

INDEPENDENT REVIEW REPORT TO SHAREHOLDERS

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **Pashtany Bank** ("the bank") as of **September 22, 2017**, and the related Statement of Condensed Interim Comprehensive Income, Statement of Condensed Interim Changes in Equity and Statement of Condensed Interim Cash Flows for the three-month 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 (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 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 September 22, 2017.

Qualified Conclusion

Based on our review, with the exception of the matter 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 bank as at September 22, 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 the Da Afghanistan Bank (DAB).


Horwath MAK
Auditors & Business Advisors
Kabul



PASHTANY BANK
STATEMENT OF CONDENSED INTERIM FINANCIAL POSITION
AS AT 31 Sunbola 1396 (22 September 2017)

		(Un-Audited) September 22, 2017	(Audited) December 20, 2016
	Note	----- (AFN) -----	
Assets			
Cash and bank balances	5	17,367,769,704	15,241,736,274
Investments	6	121,317,512	120,922,512
Property and equipment		839,988,280	842,411,632
Investment properties		962,183,000	962,183,000
Non-current asset held for sale		318,153,000	310,806,000
Deferred tax assets		438,503,958	438,503,958
Other assets	7	513,163,882	896,257,482
Total assets		<u>20,561,079,336</u>	<u>18,812,820,858</u>
Liabilities			
Deposits from banks	8	350,447,935	457,149,697
Deposits from Customers	9	17,469,361,328	15,587,474,140
Deferred tax liabilities		111,767,400	111,767,400
Deferred income - Non current assets held for sale		318,153,000	310,806,000
Other liabilities	10	227,947,287	435,601,618
Total liabilities		<u>18,477,676,950</u>	<u>16,902,798,855</u>
Equity			
Share capital		3,820,257,000	3,820,257,000
Retained earnings		(2,186,868,814)	(2,360,249,197)
Surplus on revaluation of property and equipment - net		450,014,200	450,014,200
Total equity		<u>2,083,402,386</u>	<u>1,910,022,003</u>
Total liabilities and equity		<u>20,561,079,336</u>	<u>18,812,820,858</u>

CONTINGENCIES AND COMMITMENTS 15

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


Chief Executive Officer


Chief Financial Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM COMPREHENSIVE INCOME - (Un-Audited)
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

		Quarter ended September 22, 2017	9 Months Ended September 22, 2017	Quarter ended September 21, 2016	9 Months Ended September 21, 2016
Notes		(AFN)			
		70,361,674	230,236,407	98,380,576	295,315,095
		(6,438,878)	(19,185,930)	(10,409,725)	(36,238,609)
	11	63,922,795	211,050,477	87,970,851	259,076,486
		9,656,959	34,088,493	8,257,867	33,801,084
		(4,058,186)	(7,373,838)	(873,164)	(3,694,283)
		5,115,995	26,714,655	7,384,703	30,106,801
	12	98,862,225	223,989,370	71,354,954	302,191,735
		98,862,225	223,989,370	71,354,954	302,191,735
		168,383,792	461,754,502	166,710,508	591,375,022
		-	-	-	(4,000,000)
	13	(44,649,513)	(131,565,420)	(46,020,881)	(117,301,583)
		(4,065,476)	(12,156,047)	(3,970,270)	(17,377,788)
	14	(40,647,371)	(129,744,992)	(44,335,614)	(114,881,971)
		10,828,776	29,954,995	(11,255,868)	(5,444,649)
		89,850,208	218,243,039	61,127,874	332,369,031
		(16,154,360)	(44,862,656)	-	-
		73,695,848	173,380,383	61,127,874	332,369,031
		-	-	-	-
		73,695,848	173,380,383	61,127,874	332,369,031

The annexed notes form an integral part of the financial statements from Note 01 to 17. *Handwritten: 17-09-17*

A. Aziz Babaly
Chief Executive Officer

[Signature]
Chief Financial Officer

PASHTANY BANK

STATEMENT OF CONDENSED INTERIM CASH FLOWS

FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

	(Un-Audited) September 22, 2017	(Un-Audited) September 21, 2016
	----- (AFN) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	218,243,039	332,369,031
Adjustments for:		
Depreciation	12,156,047	17,377,788
Net impairment loss on loans and advances	-	4,000,000
Foreign exchange (gain) / loss	(29,954,995)	5,444,649
	200,444,091	359,191,468
(Increase) decrease in operating assets and liabilities:		
Loans and advances - net	-	462,000
Other assets	383,093,600	(189,129,497)
Deposits from customers and banks	1,775,185,426	757,465,695
Other liabilities	(207,654,331)	107,233,803
Net cash from operating activities before	2,151,068,786	1,035,223,469
Tax paid	(44,862,656)	-
Net cash from operating activities	2,106,206,130	1,035,223,469
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,732,695)	(6,467,300)
Investment made	(395,000)	20,427,488
Net cash used in investing activities	(10,127,695)	13,960,188
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	2,096,078,435	1,049,183,657
Cash and cash equivalents at beginning of the period	15,241,736,274	14,440,452,000
Effect of exchange differences in cash and cash equivalents	29,954,995	(5,444,649)
Cash and cash equivalents at the end of the period	17,367,769,704	15,484,191,008

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

 Chief Executive Officer


 Chief Financial Officer

PASHTANY BANK
STATEMENT OF CONDENSED INTERIM CHANGES IN EQUITY
FOR THE YEAR ENDED SEPTEMBER 22, 2017

	Share capital	Retained earnings	Accidental reserve	Legal reserve	Surplus on revaluation of property and equipment	Total
			-----AFN-----			
Balance as at December 22, 2015 - (Audited)	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	-	332,369,031	-	-	-	332,369,031
Balance as at September 21, 2016 - (Unaudited)	3,820,256,999	(4,165,473,797)	500,000,000	466,650,000	467,650,000	1,089,083,202
Balance as at December 20, 2016 - (Audited)	3,820,257,000	(2,360,249,197)	-	-	450,014,200	1,910,022,003
Comprehensive income for the period ended	-	173,380,383	-	-	-	173,380,383
Balance as at September 22, 2017 - (Unaudited)	3,820,257,000	(2,186,868,814)	-	-	450,014,200	2,083,402,386

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


 Chief Executive Officer


 Chief Financial Officer

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 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 26 Nov, 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.

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

		(Un-audited) September 22, 2017	(Audited) December 20, 2016
	Note	----- (AFN) -----	
5. CASH AND BANK BALANCES			
Cash in hand			
Local currency		298,165,836	154,168,095
Foreign currency		859,966,541	528,892,573
		1,158,132,377	683,060,668
Balances with Da Afghanistan Bank	5.1	16,145,544,416	14,164,189,080
Balance with other banks	5.2	64,092,911	394,486,525
		17,367,769,704	15,241,736,274
5.1 Balances with Da Afghanistan Bank			
Local currency			
Required reserve account	5.1.1	818,292,502	1,244,576,000
Current accounts		226,652,720	189,074,288
		1,044,945,222	1,433,650,288
Foreign currency			
Required reserve account	5.1.1	714,414,907	-
Current accounts		6,494,493,563	7,744,285,991
Placements			
Capital notes	5.1.2	5,776,785,696	4,835,317,203
Over night Account with DAB		2,114,905,027	150,935,599
		16,145,544,416	14,164,189,080

5.1.1 During the current period through circular no. 3808/3865 dated 08/06/1396 Da Afghanistan Bank has changed the requirement of required reserve to be maintained as follows;

- For Afghanis : 8%
- For USD/Euro and Other: 10%

5.1.2 This represents capital notes issued by DAB for 07, 91, 182 and 364 days (2016: 07, 28, 184 and 365 days) carrying effective interest at rate ranging from 1.80% to 6.6650 % p.a. for the period ended as at September 22, 2017 (December 21, 2016: 1.80% to 6.77% p.a.)

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

		(Un-audited) September 22, 2017	(Audited) December 20, 2016
	Note	----- (AFN) -----	
5.2 BALANCES WITH OTHER BANKS			
In Afghanistan			
Current accounts		16,707,987	34,990,457
Outside Afghanistan			
Current accounts		47,384,924	359,496,068
		<u>64,092,911</u>	<u>394,486,525</u>
6. INVESTMENTS - NET			
Investment in associated companies:			
Balance at beginning of period / year		16,710,000	17,359,000
Exchange (loss) / gain recognized in income statement		395,000	(649,000)
Balance at end of period / year	6.1.1	<u>17,105,000</u>	<u>16,710,000</u>
Investment in equity instruments	6.1.2	<u>104,212,512</u>	<u>104,212,512</u>
		<u>121,317,512</u>	<u>120,922,512</u>
6.1.1 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 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.			
6.1.2 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		65,543	65,542
Shirkat Nasaji Afghan		83,518,400	83,518,400
		<u>104,212,512</u>	<u>104,212,512</u>

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

	(Unaudited) September 22, 2017	(Audited) December 20, 2016
Note	----- (AFN) -----	
7. OTHER ASSETS		
Advances to employees	11,578,628	4,466,006
Advances to suppliers	75,387,581	73,303,146
Interest accrued on capital notes	87,242,189	122,249,746
Other assets	381,093,294	354,303,089
Receivable against sale of collaterals	-	384,062,640
Receivable from BCCI-London	108,398,396	105,895,189
	<u>663,700,088</u>	<u>1,044,279,816</u>
Provision against advances and receivables	(150,536,206)	(148,022,334)
Net carrying amount	<u>513,163,882</u>	<u>896,257,482</u>

PROVISION AGAINST ADVANCES RECEIVABLES

Opening for the period / year	(148,022,334)	(150,424,000)
(Charged) / Reversed for the period / year	(2,513,873)	2,401,666
Closing for the period / year	(150,536,206)	(148,022,334)

8. DEPOSITS FROM BANKS

Agricultural Bank Kabul	275,821	617,180
Construction Bank	1,599,009	1,598,939
Bank-e-Millie Afghan	334,055	314,507
Maiwand Bank	775,400	759,720
Afghan United Bank	345,614,981	334,714,210
Azizi Bank	1,810,497	-
Ghazanfar Bank	38,172	119,145,141
	<u>350,447,935</u>	<u>457,149,697</u>

9. DEPOSITS FROM CUSTOMERS

Term deposits	32,508,056	119,324,292
Saving deposits	7,620,684,585	7,362,005,819
Current deposits	9,816,168,687	8,106,144,028
	<u>17,469,361,328</u>	<u>15,587,474,140</u>

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

	Note	(Unaudited) September 22, 2017	(Audited) December 20, 2016
		----- (AFN) -----	
10. OTHER LIABILITIES			
Withholding tax payable		533,514	33,618,113
Employees pension funds		81,481,711	94,988,972
Other payables		83,516,267	74,226,211
Creditor payable		62,415,795	232,768,321
		<u>227,947,287</u>	<u>435,601,618</u>
		(Unaudited) September 22, 2017	(Unaudited) September 21, 2016
11. NET INTEREST INCOME			
Interest income			
Cash and cash equivalents		230,236,407	281,800,000
Loans and advances to customers		-	13,515,095
		<u>230,236,407</u>	<u>295,315,095</u>
Interest expense			
Deposits from customers	11.1	(19,185,930)	(36,238,609)
Net interest income		<u>211,050,477</u>	<u>259,076,486</u>
11.1 Deposits from customers			
Term deposits		324,435	4,468,085
Saving deposits		18,861,495	31,770,524
		<u>19,185,930</u>	<u>36,238,609</u>
12. OTHER INCOME			
Rental income		7,915,156	27,474,957
Bad debt recovered			
Loan principal		135,827,646	186,254,216
Loan interest		79,099,826	84,430,414
Other		1,146,742	4,032,147
		<u>223,989,370</u>	<u>302,191,735</u>
13. PERSONNEL EXPENSES			
Salaries and wages		91,627,931	91,504,862
Contribution towards pension fund		-	12,099,031
Staff welfare		39,937,489	13,697,690
		<u>131,565,420</u>	<u>117,301,583</u>

PASHTANY BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 SUNBOLA 1396 (22 September 2017)

	(Unaudited) September 22, 2017	(Unaudited) September 21, 2016
	(AFN)	
14. OTHER OPERATING EXPENSES		
Repair and maintenance	4,600,270	1,169,305
Travel and conveyance	1,224,234	957,270
Advertisement and publicity	2,896,137	3,568,340
Rent expense	11,235,509	9,793,803
Building tax	-	448,207
Deposit insurance	39,749,141	37,226,680
Internet expense	8,705,533	12,344,207
Security expense	29,452,036	20,140,667
Printing and stationery	53,427	2,949,115
Communication	596,421	666,114
Electricity	5,364,239	6,914,198
Fuel expenses	2,133,479	1,620,250
Auditor's remuneration	482,777	808,212
Cleaning and water	568,577	319,413
Kindergarten expenses	177,620	123,380
Employees training expenses	2,903,377	21,000
Others	19,602,215	15,811,810
	<u>129,744,992</u>	<u>114,881,971</u>

	(Unaudited) September 22, 2017	(Audited) December 20, 2016
	(AFN)	
15. CONTINGENCIES AND COMMITMENTS		
Counter guarantees issued	<u>937,525,570</u>	<u>957,847,000</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 September 22, 2017 is as follows:

	(Unaudited) September 22, 2017	(Audited) December 20, 2016
	(AFN)	
Regulatory capital:		
Core (Tier 1) Capital:		
Total shareholder's equity	2,083,402,386	1,910,022,003
Less:		
Profit for the year	(173,380,383)	(844,514,567)
Deferred tax assets - Net	(326,736,558)	(326,736,558)
Surplus on revaluation	<u>(450,014,200)</u>	<u>(450,014,200)</u>
	<u>1,133,271,245</u>	<u>288,756,678</u>
Supplementary (Tier 2) Capital:		
Profit for the period / year	173,380,383	844,514,567
Surplus on revaluation	<u>450,014,200</u>	<u>450,014,200</u>
	<u>623,394,583</u>	<u>1,294,528,767</u>
	<u>1,756,665,828</u>	<u>1,583,285,445</u>

17. GENERAL

Figures have been rounded off to the nearest Afghanis.


Chief Executive Officer


Chief Financial Officer