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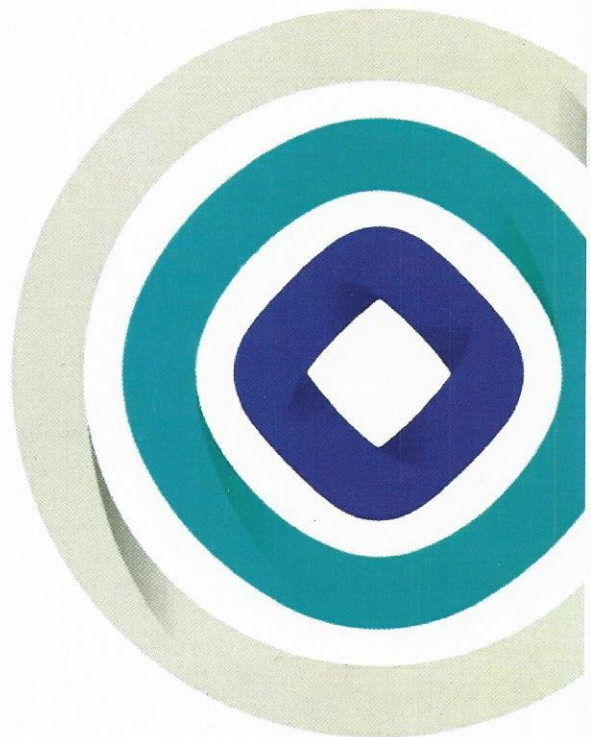
## Pashtany Bank

### **Financial Statements for the year ended December 21, 2019 (30 Qaws 1398)**

*Auditors:*

Grant Thornton Afghanistan

*Member firm of Grant Thornton International Limited*





# Grant Thornton

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## Independent Auditors' Report

To the shareholders of Pashtany Bank

Grant Thornton Afghanistan

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### Qualified Opinion

We have audited the accompanying financial statements of Pashtany Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2019, 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 the effects of the matters described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2019, 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), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

### Basis for Qualified Opinion

- 1) The Bank has property and equipment with written down value of AFN 835.282 million and this includes land having value of AFN 352.591 million and buildings having written down value of AFN 364.567 million. Further, the Bank holds investment properties carried at a value of AFN 925.397 million. As per the accounting policy of the Bank, land and buildings are carried at revalued amounts and investment properties at fair value, however, we noted that revaluation of these assets has not been carried out since 2009. Subsequent to year end, Da Afghanistan Bank has provided its principal approval to the Bank to engage independent third party(ies) to revalue its property and equipment and investment properties. We understand that the fair values of land and buildings and investment properties can significantly change over a period time. 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.
- 2) 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**

- a) We draw attention to note 6.3.2 to the financial statements which states that investments in associates are accounted for at cost as a result of non-availability of latest audited financial statements. The value of these investments amount to AFN 106.36 million. Our opinion is not modified in respect of this matter.
- b) We draw attention to note 6.3.3.1 to the financial statements which states that during year ended 21 December 2018, Bank-e-Millie Afghan (BMA) transferred land having fair value of AFN 1,108,208,690 to the Ministry of Finance Afghanistan (MoFA) which held 97.194% ownership interest in BMA before the transfer and it was treated as dividend paid to MoFA. As per disclosures provided in the audited financials of BMA, shareholding of MoFA reduced to 94.194%. As per communication received from BMA, shareholding of the Bank has increased to 2.066% (increase by 1.086%) apparently without any consideration paid by the Bank. The matter is under discussion with BMA and pending resolution, the Bank has accounted for share of net assets (including profit and OCI) in BMA at 0.98%. Our opinion is not modified in respect of this matter.

### **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), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, and for such internal control as 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.

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.

*Grant Thornton Afgh.*

**Grant Thornton Afghanistan**  
Chartered Accountants



Engagement Partner: Saqib Rehman Qureshi - FCA

Location: Kabul, Afghanistan

Date: 28-Mar-2020



**PASHTANY BANK**

## Statement of Financial Position

As at 30 Qaws 1398 (21 December 2019)

		Restated	Restated
	30 Qaws 1398	30 Qaws 1397	30 Qaws 1396
	(21 Dec 2019)	(21 Dec 2018)	(21 Dec 2017)
Note	AFN		
5	7,092,551,511	11,351,339,096	16,866,089,034
6	11,344,064,460	5,553,454,129	267,476,627
7	835,281,873	824,813,888	826,621,685
8	56,739,884	-	-
9	962,183,000	962,183,000	962,183,000
10	145,251,231	166,686,786	124,397,758
	-	-	323,128,500
11	2,231,759,281	1,845,694,924	2,090,782,311
	<u>22,667,831,240</u>	<u>20,704,171,823</u>	<u>21,460,678,915</u>
12	3,820,257,000	3,820,257,000	3,820,257,000
	(1,569,675,490)	(2,000,090,720)	(2,186,956,321)
13	<u>442,363,000</u>	<u>444,913,400</u>	<u>447,463,800</u>
	<u>2,692,944,510</u>	<u>2,265,079,680</u>	<u>2,080,764,479</u>
14	1,013,618,861	756,598,119	8,384,659
15	18,695,527,131	17,441,007,603	18,822,135,472
	-	-	323,128,500
16	79,382,268	-	-
17	<u>186,358,470</u>	<u>241,486,421</u>	<u>226,265,805</u>
	<u>19,974,886,730</u>	<u>18,439,092,143</u>	<u>19,379,914,436</u>
	<u>22,667,831,240</u>	<u>20,704,171,823</u>	<u>21,460,678,915</u>
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The annexed notes from 1 to 29 form an integral part of the financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

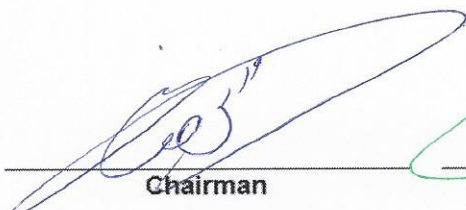
**PASHTANY BANK**

## Statement of Comprehensive Income

For the year ended 30 Qaws 1398 (21 December 2019)

		30 Qaws 1398 (21 Dec 2019)	Restated 30 Qaws 1397 (21 Dec 2018)
	Note	AFN	
Interest income		222,599,183	65,331,722
Interest expense		(26,245,831)	(5,640,818)
<b>Net interest income</b>	19	<b>196,353,352</b>	<b>59,690,904</b>
Fee and commission income		87,475,177	56,180,714
Fee and commission expense		(1,526,941)	(1,371,020)
<b>Net fee and commission income</b>	20	<b>85,948,236</b>	<b>54,809,694</b>
		<b>282,301,588</b>	<b>114,500,598</b>
Other income	21	524,852,203	401,502,306
Amortization of deferred grant	16	1,590,753	-
Impairment reversal/(loss) on investments and other assets		(1,054,663)	4,509,045
Employee costs	22	(182,669,869)	(218,038,023)
Depreciation	7.1	(27,677,511)	(23,456,656)
Amortization	8	(1,438,294)	-
Other operating expenses	23	(187,264,205)	(170,928,407)
Exchange gain		20,785,671	53,049,682
<b>Operating income</b>		<b>429,425,673</b>	<b>161,138,545</b>
Share in profit of associates	6.3	8,380,781	6,118,369
<b>Profit before taxation</b>		<b>437,806,454</b>	<b>167,256,914</b>
Income tax	24	(9,548,277)	41,546,197
<b>Profit for the year</b>		<b>428,258,177</b>	<b>208,803,111</b>
<b>Other comprehensive income</b>			
<i>To be reclassified to profit or loss in subsequent periods</i>		-	-
<i>Not to be reclassified to profit or loss in subsequent periods:</i>			
Share in OCI of associates		-	4,906,237
Actuarial loss on defined benefit pension plan		(393,347)	(29,394,147)
		<b>(393,347)</b>	<b>(24,487,910)</b>
<b>Total comprehensive income for the year ended</b>		<b>427,864,830</b>	<b>184,315,201</b>

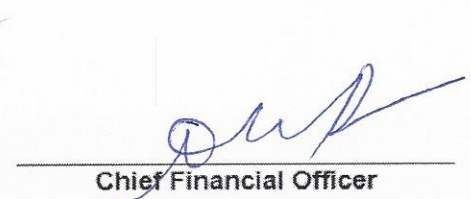
The annexed notes from 1 to 29 form an integral part of the financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer



**PASHTANY BANK**

Statement of Changes in Equity

For the year ended 30 Qaws 1398 (21 December 2019)

	Share capital	Accumulated losses	Surplus on revaluation - net	Total
	AFN			
Balance as at 21 December 2017	3,820,257,000	(2,329,239,263)	447,463,800	1,938,481,537
Effect of change in accounting policy - refer note 4.4	-	142,282,942	-	142,282,942
Balance as at 21 December 2017 - restated	3,820,257,000	(2,186,956,321)	447,463,800	2,080,764,479
Incremental depreciation - net of deferred tax	-	2,550,400	(2,550,400)	-
Profit for the year	-	208,803,111	-	208,803,111
Other comprehensive income	-	(24,487,910)	-	(24,487,910)
<b>Total comprehensive income</b>	-	<b>184,315,201</b>	-	<b>184,315,201</b>
Balance as at 21 December 2018	3,820,257,000	(2,000,090,720)	444,913,400	2,265,079,680
Incremental depreciation - net of deferred tax	-	2,550,400	(2,550,400)	-
Profit for the year	-	428,258,177	-	428,258,177
Other comprehensive income	-	(393,347)	-	(393,347)
	-	<b>427,864,830</b>	-	<b>427,864,830</b>
Balance as at 21 December 2019	3,820,257,000	(1,569,675,490)	442,363,000	2,692,944,509

The annexed notes from 1 to 29 form an integral part of the financial statements.

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Chairman


  
Chief Executive Officer


  
Chief Financial Officer

**PASHTANY BANK**

## Statement of Cash Flows

For the year ended 30 Qaws 1398 (21 December 2018)

		30 Qaws 1398	Restated
		(21 Dec 2019)	30 Qaws 1397
			(21 Dec 2018)
Note		AFN	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	<b>Profit before income tax</b>	<b>437,806,454</b>	<b>167,256,914</b>
	Adjustments for:		
	Depreciation	7.1 27,677,511	23,456,656
	Amortization	8 1,438,294	-
	Accounting loss on disposal of assets	146,549	178,364
	Amortization of deferred grant	16 (1,590,753)	-
	Pension liability expense	17.1 14,712,210	10,843,352
	Impairment loss/(reversal) on other assets	1,054,663	(4,509,045)
	Exchange gain on investment in associate	6.3.1 (862,500)	(1,367,500)
	Share in profit of associates	6.3 (8,380,781)	(6,118,369)
		<b>472,001,647</b>	<b>189,740,372</b>
	(Increase) decrease in operating assets and liabilities:		
	Other assets	(283,300,645)	248,853,602
	Deposits from banks and financial institutions	257,020,742	748,213,460
	Deposits from customers and banks	1,254,519,528	(1,381,127,869)
	Other liabilities	(59,297,577)	(15,998,594)
	<b>Net cash from/(used in) operations</b>	<b>1,640,943,695</b>	<b>(210,319,029)</b>
	Pension payments during the year	(10,935,932)	(9,018,289)
	Tax paid	(91,931,097)	-
	<b>Net cash from/ (used in) operating activities</b>	<b>1,538,076,666</b>	<b>(219,337,318)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Purchase of property and equipment	(14,957,956)	(21,827,223)
	Proceeds against disposal of property and equipment	(539,246)	-
	Investment made	(5,781,367,049)	(5,318,551,326)
	<b>Net cash used in investing activities</b>	<b>(5,796,864,251)</b>	<b>(5,340,378,549)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Dividend income	-	44,965,930
	<b>Net cash from/ (used in) financing activities</b>	<b>-</b>	<b>44,965,930</b>
	Net decrease in cash and cash equivalents	(4,258,787,585)	(5,514,749,938)
	Cash and cash equivalents at beginning of the year	11,351,339,096	16,866,089,034
	<b>Cash and cash equivalents at the end of the year</b>	<b>5 7,092,551,511</b>	<b>11,351,339,096</b>

The annexed notes from 1 to 29 form an integral part of the financial statements.

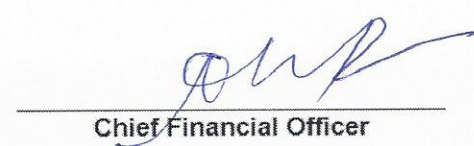
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Chairman



Chief Executive Officer



Chief Financial Officer



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

### 1 STATUS AND NATURE OF BUSINESS

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 21 December 2019 have been approved and authorized for issue by the Board of Supervisors on 28 / March 2020.

### 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 Standard Board, the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IFRS, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank take precedence.

These financial statements comprise statement of financial position, statement of comprehensive income as a single statement, statement of changes in equity, statement of cash flows and the accompanying notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.2.

#### **2.2 Standards, amendments and interpretations to published accounting standards that became effective in the current year**

Following amendments and clarifications became applicable in the current year;

- IFRS 15 "Revenue from Contracts with Customers"
- Clarifications to IFRS 15, "Revenue from Contracts with Customers"
- IFRIC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
- Transfers of Investment Property (Amendments to IAS 40)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- 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
- Annual Improvements 2014-2016 cycle

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

## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

### 2.3 Standards, amendments and interpretations to published 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 accounting period beginning on or after</i>
• Amendments to IFRS 10 and IAS 28 "IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Not yet finalized
• IFRS 16 "Leases"	1 January 2019
• IFRS 9 "Financial Instruments" *	1 January 2021
• IFRS 17 "Insurance Contracts"	1 January 2022
• IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"	1 January 2019
• Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures	1 January 2019
• Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
• Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
• Annual Improvements 2015-2017 Cycle (issued in December 2017)	1 January 2019

\*Central Bank of Afghanistan vide its circular No. 298 dated 8 Hamal 1398 (28 March 2019) deferred the applicability of IFRS 9 "Financial Instruments" till 1 January 2021 from original applicable date of 1 January 2018.

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 under the historical cost convention except that property and equipment which are stated at revaluated amounts and pension liability which is stated at present value.

### 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



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

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 11 Provision against advances and receivables
- b) Note 24 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 of 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)
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.



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

### 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.

## 4.4 Investment in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

During the year, the Bank changed its accounting policy to account for investment in associates at equity method of accounting to the extent audited financial information is available for the entities. This resulted in recognition of AFN 142,282,292 in opening equity with recognition of AFN 103,686,182 as share in profit of associates and AFN 4,963,290 as share in OCI of associate. Under the equity method, an investment in an associate is recognized initially in the statement of financial position at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. When the Bank's share of losses of an associate exceeds



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

the Bank's interest in that associate (which includes any long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associate. An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Bank's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Bank's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. The Bank discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Bank retains an interest in the former associate and the retained interest is a financial asset, the Bank measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Bank reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed off. When the Bank reduces its ownership interest in an associate but the Bank continues to use the equity method, the Bank reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

### 4.5 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.





## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

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	10 years
-	Computer equipment	10 years
-	Vehicles	5 years
-	Electric equipment	6-7 years

### 4.6 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 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.



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

### 4.7 Intangible assets

Intangible assets are capitalized only to the extent that the future economic benefits can be derived by the Bank having useful life of more than one year. Intangible assets are stated at cost less accumulated amortization. Amortization is charged to income applying the straight-line method.

#### a) Core Banking System (CBS)

The Core Banking System is amortized over the useful life of 10 years.

#### b) Computer software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 3 years.

The useful lives of intangibles are reviewed and adjusted, if appropriate, at each statement of financial position date.

### 4.8 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 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.

### 4.9 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.

### 4.10 Deposits from customers and banks

These are recorded at the amount of proceeds received.

### 4.11 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.

## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

### 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.

### 4.12 Defined benefits pension plan

The Bank operates an approved defined benefit pension plan for all of its permanent employees. Annual provision is made on the basis of actuarial valuation, determined using the Project Unit Credit Method, to cover obligation under the scheme for all eligible employees. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest), if any, are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Bank recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- a) service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- b) net interest expense or income; and
- c) remeasurements

Services costs and net interest expense are recognized in the employee costs. The retirement benefit obligation recognized in the statement of financial position represents the deficit or surplus in the Bank's defined benefit plan pension plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

### 4.13 Employee compensation

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

### 4.14 Foreign currency transactions

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



## PASHTANY BANK

Notes to the Financial Statements

For the year ended 30 Qaws 1398 (21 December 2019)

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.

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.

### 4.15 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.

### 4.16 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.

### 4.17 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.

### 4.18 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.

### 4.19 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.

		30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	Note	AFN	
<b>5. CASH AND CASH EQUIVALENTS</b>			
Cash in hand	5.1	759,688,887	394,134,335
Balances with Da Afghanistan Bank	5.2	6,054,483,854	10,835,099,537
Balances with other banks	5.3	278,378,770	122,105,224
		<u><b>7,092,551,511</b></u>	<u><b>11,351,339,096</b></u>

<b>5.1 Cash in hand</b>			
Local currency		376,052,735	168,732,548
Foreign currency		383,636,152	225,401,787
		<u><b>759,688,887</b></u>	<u><b>394,134,335</b></u>

<b>5.2 Balances with Da Afghanistan Bank</b>			
<b>Current accounts:</b>			
Local currency		397,039,695	570,040,526
Foreign currency		134,644,479	2,805,597,743
		<u><b>531,684,174</b></u>	<u><b>3,375,638,269</b></u>
Capital notes	5.2.1	4,490,351,526	6,999,088,658
Overnight deposit	5.2.2	1,032,448,154	460,372,610
		<u><b>6,054,483,854</b></u>	<u><b>10,835,099,537</b></u>

5.2.1 These represent 7 to 91 days (up to 91 days) capital notes and carry interest of 0.5% (2018: 0.15% to 0.34%) per annum.

5.2.2 This represent overnight deposit with Da Afghanistan Bank in local currency and carry interest rate of 0.01% (2018: 0.01%) per annum.

		30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	Note	AFN	
<b>5.3 Balances with other banks</b>			
<b>In Afghanistan</b>			
<i>Current accounts:</i>			
Azizi Bank		1,718,106	1,642,960
Bank Millie Afghan		1,109,523	660,613
New Kabul Bank		3,222,951	2,813,536
		<u><b>6,050,580</b></u>	<u><b>5,117,109</b></u>
<b>Outside Afghanistan</b>			
<i>Current accounts:</i>			
Aktif Bank, Turkey		3,393,556	14,468,738
BMCE, Spain		239,087,267	70,816,553
United Bank Limited, Pakistan		29,847,367	31,702,824
		<u><b>272,328,190</b></u>	<u><b>116,988,115</b></u>
		<u><b>278,378,770</b></u>	<u><b>122,105,224</b></u>

## 6. PLACEMENTS AND INVESTMENTS

Capital notes issued by Da Afghanistan Bank	6.1	1,978,827,049	-
Placements	6.2	9,124,700,000	5,322,160,000
Investment in associated entities	6.3	240,537,411	231,294,129.00
		<u><b>11,344,064,460</b></u>	<u><b>5,553,454,129</b></u>

6.1 These represent capital notes having maturity from 182 days to 364 days and carry interest rate of 1.35% to 2% p.a.





	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	AFN	
<b>6.2 Placements</b>		
<b>Inside Afghanistan</b>		
Afghanistan International Bank	500,000,000	-
<b>Outside Afghanistan</b>		
Aktif Bank, Turkey	784,100,000	374,800,000
BMCE, Spain	391,650,000	449,760,000
Citi Bank, UAE	3,136,400,000	749,600,000
Citi Bank, USA	2,744,350,000	3,748,000,000
First Abu Dhabi Bank	1,568,200,000	-
Habib Bank Limited, Pakistan	-	-
MCB Bank Limited, Pakistan	-	-
Afghan National Credit & Finance Limited, London	-	-
	<b>8,624,700,000</b>	<b>5,322,160,000</b>
6.2.2	<b>9,124,700,000</b>	<b>5,322,160,000</b>

6.2.2 These placements are having maturity up to 366 days and carry interest rate of ranging from 0.35% to 5% p.a.

### 6.3 Investment in associated entities

#### At cost:

Afghanistan payment systems (APS)	6.3.1	19,602,500	18,740,000
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
	6.3.2	<b>106,355,012</b>	<b>105,492,511</b>

#### At equity method:

Bank-e-Millie Afghan	6.3.3	60,672,584	52,291,803
Afghan National Insurance Company	6.3.4	73,509,815	73,509,815
		<b>134,182,399</b>	<b>125,801,618</b>
		<b>240,537,411</b>	<b>231,294,129</b>

### 6.3.1 Afghanistan payment systems (APS)

Balance at beginning of year	6.3.1.1	18,740,000	17,372,500
Exchange gain on translation		862,500	1,367,500
Balance at the end of year		<b>19,602,500</b>	<b>18,740,000</b>

6.3.1.1 The Bank has made an investment of USD 250,000 in APS during the year ended 1389. The Bank held 16.66% (2018: 16.66%) shares in APS. As per the Articles of Association of the investee company, its shares cannot be sold or transferred or offered to the public. During the year, Da Afghanistan Bank (DAB) acquired the entire shareholding in APS on 11 September 2019. Subsequent to the year end, the Bank received an amount of AFN 1,938,000 from DAB against its share held in APS. As per instructions received from DAB balance of AFN 17,664,500 is to be written-off as loss on disposal of investment in three years time. Therefore, impairment has not been recorded against the investment in APS.

6.3.2 These investments in associates are recorded at cost as a result of non-availability of latest audited financial statements.

### 6.3.3 Bank-e-Millie Afghan

Cost of investment	9,800,000	9,800,000
Post-acquisition share of net assets	42,491,803	81,480,292
Increase in ownership interest upon transfer of land to MoFA (0.98% to 2.066%)	6.3.3.1	-
		<b>52,291,803</b>
Share of profit in associate	8,381,607	6,071,718
Share of OCI in associate	-	51,484
Share of dividend		(15,624,668)
Return of investment		(29,341,262)
		(44,965,930)
Other adjustments	(826)	(145,761)
Closing balance	<b>60,672,584</b>	<b>52,291,803</b>

8/10

- 6.3.3.1 During year ended 21 December 2018, Bank-e-Millie Afghan (BMA) transferred land having fair value of AFN 1,108,208,690 to the Ministry of Finance Afghanistan (MoFA) which held 97.194% ownership interest in BMA before the transfer and it was treated as dividend paid to MoFA. As per disclosures provided in the audited financials of BMA, shareholding of MoFA reduced to 94.194%. As per communication received from BMA, shareholding of the Bank has increased to 2.066% (increase by 1.086%) apparently without any consideration paid by the Bank. The matter is under discussion with BMA and pending resolution, the Bank has accounted for share of net assets (including profit and OCI) in BMA at 0.98%.

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
<b>Note</b>	<b>AFN</b>	
<b>6.3.4 Afghan National Insurance Company</b>		
Opening balance		
Cost of investment	7,660,000	7,660,000
Post-acquisition share of net assets	65,849,815	60,802,650
	<b>73,509,815</b>	<b>68,462,650</b>
Share of profit in associate	-	192,412
Share of OCI in associate	-	4,854,753
Dividend received	-	-
Closing balance	<b>73,509,815</b>	<b>73,509,815</b>

- 6.3.5 The summarized financial information of Bank-e-Millie Afghan (BMA) and Afghan National Insurance Company (ANIC) are as follows:

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
<b>Note</b>	<b>AFN</b>	
<b>BMA (audited financial statements)</b>		
Total assets	41,761,269,674	41,879,351,674
Total liabilities	33,649,670,465	34,622,978,506
Net equity	8,111,599,209	7,256,373,168
Revenue	1,085,178,560	905,195,233
Profit for the year	855,226,041	683,204,365
Other comprehensive income (OCI)	-	(3,203,217)
<b>ANIC</b>		
Total assets	Not available	1,030,891,211
Total liabilities	Not available	71,233,038
Net equity	Not available	959,658,174
Revenue	Not available	227,014,929
Profit for the year	Not available	2,511,911
Other comprehensive income (OCI)	Not available	63,377,981

## 7. PROPERTY AND EQUIPMENT

Operating fixed assets	7.1	755,735,179	756,182,136
Capital work-in-progress	7.2	79,546,694	68,631,752
		<b>835,281,873</b>	<b>824,813,888</b>



## 7.1 Operating fixed assets

	Land	Building	Electric equipment	IT equipment	Furniture and fittings	Computers	Motor vehicles	Total		
	AFN									
Cost/ Revalued amounts	Balance at 21 December 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 21 December 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	
	Balance at 21 December 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	
Additions	Disposals / Adjustment	-	6,853,881	1,462,639	15,583,215	1,946,349	786,801	204,972	26,837,857	
	Balance at 21 December 2019	-	-	(1,454,274)	(4,777,156)	(1,430,734)	(9,360,660)	(6,295,882)	(23,318,706)	
	Balance at 21 December 2019	352,591,506	503,576,750	66,317,421	51,626,289	24,552,715	49,308,552	12,227,693	1,060,200,926	
	Depreciation	Balance at 21 December 2017	-	119,103,646	51,041,940	18,811,266	18,308,023	53,590,892	16,616,627	277,472,394
		Charge for the year	-	9,923,396	6,884,230	3,048,043	1,914,640	1,039,347	647,000	23,456,656
Disposals / Adjustment		-	-	(140,476)	(102,111)	(32,598)	(154,226)	-	(429,411)	
Balance at 21 December 2018		-	129,027,042	57,785,694	21,757,198	20,190,065	54,476,013	17,263,627	300,499,639	
Balance at 21 December 2018		-	129,027,042	57,785,694	21,757,198	20,190,065	54,476,013	17,263,627	300,499,639	
Charge for the year	Change for the year	-	9,982,504	4,959,285	8,523,089	1,718,149	1,773,402	721,082	27,677,511	
	Disposals / Adjustment	-	-	(1,435,165)	(4,716,855)	(1,384,522)	(9,625,981)	(6,548,880)	(23,711,403)	
	Balance at 21 December 2019	-	139,009,546	61,309,814	25,563,432	20,523,692	46,623,434	11,435,829	304,465,747	
	Carrying amounts	At 21 December 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
		At 21 December 2019	352,591,506	364,567,204	5,007,607	26,062,857	4,029,023	2,685,118	791,864	755,735,179

20

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
Note	AFN	

## 7.2 Capital work-in-progress

Opening	68,631,752	68,631,752
Additions during the year	80,973,021	-

Transferred to property and equipment  
Transferred to intangible assets

10,289,148	-
58,178,178	-
<b>68,467,326</b>	-
<b>81,137,447</b>	<b>68,631,752</b>

## 8. INTANGIBLE ASSETS

### Cost

Opening balance

- -

Additions during the year - Core

Banking System

8.1

58,178,178

-

Closing balance

**58,178,178**

-

### Less: Accumulated amortization

Opening balance

- -

Charge for the year

1,438,294

-

Closing balance

**1,438,294**

-

### Written down value

**56,739,884**

-

- 8.1 Intangible assets include licenses acquired for Core Banking System (Oracle) as a part of the IT infrastructure development financed by the World Bank project to modernize Afghan State-Owned Banks. The amortization rate of intangible assets determined is 10% p.a.

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
Note	AFN	

## 9. INVESTMENT PROPERTIES

Land

5,786,500

5,786,500

Buildings

956,396,500

956,396,500

9.1

**962,183,000**

**962,183,000**

- 9.1 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

**925,396,500**

**925,396,500**

*blw*



	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	<u>AFN</u>	
<b>Herat</b>		
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>
<b>Mazar Sharif</b>		
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>

- 9.1 As per Initial Decree No. 39 dated 21 Jadi 1388 (11 January 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 7 Dalwa 1394 (27 January 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 21 Qaws 1397 (12 December 2018) by MoF and in consequence special Decree issued by His Excellency the President of Afghanistan No. 2344 dated 1 Jaddi 1397 (22 December 2018), investment properties of Pashtany Bank have been exempted from the Initial Decree No. 39 dated 21 Jadi 1388 (11 January 2010) and all collected rental income through the Director General Properties to be reverted back to Pashtany Bank. Receivable against the rent collected by the MoF has been accounted for as an advance tax as per understanding reached with the MoF.

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		30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	Note	AFN	
<b>10. DEFERRED TAX ASSET - NET</b>			
<i>Deferred tax asset</i>			
Carried forward tax losses	10.1	255,105,831	277,178,986
<i>Deferred tax liability</i>			
Surplus on revaluation	10.2	(109,854,600)	(110,492,200)
		<b>145,251,231</b>	<b>166,686,786</b>
10.1 The movement in carried forward tax losses is as follows:			
Opening balance		277,178,986	235,527,558
Charge/ (reversal) to profit or loss		(22,073,155)	41,651,428
Closing balance		<b>255,105,831</b>	<b>277,178,986</b>
10.2 The movement in surplus on revaluation is as follows:			
Opening balance		110,492,200	111,129,800
Deferred tax on incremental depreciation		(637,600)	(637,600)
Closing balance		<b>109,854,600</b>	<b>110,492,200</b>
		30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	Note	AFN	
<b>11. OTHER ASSETS</b>			
Required reserve account	11.1	1,656,688,233	1,377,754,769
Advance tax		456,891,274	353,072,899
Advances to employees		11,372,194	14,868,690
Advances to suppliers		13,790,269	60,862,858
Interest accrued on capital notes and time deposits		48,352,370	25,613,215
Security deposit		45,436,280	-
Others		3,938,450	48,851,893
		<b>2,236,469,070</b>	<b>1,881,024,324</b>
Provision against advances and receivables	11.2	(4,709,789)	(3,655,127)
Provision against misappropriation		-	(31,674,273)
Net carrying amount		<b>2,231,759,281</b>	<b>1,845,694,924</b>
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 (2018: nil).			
11.1.1 Currency profile of required reserve with DAB			
Local currency		787,815,073	574,866,194
Foreign currencies		868,873,160	802,888,575
		<b>1,656,688,233</b>	<b>1,377,754,769</b>



## 11.2 PROVISION AGAINST ADVANCES AND RECEIVABLES

Opening for the year		(3,655,127)	(41,017,578)
(Charged) / Reversed for the year	11.2.1	(1,054,662)	37,362,451
Closing for the year		<u>(4,709,789)</u>	<u>(3,655,127)</u>

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

	Note	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
		AFN	
<b>12. SHARE CAPITAL</b>			
<b>12.1 Authorized</b>			
3,820,257 (2018: 3,820,257) ordinary shares of AFN 1,000 each		<u>3,820,257,000</u>	<u>3,820,257,000</u>
<b>12.2 Issued, subscribed and paid-up</b>			
3,820,257 (2018: 3,820,257) ordinary shares of AFN 1,000 each		<u>3,820,257,000</u>	<u>3,820,257,000</u>
<b>12.3 The issued shares are subscribed by the following parties:</b>			
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
Sadaraat 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>
<b>13 SURPLUS ON REVALUATION - NET</b>			
	13.1	<u>444,913,400</u>	<u>447,463,800</u>
13.1 Opening balance		444,913,400	447,463,800
Recognized in retained earnings			
Incremental depreciation		(3,188,000)	(3,188,000)
Related deferred tax liability		637,600	637,600
		<u>(2,550,400)</u>	<u>(2,550,400)</u>
Closing balance		<u>442,363,000</u>	<u>444,913,400</u>

**14. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS****Current deposit**

Agricultural Bank Kabul	14.1	233,321	234,321
Construction Bank	14.1	25,321,506	1,603,239
Bank-e-Millie Afghan		40,348,767	345,756
Maiwand Bank		867,336	835,805
Afghan United Bank		3,949,927	3,800,411
Azizi Bank		107,540	104,308
New Kabul Bank		33,952	33,957
Ghazanfar Bank		40,609	40,322
		<b>70,902,958</b>	<b>6,998,119</b>

**Time Deposit**

New Kabul Bank	14.2	784,100,000	749,600,000
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**Time Deposit of financial institutions**

Afghan National Insurance Company		158,615,903	-
		<b>1,013,618,861</b>	<b>756,598,119</b>

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 1.10% p.a. with maturity on November 17, 2020. The deposit has been received under a memorandum of understanding signed with New Kabul Bank.

	Note	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
		AFN	
<b>15. DEPOSITS FROM CUSTOMERS</b>			
Fixed deposit	15.1	36,911,938	32,638,602
Saving deposits	15.2	8,342,570,612	8,125,548,155
Current deposits		10,316,044,581	9,282,820,846
		<b>18,695,527,131</b>	<b>17,441,007,603</b>

15.1 This includes fixed deposit of USD 54,500 (equivalent AFN 4.27 million) from the Ministry of Commerce which carry interest rate of 0.5% and maturing on 30 December 2019. The remaining amount of AFN 32.64 million from Seloo Markazi which is interest free with indefinite maturity.

15.2 These carry interest rate of 0.05% (2018: 1.5%) p.a. for AFN currency and 0.5% (2018: 0.5%) p.a. for deposits in USD currency. Other foreign currencies are interest free.

	Note	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
		AFN	
<b>16. DEFERRED GRANT</b>			
Opening balance		-	-
Additions during the year	16.1	80,973,021	-
Amortization			
Property and equipment		152,459	-
Intangible assets		1,438,294	-
		<b>1,590,753</b>	-
		<b>79,382,268</b>	-



- 16.1 This represents the non-monetary grant received from the World Bank during the year for IT infrastructure development to modernize Afghan State-Owned Banks.

## 17. OTHER LIABILITIES

Employees pension fund	17.1	131,030,424	130,042,326
Creditors		3,071,771	30,433,100
Accrued expenses		16,377,892	51,322,176
Other payables		29,055,434	10,609,596
Withholding tax payable		2,622,798	1,895,797
Inter-branch unreconciled balance		4,200,151	17,183,426
		<b>186,358,470.0</b>	<b>241,486,421</b>

### 17.1 Employees pension fund

#### 17.1.1 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.

#### 17.1.2 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 21 December 2019 (30 Qaws 1398). 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 2.20% (2018: 4.50%) per annum
- Expected increase in salary levels of 2.20% (2018: 4.50%) per annum
- Withdrawal rate of 19.3% (2018: 11%) p.a. for service upto 10 years and 5.3% (2018: 3%) p.a. for service after that

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

	Note	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
		AFN	
Present value of defined benefit obligation		131,030,424	130,042,326
Fair value of plan assets		-	-
		<b>131,030,424</b>	<b>130,042,326</b>

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

Opening net liability	130,042,326	95,422,040
Current service cost	9,106,364	6,752,272
Interest cost	5,605,846	4,091,080
Contributions made to the scheme by employees	2,828,921	3,401,076
Actuarial loss - recognized in OCI	393,347	29,394,147
Transfer out	(874,783)	-
Benefit payable	(5,135,665)	-
Benefits paid during the year	(10,935,932)	(9,018,289)
Liability at end of the year	<b>131,030,424</b>	<b>130,042,326</b>

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
Note	AFN	

## 18. CONTINGENCIES AND COMMITMENTS

Bank guarantees issued	18.1	<u>1,093,102,000</u>	<u>946,798,203</u>
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18.1 Bank guarantees issued by the Bank are backed up by 100% cash margin.

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
Note	AFN	

## 19. NET INTEREST INCOME

### Interest income

Cash and cash equivalents	222,599,183	65,331,722
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### Interest expense

Term deposits	(14,962,090)	(1,213,276)
Saving deposits	(11,283,741)	(4,427,542)
	<u>(26,245,831)</u>	<u>(5,640,818)</u>
<b>Net interest income</b>	<u><b>196,353,352</b></u>	<u><b>59,690,904</b></u>

## 20. NET FEE AND COMMISSION INCOME

### Fee and commission income

Fee	10,573,723	10,241,900
Commission	76,901,454	45,938,814
	<u><b>87,475,177</b></u>	<u><b>56,180,714</b></u>

### Fee and commission expense

Fund transfer charges	(1,318,481)	(1,234,427)
Account maintenance charges	(208,460)	(136,593)
	<u><b>(1,526,941)</b></u>	<u><b>(1,371,020)</b></u>
	<u><b>85,948,236</b></u>	<u><b>54,809,694</b></u>

## 21. OTHER INCOME

### Recovery of loans written-off

Loan principal	329,328,624	332,328,076
Loan interest	30,042,237	50,051,301
	<u><b>359,370,861</b></u>	<u><b>382,379,377</b></u>
Rental income	119,881,425	1,175,370
Income from investments	39,325	39,325
Other	45,560,592	17,908,234
	<u><b>524,852,203</b></u>	<u><b>401,502,306</b></u>

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	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
Note	AFN	

## 22. EMPLOYEE COSTS

Salaries, wages and benefits	154,258,614	158,974,305
Bonus	25,770,204	56,534,298
Staff welfare	2,641,051	2,529,420
	<u>182,669,869</u>	<u>218,038,023</u>

## 23. OTHER OPERATING EXPENSES

Repair and maintenance	8,451,691	5,063,465
Travel and conveyance	2,684,570	1,801,836
Advertisement and publicity	7,176,742	5,519,347
Rent expense	15,922,176	15,565,095
Building tax	309,659	217,950
Deposit insurance	54,075,667	50,886,680
Internet expense	8,568,089	9,324,073
Security expense	36,609,056	36,113,358
Printing and stationery	6,747,585	5,401,802
Communication	1,028,441	943,301
Electricity	9,451,188	9,342,659
Fuel expenses	3,211,847	3,126,904
Auditor's remuneration	1,397,879	900,020
Cleaning and water	580,692	465,650
Kindergarten expenses	337,075	271,773
Employees training expenses	2,128,170	2,663,537
Others	28,583,678	23,320,957
	<u>187,264,205</u>	<u>170,928,407</u>

## 24. TAXATION

Current	24.1	-	-
Prior		11,887,278	(742,831)
Deferred		(21,435,555)	42,289,028
		<u>(9,548,277)</u>	<u>41,546,197</u>

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

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**25. 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 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	AFN		AFN	
	Balances		Transactions	
<b>Investment in equity instruments</b>				
Bank-e-Mille Afghan	60,672,584	52,291,803	-	44,965,930
Afghan National Insurance Company (ANIC)	73,509,815	73,509,815	-	-
Shirkat-e-Ariyana	281,250	281,250	-	-
Hotel Intercontinental	64,435	281,250	-	-
Afghan Card Corporation	2,822,884	2,822,884	-	-
Pakht-e-Herat	65,542	65,542	39,325	39,325
Shirkat Nasaji Afghan	83,518,400	83,518,400	-	-
Afghanistan Payment Systems	19,602,500	18,740,000	-	-
<b>Deposits from banks</b>				
Bank-e-Mille Afghan	40,348,767	345,756	40,003,011	(13,187)
<b>Transactions with key management personnel</b>				
Short-term employee benefits			23,180,500	13,890,000

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.



## 26. 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					
<b>2019</b>					
Cash and cash equivalents	4,490,351,526	-	-	2,602,199,985	7,092,551,511
Placements and investments	11,103,527,049	-	240,537,411	-	11,344,064,460
Loans and advances to customers	-	-	-	-	-
Other assets	-	-	-	1,749,705,544	1,749,705,544
	<b>15,593,878,575</b>	<b>-</b>	<b>240,537,411</b>	<b>4,351,905,529</b>	<b>20,186,321,515</b>
Deposits from banks and financial institutions	-	-	-	1,013,618,861	1,013,618,861
Deposits from customers	-	-	-	18,695,527,131	18,695,527,131
Other liabilities	-	-	-	48,505,097	48,505,097
	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,744,032,228</b>	<b>18,744,032,228</b>
<b>2018</b>					
Cash and cash equivalents	6,999,088,658	-	-	4,352,250,438	11,351,339,096
Placements and investments	5,322,160,000	-	231,294,129	-	5,553,454,129
Loans and advances to customers	-	-	-	-	-
Other assets	-	-	-	1,416,890,477	1,416,890,477
	<b>12,321,248,658</b>	<b>-</b>	<b>231,294,129</b>	<b>5,769,140,915</b>	<b>18,321,683,702</b>
Deposits from banks and financial institutions	-	-	-	756,598,119	756,598,119
Deposits from customers	-	-	-	17,441,007,603	17,441,007,603
Other liabilities	-	-	-	92,364,872	92,364,872
	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,289,970,594</b>	<b>18,289,970,594</b>

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

## 27. FINANCIAL RISK MANAGEMENT

## 27.1 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.

## 27.2 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 placements with other banks and guarantees issued by the Bank. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

## 27.3 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:

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
At period end / year end	95.44	93.77
Average for the period / year	95.48	93.74
Maximum for the period / year	102.60	99.88
Minimum for the period / year	80.34	89.34

**Maturity analysis for financial liabilities**

	Note	Carrying amount	Gross inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year
AFN						
2019						
Deposits from banks and financial institutions	14	1,013,618,861	(1,013,618,861)	(70,902,958)	-	(942,715,903)
Deposits from customers	15	18,695,527,131	(18,695,527,131)	(18,695,527,131)	-	-
Other liabilities	17	48,505,097	(48,505,097)	(48,505,097)	-	-
		<b>19,757,651,089</b>	<b>(19,757,651,089)</b>	<b>(18,814,935,186)</b>	-	<b>(942,715,903)</b>
2018						
Deposits from banks and financial institutions	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	17	92,364,872	(92,364,872)	(92,364,872)	-	-
		<b>18,289,970,594</b>	<b>(18,289,970,594)</b>	<b>(17,540,370,594)</b>	-	<b>(749,600,000)</b>

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.

**27.4 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 policies and day to day review of their implementation.

**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 of the Bank's interest rate gap position on non-trading portfolio is as follows:

	Note	Carrying amount	Less than one month	Less than 3 months	6-12 months	1-5 years
AFN						
2019						
Cash and cash equivalents	5	5,522,799,680	1,532,399,548	3,990,400,132	-	-
Placements and investments	6	11,344,064,460	-	-	11,103,527,049	-
		<b>16,866,864,140</b>	<b>1,532,399,548</b>	<b>3,990,400,132</b>	<b>11,103,527,049</b>	-
Deposits from banks and financial institutions	14	942,715,903	-	-	942,715,903	-
Deposits from customers	15	8,379,482,550	8,379,482,550	-	-	-
		<b>9,322,198,453</b>	<b>8,379,482,550</b>	-	<b>942,715,903</b>	-
Gap		<b>7,544,665,687</b>	<b>(6,847,083,002)</b>	<b>3,990,400,132</b>	<b>10,160,811,146</b>	-
2018						
Cash and cash equivalents	5	7,459,461,268	460,372,610	6,999,088,658	-	-
Placements and investments	6	5,322,160,000	-	-	5,322,160,000	-
		<b>12,781,621,268</b>	<b>460,372,610</b>	<b>6,999,088,658</b>	<b>5,322,160,000</b>	-
Deposits from banks and financial institutions	14	749,600,000	-	-	749,600,000	-
Deposits from customers	15	8,158,186,757	8,125,548,155	-	32,638,602	-
		<b>8,907,786,757</b>	<b>8,125,548,155</b>	-	<b>782,238,602</b>	-
Gap		<b>3,873,834,511</b>	<b>(7,665,175,545)</b>	<b>6,999,088,658</b>	<b>4,539,921,398</b>	-

**Exposure to currency risk**

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

	US\$	Euro	Others
2019			
Cash and cash equivalents	465,008,153	196,889,619	134,761,629
Placements and investments	8,468,280,000	156,420,000	-
Other assets	907,410,431	10,708,861	-
	<b>9,840,698,585</b>	<b>364,018,479</b>	<b>134,761,629</b>
Deposits from banks and financial institutions	951,604,490	108,199	3,054
Deposits from customers	8,413,908,270	122,348,427	42,007,662
Other liabilities	15,939,821	-	-
	<b>9,381,452,581</b>	<b>122,456,626</b>	<b>42,010,716</b>
Net foreign currency exposure	<b>459,246,004</b>	<b>241,561,853</b>	<b>92,750,913</b>
2018			
Cash and cash equivalents	2,940,246,737	156,172,723	626,344,231
Placements and investments	5,322,160,000	-	-
Other assets	831,127,116	7,145,480	-
	<b>9,093,533,853</b>	<b>163,318,203</b>	<b>626,344,231</b>
Deposits from banks and financial institutions	754,021,169	108,027	4,727
Deposits from customers	8,005,714,993	68,774,856	21,371,437
Other liabilities	36,608,742	-	-
	<b>8,796,344,904</b>	<b>68,882,883</b>	<b>21,376,163</b>
Net foreign currency exposure	<b>297,188,949</b>	<b>94,435,320</b>	<b>604,968,068</b>



The following significant exchange rates were applied during the periods.

	2019		2018	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
US\$	77.70	78.41	72.23	74.96
Euro	87.00	86.90	83.79	85.39
GBP	98.46	101.80	93.42	94.53

#### Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, and 10% strengthening euro at 21 December 2019 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.

	2019		2018	
	Equity	Profit or loss	Equity	Profit or loss
	AFN		AFN	
US\$	36,739,680	45,924,600	23,775,115.91	29,718,895
Euro	19,324,948	24,156,185	7,554,825.63	9,443,532

A 10 % weakening of the Afghani against the above currencies at 21 December 2019 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.

**28. Capital management**

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

- (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 21 December 2019 is as follows:

	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	AFN	
<b>Core (Tier 1) Capital:</b>		
Total shareholder's equity	2,692,944,510	2,265,079,680
Less:		
Profit for the year	(428,258,177)	(208,803,111)
Deferred tax assets - Net	(145,251,231)	(166,686,786)
Intangible assets	(56,739,884)	-
Surplus on revaluation of fixed assets	(442,363,000)	(444,913,400)
	<b>1,620,332,218</b>	<b>1,444,676,383</b>
<b>Supplementary (Tier 2) Capital:</b>		
Profit for the year	428,258,177	208,803,111
Surplus on revaluation of fixed assets	442,363,000	444,913,400
Allowable deduction - equity investment	(240,537,411)	(231,294,129)
	<b>630,083,766</b>	<b>422,422,382</b>
<b>Total regulatory capital</b>	<b>2,250,415,984</b>	<b>1,867,098,765</b>
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	759,688,887	394,134,335
Direct claims on DAB	9,689,999,136	12,212,854,306
<b>Total</b>	<b>10,449,688,023</b>	<b>12,606,988,641</b>
0% risk-weight total (above total x 0%)	-	-
<b>20% risk weight:</b>		
Balances with other banks	9,403,078,770	5,444,265,224
20% risk-weight total (above total x 20%)	<b>1,880,615,754</b>	<b>1,088,853,045</b>
<b>100% risk weight:</b>		
All other assets	2,815,064,447	2,652,917,958
Allowable deduction-equity investment	(240,537,411)	(231,294,129)
Intangible assets	(56,739,884)	-
Net deferred tax asset	(145,251,231)	(166,686,786)
100% risk-weight total (above total x 100%)	<b>2,372,535,921</b>	<b>2,254,937,043</b>
<b>0% risk weight:</b>		
Guarantees	1,093,102,000	946,798,203
0% credit conversion factor total (risk-weighted total x 0%)	-	-
<b>Total risk-weighted assets</b>	<b>4,253,151,675</b>	<b>3,343,790,088</b>



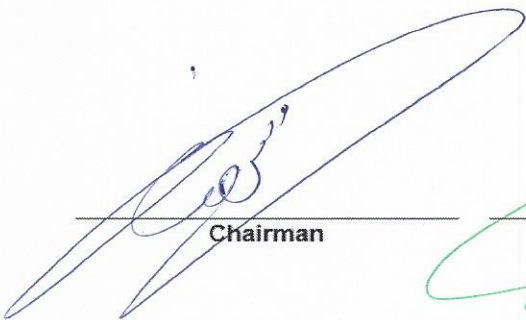
	30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	AFN	
<b>Tier 1 Capital Ratio</b> (Tier 1 capital as % of total risk-weighted assets)	38.10%	43.20%
<b>Regulatory Capital Ratio</b> (Regulatory capital as % of total risk-weighted assets)	52.91%	55.84%

29. CORRESPONDING FIGURES

29.1 Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current year.

29.2 The figures in these financial statements have been rounded off to the nearest in AFN.

*Sh*

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer