

# Condensed interim financial statements and auditors' review report to Pashtany Bank

For the nine months ended 21 September 2020



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**The Board of Supervisors**

Pashtany Bank  
Kabul, Afghanistan

November 4, 2020

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Gentlemen,

**CONDENSED INTERIM FINANCIAL STATEMENTS - FOR NINE MONTHS ENDED  
SEPTEMBER 21, 2020**

We are pleased to enclose four copies of the draft condensed interim financial statements of Pashtany Bank ("the Bank"), for the nine months ended September 21, 2020, prepared by the management, together with our review report thereon. The condensed interim financial statements have been initialed by us for the purpose of identification only. We shall be pleased to sign our report in its present or amended form after:

- these condensed interim financial statements have been approved by the Board, with or without modification, and signed by the Chief Financial Officer and Chief Executive Officer, authorized in this behalf by the Board of Supervisors;
- we have received minutes of the meeting of the Board to evidence approval of the condensed interim financial statements; and
- we have received the management representation letter duly signed by the Chief Executive Officer and Chief Financial Officer of the Bank.

**2 RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN  
RELATION TO THE FINANCIAL STATEMENTS**

We have conducted the review of the interim financial statements of the Bank in accordance with the International Standard on Review Engagements (ISRE) 2410. 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 the 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. Our responsibility is to express a conclusion on the accompanying condensed interim financial information based on our review.

The responsibility for preparation and presentation of the condensed interim financial statements in accordance with the accounting standards as applicable to interim financial information is primarily that of the Bank's management. This includes maintenance of adequate accounting records and internal controls, the selection and application of accounting policies,

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safeguarding of the assets of the Bank and prevention and detection of fraud and irregularities. The review of interim financial statements does not relieve the management of its responsibilities.

### **3 MATTERS FOR THE ATTENTION OF BOARD**

#### **Fraud and errors**

We have been informed by management that to the best of their knowledge, there have been no instance of fraud or irregularity during the period.

#### **Contingencies and commitments**

We have been informed by management that there are no contingencies and commitments other than those disclosed in note 15 to the condensed interim financial statements.

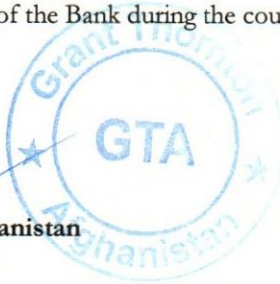
#### **Related party transactions**

We have been informed by management that related party transactions have been properly disclosed in note 20 to the condensed interim financial statements and there are no other related party transactions which have not been recorded in the financial statements.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the management of the Bank during the course of our review.

Yours truly,

**Grant Thornton Afghanistan**  
Chartered Accountants





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

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### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pashtany Bank** ("the Bank") as at September 21, 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 nine 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 820.198 million and this includes land and buildings having written down values of AFN 352.591 million and AFN 358.531 million, respectively. 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

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assets has not been carried out since 2009. During the current period, Da Afghanistan Bank has given 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 of 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 the 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 September 21, 2020 (31 Sunbola 1399), 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 to the financial statements which states that investments in associates are accounted for at cost due to non-availability of latest audited financial statements. The value of these investments amounts to AFN 104.047 million. Our opinion is not modified in respect of this matter.

*Grant Thornton AF*



**Grant Thornton Afghanistan**

**Chartered Accountants**

Location: Kabul, Afghanistan

Date: Nov 5, 2020


**PASHTANY BANK**


## Condensed Interim Statement of Financial Position

As of 31 Sunbola 1399 (21 September 2020)

		(Un-audited)	(Audited)
		31 Sunbola 1399	30 Qaws 1398
		(21 Sep 2020)	(21 Dec 2019)
	Notes	AFN	
<b>Assets</b>			
Cash and cash equivalents	5	9,842,030,321	7,092,551,511
Loan and Advances	6	19,091,419	-
Placements and investments	7	9,244,163,180	11,344,064,460
Property and equipment	8	820,198,368	835,281,873
Intangible assets	9	52,376,521	56,739,884
Investment properties	10	962,183,000	962,183,000
Deferred tax asset - net		148,758,293	145,251,231
Other assets	11	2,371,018,275	2,231,759,281
<b>Total assets</b>		<b>23,459,819,377</b>	<b>22,667,831,240</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital		3,820,257,000	3,820,257,000
Accumulated losses		(1,504,246,370)	(1,569,675,490)
Surplus on revaluation - net		442,363,000	442,363,000
<b>Total equity</b>		<b>2,758,373,630</b>	<b>2,692,944,510</b>
<b>Liabilities</b>			
Deposits from banks and financial institutions	12	815,026,169	1,013,618,861
Deposits from customers	13	19,514,767,496	18,695,527,131
Deferred grant		69,674,964	79,382,268
Other liabilities	14	301,977,118	186,358,470
<b>Total liabilities</b>		<b>20,701,445,747</b>	<b>19,974,886,730</b>
<b>Total equity and liabilities</b>		<b>23,459,819,377</b>	<b>22,667,831,240</b>
<b>Contingencies and Commitments</b>			
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The annexed notes from 1 to 22 form an integral part of these condensed financial statements.


  
Chief Executive Officer


  
Chief Finance Officer

**PASHTANY BANK**

Condensed Interim Statement of Comprehensive Income [Un-Audited]

For the nine months ended 31 Sunbola 1399 (21 September 2020)

	Notes	Nine months ended		Three months ended	
		31 Sunbola 1399 (21 Sep 2020)	31 Sunbola 1398 (22 Sep 2019)	21-Sep-2020	22-Sep-2019
		AFN	AFN	AFN	AFN
Interest income		190,080,879	163,134,506	61,021,404	65,905,684
Interest expense		(14,122,617)	(20,586,911)	(4,267,705)	(5,701,761)
<b>Net interest income</b>	16	<b>175,958,262</b>	<b>142,547,595</b>	<b>56,753,698</b>	<b>60,203,923</b>
Fee and commission income		59,616,717	56,211,707	20,346,589	21,826,704
Fee and commission expense		(1,415,729)	(1,030,366)	(740,382)	(385,623)
<b>Net fee and commission income</b>		<b>58,200,988</b>	<b>55,181,341</b>	<b>19,606,207</b>	<b>21,441,081</b>
		<b>234,159,250</b>	<b>197,728,936</b>	<b>76,359,905</b>	<b>81,645,003</b>
Other income	17	98,793,310	480,211,952	32,875,381	81,875,188
Impairment reversal/(loss) on investments and other assets		4,709,789	(508,747)	-	118,636
Amortization of deferred grant		9,707,304	-	3,372,085	-
Employee costs	18	(136,927,205)	(153,243,431)	(43,745,280)	(47,872,046)
Depreciation		(25,930,545)	(20,745,648)	(8,574,464)	(6,910,850)
Amortization		(4,363,363)	-	(1,470,615)	-
Other operating expenses	19	(118,198,589)	(133,535,939)	(48,115,272)	(44,198,330)
Exchange gain		5,775,656	14,642,575	15,984,571	(30,802,318)
<b>Income Before Tax</b>		<b>67,725,607</b>	<b>384,549,698</b>	<b>26,686,311</b>	<b>33,855,283</b>
Income tax		(2,296,487)	(13,410,705)	(1,081,443)	(1,621,927)
<b>Profit for the year</b>		<b>65,429,120</b>	<b>371,138,993</b>	<b>25,604,868</b>	<b>32,233,356</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>65,429,120</b>	<b>371,138,993</b>	<b>25,604,868</b>	<b>32,233,356</b>

The annexed notes from 1 to 22 form an integral part of these condensed financial statements.


 Chief Executive Officer


 Chief Finance Officer

**PASHTANY BANK**

Condensed interim Statement of Cash Flows [Un-Audited]

As of 31 Sunbola 1399 (21 September 2020)

	31 Sunbola 1399 (21 Sep 2020) AFN	31 Sunbola 1398 (22 Sep 2019) AFN
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	67,725,607	384,549,698
Adjustments for:		-
Depreciation	25,930,545	20,745,648
Amortization	4,363,363	-
Fixed assets written off	(1,173,593)	14,500
Amortization of deferred grants	(9,707,304)	-
Movement in capital work in progress	10,914,942	-
Net impairment loss / (reversal)	(4,709,789)	508,747
Loss on disposal of fixed assets	1,630	-
	<b>93,345,401</b>	<b>405,818,593</b>
<b>Increase/ decrease in operating assets and liabilities:</b>		
Deposits from banks and financial institutions	(198,592,692)	-
Deposits from customers	819,240,365	1,077,743,776
Loan and Advances	(19,091,419)	-
Placements and investments	2,099,901,280	(3,541,862,500)
Other assets	(134,549,205)	(544,794,347)
Other liabilities	115,618,648	80,556,350
<b>Net cash from operating activities before interest &amp; tax</b>	<b>2,775,872,378</b>	<b>(2,522,538,128)</b>
Income tax	(2,296,487)	(12,655,244)
<b>Net cash from operating activities</b>	<b>2,773,575,891</b>	<b>(2,535,193,372)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(21,763,612)	(12,503,676)
Disposal of Property and equipments	1,173,593	-
<b>Net cash used in investing activities</b>	<b>(20,590,019)</b>	<b>(12,503,676)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>
Net increase / (decrease) in cash and cash equivalents	2,752,985,872	(2,547,697,048)
Cash and cash equivalents at beginning of the period	7,092,551,511	16,673,499,096
<b>Cash and cash equivalents at the end of the period</b>	<b>9,845,537,383</b>	<b>14,125,802,048</b>

The annexed notes from 1 to 22 form an integral part of these condensed financial statements.


  
CHIEF EXECUTIVE OFFICER


  
CHIEF FINANCIAL OFFICER


**PASHTANY BANK**

Condensed Interim Statement of Changes in Equity [unaudited]

For the nine months ended 31 Sunbola 1399 (21 September 2020)

	Share capital	Retained earnings	Surplus on revaluation of property and equipment	Total
	AFN			
Balance as at December 20, 2018	3,820,257,000	(2,134,875,746)	444,913,400	2,130,294,654
Comprehensive income for the period ended	-	371,138,993	-	371,138,993
Balance as at September 22, 2019	3,820,257,000	(1,763,736,753)	444,913,400	2,501,433,647
Balance as at 21 December 2019	3,820,257,000	(1,569,675,490)	442,363,000	2,692,944,510
Comprehensive income for the period	-	65,429,120.00	-	65,429,120
Balance as at September 21, 2020	3,820,257,000	(1,504,246,370)	442,363,000	2,758,373,630

The annexed notes from 1 to 22 form an integral part of these condensed financial statements.

  
Chief Executive Officer  
Chief Financial Officer

## PASHTANY BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbala 1399 (21 September 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 incorporated as a Limited Liability Company domiciled in Afghanistan. The Principal business place of the Bank is situated at Muhammad Jan Khan Watt, Kabul, Afghanistan. The Bank has twenty one branches (2019: twenty one branches) across the country.

### 2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Bank for the nine months period ended 21 Sep 2020 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and 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 IAS 34, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank takes precedence.

The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 21 December 2019.

Comparative statement of financial position is extracted from the annual financial statements as at 21 December 2019 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the six months period ended 22 Sep 2019.

### 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 21/06/2020 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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 21 December 2019.

# **PASHTANY BANK**

Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
<b>5. CASH AND CASH EQUIVALENTS</b>			
Cash in hand	5.1	1,357,570,489	759,688,887
Balances with Da Afghanistan Bank	5.2	5,408,016,308	6,054,483,854
Balances with other banks	5.3	770,943,524	278,378,770
Short term placements with City Bank - UAE	5.4	2,305,500,000	-
		<b>9,842,030,321</b>	<b>7,092,551,511</b>
<b>5.1 Cash in hand</b>			
Local currency		814,238,122	376,052,735
Foreign currency		543,332,367	383,636,152
		<b>1,357,570,489</b>	<b>759,688,887</b>
<b>5.2 Balances with Da Afghanistan Bank</b>			
<b>Current accounts:</b>			
Local currency		698,296,933	397,039,695
Foreign currency		2,446,205,757	134,644,479
		<b>3,144,502,690</b>	<b>531,684,174</b>
Capital notes	5.2.1	1,298,052,062	4,490,351,526
Overnigh deposit	5.2.2	965,461,556	1,032,448,154
		<b>5,408,016,308</b>	<b>6,054,483,854</b>
5.2.1 These represent capital notes 7 to 91 days maturities and of that carry interest rates ranging from 0.62% to 1.47% (2019: 0.5%) 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.			
		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
<b>5.3 Balances with other banks</b>			
<b>In Afghanistan</b>			
Azizi Bank		1,683,923	1,718,106
Bank Millie Afghan		2,077,681	1,109,523
New Kabul Bank		3,158,829	3,222,951
		<b>6,920,433</b>	<b>6,050,580</b>
<b>Outside Afghanistan</b>			
Aktif Bank, Turkey		11,951,297	3,393,556
Nurol Bank Turkey		525,025,847	-
BMCE, Spain		199,658,691	239,087,267
United Bank Limited, Pakistan		27,387,256	29,847,367
		<b>764,023,091</b>	<b>272,328,190</b>
		<b>770,943,524</b>	<b>278,378,770</b>
5.4 These placements have maturities within 95 days and carry interest rates ranging from 0.03% to 0.08% p.a. (2019: Nil)			

# **PASHTANY BANK**

## Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
<b>6. LOAN AND ADVANCES</b>			
<b>Consumer Loan</b>			
Gross Loan	6.1	19,091,419	-
Impairment		-	-
<b>Carrying Value</b>		<b>19,091,419</b>	<b>-</b>

- 6.1 Consumer loan facility is designed for permanent government employee with service period of 5 to 33 years. Limit of the loan facilities is 45% of net annual income of the employee while interest rate on these loans is 10% p.a.

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	Note	AFN	
<b>7. PLACEMENTS AND INVESTMENTS</b>			
Capital notes issued by Da Afghanistan Bank		5,931,933,589	1,978,827,049
Placements	7.1	3,074,000,000	9,124,700,000
Investment in associated entities	7.2	238,229,591	240,537,411
		<b>9,244,163,180</b>	<b>11,344,064,460</b>

### 7.1 Placements

#### **Inside Afghanistan**

Afghanistan International Bank	-	500,000,000
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#### **Outside Afghanistan**

Aktif Bank, Turkey	768,500,000	784,100,000
BMCE, Spain	-	391,650,000
Citi Bank, UAE	384,250,000	3,136,400,000
Citi Bank, USA	-	2,744,350,000
First Abu Dhabi Bank	1,537,000,000	1,568,200,000
Norul Bank	384,250,000	-
	<b>3,074,000,000</b>	<b>8,624,700,000</b>
7.1.2	<b>3,074,000,000</b>	<b>9,124,700,000</b>

- 7.1.2 These placements have maturities of 91 to 372 days (2019: 182 to 364) and carry interest rates ranging from 0.03% to 4% p.a. (2019: 1.35% to 2%)

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**PASHTANY BANK**

## Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
<b>7.2 Investment in associated entities</b>	<b>Note</b>	<b>AFN</b>	
<i>At cost:</i>	<b>7.2.1</b>		
Afghanistan payment systems (APS)		17,294,683	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
		<b>104,047,185</b>	<b>106,355,012</b>
<i>At equity method:</i>			
Bank-e-Millie Afghan		60,672,590	60,672,584
Afghan National Insurance Company		73,509,816	73,509,815
		<b>134,182,406</b>	<b>134,182,399</b>
		<b>238,229,591</b>	<b>240,537,411</b>

7.2.1 These investments are recorded at cost due to non-availability of latest audited financial statements or other market based data.

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
<b>8. PROPERTY AND EQUIPMENT</b>	<b>Note</b>	<b>AFN</b>	
Operating fixed assets	8.1	751,566,616	755,735,179
Capital work-in-progress	8.2	68,631,752	79,546,694
		<b>820,198,368</b>	<b>835,281,873</b>
<b>8.2 Capital work-in-progress</b>			
Opening		79,546,694	68,631,752
Additions during the year		10,848,670	80,973,021
Transferred to property and equipment		(21,763,612)	(11,879,901)
Transferred to intangible assets		-	(58,178,178)
		(21,763,612)	(70,058,079)
		<b>68,631,752</b>	<b>79,546,694</b>

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**PASHTANY BANK**
**Notes to the Condensed Interim Financial Statements**
*For the nine months ended 31 Sunbola 1399 (21 September 2020)*

		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
		AFN	
<b>8.1 PROPERTY AND EQUIPMENT</b>	<b>Note</b>		
<b>Gross Carrying Amount</b>			
At beginning of the period/ year		1,060,200,926	1,056,681,775
Addition during the period/ year		21,763,612	26,837,857
Disposal during the period/ year		(1,173,593)	(23,318,706)
<b>Closing balance</b>		<b>1,080,790,945</b>	<b>1,060,200,926</b>
<b>Accumulated Depreciation</b>			
At beginning of the period/ year		304,465,747	300,499,639
Charge for the period/ year		25,930,545	27,677,511
Accumulated depreciation on disposal		(1,171,963)	(23,711,403)
<b>Closing balance</b>		<b>329,224,329</b>	<b>304,465,747</b>
<b>Carrying Value</b>		<b>751,566,616</b>	<b>755,735,179</b>
<b>9 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance	9.1	58,178,178	-
Additions		-	58,178,178
<b>Closing balance</b>		<b>58,178,178</b>	<b>58,178,178</b>
<b>Less: Accumulated amortization</b>			
Opening balance		1,438,294	-
Charge for the year/ period		4,363,363	1,438,294
<b>Closing balance</b>		<b>5,801,657</b>	<b>1,438,294</b>
<b>Written down value</b>		<b>52,376,521</b>	<b>56,739,884</b>
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 of Afghanistan. These assets are amortization at the rate of 10% p.a.			
		(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 21 Dec 2019)
		AFN	
<b>10. INVESTMENT PROPERTIES</b>			
Land		5,786,500	5,786,500
Buildings		956,396,500	956,396,500
	10.1	<b>962,183,000</b>	<b>962,183,000</b>

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**PASHTANY BANK**

## Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

		(Un-audited)	(Audited)	
		31 Sunbola 1399	30 Qaws 1398	
		(21 Sep 2020)	21 Dec 2019)	
		AFN		
10.1	Province-wise details of investment properties:			
	<b>Kabul</b>			
	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	
		<b>925,396,500</b>	<b>925,396,500</b>	
	<b>Herat</b>			
	Torghondi land	2,186,500	2,186,500	
	Karwan Sarai land	3,600,000	3,600,000	
		<b>5,786,500</b>	<b>5,786,500</b>	
	<b>Mazar Sharif</b>			
	Bagha hozori	31,000,000	31,000,000	
		<b>962,183,000</b>	<b>962,183,000</b>	
11.	<b>OTHER ASSETS</b>			
	Required reserve account	11.1	1,648,564,823	1,656,688,233
	Advance tax		470,919,523	456,891,274
	Advances to employees		13,088,664	11,372,194
	Advances to suppliers		14,030,706	13,790,269
	Interest accrued on capital notes and time deposits		81,109,988	48,352,370
	Security deposit		45,473,360	45,436,280
	Others		97,831,211	3,938,450
			<b>2,371,018,275</b>	<b>2,236,469,070</b>
	Provision against advances and receivables	11.2	-	(4,709,789)
	<b>Net carrying amount</b>		<b>2,371,018,275</b>	<b>2,231,759,281</b>

- 11.1 This represents statutory reserve maintained with DAB as minimum reserve in accordance with Banking Regulations issued by Da Afghanistan Bank. The minimum required reserve carries no interest (2019: nil).

**PASHTANY BANK**

## Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbala 1399 (21 September 2020)

		(Un-audited) 31 Sunbala 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
		AFN	
<b>Currency profile of required reserve</b>	<b>Note</b>		
Local currency		829,489,470	787,815,073
Foreign currencies		819,075,353	868,873,160
		<b>1,648,564,823</b>	<b>1,656,688,233</b>
<b>11.2 Provision against advances and receivables</b>			
Opening balance		(4,709,789)	(3,655,127)
Reversed /(charged) for the period / year		4,709,789	(1,054,662)
<b>Closing balance</b>		<b>-</b>	<b>(4,709,789)</b>
<b>12. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS</b>			
<b>Current deposit</b>			
Agricultural Bank Kabul		232,421	233,321
Construction Bank		2,969,011	25,321,506
Bank-e-Millie Afghan		40,343,087	40,348,767
Maiwand Bank		849,665	867,336
Afghan United Bank		1,957,657	3,949,927
Azizi Bank		104,017	107,540
New Kabul Bank		31,893	33,952
Ghazanfar Bank		38,418	40,609
		<b>46,526,169</b>	<b>70,902,958</b>
<b>Time Deposit</b>			
New Kabul Bank		768,500,000	784,100,000
Afghan National Insurance Company		-	158,615,903
		<b>815,026,169</b>	<b>1,013,618,861</b>
<b>13. DEPOSITS FROM CUSTOMERS</b>			
Fixed deposit		36,843,446	36,911,938
Saving deposits	13.1	8,053,406,478	8,342,570,612
Current deposits		11,424,517,572	10,316,044,581
		<b>19,514,767,496</b>	<b>18,695,527,131</b>
13.1	These carry interest rate of 0.05% (2019: 0.05%) p.a. for AFN currency and 0.2% (2019: 0.5%) p.a. for deposits in US\$. There is no interest on other foreign currency saving deposits.		

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**PASHTANY BANK**

## Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

		(Un-audited)	(Audited)
		31 Sunbola 1399 (21 Sep 2020)	30 Qaws 1398 (21 Dec 2019)
<b>14. OTHER LIABILITIES</b>	<b>Note</b>	<b>AFN</b>	
Employees pension fund		127,012,658	131,030,424
Creditors		4,932,040	3,071,771
Accrued expenses		30,624,811	16,377,892
Withholding tax payable		14,217,956	2,622,798
Inter-branch settlement account		15,147,354	4,200,151
Other payables		110,042,299	29,055,434
		<b>301,977,118</b>	<b>186,358,470</b>
<b>15. CONTINGENCIES AND COMMITMENTS</b>			
Bank guarantees issued	15.1	1,177,662,000	1,093,102,000
15.1	All the bank guarantees issued are secured by 100% cash margin.		
		(Un-audited)	
		31 Sunbola 1399 (21 Sep 2020)	31 Sunbola 1398 (22 Sep 2019)
		<b>AFN</b>	
<b>16. NET INTEREST INCOME</b>			
Interest income			
Cash and cash equivalents		190,080,879	163,134,506
Interest expense			
Term deposits		7,548,719	11,530,819
Saving deposits		6,573,898	9,056,092
		14,122,617	20,586,911
Net interest income		<b>175,958,262</b>	<b>142,547,595</b>
<b>17. OTHER INCOME</b>			
Recovery of loans written-off			
Loan principal		48,561,226	314,227,233
Loan interest		15,814,057	6,533,819
Rental income		33,761,945	108,695,019
Other		656,082	50,755,881
		<b>98,793,310</b>	<b>480,211,952</b>
<b>18. EMPLOYEE COSTS</b>			
Salaries, wages and benefits		112,792,984	116,309,785
Bonus		23,904,221	36,703,646
Staff welfare		230,000	230,000
		<b>136,927,205</b>	<b>153,243,431</b>

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**PASHTANY BANK**

Notes to the Condensed Interim Financial Statements

*For the nine months ended 31 Sunbola 1399 (21 September 2020)*

19. OTHER OPERATING EXPENSES	(Un-audited)	
	31 Sunbola 1399	31 Sunbola 1398
	(21 Sep 2020)	(22 Sep 2019)
	AFN	
Repair and maintenance	3,945,719	5,677,684
Travel and conveyance	547,206	1,907,252
Advertisement and publicity	4,322,509	3,174,891
Rent expense	11,689,947	9,350,571
Building tax	160,433	192,771
Deposit insurance	42,244,667	39,808,337
Internet expense	6,917,142	9,449,451
Security expense	20,608,685	28,130,222
Printing and stationery	1,911,956	3,597,187
Communication	744,097	764,935
Electricity	7,220,914	7,366,063
Fuel expenses	2,081,264	1,907,978
Auditor's remuneration	1,263,539	1,163,322
Cleaning and water	403,793	391,711
Kindergarten expenses	108,911	254,904
Employees training expenses	787,478	1,799,795
Others	13,240,329	18,598,865
	<b>118,198,589</b>	<b>133,535,939</b>

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**PASHTANY BANK**

Notes to the Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1399 (21 September 2020)

**20 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, 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
21-Sep-20	21-Sep-19	20-Jun-20	21-Dec-19
AFN			

**Transactions with key management**

Salaries and other benefits	16,560,844	13,035,700	-	-
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**Deposit from Banks**

Bank Millie Afghan		40,343,087	40,348,767
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**Balances with other banks**

Bank Millie Afghan		2,077,681	1,109,523
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**21 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 September 2020 is as follows:

	(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	AFN	
<b>Core (Tier 1) Capital:</b>		
Total shareholder's equity	2,758,373,630	2,692,944,510
Less:		
Profit for the year	(65,429,120)	(428,258,177)
Deferred tax assets - Net	(148,758,293)	(145,251,231)
Intangible assets	(52,376,521)	(56,739,884)
Surplus on revaluation of fixed assets	(442,363,000)	(442,363,000)
<b>A</b>	<b>2,049,446,696</b>	<b>1,620,332,218</b>

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**PASHTANY BANK**
**Notes to the Condensed Interim Financial Statements**
*For the nine months ended 31 Sunbola 1399 (21 September 2020)*

	(Un-audited) 31 Sunbola 1399 (21 Sep 2020)	(Audited) 30 Qaws 1398 (21 Dec 2019)
	AFN	
<b>Supplementary (Tier 2) Capital:</b>		
Profit for the year	65,429,120	428,258,177
Surplus on revaluation of fixed assets	442,363,000	442,363,000
	<b>B 507,792,120</b>	<b>870,621,177</b>
Equity investments - deduction	<b>C (238,229,591)</b>	<b>(240,537,411)</b>
<b>Total regulatory capital</b>	<b>A+B+C 2,319,009,225</b>	<b>2,250,415,984</b>
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	1,357,570,489	759,688,887
Direct claims on DAB	12,988,514,720	9,689,999,136
<b>Total</b>	<b>14,346,085,209</b>	<b>10,449,688,023</b>
0% risk-weight total (above total x 0%)	-	-
<b>20% risk weight:</b>		
Balances with other banks	6,150,443,524	9,403,078,770
20% risk-weight total (above total x 20%)	<b>1,230,088,705</b>	<b>1,880,615,754</b>
<b>100% risk weight:</b>		
All other assets	2,963,290,644	2,815,064,447
Allowable deduction-equity investment	(238,229,591)	(240,537,411)
Intangible assets	(52,376,521)	(56,739,884)
Net deferred tax asset	(148,758,293)	(145,251,231)
<b>100% risk-weight total (above total x 100%)</b>	<b>2,523,926,239</b>	<b>2,372,535,921</b>
<b>0% risk weight:</b>		
Guarantees	1,177,662,000	1,093,102,000
0% credit conversion factor total (risk-weighted total x 0%)	-	-
<b>Total risk-weighted assets</b>	<b>3,754,014,944</b>	<b>4,253,151,675</b>
<b>Tier 1 Capital Ratio</b>		
(Tier 1 capital as % of total risk-weighted assets)	54.59%	38.10%
<b>Regulatory Capital Ratio</b>		
(Regulatory capital as % of total risk-weighted assets)	61.77%	52.91%

**22 CORRESPONDING FIGURES AND ROUNDING OFF**

No significant reclassification/ rearrangement has been made in these financial statements. Figures in these financial statements have been rounded off to the AFN.

  
 Chief Executive Officer

  
 Chief Financial Officer