 121,250 |
| Others | 4,279,809 | 3,942,737 |
| | <u>41,289,394</u> | <u>42,117,288</u> |

PASHTANY BANK

Selected Notes to and forming part of the Condensed Interim Financial Statements [unaudited]
For the three months ended 29 Hoot 1397 (20 March 2019)

16. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Bank is owned by individual shareholders who own Bank's shares in different proportions.

Key management personnel

Key management personnel includes Board of Supervisors, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Credit Officer, Chief Risk Officer and Chief HR and Administration Officer.

Transactions with related parties

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

| | Transactions | | Balances | |
|---|--------------|-----------|-----------|-----------|
| | Unaudited | Unaudited | Unaudited | Audited |
| | 20-Mar-19 | 20-Mar-19 | 20-Mar-19 | 21-Dec-18 |
| Transactions with key management | | | | |
| Salary and short terms other benefits | 3,682,833 | 4,575,200 | - | - |
| Deposits from banks | | | | |
| Bank-e-Mille Afghan | - | 2,758 | 345,661 | 345,756 |

In addition to salaries and remuneration, Bank also provides non-cash benefits to executives which include furnished accommodation, meals and travel cost.

17. CAPITAL MANAGEMENT

The Bank's objectives when managing capital include:

- (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 sustainable ; and
- (iii) To maintain strong capital base to support the development of its business.

The Bank regulatory capital position as at 20 March 2019 is as follows:

| | 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|---------------------------------------|-------------------------------|-------------------------------|
| | (AFN) | |
| Regulatory capital: | | |
| Core (Tier 1) Capital: | | |
| Total shareholder's equity | 2,139,855,039 | 2,130,294,654 |
| Less: | | |
| Profit for the year | (9,560,385) | (221,207,264) |
| Deferred tax assets - Net | (162,056,156) | (162,056,156) |
| Surplus on revaluation | (444,913,400) | (444,913,400) |
| | <u>1,523,325,098</u> | <u>1,302,117,834</u> |
| Supplementary (Tier 2) Capital: | | |
| Profit for the year | 9,560,385 | 221,207,264 |
| Surplus on revaluation | 444,913,400 | 444,913,400 |
| Allowable deduction-equity investment | (123,077,511) | (122,952,512) |
| | <u>331,396,274</u> | <u>543,168,152</u> |
| Total regulatory capital | <u>1,854,721,372</u> | <u>1,845,285,985</u> |

17.1 *Risk-weight categories*

0% risk weight:

Cash in Afghani and fully-convertible foreign currencies
Direct claims on DAB

Total

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

20% risk weight:

Balances with other banks

20% risk-weight total (above total x 20%)

100% risk weight:

All other assets

Allowable deduction-equity investment

Net deferred tax asset

100% risk-weight total (above total x 100%)

0% risk weight:

Guarantees

0% credit conversion factor total (risk-weighted total x 0%)

Total risk-weighted assets

Tier 1 Capital Ratio

(Tier 1 capital as % of total risk-weighted assets)

Regulatory Capital Ratio

(Regulatory capital as % of total risk-weighted assets)

| 29 Hoot 1397 (20 Mar 2019) | 30 Qaws 1397 (21 Dec 2018) |
|-------------------------------|-------------------------------|
| (AFN) | |

| | |
|-----------------------|-----------------------|
| 344,109,880 | 394,134,335 |
| 12,455,447,017 | 12,212,854,306 |
| 12,799,556,897 | 12,606,988,641 |

| | |
|----------------------|----------------------|
| 5,463,624,808 | 5,444,265,224 |
| 1,092,724,962 | 1,088,853,045 |

| | |
|---------------|---------------|
| 2,561,230,006 | 2,498,634,909 |
| (123,077,511) | (122,952,512) |
| (162,056,156) | (162,056,156) |

| | |
|----------------------|----------------------|
| 2,276,096,339 | 2,213,626,241 |
|----------------------|----------------------|

| | |
|----------------------|--------------------|
| 1,001,512,373 | 958,708,847 |
| 1,001,512,373 | 958,708,847 |

| | |
|----------------------|----------------------|
| 3,368,821,301 | 3,302,479,285 |
|----------------------|----------------------|

| | |
|--------|-------|
| 45.22% | 39.4% |
|--------|-------|

| | |
|--------|-------|
| 55.06% | 55.9% |
|--------|-------|

18. GENERAL

18.1 These condensed interim financial statements for the have been approved and authorized for issue by the Board of Supervisors on 04/05/ 2019.

18.2 Figures have been rounded off to the nearest AFN, unless otherwise stated

Chief Executive Officer

Chief Financial Officer