

Pashtany Bank

Kabul, Afghanistan

Un-Audited Financial Statements along with
accompanying information

For the period ended as at June 21, 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 **June 21, 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

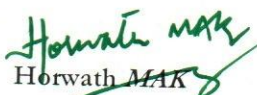
We conducted our review in accordance with International Standards on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent auditor of the entity". A review of interim financial information consist of making enquiries, primarily of persons responsible for financial 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 June 21, 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 **June 21, 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.


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Auditors & Business Advisors
Kabul



PASHTANY BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 Jawza, 1396 (21 June 2017)

	Note	June 21, 2017	December 20, 2016
		----- (AFN) -----	
Assets			
Cash and bank balances	5	16,272,775,425	15,241,736,274
Investments	6	121,227,512	120,922,512
Property and equipment		842,273,739	842,411,632
Investment properties		962,183,000	962,183,000
Non-current asset held for sale		316,479,000	310,806,000
Deferred tax assets		438,503,958	438,503,958
Other assets	7	724,078,184	896,257,482
Total assets		19,677,520,818	18,812,820,858
Liabilities			
Deposits from banks	8	348,668,099	457,149,697
Deposits from Customers	9	16,471,793,030	15,587,474,140
Deferred tax liabilities		111,767,400	111,767,400
Deferred income - Non current assets held for sale		316,479,000	310,806,000
Other liabilities	10	419,106,752	435,601,618
Total liabilities		17,667,814,281	16,902,798,855
Equity			
Share capital		3,820,257,000	3,820,257,000
Retained earnings		(2,260,564,663)	(2,360,249,197)
Surplus on revaluation of property and equipment - net		450,014,200	450,014,200
Total equity		2,009,706,537	1,910,022,003
Total liabilities and equity		19,677,520,818	18,812,820,858

CONTINGENCIES AND COMMITMENTS

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The annexed notes form an integral part of the financial statements from Note 01 to 17.


 Chief Executive Officer


 Chief Finance Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JAWZA 1395 (21 JUNE 2017)

		Quarter ended June 21, 2017	Half Yearly June 21, 2017	Quarter ended June 20, 2016	Half Yearly June 20, 2016
	Notes	(AFN)		(AFN)	
Interest / profit income	11	76,835,768	159,874,734	94,978,147	196,934,519
Interest / profit expense		(6,726,954)	(12,747,052)	(13,399,677)	(25,828,884)
Net interest / profit income		70,108,814	147,127,682	81,578,470	171,105,635
Fee and commission income		9,011,031	24,431,535	17,840,758	25,543,217
Fee and commission expense		(2,315,499)	(3,315,652)	(1,099,797)	(2,821,119)
Net fee and commission income		6,695,532	21,115,883	16,740,961	22,722,098
Other income	12	64,657,242	125,127,145	79,855,511	230,836,781
		64,657,242	125,127,145	79,855,511	230,836,781
Operating income		141,461,588	293,370,710	178,174,943	424,664,514
Impairment reversal / (loss) on loans and advances			-	-	(4,000,000)
Personnel expenses	13	(46,977,678)	(86,915,907)	(32,026,516)	(71,280,702)
Depreciation		(4,093,127)	(8,090,571)	(7,450,400)	(13,407,518)
Other expenses	14	(47,839,558)	(89,097,620)	(31,814,226)	(70,546,357)
Exchange gain / (loss)		482,361	19,126,219	(5,836,465)	5,811,219
Profit before taxation		43,033,586	128,392,831	101,047,336	271,241,156
Income tax		(11,742,799)	(28,708,297)	-	-
Net profit for the period		31,290,787	99,684,534	101,047,336	271,241,156
Other comprehensive income		-	-	-	-
Total comprehensive income for the period ended		31,290,787	99,684,534	101,047,336	271,241,156

The annexed notes form an integral part of the financial statements from Note 01 to 17.



Chief Executive Officer


Chief Finance Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM CASH FLOWS
FOR THE PERIOD ENDED 31 JAWZA 1395(21 JUNE 2017)

	June 21, 2017	June 20, 2016
	----- (AFN) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before income tax	128,392,831	271,241,156
Adjustments for:		
Depreciation	8,090,571	13,407,518
Net impairment loss on loans and advances	-	4,000,000
Foreign exchange (gain) / loss	(19,126,219)	(5,811,219)
	<u>117,357,183</u>	<u>282,837,456</u>
(Increase) decrease in operating assets and liabilities:		
Loans and advances - net	-	462,000
Other assets	172,179,298	(103,274,957)
Deposits from customers and banks	775,837,292	762,117,660
Other liabilities	(16,494,865)	58,377,495
Net cash from operating activities before interest and tax	<u>1,048,878,907</u>	<u>1,000,519,654</u>
Tax paid	(28,708,297)	-
Net cash from operating activities	<u>1,020,170,611</u>	<u>1,000,519,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,952,679)	(1,913,767)
Investment made	(305,000)	19,764,988
Net cash used in investing activities	<u>(8,257,679)</u>	<u>17,851,221</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	1,011,912,932	1,018,370,875
Cash and cash equivalents at beginning of the period	15,241,736,274	14,440,451,000
Effect of exchange differences in cash and cash equivalents	19,126,219	5,811,219
Cash and cash equivalents at the end of the period	<u>16,272,775,425</u>	<u>15,464,633,094</u>

The annexed notes form an integral part of the financial statements from Note 01 to 17.


Chief Executive Officer


Chief Finance Officer

PASHTANY BANK

	Share capital	Retained earnings	Accidental reserve	Legal reserve	Surplus on revaluation of property and equipment	Total
Balance as at December 21, 2015	3,820,256,999	(4,497,842,828)	500,000,000	466,650,000	467,650,000	756,714,171
Comprehensive income for the period ended	-	271,241,156	-	-	-	271,241,156
Balance as at June 20, 2016	3,820,256,999	(4,226,601,671)	500,000,000	466,650,000	467,650,000	1,027,955,327
Balance as at December 21, 2016	3,820,257,000	(2,360,249,197)	-	-	450,014,200	1,910,022,003
Comprehensive income for the period ended	-	99,684,534	-	-	-	99,684,534
Balance as at June 21, 2017	3,820,257,000	(2,260,564,663)	-	-	450,014,200	2,009,706,537

The annexed notes form an integral part of the financial statements from Note 01 to 17.

A. Azizbalka

Chief Executive Officer

Chief Financial Officer

PASHTANY BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 21, 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 July 29, 2017 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.

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PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 21, 2017

	Note	June 21, 2017	December 20, 2016
		----- (AFN) -----	
5. CASH AND BANK BALANCES			
Cash in hand			
Local currency		180,740,909	154,168,095
Foreign currency		910,101,871	528,892,573
		1,090,842,780	683,060,668
Balances with Da Afghanistan Bank	5.1	14,768,293,796	14,164,189,080
Balances with the other banks	5.2	413,638,850	394,486,525
		16,272,775,425	15,241,736,274
5.1 Balances with Da Afghanistan Bank			
Local currency			
Required reserve account		1,314,674,000	1,244,576,000
Current accounts		86,481,642	189,074,288
Foreign currency		1,401,155,642	1,433,650,288
Current accounts		7,087,643,565	7,744,285,991
Placements			
Capital notes	5.1.1	4,760,456,487	4,835,317,203
Over night Account with DAB		1,519,038,102	150,935,599
		14,768,293,796	14,164,189,080
5.1.1 This represents capital notes issued by DAB from over night 28 ,90, 184 and 365 days (2016: from 07, 28 ,184 and 365 days) carrying coupon interest rate ranging from 3.53% to 6.665 % p.a. for the period ended as at June 20, 2017 (2016: 1.80% to 6.77% p.a.)			
5.2 BALANCES WITH OTHER BANKS			
In Afghanistan			
Current accounts		7,792,570	34,990,457
Outside Afghanistan			
Current accounts		405,846,280	359,496,068
		413,638,850	394,486,525

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PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 21, 2017

	Note	June 21, 2017	December 20, 2016
		----- (AFN) -----	
6. INVESTMENTS - NET			
Investment in associated companies:			
Balance at beginning of period		16,710,000	17,359,000
Exchange gain recognized in income statement		305,000	(649,000)
Balance at end of period	6.1	17,015,000	16,710,000
Investment in equity instruments	6.2	104,212,512	104,212,512
Held-to -Maturity		-	-
		<u>121,227,512</u>	<u>120,922,512</u>
6.1	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 21, 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.		
6.2	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-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
		<u>104,212,512</u>	<u>104,212,512</u>

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PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 21, 2017

		June 21, 2017	December 20, 2016
Note		(AFN)	
7. OTHER ASSETS			
Advances to employees		10,000,389	4,466,006
Advances to suppliers		43,314,050	73,303,146
Interest accrued on capital notes & demand deposit		115,857,316	122,249,746
Receivable from Sale of Collaterals		184,170,360	384,062,640
Advance income tax		354,264,994	-
Other assets		58,606,455	354,303,089
Receivable from BCCI-London		107,828,045	105,895,189
		<u>874,041,609</u>	<u>1,044,279,816</u>
Provision against advances and receivables	7.1	<u>(149,963,426)</u>	<u>(148,022,334)</u>
Net carrying amount		<u>724,078,184</u>	<u>896,257,482</u>

7.1 PROVISION AGAINST ADVANCES RECEIVABLES

Opening for the period / year	(148,022,334)	(150,424,000)
Charged for the period / year	(1,941,092)	2,401,666
Closing for the period / year	<u>(149,963,426)</u>	<u>(148,022,334)</u>

8. DEPOSITS FROM BANKS

Agricultural Bank Kabul	335,821	617,180
Construction Bank	1,596,659	1,598,939
Bank-e-Millie Afghan	325,746	314,507
Maiwand Bank	771,827	759,720
Afghan United Bank	343,799,105	334,714,210
Azizi Bank	1,800,970	-
Ghazanfar Bank	37,971	119,145,141
	<u>348,668,099</u>	<u>457,149,697</u>

9. DEPOSITS FROM CUSTOMERS

Term deposits	32,508,056	119,324,292
Saving deposits	7,546,806,440	7,362,005,819
Current deposits	8,892,478,534	8,106,144,028
	<u>16,471,793,030</u>	<u>15,587,474,140</u>

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PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 21, 2017

	Note	June 21, 2017	December 20, 2016
		----- (AFN) -----	-----
10. OTHER LIABILITIES			
Withholding tax payable		19,138,534	33,618,113
Employees pension funds		84,702,667	94,988,972
Other payables		254,526,597	74,226,211
Creditor payable		60,738,954	232,768,321
		<u>419,106,752</u>	<u>435,601,618</u>
11. NET INTEREST INCOME			
Interest income			
Cash and cash equivalents		159,874,734	183,419,424
Loans and advances to customers		-	13,515,095
		<u>159,874,734</u>	<u>196,934,519</u>
Interest expense			
Deposits from customers	11.1	(12,747,052)	(25,828,884)
Net interest income		<u>147,127,682</u>	<u>171,105,635</u>
11.1 Deposits from customers			
Term deposits		(226,002)	(3,320,982)
Saving deposits		(12,521,050)	(22,507,901)
		<u>(12,747,052)</u>	<u>(25,828,884)</u>
12. OTHER INCOME			
Rental income		7,553,616	15,833,523
Bad debt recovered:			
Loan principal		75,891,970	153,574,162
Loan interest		41,171,780	58,263,484
Other		509,779	3,165,612
		<u>125,127,145</u>	<u>230,836,781</u>
13. PERSONNEL EXPENSES			
Salaries and wages		62,703,328	60,978,760
Contribution towards pension fund		-	10,240,332
Staff welfare		24,212,579	61,610
		<u>86,915,907</u>	<u>71,280,702</u>

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PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 21, 2017

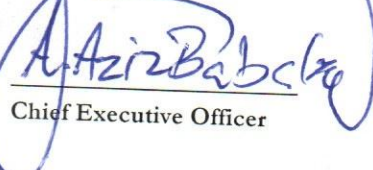
	June 21 2017	June 20 2016
	----- (AFN) -----	
14. OTHER OPERATING EXPENSES		
Repair and maintenance	3,708,795	706,203
Travel and conveyance	1,084,413	766,176
Advertisement and publicity	2,282,439	1,930,918
Rent expense	8,813,222	6,280,478
Building tax	-	448,207
Deposit insurance	24,000,000	18,333,093
Internet expense	5,541,007	8,901,215
Security expense	20,693,116	14,108,042
Printing and stationery	3,787,520	2,602,625
Communication	347,373	439,458
Electricity	3,562,068	2,945,468
Fuel expenses	1,695,833	2,583,118
Auditor's remuneration	243,307	803,781
Cleaning and water	446,522	214,431
Kindergarten expenses	133,657	109,190
Employees training expenses	1,865,013	21,000
Others	10,893,337	9,352,954
	<u>89,097,620</u>	<u>70,546,357</u>
15. CONTINGENCIES AND COMMITMENTS		
Counter guarantees issued	<u>941,777,000</u>	<u>58,037,482</u>
16. 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 June 21, 2017 is as follows:

	June 21 2017	' December 20 2016
	----- (AFN) -----	
<u>Regulatory capital:</u>		
Core (Tier 1) Capital:		
Total shareholder's equity	2,009,706,537	1,910,022,003
Less:		
Profit for the period / year	(99,684,534)	(844,514,567)
Deferred tax assets - Net	(326,736,558)	(326,736,558)
Surplus on revaluation	(450,014,200)	(450,014,200)
Equity Investments	(121,227,512)	-
	<u>1,012,043,734</u>	<u>288,756,678</u>
Supplementary (Tier 2) Capital:		
Profit for the period / year	99,684,534	844,514,567
Surplus on revaluation	450,014,200	450,014,200
	<u>549,698,734</u>	<u>1,294,528,767</u>
	<u>1,561,742,467</u>	<u>1,583,285,445</u>

17. GENERAL

Figures have been rounded off to the nearest Afghanis.


Chief Executive Officer


Chief Financial Officer