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Independent auditors' review report on condensed interim financial statements to the shareholders of Pashtany Bank

Grant Thornton Afghanistan

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pashtany Bank** ("the Bank") as at March 19, 2020 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the three months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

- 1) The Bank has property and equipment with written down value of AFN 833.704 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 962.183 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. During the current period, 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) As IFRS 16 "Leases" became effective for the annual periods beginning on or after January 1, 2019, however, the same has not been adopted by the Bank. Adoption of the standard would have resulted in on-balance sheet recognition of majority of operating leases relating to branches of the Bank for which lease rentals were charged to profit or loss previously. Right-of-use asset (*an amount equivalent to future rentals of the property over lease term discounted to present value*) with related lease liability were to be recognized on the date of adoption and instead of property lease rentals, now expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability. In the absence of detailed working by management, impact of this non-compliance on interim financial statements cannot be quantified.
- 3) Article 66 of the Banking Law of Afghanistan provides the list of allowed activities for the banks which includes banking operations only. Activities outside Article 66 are further specified in Article 67 of the Banking Law of Afghanistan as prohibited activities and the banks cannot be engaged in such activities with maximum period allowed to disengage from such activities was originally set out at five years with two extensions of one year each from the date of promulgation of the Banking Law of Afghanistan i.e. December 14, 2003. However, the Bank continue to hold investment properties and interest in those properties has not been disposed-off till date. Any effect of such non-compliance is currently not determinable.

Qualified Conclusion

Based on our review, with the exception of the matters described in preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the bank as at March 19, 2020 (29 Hoot 1398), and of its financial performance and its cash flows for the nine months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan.



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Emphasis of Matter

We draw attention to note 7.2.2 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 103.867 million. Our opinion is not modified in respect of this matter.

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Chartered Accountants

Location: Kabul, Afghanistan

Date: *20th MAY, 2020*



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PASHTANY BANK

Statement of Financial Position

As of 29 Hoot 1398 (19 March 2020)

		Un-audited	Audited
		29 Hoot 1398	30 Qaws 1398
		(19 Mar 2020)	(21 Dec 2019)
	Notes	AFN	
Assets			
Cash and cash equivalents	5	6,672,272,332	7,092,551,511
Loan and Advances	6	621,768	-
Placements and investments	7	11,246,313,225	11,344,064,460
Property and equipment	8	833,704,081	835,281,873
Intangible assets	9	55,317,751	56,739,884
Investment properties		962,183,000	962,183,000
Deferred tax asset - net		145,251,231	145,251,231
Other assets	10	2,227,371,126	2,231,759,281
Total assets		22,143,034,513	22,667,831,240
Equity and Liabilities			
Equity			
Share capital		3,820,257,000	3,820,257,000
Accumulated losses		(1,567,071,995)	(1,569,675,490)
Surplus on revaluation - net		442,363,000	442,363,000
Total equity		2,695,548,005	2,692,944,510
Liabilities			
Deposits from banks and financial institutions	11	960,841,859	1,013,618,861
Deposits from customers	12	18,137,071,452	18,695,527,131
Deferred grant		76,419,133	79,382,268
Other liabilities	13	273,154,064	186,358,470
Total liabilities		19,447,486,508	19,974,886,730
Total equity and liabilities		22,143,034,513	22,667,831,240
Contingencies and Commitments	14		

The annexed notes from 1 to 21 form an integral part of the financial statements.



Chief Executive Officer



Chief Finance Officer

PASHTANY BANK**Statement of Comprehensive Income***For the period ended 29 Hoot 1398 (19 March 2020)*

		Un-audited	Un-audited
		29 Hoot 1398	29 Hoot 1397
		(19 Mar 2020)	(20 Mar 2019)
	<i>Notes</i>	AFN	AFN
Interest income		65,424,383	37,348,744
Interest expense		(4,917,203)	(7,149,792)
Net interest income	15	60,507,180	30,198,952
Fee and commission income		25,397,126	14,023,923
Fee and commission expense		(534,848)	(91,513)
Net fee and commission income		24,862,278	13,932,410
		85,369,458	44,131,361
Other income	16	21,862,339	48,003,620
Impairment reversal/(loss) on investments		2,963,135	-
Amortization of deferred grant and other assets		4,709,789	(123,096)
Employee costs	17	(38,348,563)	(36,898,884)
Depreciation		(8,415,788)	(7,107,413)
Amortization		(1,422,133)	
Other operating expenses	18	(31,777,350)	(41,289,393)
Exchange gain		(31,686,518)	3,876,242
Income Before Tax		3,254,370	10,592,438
Income tax		(650,875)	(1,032,053)
Profit for the year		2,603,495	9,560,385
Other comprehensive income		-	-
Total comprehensive income for the period ended		2,603,495	9,560,385

The annexed notes from 1 to 21 form an integral part of the financial statements.



Chief Executive Officer



Chief Financial Officer

PASHTANY BANK

Statement of Changes in Equity

For the period ended 29 Hoot 1398 (19 March 2020)

	Share capital	Retained earnings	Surplus on revaluation of property and equipment	Total
	-----AFN-----			
Balance as at December 21, 2018	3,820,257,000	(2,134,875,746)	444,913,400	2,130,294,654
Comprehensive income for the period	-	9,560,385	-	9,560,385
Balance as at March 20, 2019	3,820,257,000	(2,125,315,361)	444,913,400	2,139,855,039
Balance as at 21 December 2019	3,820,257,000	(1,569,675,490)	442,363,000	2,692,944,509
Comprehensive income for the period	-	2,603,495	-	2,603,495
Balance as at March 19, 2020	3,820,257,000	(1,567,071,995)	442,363,000	2,695,548,005

The annexed notes from 1 to 21 form an integral part of the financial statements.



Chief Executive Officer

Chief Financial Officer

PASHTANY BANK**Statement of Cash Flows***For the period ended 29 Hoot 1398 (19 March 2020)*

	Un-audited 29 Hoot 1398 (19 Mar 2020)	Un-audited 29 Hoot 1397 (20 Mar 2019)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	3,254,370	10,592,438
Adjustments for:		
Depreciation	7,243,824	7,107,413
Amortization	1,422,133	-
Foreign exchange (gain) / loss	-	(125,000)
Provision of other assets	-	123,097
Amortization of deferred grants	(2,963,135)	-
	8,957,193	17,697,948
(Increase) decrease in operating assets and liabilities:		
Deposits from banks and financial institutions	(52,777,002)	9,142,849
Deposits from customers and banks	(558,455,679)	249,755,190
Investments in properties	-	-
Loan and Advances	(621,768)	-
Placements and investments	97,751,235	-
Other assets	4,388,155	(258,716,183)
Other liabilities	86,795,594	5,941,417
Net cash from operating activities before interest and tax	(413,962,272)	23,821,221
Tax paid	(650,875)	(1,032,053)
Net cash from operating activities	(414,613,147)	22,789,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,754,567)	(2,149,408)
Disposal of Property and equipments	1,173,593	-
Capital work in progress	10,914,942	-
Net cash used in investing activities	(5,666,032)	(2,149,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	-	-
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(420,279,179)	20,639,760
Cash and cash equivalents at beginning of the year	7,092,551,511	16,673,499,096
Cash and cash equivalents at the end of the year	6,672,272,332	16,694,138,856

The annexed notes from 1 to 21 form an integral part of the financial statements.



Chief Executive Officer



Chief Financial Officer

PASHTANY BANK

Notes To The Condensed Interim Financial Statements

For the period ended 29 Hoot 1398 (19 March 2020)

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 (2019: 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 20/05/2020 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 29 Hoot 1398 (19 March 2020)*

		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
		AFN	
		Note	
5.	CASH AND CASH EQUIVALENTS		
	Cash in hand	5.1	650,524,476
	Balances with Da Afghanistan Bank	5.2	5,836,764,419
	Balances with other banks	5.3	184,983,437
			6,672,272,332
			7,092,551,511
5.1	Cash in hand		
	Local currency		312,742,858
	Foreign currency		337,781,618
			650,524,476
5.2	Balances with Da Afghanistan Bank		
	Current accounts:		
	Local currency		199,833,484
	Foreign currency		2,150,571,035
			2,350,404,519
	Capital notes	5.2.1	3,191,560,048
	Overnight deposit	5.2.2	294,799,852
			5,836,764,419
			6,054,483,854
5.2.1	These represent 7 to 91 days (up to 91 days) capital notes and carry interest of 1.35% (2019: 0.63% to 1.35%) per annum.		
5.2.2	This represent overnight deposit with Da Afghanistan Bank in local currency and carry interest rate of 0.01% (2019: 0.01%) per annum.		
		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
		AFN	
		Note	
5.3	Balances with other banks		
	<i>In Afghanistan</i>		
	Azizi Bank		1,666,394
	Bank Millie Afghan		4,758,429
	New Kabul Bank		3,125,946
			9,550,769
	<i>Outside Afghanistan</i>		
	Aktif Bank, Turkey		3,260,995
	BMCE, Spain		143,551,398
	United Bank Limited, Pakistan		28,620,276
			175,432,668
			272,328,190
			184,983,437
			278,378,770
6.	LOAN AND ADVANCES		
	<i>Consumer Loan</i>		
	Gross Loan	6.1	621,768
	Impairment		-
	Carrying Value		621,768
6.1	This loans are especially designed for permanent government employee with service period of		

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)*

more than 5 years and less than 33 years. The limit of these loans is 40% of net annual salary of the employee. The interest rate charged on these micro loans is 10% p.a.

		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
7. PLACEMENTS AND INVESTMENTS			
Capital notes issued by Da Afghanistan Bank		4,047,163,670	1,978,827,049
Placements	7.1	6,961,100,000	9,124,700,000
Investment in associated entities	7.2	238,049,555	240,537,411.00
		11,246,313,225	11,344,064,460
7.1 Placements			
Inside Afghanistan			
Afghanistan International Bank		500,000,000	500,000,000
Outside Afghanistan			
Aktif Bank, Turkey		760,500,000	784,100,000
BMCE, Spain		377,100,000	391,650,000
Citi Bank, UAE		3,042,000,000	3,136,400,000
Citi Bank, USA		-	2,744,350,000
First Abu Dhabi Bank		1,521,000,000	1,568,200,000
Norul Bank		760,500,000	-
		6,461,100,000	8,624,700,000
	7.1.2	6,961,100,000	9,124,700,000
7.1.2	These placements are having maturity up to 366 days and carry interest rate of ranging from 0.35% to 4% p.a.		
		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
7.2 Investment in associated entities	Note	AFN	
<i>At cost:</i>			
Afghanistan payment systems (APS)	7.2.1	17,114,647	19,602,500
Shirkat-e-Ariyana		281,241	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
	7.2.2	103,867,149	106,355,012
<i>At equity method:</i>			
Bank-e-Millie Afghan	7.2.3	60,672,590	60,672,584
Afghan National Insurance Company	7.2.4	73,509,816	73,509,815
		134,182,406	134,182,399
		238,049,555	240,537,411

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)*

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

		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
7.2.3 Bank-e-Millie Afghan			
Cost of investment		9,800,000	9,800,000
Post-acquisition share of net assets		42,491,803	42,491,803
Increase in ownership interest upon transfer of land to MoFA (0.98% to 2.066%)	7.2.3.1	-	-
		52,291,803	52,291,803
Share of profit in associate		8,381,607	8,381,607
Share of OCI in associate		-	-
Share of dividend		-	-
Return of investment		-	-
Other adjustments		(826)	(826)
Closing balance		60,672,584	60,672,584

- 7.2.3.1 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%.

		29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
8. PROPERTY AND EQUIPMENT			
Operating fixed assets	8.1	765,072,329	755,735,179
Capital work-in-progress	8.2	68,631,752	79,546,694
		833,704,081	835,281,873

PASHTANY BANK

Notes To The Condensed Interim Financial Statements
For the period ended 29 Hoot 1398 (19 March 2020)

8.1 PROPERTY AND EQUIPMENT

	29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	AFN	
Gross Carrying Amount		
At beginning of the period/ year	1,060,200,926	1,056,681,775
Addition during the period/ year	17,754,567	26,837,857
Disposal during the period/ year	(1,173,593)	(23,318,706)
Revaluation adjustment	-	-
Closing balance	1,076,781,900	1,060,200,926
Accumulated Depreciation		
At beginning of the period/ year	304,465,747	300,499,639
Charge for the period/ year	8,415,788	27,677,511
Accumulated depreciation on disposal	(1,171,963)	(23,711,403)
Revaluation adjustment	-	-
Closing balance	311,709,571	304,465,747
Carrying Value	765,072,329	755,735,179

9 INTANGIBLE ASSETS

Cost

Opening balance	9.1	58,178,178	-
Additions during the year - Core Banking System		-	58,178,178
Closing balance		58,178,178	58,178,178

Less: Accumulated amortization

Opening balance	1,438,294	-
Charge for the period	1,422,133	1,438,294
Closing balance	2,860,427	1,438,294

Written down value

55,317,751	56,739,884
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- 9.1 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.

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)*

10. OTHER ASSETS	Note	29 Hoot 1398	30 Qaws 1398
		(19 Mar 2020)	(21 Dec 2019)
		AFN	
Required reserve account	10.1	1,564,311,708	1,656,688,233
Advance tax		459,710,555	456,891,274
Advances to employees		12,459,344	11,372,194
Advances to suppliers		14,264,754	13,790,269
Interest accrued on capital notes and time deposits		69,893,542	48,352,370
Security deposit		40,731,680	45,436,280
Others		65,999,544	3,938,450
		2,227,371,126	2,236,469,070
Provision against advances and receivables	10.2	-	(4,709,789)
Net carrying amount		2,227,371,126	2,231,759,281

- 10.1 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 (2019: nil).

Currency profile of required reserve	Note	29 Hoot 1398	30 Qaws 1398
		(19 Mar 2020)	(21 Dec 2019)
		AFN	
Local currency		736,936,873	787,815,073
Foreign currencies		827,374,835	868,873,160
		1,564,311,708	1,656,688,233

10.2 PROVISION AGAINST ADVANCES AND RECEIVABLES

Opening balance	(4,709,789)	(3,655,127)
(Charged) / Reversed for the period	4,709,789	(1,054,662)
Closing balance	-	(4,709,789)

PASHTANY BANK

Notes To The Condensed Interim Financial Statements
For the period ended 29 Hoot 1398 (19 March 2020)

11.	DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS	Note	29 Hoot 1398	30 Qaws 1398
			(19 Mar 2020)	(21 Dec 2019)
			AFN	
	Current deposit			
	Agricultural Bank Kabul		233,021	233,321
	Construction Bank		2,969,251	25,321,506
	Bank-e-Millie Afghan		40,335,252	40,348,767
	Maiwand Bank		843,301	867,336
	Afghan United Bank		1,943,934	3,949,927
	Azizi Bank		103,847	107,540
	New Kabul Bank		32,473	33,952
	Ghazanfar Bank		38,931	40,609
			46,500,010	70,902,958
	Time Deposit			
	New Kabul Bank		760,500,000	784,100,000
	Time Deposit of financial institutions			
	Afghan National Insurance Company		153,841,849	158,615,903
			960,841,859	1,013,618,861
12. DEPOSITS FROM CUSTOMERS				
	Fixed deposit	12.1	36,799,678	36,911,938
	Saving deposits	12.2	8,102,436,114	8,342,570,612
	Current deposits		9,997,835,660	10,316,044,581
			18,137,071,452	18,695,527,131
12.1	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 13 January 2021. The remaining amount of AFN 32.64 million from Seloo Markazi which is interest free with			
12.2	These carry interest rate of 0.05% (2019: 0.05%) p.a. for AFN currency and 0.2% (2019: 0.2%) p.a. for deposits in USD currency. Other foreign currencies are interest free.			

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)*

13. OTHER LIABILITIES	Note	29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
		AFN	
Employees pension fund	17.1	130,448,429	131,030,424
Creditors		3,330,760	3,071,771
Accrued expenses		13,862,809	16,377,892
Other payables		117,970,901	29,055,434
Withholding tax payable		3,852,026	2,622,798
Inter-branch unreconciled balance		3,689,140	4,200,151
		<u>273,154,064.2</u>	<u>186,358,470.0</u>

14. CONTINGENCIES AND COMMITMENTS

Bank guarantees issued	14.1	<u>1,090,944,671</u>	<u>1,093,102,000</u>
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14.1 Bank guarantees issued by the Bank are backed up by 100% cash margin.

15. NET INTEREST INCOME		Un-Audited 29 Hoot 1398 (19 Mar 2020)	Un-Audited 29 Hoot 1397 (20 Mar 2019)
		AFN	
Interest income			
Cash and cash equivalents		65,424,383	37,348,744
Interest expense			
Term deposits		2,680,347	1,736,015
Saving deposits		<u>2,236,856</u>	<u>5,413,777</u>
Net interest income		<u>60,507,180</u>	<u>30,198,952</u>
16. OTHER INCOME			
Recovery of loans written-off			
Loan principal		10,060,732	35,838,534
Loan interest		209,199	2,570,381
Rental income		11,227,950	9,060,610
Other		<u>364,458</u>	<u>534,095</u>
		<u>21,862,339</u>	<u>48,003,620</u>

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)*

	Un-Audited	Un-Audited
	29 Hoot 1398	29 Hoot 1397
	(19 Mar 2020)	(20 Mar 2019)
	AFN	
17. EMPLOYEE COSTS		
Salaries, wages and benefits	38,044,562.85	36,569,579
Bonus	274,000	214,305
Staff welfare	30,000	115,000
	<u>38,348,563</u>	<u>36,898,884</u>
18. OTHER OPERATING EXPENSES		
Repair and maintenance	990,597	1,620,035
Travel and conveyance	451,511	466,730
Advertisement and publicity	580,873	874,056
Rent expense	3,524,884	3,480,277
Building tax	160,433	3,000
Deposit insurance	12,000,000	12,268,190
Internet expense	2,047,537	2,060,857
Security expense	1,714,040	10,980,404
Printing and stationery	359,708	973,670
Communication	253,330	237,318
Electricity	3,078,865	1,517,529
Fuel expenses	773,101	1,480,185
Auditor's remuneration	802,031	301,520
Cleaning and water	115,333	118,387
Kindergarten expenses	90,027	69,284
Employees training expenses	287,685	558,143
Others	4,547,395	4,279,807
	<u>31,777,350</u>	<u>41,289,393</u>

PASHTANY BANK**Notes To The Condensed Interim Financial Statements***For the period ended 29 Hoot 1398 (19 March 2020)***19 RELATED PARTY TRANSACTIONS****Parent and ultimate controlling party**

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

Key management personnel

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

Transactions with related parties

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

Transactions		Balances	
Un-audited		Un-audited	Audited
19-Mar-20	20-Mar-19	19-Mar-20	21-Dec-19
		AFN	

Transactions with key management

Salaries and other benefits	5,135,000	3,682,833	-	-
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In addition to salaries and remuneration, Bank also provides non-cash benefits to executives which include furnished accommodation, meal and travel cost.

20 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 19 March 2020 is as follows:

	29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	AFN	
Core (Tier 1) Capital:		
Total shareholder's equity	2,695,548,005	2,692,944,510
Less:		
Profit for the year	(2,603,495)	(428,258,177)
Deferred tax assets - Net	(145,251,231)	(145,251,231)
Intangible assets	(55,317,751)	(56,739,884)
Surplus on revaluation of fixed assets	(442,363,000)	(442,363,000)
	2,050,012,528	1,620,332,218


PASHTANY BANK

Notes To The Condensed Interim Financial Statements
For the period ended 29 Hoot 1398 (19 March 2020)

	29 Hoot 1398 (19 Mar 2020)	30 Qaws 1398 (21 Dec 2019)
	AFN	
Supplementary (Tier 2) Capital:		
Profit for the year	2,603,495	428,258,177
Surplus on revaluation of fixed assets	442,363,000	442,363,000
Allowable deduction - equity investment	(238,049,555)	(240,537,411)
	206,916,940	630,083,766
Total regulatory capital	2,256,929,468	2,250,415,984
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	650,524,476	759,688,887
Direct claims on DAB	11,448,239,796	9,689,999,136
Total	12,098,764,272	10,449,688,023
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Balances with other banks	7,146,083,437	9,403,078,770
20% risk-weight total (above total x 20%)	1,429,216,687	1,880,615,754
100% risk weight:		
All other assets	2,898,186,804	2,815,064,447
Allowable deduction-equity investment	(238,049,555)	(240,537,411)
Intangible assets	(55,317,751)	(56,739,884)
Net deferred tax asset	(145,251,231)	(145,251,231)
100% risk-weight total (above total x 100%)	2,459,568,267	2,372,535,921
0% risk weight:		
Guarantees	1,090,944,671	1,093,102,000
0% credit conversion factor total (risk-weighted total x 0%)	-	-
Total risk-weighted assets	3,888,784,955	4,253,151,675
Tier 1 Capital Ratio		
(Tier 1 capital as % of total risk-weighted assets)	52.72%	38.10%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	58.04%	52.91%

21 CORRESPONDING FIGURES

No significant reclassification/ rearrangement has been made in these financial statements.


Chief Executive Officer


Chief Financial Officer