

**Pashtany Bank**

**Un-Audited Condensed Interim  
Financial Statements along with  
Accompanying Information**

**For the period ended September 22,  
2021**

**(31-Sunbola-1400)**

## **Report on Review of Condensed Interim Financial Statements to the Shareholders of Pashtany Bank**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Pashtany Bank** ("the Bank") as at 31<sup>st</sup> Sunbola 1400 (22<sup>nd</sup> September 2021) 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 related 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), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank. 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) As included in note 9 of the financial statements, the Bank has property and equipment with written down value of AFN 798.80 million that includes land with a carrying value of AFN 352.59 million and buildings having written down value of AFN 349.64 million. Bank also owns investment properties with a carrying value of AFN 962.18 million. The Bank has the policy to carry land and buildings at revalued amounts and investment property at fair value; however, we noted that revaluation of these assets has not been carried out since 2009. Though the revaluation has been completed for all assets but the same has not been approved by DAB and therefore has not been incorporated in these financial statements. We understand that the fair values of land and buildings and investment properties can significantly change over a period of time; and in absence of the related information, we are unable to ascertain fair value/ revaluation surplus required to be incorporated in these financial statements. Further, Article 67 (1) of the Law of Banking Law of Afghanistan prohibits banks from investment in properties.
- 2) As included in note 8 to the financial statements, the Bank holds investments in associates amounting to AFN 267.78 million of which AFN 98.52 million investment in six entities has been accounted at cost while remaining AFN 169.26 million investments in two entities has been accounted for using equity method of accounting.

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We could not find substantial grounds on which these investments were classified as associates. In addition, for investments carried out at cost, no impairment test was performed in accordance with IAS 36, "Impairment of Assets". Due to these facts, we are unable to quantify the amount of adjustment or impairment required in these financial statements. Further, Article 83 (8) of Banking Law of Afghanistan prohibits banks from having qualifying holding in non-financial institution entities. Except for Afghanistan Payment Systems, Bank-e-Millie Afghan and Afghan National Insurance Company, the Bank holds interest in five non-financial institutions entities as included in note 8.

- 3) IFRS 16 "Leases" became applicable for accounting periods beginning on or after 1 January 2019. The Bank did not implement IFRS 16 till year-end 20 December 2020 and interim financial statements for comparative period do not include the impact of IFRS 16. Accordingly, comparative information relating to statement of comprehensive income and statement of cash flows are not comparable and are misstated to that effect.

#### **Emphasis of Matter – Material Uncertainty relating to Going Concern**

We draw attention to note 1.2 to the financial statements, which indicates that the Bank has lost its major streams of income including interest income of capital notes and overnight deposits with the Central Bank of Afghanistan. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

#### **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 31st Sunbola 1400 (22th September 2021), 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), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank.

#### **Other Matters**

The condensed interim financial statements for the nine months ended 31st Sunbola 1399 (21st September 2020) and the financial statements for the year ended 30 Qaws 1399 (20 December 2020) were reviewed and audited, respectively, by another auditor who expressed qualified review conclusion on the condensed interim financial statements for the nine months ended 31st Sunbola 1399 (21st September 2020) on 05th November 2020 and qualified audit opinion on the financial statements for the year ended 30 Qaws 1399 (20th December 2020) on 30th March 2021.

*Crowe Horwath Afghanistan*

**Crowe Horwath Afghanistan**

Engagement Partner: Muhammad Najmussaib Shah - FCA





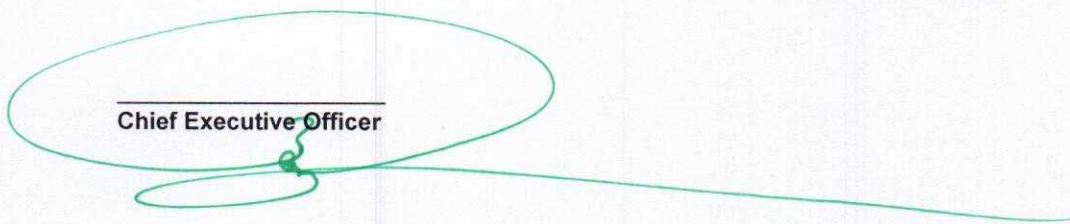
**PASHTANY BANK**


Condensed Interim Statement of Financial Position [unaudited]

As of 31 Sunbola 1400 (22 Sep 2021)

		Un-Audited	Audited
		31 Sunbola 1400 (22 Sep 2021)	30 Qaws 1399 (20 Dec 2020)
	Notes	AFN	AFN
<b>Assets</b>			
Cash and cash equivalents	4	6,700,965,380	9,555,570,113
Receivable from financial institutions	5	1,100,750,000	-
Loans and advances	6	33,638,232	25,431,463
Investments and placements	7	11,941,824,539	10,074,581,553
Investment in associates	8	267,784,781	266,321,520
Property and equipment	9	798,803,465	817,789,729
Right of use assets	10	15,607,827	24,648,050
Intangible assets	11	47,297,495	50,938,226
Investment properties		962,183,000	962,183,000
Deferred tax assets - net		116,495,916	133,889,814
Other assets	12	2,696,661,694	2,439,553,375
<b>Total assets</b>		<b>24,682,012,329</b>	<b>24,350,906,843</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital		3,820,257,000	3,820,257,000
Accumulated losses		(1,275,319,535)	(1,466,690,613)
Surplus on revaluation of property and equipment- net		439,812,600	439,812,600
<b>Total equity</b>		<b>2,984,750,065</b>	<b>2,793,378,987</b>
<b>Liabilities</b>			
Deposits from banks and other financial institutions	13	1,043,682,153	45,306,820
Deposits from customers	14	20,230,903,977	21,130,089,098
Deferred grant		59,806,951	71,069,444
Other liabilities	15	362,869,183	311,062,494
<b>Total liabilities</b>		<b>21,697,262,264</b>	<b>21,557,527,856</b>
<b>Total equity and liabilities</b>		<b>24,682,012,329</b>	<b>24,350,906,843</b>
<b>Contingencies and commitments</b>	16		

The annexed notes from 1 to 23 form an integral part of the financial statements.


 Chief Executive Officer


 Chief Finance Officer

**PASHTANY BANK**

Condensed Interim Statement of Comprehensive Income [unaudited]  
For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

		Nine months ended 22-Sep-21	Nine months ended 21-Sep-20	Three months ended 22-Sep-21	Three months ended 21-Sep-20
Notes		AFN			
Interest income		258,737,622	190,080,879	87,574,809	61,021,404
Interest expense		(2,259,789)	(14,122,617)	(310,230)	(4,267,705)
<b>Net interest income</b>	17	<b>256,477,833</b>	<b>175,958,262</b>	<b>87,264,579</b>	<b>56,753,698</b>
Fee and commission income		65,882,393	59,616,717	15,288,881	20,346,589
Fee and commission expense		(1,321,867)	(1,415,729)	(293,152)	(740,382)
<b>Net fee and commission income</b>		<b>64,560,526</b>	<b>58,200,988</b>	<b>14,995,729</b>	<b>19,606,207</b>
<b>Total operating income</b>		<b>321,038,359</b>	<b>234,159,250</b>	<b>102,260,308</b>	<b>76,359,905</b>
Other income	18	61,820,144	98,793,310	10,301,482	32,875,381
Amortization of deferred grant		11,262,493	9,707,304	3,445,295	3,372,085
Impairment reversal/(loss) on investments and other assets		-	4,709,789	-	-
Employee compensation	19	(133,672,808)	(136,927,205)	(47,044,615)	(43,745,280)
Depreciation on property and equipment		(24,153,705)	(25,930,545)	(7,812,558)	(8,574,464)
Depreciation on right of use asset		(9,040,223)	-	(2,877,474)	-
Amortization on intangible assets		(4,607,931)	(4,363,363)	(1,435,323)	(1,470,615)
Finance cost on lease liabilities		(626,121)	-	(179,495)	-
Other operating expenses	20	(112,934,463)	(118,198,589)	(30,831,092)	(48,115,272)
Exchange gain		99,679,232	5,775,656	92,577,928	15,984,571
<b>Income before tax</b>		<b>208,764,977</b>	<b>67,725,607</b>	<b>118,404,456</b>	<b>26,686,311</b>
Income tax		(17,393,899)	(2,296,487)	(5,169,664)	(1,081,443)
<b>Profit for the period</b>		<b>191,371,078</b>	<b>65,429,120</b>	<b>113,234,792</b>	<b>25,604,868</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>191,371,078</b>	<b>65,429,120</b>	<b>113,234,792</b>	<b>37,220,754</b>

The annexed notes from 1 to 23 form an integral part of the financial statements.

Chief Executive Officer

Chief Financial Officer

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**PASHTANY BANK**

Condensed Interim Statement of Cash Flow [unaudited]

For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

Notes	Un-audited	Un-audited
	31 Sunbola 1400 (22 Sep 2021)	31 Sunbola 1399 (21 Sep 2020)
	..... (AFN) .....	
<b>Cash flows from operating activities</b>		
Income before tax	208,764,977	67,725,607
Adjustments for:		
Depreciation on property and equipment	9.1 24,153,705	25,930,545
Amortization of intangible asset	11 4,607,931	4,363,363
Amortization of deferred grants	(11,262,493)	(9,707,304)
Depreciation on right of use asset	10 9,040,223	-
Fixed asset written off	-	(1,173,593)
Movement in capital work in progress	-	10,914,942
Net impairment loss/ (reversal)	-	(4,709,789)
Loss on disposal of fixed assets	298,918	1,630
Finance cost on lease liability	626,121	-
	<b>236,229,382</b>	<b>93,345,401</b>
<b>(Increase) decrease in operating assets and liabilities:</b>		
Deposits from banks and financial institutions	998,375,333	(198,592,692)
Deposits from customers	(899,185,121)	819,240,365
Receivable from financial institutions	(1,100,750,000)	-
Loan and Advances	(8,206,769)	(19,091,419)
Investments and Placements	(1,867,242,986)	2,099,901,280
Other assets	(203,008,992)	(134,549,205)
Investment in associates	(1,463,261)	-
Other liabilities	60,737,845	115,618,648
<b>Net cash (used) in/ generated from operations</b>	<b>(2,784,514,569)</b>	<b>2,775,872,378</b>
Tax paid/withheld	(54,099,327)	(2,296,487)
<b>Net cash (used) in/ generated from operating activities</b>	<b>(2,838,613,896)</b>	<b>2,773,575,891</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(5,466,360)	(21,763,612)
Acquisition of intangible	(967,200)	-
Disposal of property and equipment	-	1,173,593
<b>Net cash used in investing activities</b>	<b>(6,433,560)</b>	<b>(20,590,019)</b>
<b>Cash flows from financing activities</b>		
Lease rentals paid	(9,557,277)	-
<b>Net cash used in financing activities</b>	<b>(9,557,277)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,854,604,733)</b>	<b>2,752,985,872</b>
Cash and cash equivalents at beginning of the period	9,555,570,113	7,092,551,511
Cash and cash equivalents at the end of the period	<b>6,700,965,380</b>	<b>9,845,537,383</b>

The annexed notes from 1 to 23 form an integral part of the 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 1400 (22 Sep 2021)

	Share capital	Retained earnings	Surplus on revaluation of property and equipment	Total
			-----AFN-----	
Balance as at 21 December 2019 - audited	3,820,257,000	(1,569,675,490)	442,363,000	2,692,944,510
Comprehensive income for the period	-	65,429,120	-	65,429,120
Balance as at 21 September 2020 - un-audited	<b>3,820,257,000</b>	<b>(1,504,246,370)</b>	<b>442,363,000</b>	<b>2,758,373,630</b>
Balance as at 20 December 2020 - audited	3,820,257,000	(1,466,690,613)	439,812,600	2,793,378,987
Comprehensive income for the period	-	191,371,078	-	191,371,078
Balance as at 22 September 2021 - un-audited	<b>3,820,257,000</b>	<b>(1,275,319,535)</b>	<b>439,812,600</b>	<b>2,984,750,065</b>

The annexed notes from 1 to 23 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 nine months ended 31 Sunbola 1400 (22 Sep 2021)

#### 1. Status and nature of operations

Pashtany Bank ("the Bank") was registered with Afghanistan Investment Support Agency (AISA) on 26 June 2004 and on the same date 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 20 branches and 4 cash outlets (20 December 2020: 20 branches and 4 cash outlets) in operation.

The financial statements for the nine months ended 22nd Sep 2021 have been approved and authorized for issue by the Board of Supervisors on 7th / November 2021.

- 1.2 Financial sector of Afghanistan has been deeply impacted by the economic fallout resulting from actions taken by the United States, International Monetary Fund (IMF), the World Bank and western countries post takeover of Afghanistan by the Islamic Emarat of Afghanistan on 15 August 2021. These actions included freezing of the foreign reserves of USD 9 billion by the US Treasury's Office of Foreign Assets Control (OFAC), suspending access to Special Drawing Rights (SDRS) and additional funding of USD 370 million by IMF, and halting of aid by the World Bank and Germany – the biggest donor. Economy of Afghanistan has been heavily reliant on foreign aid whereby foreign aid constituted around 42% of GDP and three-quarter of the budget. Lack of access to foreign exchange can lead to balance of payment crisis since Afghanistan also runs a large trade deficit constituting around 28% of GDP or economy might significantly contract in response to severe lack of foreign exchange.

Political situation emanating from withdrawal of United States and NATO forces, collapse of previous government and take over by the Islamic Emarat of Afghanistan, caused extreme panic and fear amongst masses.

All these factors together brought run on the banks. However, in a move to control the crisis and ease pressure on banks, the Central Bank of Afghanistan (DAB) imposed strict limits on the cash withdrawals. DAB further moved to reduce the cash reserve requirements for the banks by bringing down cash reserve requirements from 10% on local currency deposits to 7% and from 12% to 9% on foreign currency deposits. DAB also imposed restrictions on international transactions to stem the capital outflows.

Interest income on capital notes and overnight deposits constituted major sources of income for the Bank and currently, DAB has suspended interest on capital notes and overnight deposits pending further decision by the Cabinet. Offshore correspondent banks have been de-risking in the past and now would be further reluctant to engage with the banks in Afghanistan with concerns associated with sanctions. Therefore, the Bank might lose source of income on placements with foreign banks. Situation can further aggravate if sanctions are formally imposed by the United States on Afghanistan. These events or conditions indicate material uncertainties exist that may cast significant doubt on the Bank's ability to continue as a going concern.

Management is closely monitoring the situation and has implemented the plans to mitigate the risks emanating from current situation. These include: CHA



## **PASHTANY BANK**

### **Notes To The Condensed Interim Financial Statements**

*For the nine months ended 31 Sunbola 1400 (22 Sep 2021)*

- ▶ The Bank has reduced interest/mark-up on saving and fixed deposits to zero.
- ▶ Cost cutting measures have been taken including all major contracts with vendors have been renegotiated for significant reduction which include leases.
- ▶ The Bank continues to enhance its commission income on custom duties collection and electricity bills collection.
- ▶ Western union continue to provide services in Afghanistan, and international money transfer services are made through this.
- ▶ The Bank currently holds sufficient liquid assets and net turnover in the local deposits has remained positive since regime change.
- ▶ Measures taken by the Central Bank including strict limits on cash withdrawals, reducing reserve requirements provide essential support for sustainability.
- ▶ New depositors from corporate clients have been increased which contributes in additional liquidity for bank.

As a result, these interim financial statements have been prepared on a going concern basis.

## **2. Significant accounting policies**

### **2.1 Basis of preparation**

The condensed interim financial statements of the Bank for the nine months period ended 22 Sep 2021 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting", the Law of Banking in Afghanistan, and other laws and regulations issued by Da Afghanistan Bank (DAB). In case where requirements differ, the requirement of the Law of Banking in Afghanistan, and other laws and regulations issued by DAB take precedence.

The disclosures made in this condensed interim financial statements 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, the condensed interim financial statements should be read in conjunction with the annual audited financial statements of the Bank for the year ended 20 December 2020.

Comparative statement of financial position is extracted from the annual financial statements as at 20 December 2020 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 nine months period ended 21st September 2020.

## **3. Accounting policies**

- 3.1 The accounting policies adopted in preparation of the condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 20 December 2020.
- 3.2 The estimates / judgments assumptions used in the preparation of this condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 20 December 2020.
- 3.3 The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 20 December 2020.

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**PASHTANY BANK**
**Notes To The Condensed Interim Financial Statements**
*For the nine months ended 31 Sunbola 1400 (22 Sep 2021)*

		31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>4. Cash and cash equivalents</b>	<b>Notes</b>		
Cash in hand	4.1	373,458,017	1,357,248,094
Cash at ATM	4.2	11,638,630	9,550,177
Balances with Da Afghanistan Bank	4.3	5,461,240,816	7,469,584,241
Balances with other banks	4.4	854,627,917	719,187,601
		<b>6,700,965,380</b>	<b>9,555,570,113</b>
<b>4.1 Cash in hand</b>			
Local currency		237,038,545	968,771,977
Foreign currency		136,419,472	388,476,117
		<b>373,458,017</b>	<b>1,357,248,094</b>
<b>4.2 Cash at ATM</b>			
Local currency		9,965,490	6,299,990
Foreign currency		1,673,140	3,250,187
		<b>11,638,630</b>	<b>9,550,177</b>
<b>4.3 Balances with Da Afghanistan Bank</b>			
<b>Current accounts:</b>			
Local currency		1,740,037,338	2,643,806,291
Foreign currency		2,939,188,982	3,808,341,377
		<b>4,679,226,320</b>	<b>6,452,147,668</b>
Overnight deposit	4.3.1	782,014,496	1,017,436,573
		<b>5,461,240,816</b>	<b>7,469,584,241</b>
4.3.1 This represent overnight deposit with Da Afghanistan Bank in local currency and carry interest rate of 0% (2020: 0.01%) per annum.			
		31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>4.4 Balances with other banks</b>			
<b>In Afghanistan</b>			
<i>Current accounts:</i>			
Azizi Bank		1,929,555	1,689,620
Bank Millie Afghan		48,549,288	4,608,613
New Kabul Bank		3,601,991	3,169,516
		<b>54,080,834</b>	<b>9,467,749</b>
<b>Outside Afghanistan</b>			
<i>Current accounts:</i>			
Aktif Bank, Turkey		217,218,821	11,945,022
BMCE, Spain		44,018,612	160,610,239
Nurol Bank, Turkey		539,250,172	92,860,419
Trans Kapital Bank, Russia		59,478	444,304,172
		<b>800,547,083</b>	<b>709,719,852</b>
	4.4.1	<b>854,627,917</b>	<b>719,187,601</b>

4.4.1 These represent non-interest bearing balances available on demand basis.

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# **PASHTANY BANK**

Notes To The Condensed Interim Financial Statements  
For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

			31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>5. Receivable from financial institutions</b>				
<b>Current accounts:</b>				
Islamic Bank of Afghanistan	5.1		<u>1,100,750,000</u>	<u>-</u>
5.1	The Bank entered into Memorandum of Understanding effective 10 January 2021 with Islamic Bank of Afghanistan (IBA), for back-to-back interest free deposit exchange arrangement with IBA whereby an amount of AFN 999,998,800 was received from IBA against a deposit of USD 12,500,000 (equivalent AFN 1,100,750,000) made by the Bank with IBA (repo transaction). These deposits to be maintained for a period of one year.			
	<b>Notes</b>			
<b>6. Loans and advances</b>				
<b>Consumer Loans</b>	6.1		<u>33,638,232</u>	<u>25,431,463</u>
6.1	These represent small consumer loans with a maximum term of 3 to 5 years and carry interest rate of 10% p.a. These loans are provided to Government employees having minimum service period of 5 years and are secured against the personal guarantees of two governmental employees.			
			31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>7. Investments and placements</b>				
Capital notes issued by Da Afghanistan Bank	7.1		7,973,867,022	6,219,033,038
Placements	7.2		3,967,957,517	3,855,548,515
			<u>11,941,824,539</u>	<u>10,074,581,553</u>
7.1	These represent capital notes having original maturity up to 364 days and carry interest rate of 3.04% to 9% (20 December 2020: 2.4% to 3.02%) p.a.			
			31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>7.2 Placements</b>				
<b>Outside Afghanistan</b>				
Aktif Bank, Turkey			-	771,100,000
Citi Bank, UAE			3,086,549,563	2,698,898,515
First Abu Dhabi Bank			881,407,954	-
Nurol Bank, Turkey			-	385,550,000
	7.2.1		<u>3,967,957,517</u>	<u>3,855,548,515</u>
7.2.1	These placements are having original maturity up to 367 days and carry interest rate of ranging from 0.06% to 0.18% (20 December 2020: 0.35% to 4% ) p.a.			

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# **PASHTANY BANK**

Notes To The Condensed Interim Financial Statements  
For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

			31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes		AFN	AFN
<b>8. Investment in associates</b>				
Investment in associated entities	8.1		<b>267,784,781</b>	<b>266,321,520</b>
8.1 <i>At cost:</i>				
Afghanistan payment systems (APS)	8.1.1		11,767,552	10,304,292
Shirkat-e-Ariyana			281,241	281,241
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>98,520,054</b>	<b>97,056,794</b>
<i>At equity method:</i>				
Bank-e-Millie Afghan			93,406,898	93,406,898
Afghan National Insurance Company			75,857,829	75,857,828
			<b>169,264,727</b>	<b>169,264,726</b>
			<b>267,784,781</b>	<b>266,321,520</b>
8.1.1 <b>Afghanistan payment systems (APS)</b>				
Balance at beginning of year			10,304,292	19,602,500
Shareholding distribution			-	(1,938,000)
Write off			-	(7,360,208)
Exchange (loss)/ gain on translation			1,463,260	-
<b>Balance at the end of year</b>			<b>11,767,552</b>	<b>10,304,292</b>

The Bank had an investment of USD 250,000 in APS. During 2019, Da Afghanistan Bank (DAB) acquired the entire shareholding in APS and paid AFN 1,938,000 against the bank's shareholding in APS. DAB instructed to write-off the remaining investment amount in a period of three years. As per IFRS, bank is required to write off the entire amount at the time of divestment, however, on the DAB instruction bank is writing off the balance in 3 years.

			31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes		AFN	AFN
<b>9. Property and equipment</b>				
Operating fixed assets	9.1		730,171,713	749,157,977
Capital work-in-progress			68,631,752	68,631,752
			<b>798,803,465</b>	<b>817,789,729</b>

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**PASHTANY BANK**

Notes To The Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

		31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes	AFN	AFN
<b>9.1 Property and equipment</b>			
<b>Gross Carrying Amount</b>			
At beginning of the period/ year		1,086,871,277	1,060,200,926
Addition during the period/ year		5,466,360	27,835,884
Disposal during the period/ year		(76,266,474)	(1,165,533)
<b>Closing balance</b>		<b>1,016,071,163</b>	<b>1,086,871,277</b>
<b>Less: Accumulated Depreciation</b>			
At beginning of the period/ year		337,713,300	304,465,747
Charge for the period/ year		24,153,705	34,411,456
Accumulated depreciation on disposal		(75,967,555)	(1,163,903)
<b>Closing balance</b>		<b>285,899,450</b>	<b>337,713,300</b>
<b>Written down value as of</b>		<b>730,171,713</b>	<b>749,157,977</b>
		31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes	AFN	AFN
<b>10. Right of use asset</b>			
<b>Cost</b>			
Opening Balance		36,604,521	-
IFRS 16 adjustment		-	36,604,521
Additions during the period/year		-	-
<b>Closing balance</b>		<b>36,604,521</b>	<b>36,604,521</b>
<b>Less: Accumulated depreciation</b>			
Opening balance		11,956,471	-
Charge for the period/year		9,040,223	11,956,471
<b>Closing balance</b>		<b>20,996,694</b>	<b>11,956,471</b>
<b>Written down value as of</b>	10.1	<b>15,607,827</b>	<b>24,648,050</b>
10.1 Right of use assets have been recognized against the leases over the Bank's branches.			
		31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes	AFN	AFN
<b>11. Intangible assets</b>			
<b>Cost</b>			
Opening balance	11.1	58,178,178	58,178,178
Additions during the period - Core Banking System		967,200	-
<b>Closing balance</b>		<b>59,145,378</b>	<b>58,178,178</b>
<b>Less: Accumulated amortization</b>			
Opening balance		7,239,952	1,438,294
Charge for the period/year		4,607,931	5,801,658
<b>Closing balance</b>		<b>11,847,883</b>	<b>7,239,952</b>
<b>Written down value as of</b>		<b>47,297,495</b>	<b>50,938,226</b>

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**PASHTANY BANK**
**Notes To The Condensed Interim Financial Statements**
*For the nine months ended 31 Sunbola 1400 (22 Sep 2021)*

- 11.1 Intangible assets include licenses acquired for Core Banking System (Oracle) as a part of the IT infrastructure development project financed by the World Bank to modernize Afghan State-Owned Banks. These licenses are amortized over a period of 10 years.

		31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>12. Other assets</b>	<b>Notes</b>		
Required reserves with Da Afghanistan Bank	12.1	1,610,917,563	1,731,447,674
Advance tax		540,058,471	485,959,144
Western union receivable		317,676,439	15,490,103
Advances to employees		13,078,649	10,729,554
Advances to suppliers		16,966,164	13,639,389
Interest accrued on capital notes, time deposits and loans		141,827,485	123,583,702
Security deposit		6,145,960	45,488,960
Receivable from financial institution		30,137,838	29,847,367
Others		49,990,963	13,214,849
		<b>2,726,799,532</b>	<b>2,469,400,742</b>
Provision against advances and other receivables		-	-
Provision against misappropriation		-	-
Provision against receivable from financial institution		(30,137,838)	(29,847,367)
Net carrying amount		<b>2,696,661,694</b>	<b>2,439,553,375</b>
		<b>31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN</b>	<b>30 Qaws 1399 Year ended (20 Dec 2020) AFN</b>
<b>12.1 Currency profile of required reserves</b>			
Local currency		810,053,543	878,974,569
Foreign currency		800,864,020	852,473,105
		<b>1,610,917,563</b>	<b>1,731,447,674</b>

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 rate. During the quarter ended September 22, 2021, minimum reserve rates on deposits for AFN is reduced from 10% to 7% and for foreign currency from 12% to 9%.

		31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	30 Qaws 1399 Year ended (20 Dec 2020) AFN
<b>13. Deposits from banks and other financial institutions</b>	<b>Notes</b>		
<b>Current deposit</b>			
Agricultural Bank Kabul		-	232,121
Construction Bank		-	1,742,153
Bank-e-Millie Afghan		40,375,706	40,345,709
Maiwand Bank		954,240	851,462
Afghan United Bank		2,165,345	1,961,846
Azizi Bank		115,492	103,906
New Kabul Bank		32,846	31,538
Ghazanfar Bank		40,324	38,085
Islamic Bank of Afghanistan	5.1	999,998,200	-
		<b>1,043,682,153</b>	<b>45,306,820</b>

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**PASHTANY BANK**

Notes To The Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

		<b>31 Sunbola 1400</b>	<b>30 Qaws 1399</b>
		<b>Nine Months ended</b>	<b>Year ended</b>
		<b>(22 Sep 2021)</b>	<b>(20 Dec 2020)</b>
	<b>Notes</b>	<b>AFN</b>	<b>AFN</b>
<b>14. Deposits from customers</b>			
Fixed deposit	14.1	37,475,650	36,857,676
Saving deposits	14.2	7,808,014,977	8,181,653,773
Current deposits		12,385,413,350	12,911,577,649
		<b>20,230,903,977</b>	<b>21,130,089,098</b>

14.1 This includes fixed deposit of USD 54,500 (equivalent AFN 4.79 million) from the Ministry of Commerce carrying interest rate of 0.5% p.a with maturity on 7 February 2022. The remaining amount of AFN 32.68 million is deposit made by Seloo Markazi and after its maturity, the amount has not been withdrawn by Seloo Markazi and there is no interest on the balance after maturity.

14.2 These carry interest rate of AFN: 0%, USD: 0% (20 December 2020: AFN 0.05%, USD 0.2%). Other foreign currencies are interest free. The interest on saving deposit is postponed after the regime changed.

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**PASHTANY BANK**

## Notes To The Condensed Interim Financial Statements

For the nine months ended 31 Sunbola 1400 (22 Sep 2021)

		31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
	Notes	AFN	AFN
<b>15. Other liabilities</b>			
Employees pension fund		131,122,995	138,576,494
Accrued expenses		21,729,018	12,225,965
Other payables		153,079,315	115,007,761
Withholding tax payable		35,438,381	19,402,285
Lease liability		16,035,868	24,967,024
Inter-branch unreconciled balance		5,463,606	882,965
		<b>362,869,183</b>	<b>311,062,494</b>
<b>16. Contingencies and commitments</b>			
Bank guarantees issued	16.1	1,693,670,275	1,191,211,200
16.1	Bank guarantees issued by the Bank are backed up by 100% cash margin.		
		Un-Audited 31 Sunbola 1400 Nine Months ended (22 Sep 2021) AFN	Un-Audited 31 Sunbola 1399 Nine Months ended (21 Sep 2020) AFN
<b>17. Net interest income</b>			
<b>Interest income</b>			
Cash and cash equivalents		256,426,077	190,080,879
Loan and advances		2,311,545	-
		<b>258,737,622</b>	<b>190,080,879</b>
<b>Interest expense</b>			
Term deposits		(37,086)	(7,548,719)
Saving deposits		(2,222,703)	(6,573,898)
		<b>(2,259,789)</b>	<b>(14,122,617)</b>
<b>Net interest income</b>		<b>256,477,833</b>	<b>175,958,262</b>
<b>18. Other income</b>			
Recovery of loans written-off			
Loan principal		23,203,398	48,561,226
Loan interest		1,574,080	15,814,057
Rental income		34,404,732	33,761,945
Other		2,637,934	656,082
		<b>61,820,144</b>	<b>98,793,310</b>

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**PASHTANY BANK****Notes To The Condensed Interim Financial Statements***For the nine months ended 31 Sunbola 1400 (22 Sep 2021)*

	Un-Audited	Un-Audited
	31 Sunbola 1400 Nine Months ended (22 Sep 2021)	31 Sunbola 1399 Nine Months ended (21 Sep 2020)
	AFN	AFN
<b>19. Employee compensation</b>		
Salaries, wages and benefits	115,108,921	112,792,984
Bonus	18,308,887	23,904,221
Staff welfare	255,000	230,000
	<b>133,672,808</b>	<b>136,927,205</b>
<b>20. Other operating expenses</b>		
Repair and maintenance	4,619,795	3,945,719
Travel and conveyance	1,043,718	547,206
Advertisement and publicity	5,051,570	4,322,509
Rent expense	-	11,689,947
Building tax	84,850	160,433
Deposit insurance	31,275,996	42,244,667
Internet expense	6,294,777	6,917,142
Security expense	25,926,733	20,608,685
Printing and stationery	3,378,921	1,911,956
Communication	669,198	744,097
Electricity	8,487,405	7,220,914
Fuel expenses	2,179,449	2,081,264
Auditor's remuneration	1,108,981	1,263,539
Cleaning and water	498,540	403,793
Kindergarten expenses	132,304	108,911
Employees training expenses	1,099,440	787,478
Others	21,082,786	13,240,329
	<b>112,934,463</b>	<b>118,198,589</b>

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**PASHTANY BANK****Notes To The Condensed Interim Financial Statements***For the nine months ended 31 Sunbola 1400 (22 Sep 2021)***21 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.

**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:

	<b>Transactions</b>		<b>Balances</b>	
	<b>Un-audited</b>		<b>Un-audited</b>	<b>Audited</b>
	<b>22 Sep 2021 (Nine months ended)</b>	<b>21 Sep 2020 (nine months ended)</b>	<b>22 Sep 2021 (Nine months ended)</b>	<b>21 December 2020 Year ended</b>
	<b>AFN</b>			
<b>Transactions with key management</b>				
Salaries and other benefits	13,951,214	9,383,596	-	-
<b>Deposit from Banks</b>				
Bank Millie Afghan	-	-	40,375,706	40,345,709
<b>Balances with other banks</b>				
Bank Millie Afghan	-	-	48,549,288	4,608,613

In addition to salaries and remuneration, the Bank also provides non-cash benefits to executives which include furnished accommodation, meal and travel cost.

**22 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 June 2021 is as follows:

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**PASHTANY BANK****Notes To The Condensed Interim Financial Statements***For the nine months ended 31 Sunbola 1400 (22 Sep 2021)***Capital management - Continue****Core (Tier 1) Capital:****Total shareholder's equity**

Less:

Profit for the year

Deferred tax assets - Net

Intangible assets

Surplus on revaluation of fixed assets

**Supplementary (Tier 2) Capital:**

Profit for the year

Surplus on revaluation of fixed assets

Allowable deduction - equity investment

**Total regulatory capital****Risk-weight categories****0% risk weight:**

Cash in Afghani and fully-convertible foreign currencies

Direct claims on DAB

**Total**

0% risk-weight total (above total x 0%)

**20% risk weight:**

Balances with other banks

20% risk-weight total (above total x 20%)

Un-Audited	Audited
31 Sunbola 1400 Nine Months ended (22 Sep 2021)	30 Qaws 1399 Year ended (20 Dec 2020)
AFN	AFN
2,984,750,065	2,793,378,987
(191,371,078)	(107,579,083)
(116,495,916)	(133,889,814)
(47,297,495)	(50,938,226)
(439,812,600)	(439,812,600)
<b>2,189,772,976</b>	<b>2,061,159,264</b>
191,371,078	107,579,083
439,812,600	439,812,600
(267,784,781)	(266,321,520)
<b>363,398,897</b>	<b>281,070,163</b>
<b>2,553,171,873</b>	<b>2,342,229,427</b>
385,096,647	1,366,798,271
15,046,025,401	15,420,064,953
<b>15,431,122,048</b>	<b>16,786,863,224</b>
-	-
5,923,335,434	4,574,736,116
<b>1,184,667,087</b>	<b>914,947,223</b>

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**PASHTANY BANK****Notes To The Condensed Interim Financial Statements***For the nine months ended 31 Sunbola 1400 (22 Sep 2021)***Capital management - Continue****100% risk weight:**

All other assets
Allowable deduction-equity investment
Intangible assets
Net deferred tax asset
100% risk-weight total (above total x 100%)

**0% risk weight:****Guarantees**

0% credit conversion factor total (risk-weighted total x 0%)

**Total risk-weighted assets****Tier 1 Capital Ratio**

(Tier 1 capital as % of total risk-weighted assets)

**Regulatory Capital Ratio**

(Regulatory capital as % of total risk-weighted assets)

**23 Corresponding figures**

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

**Chief Executive Officer****Chief Financial Officer**

Un-Audited	Audited
31 Sunbola 1400	30 Qaws 1399
Nine Months	Year ended
ended	(20 Dec 2020)
(22 Sep 2021)	
AFN	AFN
3,357,692,685	2,989,307,503
(267,784,781)	(266,321,520)
(47,297,495)	(50,938,226)
(116,495,916)	(133,889,814)
<b>2,926,114,493</b>	<b>2,538,157,943</b>
<b>1,693,670,275</b>	<b>1,191,211,200</b>
-	-
<b>4,110,781,580</b>	<b>3,453,105,166</b>

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