

**Audited Financial Statement**

**Pashtany Bank for the year  
ended December 21, 2021**

## Independent Auditors' Report

To the Shareholders of Pashtany Bank

### Opinion

We have audited the financial statements of Pashtany Bank ("the Bank"), which comprise the statement of financial position as at 21 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Bank as at 21 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank within the meaning of International Ethics Standards Board of Accountants' *Code of Ethics of Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### 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 on capital notes and overnight deposits with Da Afghanistan Bank. 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.

### Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB), the





requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Other Matter**

The financial statements for the year ended 20 December 2020 were audited by another auditor who expressed qualified audit opinion on the financial statements for the year ended 20 December 2020 on 30 March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Najmussaib Shah – FCA (R-5618)

*Crowe Horwath Afghanistan*

**Crowe Horwath Afghanistan**  
Auditors and Business Advisors

Place: Kabul, Afghanistan

Date





**PASHTANY BANK**

## Statement of Financial Position

As at 30 Qaws 1400 (21 December 2021)

			<i>Restated</i>	<i>Restated</i>
		<b>30 Qaws 1400</b>	<b>30 Qaws 1399</b>	<b>30 Qaws 1398</b>
		<b>(21 Dec 2021)</b>	<b>(20 Dec 2020)</b>	<b>(21 Dec 2019)</b>
<b>Note</b>		<b>AFN</b>	<b>AFN</b>	<b>AFN</b>
<b>Assets</b>				
Cash and cash equivalents	5	6,340,194,486	9,555,570,113	7,062,704,144
Receivable from Financial Institution	6	1,301,000,000	-	-
Loans and Advances	7	31,771,422	25,431,463	-
Investment and placements	8	12,083,230,237	10,074,581,554	11,103,527,049
Investment in governmental entities	9	105,752,501	116,056,794	125,355,012
Property and equipment	10	1,344,863,485	842,437,780	835,281,873
Intangible assets	11	50,597,807	50,938,226	56,739,884
Investment properties	12	2,063,513,776	962,183,000	962,183,000
Deferred tax assets - net	13	49,735,175	133,889,814	145,251,231
Other assets	14	2,293,343,705	2,439,553,373	2,231,759,282
<b>Total assets</b>		<b>25,664,002,594</b>	<b>24,200,642,117</b>	<b>22,522,801,475</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	15	3,820,257,000	3,820,257,000	3,820,257,000
Accumulated losses		(239,604,561)	(1,616,955,340)	(1,726,126,967)
Surplus on revaluation of property and equipment- net	16	875,934,706	439,812,600	442,363,000
<b>Total equity</b>		<b>4,456,587,145</b>	<b>2,643,114,260</b>	<b>2,536,493,033</b>
<b>Liabilities</b>				
Deposits from banks and other financial institutions	17	1,044,220,574	45,306,820	1,013,618,861
Deposits from customers	18	19,860,755,903	21,130,089,098	18,695,527,131
Deferred grant	19	56,067,547	71,069,445	79,382,268
Other liabilities	20	246,371,425	311,062,494	197,780,182
<b>Total liabilities</b>		<b>21,207,415,449</b>	<b>21,557,527,857</b>	<b>19,986,308,442</b>
<b>Total equity and liabilities</b>		<b>25,664,002,594</b>	<b>24,200,642,117</b>	<b>22,522,801,475</b>
<b>Contingencies and commitments</b>	21			

The annexed notes from 1 to 32 form an integral part of the financial statements.

Chairman

Chief Executive Officer

Chief Finance Officer

**PASHTANY BANK**

## Statement of Comprehensive Income

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	Restated 30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
Interest income		126,022,104	248,559,926
Interest expense		(2,189,779)	(18,147,424)
<b>Net interest income</b>	22	<b>123,832,325</b>	<b>230,412,502</b>
Fee and commission income		86,625,698	84,339,874
Fee and commission expense		(1,454,257)	(1,971,720)
<b>Net fee and commission income</b>	23	<b>85,171,441</b>	<b>82,368,154</b>
<b>Total operating income</b>		<b>209,003,766</b>	<b>312,780,656</b>
Other income	24	64,279,823	164,874,023
Gain on remeasurement of investment properties		1,184,129,937	-
Amortization of deferred grant	19	15,001,898	13,246,261
Impairment loss on investments and other assets		(10,304,292)	(2,650,419)
Employee compensation	25	(188,596,724)	(179,056,986)
Depreciation on property and equipment	10.1	(31,905,594)	(34,411,456)
Depreciation on right of use asset	10.4	(13,999,962)	(11,956,471)
Amortization on intangible assets	11	(6,165,782)	(5,801,658)
Finance cost on lease liabilities		(869,708)	(940,943)
Remeasurement gain on lease liabilities	20.2	424,114	-
Other operating expenses	26	(209,174,587)	(160,090,062)
Exchange gain		376,250,210	22,194,874
<b>Profit before income tax</b>		<b>1,388,073,099</b>	<b>118,187,819</b>
Income tax expense	27	(36,474,983)	(11,999,017)
<b>Profit for the year</b>		<b>1,351,598,116</b>	<b>106,188,802</b>
<b>Other comprehensive income</b>			
Other comprehensive income that will not be reclassified to the profit or loss			
Surplus on revaluation of property and equipments		486,989,762	-
Related deferred tax		(48,317,256)	-
		<b>438,672,506</b>	<b>-</b>
Actuarial gain on defined benefit pension plan	20	23,202,263	432,425
<b>Total comprehensive income for the year</b>		<b>1,813,472,885</b>	<b>106,621,227</b>

The annexed notes from 1 to 32 form an integral part of the financial statements.

Chairman

Chief Executive Officer

Chief Finance Officer



**PASHTANY BANK**

## Statement of Changes in Equity

For the year ended 30 Qaws 1400 (21 Dec 2021)

	Share capital	Accumulated losses	Surplus on revaluation - net	Total
	AFN			
<b>Balance as at 21 December 2019 - Audited</b>	3,820,257,000	(1,577,252,520)	442,363,000	2,685,367,480
<b>Correction of errors</b>				
<i>Derecognition of post acquisition share of net assets in associates - Bank-e-Millie Afghan and Afghan National Insurance Company (note 9.3)</i>	-	(150,414,447)	-	(150,414,447)
<i>Capital gain on increase in investment in Bank-e-Millie (note 9.3.1)</i>	-	1,540,000	-	(148,874,447)
	<u>3,820,257,000</u>	<u>(1,726,126,967)</u>	<u>442,363,000</u>	<u>2,386,078,586</u>
<b>Balance as at 22 December 2019 - Restated</b>	3,820,257,000	(1,726,126,967)	442,363,000	2,386,078,586
<b>Incremental depreciation - net of deferred tax</b>	-	2,550,400	(2,550,400)	-
<b>Profit for the year</b>	-	106,188,802	-	106,188,802
<b>Other comprehensive income</b>	-	432,425	-	432,425
	<u>-</u>	<u>106,621,227</u>	<u>-</u>	<u>108,011,508</u>
<b>Balance as at 20 December 2020</b>	<u>3,820,257,000</u>	<u>(1,616,955,340)</u>	<u>439,812,600</u>	<u>2,494,090,094</u>
<b>Balance as at 21 December 2020</b>	3,820,257,000	(1,616,955,340)	439,812,600	2,643,114,260
<b>Incremental depreciation - net of deferred tax</b>	-	2,550,400	(2,550,400)	-
<b>Profit for the year</b>	-	1,351,598,116	-	1,351,598,116
<b>Other comprehensive income</b>	-	23,202,263	438,672,506	461,874,769
	<u>-</u>	<u>1,374,800,379</u>	<u>438,672,506</u>	<u>1,813,472,885</u>
<b>Balance as at 21 December 2021</b>	<u>3,820,257,000</u>	<u>(239,604,561)</u>	<u>875,934,706</u>	<u>4,456,587,145</u>

The annexed notes from 1 to 32 form an integral part of the financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

**PASHTANY BANK**

## Statement of Cash Flows

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	Restated 30 Qaws 1399 (20 Dec 2020)
Note		AFN	AFN
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	<b>Profit before income tax</b>	<b>1,388,073,099</b>	<b>118,187,819</b>
	Adjustments for:		
	Depreciation on property and equipment	10.1 31,905,594	34,411,456
	Depreciation on right of use asset	10.4 13,999,962	11,956,471
	Amortization on intangible assets	11 6,165,782	5,801,658
	Accounting loss on disposal of property and equipment	10.1 1,018,336	1,630
	Gain on remeasurement of investment properties	12.3 (1,184,129,937)	-
	Write-off of investment property	12.2.2 31,000,000	-
	Finance cost on lease liability	869,708	940,943
	Amortization of deferred grant	19 (15,001,898)	(13,246,261)
	Pension liability expense	20.1.5 15,515,458	17,544,696
	Impairment loss/(reversal)-on investments and other assets	10,304,292	2,650,419
	Remeasurement gain on lease liability	(424,114)	-
		<b>299,296,282</b>	<b>178,248,830</b>
	<b>Increase/(decrease) in assets and liabilities</b>		
	Other assets	170,899,149	(207,794,092)
	Loans and advances	(6,339,959)	(25,431,463)
	Deposits from banks and other financial institutions	998,913,754	(968,312,040)
	Deposits from customers	(1,269,333,195)	2,434,561,967
	Other liabilities	(23,268,806)	80,147,054
	Receivable from Financial Institution	(1,301,000,000)	-
	<b>Net cash generated from operations</b>	<b>(1,130,832,775)</b>	<b>1,491,420,256</b>
	Pension paid	(24,574,269)	(8,944,036)
	Tax paid	(24,689,481)	(637,600)
	<b>Net cash from/ (used in) operating activities</b>	<b>(1,180,096,525)</b>	<b>1,481,838,620</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Purchase of property and equipment	(6,869,790)	(11,987,505)
	Proceeds against disposal of property and equipment	-	-
	Acquisition of intangible assets	(5,825,363)	-
	Investments	(2,008,648,683)	1,035,593,294
	<b>Net cash generated from/(used in) investing activities</b>	<b>(2,021,343,836)</b>	<b>1,023,605,789</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Repayment of finance lease liability	(13,935,265)	(12,578,440)
	<b>Net cash (used in) financing activities</b>	<b>(13,935,265)</b>	<b>(12,578,440)</b>
	Net decrease in cash and cash equivalents	(3,215,375,626)	2,492,865,969
	Cash and cash equivalents at beginning of the year	9,555,570,113	7,062,704,144
	<b>Cash and cash equivalents at the end of the year</b>	<b>6,340,194,487</b>	<b>9,555,570,113</b>

The annexed notes from 1 to 32 form an integral part of the financial statements.

Chairman

Chief Executive Officer

Chief Finance Officer



## PASHTANY BANK

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 Pashtany Bank ("the Bank") got registered with Afghanistan Investment Support Agency (AISA) on 26 June 2004 as a limited liability company and received formal commercial bank license from Da Afghanistan Bank (DAB) to operate nationwide at the same date. The principal business place of the Bank is at Muhammad Jan Khan Watt, Kabul, Afghanistan with 21 (2020: 20) branches nationwide.

The financial statements for the year ended 21 December 2021 have been approved and authorized for issue by the Board of Supervisors on 28 March 2022.

- 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.

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 12% on local currency deposits to 8% and from 14% to 8% 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. 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:

- 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.
- The Bank is providing cash withdrawal facility, through its ATMs based on interoperability of AfPay, to customers of other banks.
- Money Gram continue to provide services in Afghanistan, and international money transfer services are also provided by the Bank through Money Gram.
- The Bank currently holds sufficient liquid assets to make payments against deposit withdrawals.

The bank also provides FTT services to its customers like Breshna and also other major customers via their Nostro Accounts.

Measures taken by the Central Bank including strict limits on cash withdrawals, reducing reserve requirements provide essential support for sustainability. Based on above, the financial statements have been prepared on a going concern basis.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**2 STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board, the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IFRS, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank take precedence.

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

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

**2.2 Amendments to published accounting standards that became effective in the current year**

Amendment to standards issued and effective beginning 1 January 2021:

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The adoption of above amendments did not have a material impact on the financial statements of the Bank.

**2.3 Standards and amendments to published accounting standards that are not yet effective and have not been early adopted by the Bank**

The following revised standards and amendments would be effective from the dates mentioned below against the respective standard or interpretation

<i>Standard and amendments</i>	<i>Effective date for annual accounting period beginning on or after</i>
IFRS 17: Insurance Contracts and related amendments to IFRS 17	1 January 2023
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2022

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement)	1 January 2023
Deferred Tax related to Assets and Liabilities	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

Da Afghanistan Bank has deferred the applicability of IFRS 9 for indefinite period from original applicable date of 1 January 2018.

Management does not intend to adopt any of the above standards and amendments earlier than the applicable date. Management is currently in the process of assessing the impact of above standards and interpretations.

**3 BASIS OF PREPARATION****3.1 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that property and equipment which are stated at revaluated amounts and pension liability which is stated at present value.

**3.2 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

- |            |                                 |
|------------|---------------------------------|
| a) Note 20 | Period of the lease liabilities |
| b) Note 27 | Income taxes                    |

**3.3 Functional and presentation currency**

These financial statements are presented in Afghani (AFN), which is the Bank's functional currency.

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## PASHTANY BANK

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise state.

#### 4.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with central bank (unrestricted), balances with other banks and investments having maturity of less than 3 months.

#### 4.2 Financial instruments

##### Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value with expensing out transaction cost. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

##### Classification and subsequent measurement of financial assets and financial liabilities

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

1. Designated at Fair Value Through Profit or Loss (FVTPL)
2. Held for trading
3. Loans and receivables
4. Held to maturity
5. Available for sale

All financial assets are subject to review for impairment at least at each reporting date except for held for trading and designated at FVTPL to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

#### a) Classification, recognition and subsequent measurement of financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. The Bank's cash and cash equivalents, investments (other than held for trading) and other assets fall into this category of financial instruments.

The Bank determines allowance for impairment in accordance with regulation issued by DAB "Asset Classifications and Provisioning Regulation" issued December 2017.

At each reporting date, the Bank assesses whether there is objective evidence that financial assets which are not carried at fair value through profit or loss are impaired or not. Financial assets or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

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## PASHTANY BANK

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

The Bank considers evidence of impairment for impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate (if any). Losses are recognized in profit or loss and reflected in an allowance account against financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

### b) Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

### 4.3 Investment in equity instruments

Investment in equity instruments is carried at cost less impairment, if any.

### 4.4 Property and equipment

#### Owned

Property and equipment are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets.

Repairs and maintenance expenditures are charged to profit or loss during the period in which they are incurred.

Surplus arising on revaluation is credited to the 'revaluation reserve' account (net of deferred tax) whereas deficit (if any) is adjusted against the balance in the above-mentioned surplus account. The revaluation is carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the balance sheet date. Surplus on revaluation of fixed assets (net of deferred tax) is transferred to retained earnings to the extent of incremental depreciation, net of deferred tax, charged on related assets.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight-line method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives. The depreciation method, residual values and useful lives of fixed assets are reviewed and adjusted (if appropriate) at each balance sheet date.

Net gains and losses on disposal or derecognition of fixed assets are included in profit or loss currently.

#### Depreciation

Depreciation is recognized in profit or loss on straight-line basis from the month of use over the estimated useful lives of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

The estimated useful lives for the current and comparative periods are as follows:

Building	50 years
Furniture and fixture	10 years
Computer equipment	10 years
Vehicles	5 years
Electric equipment	6-7 years

**4.5 Investment property**

Investment properties are those properties which are held to earn rental income or for capital appreciation or for both. Investment properties are stated at fair values. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for on straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**4.6 Intangible assets**

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

**a) Core Banking System (CBS)**

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

**b) Computer software**

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

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

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## PASHTANY BANK

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

### 4.7 Repossessed assets

Collateral repossessed by the Bank upon loan default is included in the repossessed assets at the date when the title is transferred to the Bank through court process. Repossessed assets are recognized at an amount established by the court (final Mazhar value) together with costs for acquiring the title including legal fees and transfer costs etc. and equivalent amount is recorded as deferred income in the statement of financial position. The Bank is required to sell these assets within a period of four years failing which the Bank derecognizes these assets from its books and the related deferred income. Gain or loss on disposal of repossessed assets is recognized in profit or loss.

### 4.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### 4.9 Deposits from customers and banks

These are recorded at the amount of proceeds received.

### 4.10 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year (using tax rates enacted or substantively enacted at the balance sheet date), and any adjustment to tax payable in respect of previous years.

#### Deferred tax

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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## PASHTANY BANK

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

### 4.11 Defined benefits pension plan

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

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

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

### 4.12 Employee compensation

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

### 4.13 Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Afghani at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

### 4.14 Interest income and expense

Interest/ profit on investments is recognized in profit or loss using effective interest rate method. Gain or loss on sale of investments is recognized in profit or loss in the year in which these arise.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**4.15 Fee and commission**

Fees and commission income include account servicing fees and commissions on transactions and are recognized as the related services are performed.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

**4.16 Provisions**

Provisions for restructuring costs and legal claims are recognized when:

- a) the Bank has a present legal or constructive obligation as a result of past events;
- b) it is more likely than not that an outflow of resources will be required to settle the obligation; and
- c) The amount has been reliably estimated.

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

**4.17 Off-setting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>5 CASH AND CASH EQUIVALENTS</b>			
Cash in hand	5.1	393,185,191	1,357,248,094
Cash in ATM	5.2	1,495,160	9,550,177
Balances with Da Afghanistan Bank	5.3	4,367,971,561	7,469,584,241
Balances with other banks	5.4	1,577,542,574	719,187,601
		<b>6,340,194,486</b>	<b>9,555,570,113</b>
<b>5.1 Cash in hand</b>			
Local currency		257,496,266	968,771,977
Foreign currency		135,688,925	388,476,117
		<b>393,185,191</b>	<b>1,357,248,094</b>
<b>5.2 Cash in ATM</b>			
Local currency		1,287,000	6,299,990
Foreign currency		208,160	3,250,187
		<b>1,495,160</b>	<b>9,550,177</b>
<b>5.3 Balances with Da Afghanistan Bank</b>			
<b>Current accounts:</b>			
Local currency		1,036,735,836	2,643,806,291
Foreign currency		3,329,221,229	3,808,341,377
		<b>4,365,957,065</b>	<b>6,452,147,668</b>
Overnight deposit	5.3.1	2,014,496	1,017,436,573
		<b>4,367,971,561</b>	<b>7,469,584,241</b>
5.3.1 This represent overnight deposit with Da Afghanistan Bank in local currency which are interest free (2020: 0.01% per annum).			
		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>5.4 Balances with other banks</b>			
<b>In Afghanistan</b>			
<i>Current accounts:</i>			
Azizi Bank		2,280,582	1,689,620
Bank Millie Afghan		48,162,234	4,608,613
New Kabul Bank		4,253,107	3,169,516
		<b>54,695,923</b>	<b>9,467,749</b>
<b>Outside Afghanistan</b>			
<i>Current accounts:</i>			
Aktif Bank, Turkey		256,734,576	11,945,022
BMCE, Spain		52,042,643	160,610,239
Nurol Bank, Turkey		632,652,644	92,860,419
Trans Kapital Bank, Russia		581,416,788	444,304,172
		<b>1,522,846,651</b>	<b>709,719,852</b>
	5.3.1	<b>1,577,542,574</b>	<b>719,187,601</b>

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

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
6	Receivable from financial institutions	AFN	AFN
	Current accounts:		
	Islamic Bank of Afghanistan	6.1	1,301,000,000
			-

- 6.1 The Bank entered into Memorandum of Understanding effective 07 January 2021 with Islamic Bank of Afghanistan (IBA), for back-to-back interest free deposit exchange arrangement with IBA whereby an amount of AFN 1,000,000,000 was received from IBA against a deposit of USD 12,500,000 made by the Bank with IBA (repo transaction). These deposits to be maintained for a period of one year.

		30 Qaws 1400 (21 Dec 2021) AFN	30 Qaws 1399 (20 Dec 2020) AFN
<b>7</b>	<b>LOANS AND ADVANCES</b>		
	<b>Consumer Loan</b>		
	Gross Loan	31,771,422	25,431,463
	Carrying Value	<u>31,771,422</u>	<u>25,431,463</u>

Consumer loans are funded facilities designed for permanent government employees with a service period of 5 to 33 years. The limit of the loan facilities is 45% of the net annual income of the employee secured by two governmental employee personal guarantee and these loans carry an interest rate of 10% p.a.

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)	
		AFN	AFN	
8	INVESTMENT AND PLACEMENTS	Note		
	Capital notes issued by Da Afghanistan Bank	8.1	7,391,759,707	6,219,033,039
	Placements	8.2	4,691,470,530	3,855,548,515
			12,083,230,237	10,074,581,554

- 8.1 These represent capital notes having maturity to 364 days and carry interest rate of 3.8% to 9% (2020: p.a. 2.4% to 3.02%) per annum.

		30 Qaws 1400 (21 Dec 2021) AFN	30 Qaws 1399 (20 Dec 2020) AFN
<b>8.2</b>	<b>Placements</b>		
	<b>Inside Afghanistan</b>	-	-
	<b>Outside Afghanistan</b>		
	Aktif Bank, Turkey	-	771,100,000
	Citi Bank, UAE	3,649,544,301	2,698,898,515
	First Abu Dhabi Bank	1,041,926,229	-
	Nurol Bank, Turkey	-	385,550,000
		<u>4,691,470,530</u>	<u>3,855,548,515</u>
		<u>4,691,470,530</u>	<u>3,855,548,515</u>

- 8.2.1 These placements are having maturity up to 95 days and carry interest rate of ranging from 0.06% to 0.18% (2020: 0.35% to 4%) per annum.

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Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

	Note	30 Qaws 1400 (21 Dec 2021)	(Restated) 30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
<b>9 INVESTMENT IN GOVERNMENTAL ENTITIES</b>			
At cost	9.1	<b>105,752,501</b>	<b>116,056,794</b>
9.1 The entity-wise break-up representing the cost of acquisition of share in those entities is provided below:			
Afghanistan payment systems (APS)	9.4	-	10,304,292
Shirkat-e-Aryana		281,240	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
Bank-e-Millie Afghan	9.3	11,340,000	11,340,000
Afghan National Insurance Company	9.3	7,660,000	7,660,000
		<b>105,752,501</b>	<b>116,056,794</b>

9.2 The shareholding in these entities held by the Bank is as below:

Afghanistan payment systems (APS)	0.00%	0.00%
Shirkat-e-Aryana	6.250%	6.250%
Hotel Intercontinental	6.440%	6.440%
Afghan Card Corporation	1.470%	1.470%
Pakht-e-Herat	0.050%	0.050%
Shirkat Nasaji Afghan	0.350%	0.350%
Bank-e-Millie Afghan	1.134%	1.134%
Afghan National Insurance Company	7.660%	7.660%

9.3 Management previously regarded these governmental entities as "Associates" as defined under IAS 28, "Investments in Associates and Joint Ventures". Associate defined by IAS 28 is an entity over which an investor has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control). The above standards further states that a holding of 20% or more of the voting power (directly or through subsidiaries) will indicate significant influence unless it can be clearly demonstrated otherwise. If the holding is less than 20%, the investor will be presumed not to have significant influence unless such influence can be clearly demonstrated.

Since the share held by the Bank in these entities is below 20% threshold provided in IAS 28, significant judgement is required in the absence of such to designate these entities as associates. Management considered their participation in the board meetings as a key indicator to designate these entities as associates. Management in the current year reassessed its evaluation and based on review of past events and practices followed in those entities, management concluded that such participation is not substantive enough to designate these entities in absence of 20% shareholding in these entities. Consequently, now these are designated as investments which qualify as financial instruments under IAS 39, "Financial Instruments" and held at cost in the absence of related fair value.

Management despite designating these entities as associates was only applying equity method of accounting to two entities i.e., Bank-e-Millie Afghan (BMA) and Afghan National Insurance Company (ANIC) since other entities either did not produce the financial statements at all or these were not complied with the requirements of IFRS.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

Post-acquisition share of profits along with other comprehensive income net of dividend income (share in post-acquisition net assets) relating to BMA and ANIC as a result of applying equity method of accounting has been adjusted in the opening balance of accumulated losses for earliest period presented and comparative information has also been restated. An amount of AFN 150,414,447 has been derecognized as a restatement to earliest period presented (i.e., 20 December 2019) representing share in post acquisition net assets while adjustment of AFN 1,390,279 has been derecognized with restatement in comparatives. Third balance sheet has been presented in accordance with requirements of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The details of share in post-acquisition net assets as of 20 December 2019 for BMA and ANIC which has been adjusted is as follows:

	BMA AFN	ANIC AFN	Total AFN
Opening balance for year ended 21 December 2019	73,836,230	65,849,815	139,686,045
Share of profit in associate for year ended 21 December 2019	8,381,215	(746,544)	7,634,671
Share of OCI in associate for year ended 21 December 2019	-	3,094,557	3,094,557
Other adjustments	(826)	-	(826)
	<u>82,216,619</u>	<u>68,197,828</u>	<u>150,414,447</u>

In the year ended 20 December 2020, share of profit in associate in respect of BMA amounted to AFN 1,390,279 which has been adjusted as a restatement to the comparative information.

9.3.1 The Bank previously held 0.980% share in Bank-e-Millie which was changed in 2019 to 1.134% pursuant to non-receipt of share in dividend by the Bank for the property entirely transferred as dividend to the Ministry of Finance which had a value of AFN 1,108,208,690. The share of the Ministry of Finance which held 97.193% at the time of the dividend transfer was reduced to 96.7508% and this resulted in capital gain to the Bank amounting to AFN 1,540,000 which has not been accounted for in the previous years. This adjustment has been made to the opening equity of earliest period presented with increase in investment amount in Bank-e-Millie.

**9.4 Afghanistan payment systems (APS)**

Balance at beginning of year	10,304,292	19,602,500
Shareholding distribution	-	(1,938,000)
Write off	(10,304,292)	(7,360,208)
Exchange gain/(loss) on translation	-	-
Balance at the end of year	<u>-</u>	<u>10,304,292</u>

The Bank had an investment of USD 250,000 in APS. During 2019, 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. Remaining amount has been written-off during the current year.

9.5 Article 83 (8) of the Banking Law of Afghanistan prohibits banks from having qualifying holding in non-financial institutions. Article 2 (20) of the Banking Law of Afghanistan defines qualifying holding as 5% of the voting shares of an enterprise or ability to exert significant influence over the management or policies of the enterprise. Currently, the Bank has qualifying holding in Shirkat-e-Ariyana and Hotel Intercontinental with total cost amounting to AFN 345,675 (2020: AFN 345,676). Management is of the view that amounts are not material to the overall financial statements.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note		AFN
<b>10 PROPERTY AND EQUIPMENT</b>			
Operating fixed assets	10.1	1,330,524,511	749,157,977
Capital work-in-progress	10.3	-	68,631,752
		1,330,524,511	817,789,729
Right of use assets - buildings	10.4	14,338,974	24,648,051
		<b>1,344,863,485</b>	<b>842,437,780</b>

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**PASHTANY BANK**

Notes to the financial statements  
For the year ended 30 Qaws 1400 (21 Dec 2021)

**10.1 Operating fixed assets**

	Land	Building	Electric equipment	IT equipment	Furniture and fittings	Computers	Motor vehicles	Total
	AFN							
<b>Cost/ Revalued amounts</b>								
Balance at 21 December 2019	352,591,506	503,576,750	66,317,421	51,626,289	24,552,715	49,308,552	12,227,693	1,060,200,926
Additions	-	1,809,220	12,485,337	12,520,182	746,955	274,190	-	27,835,884
Disposals	-	-	(768,953)	(200,580)	(196,000)	-	-	(1,165,533)
<b>Balance at 20 December 2020</b>	<b>352,591,506</b>	<b>505,385,970</b>	<b>78,033,805</b>	<b>63,945,891</b>	<b>25,103,670</b>	<b>49,582,742</b>	<b>12,227,693</b>	<b>1,086,871,277</b>
Balance at 21 December 2020	352,591,506	505,385,970	78,033,805	63,945,891	25,103,670	49,582,742	12,227,693	1,086,871,277
Additions	-	944,954	1,476,708	1,823,560	848,328	1,776,240	-	6,869,790
Reclassification	-	120,430,912	-	-	-	-	-	120,430,912
Surplus on revaluation adjustment	245,403,483	241,586,279	-	-	-	-	-	486,989,762
Disposals	-	-	(35,039,289)	(5,997,354)	(2,910,695)	(33,039,136)	-	(76,986,474)
<b>Balance at 21 December 2021</b>	<b>597,994,989</b>	<b>868,348,115</b>	<b>44,471,224</b>	<b>59,772,097</b>	<b>23,041,303</b>	<b>18,319,846</b>	<b>12,227,693</b>	<b>1,624,175,267</b>
<b>Accumulated Depreciation</b>								
Balance at 21 December 2019	-	139,009,546	61,309,814	25,563,432	20,523,692	46,623,434	11,435,829	304,465,747
Charge for the year	-	10,090,727	5,457,370	15,068,110	1,564,146	1,558,941	672,160	34,411,454
Disposals	-	-	(779,591)	(200,566)	(183,744)	-	-	(1,163,901)
<b>Balance at 20 December 2020</b>	<b>-</b>	<b>149,100,273</b>	<b>65,987,593</b>	<b>40,430,976</b>	<b>21,904,094</b>	<b>48,182,375</b>	<b>12,107,989</b>	<b>337,713,300</b>
Balance at 21 December 2020	-	149,100,273	65,987,593	40,430,976	21,904,094	48,182,375	12,107,989	337,713,300
Charge for the year	-	10,123,639	5,622,578	14,295,106	756,773	1,056,114	51,384	31,905,594
Disposals/Adjustments	-	-	(35,104,846)	(5,807,742)	(2,563,826)	(32,491,724)	-	(75,968,138)
<b>Balance at 21 December 2021</b>	<b>-</b>	<b>159,223,912</b>	<b>36,505,325</b>	<b>48,918,340</b>	<b>20,097,041</b>	<b>16,746,765</b>	<b>12,159,373</b>	<b>293,650,756</b>
<b>Carrying amounts</b>								
<b>At 20 December 2020</b>	<b>352,591,506</b>	<b>356,285,697</b>	<b>12,046,212</b>	<b>23,514,915</b>	<b>3,199,576</b>	<b>1,400,367</b>	<b>119,704</b>	<b>749,157,977</b>
<b>At 21 December 2021</b>	<b>597,994,989</b>	<b>709,124,203</b>	<b>7,965,899</b>	<b>10,853,757</b>	<b>2,944,262</b>	<b>1,573,081</b>	<b>68,320</b>	<b>1,330,524,511</b>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

- 10.2 The Bank hired independent property valuers, Masood Sahak Consultancy, through open competitive bidding to carry out the valuation of the properties owned by the Bank. The property valuers presented their reports to the Bank on 20 November 2020, however, revaluation was not incorporated in the books pending approval from DAB. DAB approved the revaluation on 13 February 2021.

Fair value of these properties was determined with reference to market values based on comparable market transactions of identical or similar assets adjusted for location or condition of the specific asset. Comparable market transactions data was collected through various property dealers and real estate agents. In case of valuation of buildings, additional factors were considered including type of construction, quality of construction materials used, location and type of neighborhood. Key valuation input for land and buildings was market rate per square meter. Haircut of 64% has been applied to the fair value determined to incorporate the amounts in the financial statements. Based on the method used for determination of fair value, it qualifies under Level 2 hierarchy as per IFRS 13, "Fair Value Measurement".

The Bank has not recorded the revaluation in respect of a building of the Bank situated in Main Mandae, Kabul having total covered area of 1,581 square meters due to dispute relating to the title of the property pending final decision by the Court of Law (Istenaf Mahkama) of Parwan. DAB provided specific instructions not to incorporate valuation of those properties for which the Bank does not hold title (Shariah Qabala).

	Note	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
<b>10.3 Capital work-in-progress</b>			
Opening balance		68,631,752	79,546,694
Additions during the year		-	-
Reclassification to investment property	10.3.1	(68,631,752)	-
		-	79,546,694
Transferred to property and equipment		-	(10,914,942)
Transferred to intangible assets		-	-
		-	(10,914,942)
		-	68,631,752

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Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

10.3.1 This represented remaining cost of construction of a property owned by the Bank situated at Jaddae Maiwand, Saraji, Kabul, Afghanistan. The Bank originally entered into the contract for construction of the building in January 1999 with Destgah Sakhtomani Asia Pacific (the contractor). The contractor carried out remaining works during the unity government led by President Hamid Karzai. The amount was held in capital work in progress pending settlement of dispute with the contractor.

The building is completely usable and is currently provided on lease to DAB. Therefore, this has been classified to investment properties during the year.

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
10.4	<b>Right of use assets - buildings</b>		
	<b>Cost</b>		
	Opening balance	36,604,521	-
	Adjustment upon adoption of IFRS 16	-	36,604,521
		<b>36,604,521</b>	<b>36,604,521</b>
	Additions during the year	7,280,321	-
	Lease modifications	(3,589,436)	-
	Closing balance	<b>40,295,406</b>	<b>36,604,521</b>
	<b>Accumulated depreciation</b>		
	Opening balance	11,956,470	-
	Charge for the period	13,999,962	11,956,470
	Closing balance	<b>25,956,432</b>	<b>11,956,470</b>
	<b>Carrying amount as of the year end</b>	<b>14,338,974</b>	<b>24,648,051</b>

10.4.1 As a result of leases of branches renegotiated by the Bank after 15 August 2021, lease rentals have been reduced. Reduction in rent has been treated as lease modification in accordance with para 44 of IFRS 16.

	Note	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
11	<b>INTANGIBLE ASSETS</b>		
	<b>Cost</b>		
	Opening balance	58,178,178	58,178,178
	Additions during the year	5,825,363	-
	Closing balance	<b>64,003,541</b>	<b>58,178,178</b>
	<b>Less: Accumulated amortization</b>		
	Opening balance	7,239,952	1,438,294
	Charge for the year	6,165,782	5,801,658
	Closing balance	<b>13,405,734</b>	<b>7,239,952</b>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**Written down value**11.1 50,597,807 50,938,226

- 11.1 Intangible assets include cost amounting to AFN 58,178,178 for licenses acquired for Core Banking System (Oracle) as a part of the IT infrastructure development financed by the World Bank project to modernize Afghan State-Owned Banks. The amortization rate of intangible assets determined is 10% p.a.

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>12 INVESTMENT PROPERTIES</b>			
Land		1,112,073,136	5,786,500
Buildings		951,440,641	956,396,500
	12.1	<u><u>2,063,513,777</u></u>	<u><u>962,183,000</u></u>
12.1 Province-wise details of investment properties:			
<b>Kabul</b>			
Andarabi market 1 & 2		177,985,302	66,930,980
Saraji land & Building	10.3.1	317,351,843	200,443,652
Baghban Koja Building 1		92,174,120	118,823,402
Abida Maiwand		360,906,305	75,000,000
Timorshahi Building		851,199,530	68,200,000
Gul Bahar Center	12.2.1	120,430,912	395,997,256
Qala-Qazi		1,210	1,210
		<u><u>1,920,049,222</u></u>	<u><u>925,396,500</u></u>
<b>Herat</b>			
Torghondi land		3,413,750	2,186,500
Karwan Sarai land		117,833,610	3,600,000
		<u><u>121,247,360</u></u>	<u><u>5,786,500</u></u>
<b>Mazar Sharif</b>			
Bagha Hozori	12.2.2	-	31,000,000
		<u><u>-</u></u>	<u><u>31,000,000</u></u>
<b>Nangarhar</b>			
Nangarhar land		18,031,658	-
		<u><u>18,031,658</u></u>	<u><u>-</u></u>
<b>Samangan</b>			
Ibak Samangan land		3,693,120	-
		<u><u>3,693,120</u></u>	<u><u>-</u></u>
<b>Faryab</b>			
Andkhoy land		492,416	-
		<u><u>492,416</u></u>	<u><u>-</u></u>
		<u><u>2,063,513,776</u></u>	<u><u>962,183,000</u></u>
12.2 The movement in investment properties is as follows:			
Opening balance			
Land		5,786,500	5,786,500

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

Building		956,396,500	956,396,500
Additions (subsequent expenditure)		-	-
Reclassification from/ (to) property and equipment			
Land		-	-
Building	12.2.1	(120,430,912)	-
Capital work-in-progress	10.3.1	68,631,752	-
Derecognized - written - off			-
Land	12.2.2	(31,000,000)	-
Building		-	-

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
Gain on remeasurement - recongized in profit or loss	12.3	-	-
Land		1,137,286,636	
Building		46,843,301	
Closing balance			
Land		1,112,073,136	5,786,500
Building		951,440,641	956,396,500
		<b>2,063,513,777</b>	<b>962,183,000</b>

12.2.1 50% of the building is occupied by the Bank for its operations, and rest is held for rental purposes. The amount under use of the Bank has been reclassified to property and equipment.

12.2.2 The land was allotted to the Bank by the Government for bringing in use or for further development within a period of two years of the allotment. The land has been repossessed by Mahkama of MazareSharif. Consequently, the amount has been written off from the books. However, the Bank has filed a case for allotment of alternate land.

12.3 The Bank hired independent property valuers, Masood Sahak Consultancy, through open competitive bidding to carry out the valuation of investment properties held by the Bank. The property valuers presented their reports to the Bank on 20 November 2020, however, remeasurement gain was not incorporated in the books pending approval from DAB. DAB approved the valuation of investment properties on 13 February 2021.

Fair value of these properties was determined with reference to market values based on comparable market transactions of identical or similar assets adjusted for location or condition of the specific asset. Comparable market transactions data was collected through various property dealers and real estate agents. In case of valuation of buildings, additional factors were considered including type of construction, quality of construction materials used, location and type of neighborhood. Key valuation input for land and buildings was market rate per square meter. Haircut of 20% has been applied to the fair value determined to incorporate the amounts in the financial statements. Based on the method used for determination of fair value, it qualifies under Level 2 hierarchy as per IFRS 13, "Fair Value

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

Measurement".

- 12.4 As per Initial Decree No. 39 dated 21 Jaddi 1388 (11 January 2010) issued from Presidential Office and correspondence through Directorate General of Properties with the Ministry of Finance (MoF) and Da Afghanistan Bank vide letter no. 4002 dated 7 Dalwa 1394 (27 January 2016), all the rental income of the investment properties were to be collected and vested with the MoF. Based on request letter no 228 dated 21 Qaws 1397 (12 December 2018) by MoF and in consequence special Decree issued by His Excellency the President of Afghanistan No. 2344 dated 1 Jaddi 1397 (22 December 2018), investment properties of Pashtany Bank have been exempted from the Initial Decree No. 39 dated 21 Jaddi 1388 (11 January 2010) and all collected rental income through the Director General Properties to be reverted back to Pashtany Bank. Receivable against the rent collected by the MoF has been accounted for as an advance tax as per understanding reached with the MoF.
- 12.5 In accordance with Article 67 (1) of the Banking Law of Afghanistan, the Bank is prohibited to hold investment properties to hold rentals. However, as mentioned above, management is of the view that as per the Presidential Decree, the Bank has been allowed to earn rentals on the investment properties.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>13 DEFERRED TAX ASSETS - NET</b>			
<i>Deferred tax asset</i>			
Carried forward tax losses	13.1	206,631,831	243,106,814
<i>Deferred tax liability</i>			
Surplus on revaluation	13.2	(156,896,656)	(109,217,000)
		<u>49,735,175</u>	<u>133,889,814</u>
13.1 The movement in carried forward tax losses is as follows:			
Opening balance		243,106,814	255,105,831
Reversal to profit or loss		(36,474,983)	(11,999,017)
Closing balance		<u>206,631,831</u>	<u>243,106,814</u>
13.2 The movement in surplus on revaluation is as follows:			
Opening balance		109,217,000	109,854,600
Revaluation during the year		48,317,256	-
Deferred tax on incremental depreciation		(637,600)	(637,600)
Closing balance		<u>156,896,656</u>	<u>109,217,000</u>
<b>14 OTHER ASSETS</b>			
Required reserve account	14.1	1,734,177,116	1,731,447,674
Advance tax		510,648,625	485,959,144
Advances to employees		8,427,816	10,729,554
Advances to suppliers		5,158,677	13,639,389
Interest accrued on capital notes, time deposits and Loan		1,565,706	123,583,702
Security deposit		7,107,160	45,488,960
Receivable from financial institution	14.2	31,856,951	29,847,367
Others		26,258,605	28,704,950
		<u>2,325,200,656</u>	<u>2,469,400,740</u>
Provision against advances and other receivables	14.3	-	-
Provision against receivable from Financial Institution	14.4	(31,856,951)	(29,847,367)
Net carrying amount		<u>2,293,343,705</u>	<u>2,439,553,373</u>
14.1 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.			
		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>14.1.1 Currency profile of required reserve with DAB</b>			
Local currency		839,189,923	878,974,569
Foreign currencies		894,987,193	852,473,105
		<u>1,734,177,116</u>	<u>1,731,447,674</u>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	AFN	AFN
<b>14.2 RECEIVABLE FROM FINANCIAL INSTITUTIONS</b>		
Opening for the year	29,847,367	29,847,367
Additions for the year	-	-
Exchange gain/(loss) on translation	2,009,584	-
Closing for the year	<u><b>31,856,951</b></u>	<u><b>29,847,367</b></u>

This amount relates to a time deposit maintained with UBL Peshawar branch matured several years ago however could not be received by the Bank despite several reminders and attempts. Inspection team of DAB, in their review report of 2019, concluded that this amount should be written-off. Full provision has been maintained against this balance as disclosed in note 14.5 to the financial statements.

<b>14.3 PROVISION AGAINST ADVANCES AND RECEIVABLES</b>		
Opening for the year	-	(4,709,789)
(Charged) / Reversed for the year	14.3.1 -	4,709,789
Closing for the year	<u>-</u>	<u>-</u>

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

	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	AFN	AFN
<b>14.4 PROVISION AGAINST RECEIVABLE FROM FINANCIAL INSTITUTIONS</b>		
Opening for the year	(29,847,367)	(29,847,367)
Exchange gain/(loss) on translation	(2,009,584)	-
Charged for the year	-	-
Closing for the year	<u><b>(31,856,951)</b></u>	<u><b>(29,847,367)</b></u>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>15 SHARE CAPITAL</b>			
<b>15.1 Authorized</b>			
3,820,257 (2020: 3,820,257) ordinary shares of AFN 1,000 each		<u>3,820,257,000</u>	<u>3,820,257,000</u>
<b>15.2 Issued, subscribed and paid-up</b>			
3,820,257 (2020: 3,820,257) ordinary shares of AFN 1,000 each		<u>3,820,257,000</u>	<u>3,820,257,000</u>
		<b>30 Qaws 1400 (21 Dec 2021)</b>	<b>30 Qaws 1399 (20 Dec 2020)</b>
	Note	AFN	AFN
<b>15.3</b> The issued shares are subscribed by the following parties:			
Ministry of Finance		2,584,800,000	2,584,800,000
Bank-e- Millie Afghan		1,098,982,000	1,098,982,000
Afghan Red Crescent Society		20,050,000	20,050,000
Health Insurance		1,200,000	1,200,000
Spinzar Corporation		725,000	725,000
Ministry of Labor and Social Affairs		91,600,000	91,600,000
Chamber of Commerce		11,450,000	11,450,000
Sadaraat Kashmesh		3,900,000	3,900,000
Institute of Qaraqol		3,775,000	3,775,000
Carpet corporation		3,775,000	3,775,000
		<u>3,820,257,000</u>	<u>3,820,257,000</u>
<b>16 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT- NET</b>			
	16.1	<u>875,934,706</u>	<u>439,812,600</u>
<b>16.1</b> Opening balance		439,812,600	442,363,000
Revaluation made during the year		438,672,506	-
Incremental depreciation - net of deferred tax		(2,550,400)	(2,550,400)
Closing balance		<u>875,934,706</u>	<u>439,812,600</u>
<b>17 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS</b>			
<b>Current deposit</b>			
Agricultural Bank Kabul	17.1	-	232,121
Construction Bank	17.2	-	1,742,153
Bank-e-Millie Afghan		40,426,375	40,345,709
Maiwand Bank		1,109,451	851,462
Afghan United Bank		2,467,913	1,961,846
Azizi Bank		135,253	103,906
New Kabul Bank		37,572	31,538
Islamic bank of Afghanistan		999,997,600	-
Ghazanfar Bank		46,410	38,085
		<u>1,044,220,574</u>	<u>45,306,820</u>

17.1 These deposits are from the banks which became defunct in 2008.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

18	DEPOSITS FROM CUSTOMERS		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
			AFN	AFN
	Fixed deposit	18.1	38,355,612	36,857,676
	Saving deposits	18.2	7,619,864,299	8,181,653,772
	Current deposits		12,202,535,992	12,911,577,650
			<b>19,860,755,903</b>	<b>21,130,089,098</b>

18.1 This includes fixed deposit of USD 54,715 (equivalent AFN 4.21 million) from the Ministry of Commerce which carry interest rate of 0.5% and maturing on 13 January 2022. The remaining amount of AFN 32.64 million from Seloo Markazi which is interest free with indefinite maturity.

18.2 These carry no interest rate of (2020: 0.05%) p.a. for AFN currency and no interest (2020: 0.5%) p.a. for deposits in USD currency. Other foreign currencies are interest free.

19	DEFERRED GRANT	Note	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
			AFN	AFN
	Opening balance		71,069,445	79,382,268
	Additions during the year	19.1	-	4,933,437
	Amortization			
	Property and equipment		9,320,379	7,444,603
	Intangible assets		6,165,782	5,801,657
	Adjustment		(484,263)	-
			<b>15,001,898</b>	<b>13,246,260</b>
			<b>56,067,547</b>	<b>71,069,445</b>

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

20	OTHER LIABILITIES		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
			AFN	AFN
	Employees pension fund	20.1	106,315,420	138,576,494
	Accrued expenses		4,580,410	12,225,965
	Other payables		119,008,189	115,007,761
	Withholding tax payable		1,222,480	19,402,285
	Lease liability	20.2	15,168,238	24,967,024
	Inter-branch unreconciled balance		76,688	882,965
			<b>246,371,425</b>	<b>311,062,494</b>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**20.1 Employees pension fund****20.1.1 General description**

The Bank operates an approved defined benefit pension plan for all of its permanent employees. An annual provision has been made on the basis of an actuarial valuation to cover obligation under the scheme for all eligible employees.

**20.1.2 No. of employees under the scheme**

A total of 368 employees existed in the data for the valuation process. The total monthly eligible salaries payable to these employees amounts to AFN 5,675,250.

**20.1.3 Principal actuarial assumptions**

The latest actuarial valuation of the Bank's defined benefit plan based on the Projected Unit Credit Method was carried out as at 21 December 2021 (30 Qaws 1400). Actuarial gains or losses arising during the year are recognized in Other Comprehensive Income (OCI) in accordance with IAS-19 (Revised 2011). The significant assumptions used in the valuation are as follows:

	<b>2021</b>	<b>2020</b>
Discount rate	5.50%	4.00%
Short term salary increase rate	4.50%	4.00%
Long term salary increase rate	4.50%	4.00%
Mortality rate	SLIC -2005-06	SLIC -2005-06
Withdrawal rate	9.52%	3.30%
Duration (years)	7.44	7.37

**20.1.4 Present value of obligation under the scheme at the balance sheet date is as follows:**

	<b>30 Qaws 1400 (21 Dec 2021)</b>	<b>30 Qaws 1399 (20 Dec 2020)</b>
	<b>AFN</b>	<b>AFN</b>
Present value of defined benefit obligation	<u>106,315,420</u>	<u>138,576,494</u>

**20.1.5 Movement in the present value of defined benefit obligation:**

Opening balance	138,576,494	131,030,424
Expense for the year	15,515,458	17,544,696
Contributions made to the scheme by employees	14,526,458	5,382,049
Actuarial gain - recognized in OCI	(23,202,263)	(432,425)
Transferred out	-	(470,014)
Benefits paid during the year	(35,959,469)	(8,944,036)
Benefit paid - annuity payment of old employees	(3,141,258)	(5,534,200)
Opening balance	<u>106,315,420</u>	<u>138,576,494</u>

**Charge for defined benefit plan**

Current service cost	10,136,074	14,738,030
Interest cost	5,379,384	2,806,666
Expense for the year	<u>15,515,458</u>	<u>17,544,696</u>

**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	AFN	AFN
20.1.6 <b>Re-measurements recognized in OCI during the year</b>		
- Financial assumptions	(8,428,942)	387,878
- Demographic assumptions	-	(87,364)
- Experience adjustments	(14,773,321)	(732,939)
Total re-measurement recognized in OCI	<u>(23,202,263)</u>	<u>(432,425)</u>

20.1.7 **Sensitivity analysis**

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as below:

Particulars	PVDBO (AFN)	% change
Current liability	106,315,420	-
+1% discount rate	98,916,772	-6.96%
-1% discount rate	114,744,361	7.93%
+1% salary increase rate	114,914,928	8.09%
-1% salary increase rate	98,646,087	-7.21%
+10% withdrawal rate	106,315,420	0.00%
-10% withdrawal rate	106,315,420	0.00%
1 year age mortality age set back	106,450,614	0.13%
1 year age mortality age set forward	106,179,228	-0.13%

20.1.8 **Maturity profile**

Particulars		
Year 1	9,881,589	15,213,058
Year 2	9,178,910	10,547,202
Year 3	10,595,211	9,767,532
Year 4	9,820,195	14,311,950
Year 5	6,580,709	15,586,552
Year 6 to Year 10	52,600,339	55,188,598
Year 11 and above	73,440,400	79,710,005

20.1.9 **Expected expense for FY 2022**

Current service cost - next year	7,606,697
Net interest - next year	5,554,053
	<u>13,160,750</u>

20.1.10 **Risks associated with defined benefit plans****Salary increase risk**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**Withdrawal risk**

The risk of actual withdrawals varying with the valuation assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.



**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

20.2	Movement Finance Lease Liability under IFRS 16	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
	Opening Balance	24,967,024	-
	Adjustment upon adoption of IFRS 16	-	36,604,521
	Additions during the year	7,280,321	-
	Lease modifications	(3,589,436)	-
	Remeasurement gain on lease liability	(424,115)	-
	Finance charge	869,708	940,943
	Payment against lease liability	(13,935,265)	(12,578,440)
	Balance as at 20 Dec 2021	<u>15,168,237</u>	<u>24,967,024</u>
	<b>Maturity</b>		
	Less than one year	7,406,443	12,604,012
	More than 1 year less than 5 years	7,761,794	12,363,012
	More than 5 years	-	-
		<u>15,168,237</u>	<u>24,967,024</u>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>21 CONTINGENCIES AND COMMITMENTS</b>			
Bank guarantees issued	21.1	<u>1,862,382,452</u>	<u>1,191,211,200</u>
21.1 Bank guarantees issued by the Bank are backed up by 100% cash margin.			
There are no contingencies at the year end (2020: Nil)			
		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
		AFN	AFN
<b>22 NET INTEREST INCOME</b>			
<b>Interest income calculated using the effective interest method</b>			
Cash and cash equivalents		122,893,377	247,618,310
Loan and Advances		<u>3,128,727</u>	<u>941,616</u>
		<b>126,022,104</b>	<b>248,559,926</b>
<b>Interest expense</b>			
Term deposits		(37,639)	(9,442,414)
Saving deposits		<u>(2,152,140)</u>	<u>(8,705,010)</u>
		<b>(2,189,779)</b>	<b>(18,147,424)</b>
<b>Net interest income</b>		<u><b>123,832,325</b></u>	<u><b>230,412,502</b></u>
<b>23 NET FEE AND COMMISSION INCOME</b>			
<b>Fee and commission income</b>			
Fee		15,659,468	15,648,625
Commission		<u>70,966,230</u>	<u>68,691,249</u>
		<b>86,625,698</b>	<b>84,339,874</b>
<b>Fee and commission expense</b>			
Fund transfer charges		(1,216,188)	(1,738,623)
Account maintenance charges		<u>(238,069)</u>	<u>(233,097)</u>
		<b>(1,454,257)</b>	<b>(1,971,720)</b>
		<u><b>85,171,441</b></u>	<u><b>82,368,154</b></u>
<b>24 OTHER INCOME</b>			
<b>Recovery of loans written-off</b>			
Loan principal		15,428,288	54,513,701
Loan interest		<u>1,632,943</u>	<u>15,877,378</u>
		<b>17,061,231</b>	<b>70,391,079</b>
Rental income		44,142,285	46,290,827
Income from investments		45,879	39,325
Liabilities return back		<u>3,030,428</u>	<u>48,152,792</u>
		<u><b>64,279,823</b></u>	<u><b>164,874,023</b></u>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

		30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	Note	AFN	AFN
<b>25</b>	<b>EMPLOYEE COMPENSATION</b>		
Salaries, wages and benefits		168,692,138	164,391,868
Bonus		18,001,334	12,572,513
Staff welfare		1,903,252	2,092,605
		<u><b>188,596,724</b></u>	<u><b>179,056,986</b></u>
<b>26</b>	<b>OTHER OPERATING EXPENSES</b>		
Repair and maintenance		5,758,071	5,379,480
Travel and conveyance		1,360,244	1,485,241
Advertisement and publicity		5,081,545	6,816,486
Rent expense		843,593	3,654,805
Building tax		191,432	274,071
Deposit insurance		38,241,683	56,647,529
Investment property written-off	12.2.2	31,000,000	-
Internet expense		9,255,978	9,016,379
Security expense		29,160,508	37,032,721
Printing and stationery		4,605,191	3,112,801
Communication		854,854	978,016
Electricity		10,322,914	9,995,462
Fuel expenses		3,799,326	2,808,802
Auditor's remuneration		1,839,487	2,187,535
Cleaning and water		613,481	587,396
Kindergarten expenses		142,261	191,155
Employees training expenses		1,243,337	2,013,462
Others		64,860,682	17,908,721
		<u><b>209,174,587</b></u>	<u><b>160,090,062</b></u>
<b>27</b>	<b>TAXATION</b>		
Current	27.1	-	-
Prior		-	-
Deferred		36,474,983	11,999,017
		<u><b>36,474,983</b></u>	<u><b>11,999,017</b></u>

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



**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**28 RELATED PARTIES**

The related parties of the Bank comprise entities with common shareholders, directors and key management personnel and close family members of such individuals. Following are the related parties of the Bank:

**Key management personnel**

Chief Executive Officer

Chief Financial Officer

Chief Operating Officer

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

30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
AFN		AFN	
Balances		Transactions	

**Transactions with key management personnel**

Short-term employee benefits	-	-	18,003,012	21,602,642
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In addition to their salaries and allowances, the Bank also provides non-cash benefits to directors and executive officers, and contribute to a post employment defined plan on their behalf. The terms of the plan are same as for all employees.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**29 FINANCIAL ASSETS AND LIABILITIES****Accounting classifications and fair values**

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

	Note	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying value
				AFN		
<b>2021</b>						
Cash and cash equivalents	-	-	-	-	6,340,194,486	6,340,194,486
Placements and investments	12,083,230,237	-	-	105,752,501	-	12,188,982,738
Loans and advances	-	-	31,771,422	-	-	31,771,422
Other assets	-	-	-	-	1,769,108,587	1,769,108,587
		<b>12,083,230,237</b>	<b>31,771,422</b>	<b>105,752,501</b>	<b>8,109,303,073</b>	<b>20,330,057,233</b>
Deposits from banks and financial institutions	-	-	-	-	1,044,220,574	1,044,220,574
Deposits from customers	-	-	-	-	19,860,755,903	19,860,755,903
Other liabilities	-	-	-	-	138,756,837	138,756,837
		-	-	-	<b>21,043,733,314</b>	<b>21,043,733,314</b>
<b>2020</b>						
Cash and cash equivalents	-	-	-	-	9,555,570,114	9,555,570,114
Placements and investments	10,074,581,554	-	-	116,056,794	-	10,190,638,348
Loans and advances	-	-	25,431,463	-	-	25,431,463
Other assets	-	-	-	-	1,929,225,286	1,929,225,286
		<b>10,074,581,554</b>	<b>25,431,463</b>	<b>116,056,794</b>	<b>11,484,795,400</b>	<b>21,700,865,211</b>
Deposits from banks and financial institutions	-	-	-	-	45,306,821	45,306,821
Deposits from customers	-	-	-	-	21,130,089,098	21,130,089,098
Other liabilities	-	-	-	-	152,200,750	152,200,750
		-	-	-	<b>21,327,596,669</b>	<b>21,327,596,669</b>

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

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## **PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

### **30 FINANCIAL RISK MANAGEMENT**

#### **30.1 Introduction and overview**

The Bank has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

This note presents information about Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

#### ***Risk management framework***

The Board of Supervisor has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Supervisors on their activities.

#### **30.2 Credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's placements with other banks and guaranties issued by the Bank. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

#### **30.3 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

#### ***Management of liquidity risk***

The Board ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. Asset & Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally has shorter maturities and large proportion of them are repayable on demand. For day to day liquidity risk management integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problem.

**Exposure to liquidity risk**

The key measure used by the Bank for managing liquidity risk is the ratio of net liquidity assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalent less any deposits from banks. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Detail of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
At year end	94.39	95.63
Average for the year	94.44	95.92
Maximum for the year	135.14	105.80
Minimum for the year	89.27	78.70

**Maturity analysis for financial liabilities**

	Note	Carrying amount	Gross inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year
<b>2021</b>						
Deposits from banks and financial institutions	14	1,044,220,574	(1,044,220,574)	(1,044,220,574)	-	-
Deposits from customers	15	19,860,755,903	(19,860,755,903)	(19,860,755,903)	-	-
Other liabilities	17	138,756,837	(138,756,837)	(138,756,837)	-	-
		<b>21,043,733,314</b>	<b>(21,043,733,314)</b>	<b>(21,043,733,314)</b>	<b>-</b>	<b>-</b>
<b>2020</b>						
Deposits from banks and financial institutions	14	45,306,821	(45,306,821)	(45,306,821)	-	-
Deposits from customers	15	21,130,089,098	(21,130,089,098)	(21,130,089,098)	-	-
Other liabilities	17	152,200,750	(152,200,750)	(152,200,750)	-	-
		<b>21,327,596,669</b>	<b>(21,327,596,669)</b>	<b>(21,327,596,669)</b>	<b>-</b>	<b>-</b>

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow/ (out flow) disclosed in the above table is the contractual, undiscounted cash flow on the financial liability.

**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**30.4 Market risks**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

**Management of market risks**

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in ALCO. The Bank's Assets and Liability Committee (ALCO) is responsible for the development of detailed risk management policies and day to day review of their implementation.

**Exposure to interest rate risk**

The Bank risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

	Note	Carrying amount	Less than one month	Less than 3 months	6-12 months	1-5 years
				AFN		
2021						
Cash and cash equivalents	5	-	-	-	-	-
Investments and Placements	8	12,083,230,237	4,691,470,530	7,391,759,707		
		12,083,230,237	4,691,470,530	7,391,759,707	-	-
Deposits from banks and financial institutions	17	-	-	-	-	-
Deposits from customers	18	7,658,219,911	-	-	-	-
		7,658,219,911	-	-	-	-
Gap		4,425,010,326	4,691,470,530	7,391,759,707	-	-

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Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

Note	Carrying amount	Less than one month	Less than 3 months	6-12 months	1-5 years
			AFN		
<b>2020</b>					
Cash and cash equivalents	1,017,436,573	1,017,436,573	-	-	-
Investments and Placements	10,074,581,554	3,855,548,515	6,219,033,039	-	-
	<b>1,283,758,093</b>	<b>1,017,436,573</b>	<b>2,698,898,515</b>	-	-
Deposits from banks and financial institutions	-	-	-	-	-
Deposits from customers	8,218,511,448	8,218,511,448	-	-	-
	<b>8,218,511,448</b>	<b>8,218,511,448</b>	-	-	-
<b>Gap</b>	<b>(6,934,753,355)</b>	<b>(7,201,074,875)</b>	<b>2,698,898,515</b>	<b>(2,432,576,995)</b>	-

**Exposure to currency risk**

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

	US\$	Euro	Others
<b>2021</b>			
Cash and cash equivalents	4,515,036,663	431,174,717	56,038,161
Receivable from Financial Institution	1,301,000,000	-	-
Placements and investments	4,691,470,532	-	-
Other assets	881,766,482	24,134,846	-
	<b>11,389,273,677</b>	<b>455,309,563</b>	<b>56,038,161</b>
Deposits from banks and financial institutions	3,479,226	132,916	-
Deposits from customers	9,424,438,829	278,399,219	49,392,484
Other liabilities	65,888,430	-	-
	<b>9,493,806,485</b>	<b>278,532,134</b>	<b>49,392,484</b>
<b>Net foreign currency exposure</b>	<b>1,895,467,191</b>	<b>176,777,429</b>	<b>6,645,676</b>

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**PASHTANY BANK**

Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**2020**

Cash and cash equivalents	4,058,662,529	732,950,726	154,259,813
Placements and investments	3,872,901,710	-	-
Other assets	855,486,701	27,867,710	-
	<b>8,787,050,940</b>	<b>760,818,436</b>	<b>154,259,813</b>
Deposits from banks and financial institutions	2,599,870	114,641	-
Deposits from customers	8,221,337,687	435,797,899	62,764,601
Other liabilities	43,576,447	-	-
	<b>8,267,514,004</b>	<b>435,912,540</b>	<b>62,764,601</b>
Net foreign currency exposure	<b>519,536,936</b>	<b>324,905,895</b>	<b>91,495,212</b>

The following significant exchange rates were applied during the periods.

	2021		2020	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
US\$	82.92	104.08	76.83	77.11
Euro	97.44	113.11	86.61	93.73
GBP	111.95	129.30	97.16	102.89

**Sensitivity analysis**

A 10% strengthening of the Afghani, as indicated below, against the USD, and 10% strengthening euro at 21 December 2021 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2021		2020	
	Equity	Profit or loss	Equity	Profit or loss
US\$	151,637,375.32	189,546,719.14	41,562,955	51,953,694
Euro	14,142,194.34	17,677,742.92	25,992,472	32,490,590

A 10 % weakening of the Afghani against the above currencies at 21 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**31 Capital management**

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

- (i) To comply with the capital requirement set by the DAB
- (ii) To safeguard the Bank's ability to continue as going concern so that it can continue to be self sustainable; and
- (iii) To maintain strong capital base to support the development of its business.

The Bank regulatory capital position as at 21 December 2021 is as follows:

	30 Qaws 1400 (21 Dec 2021)	30 Qaws 1399 (20 Dec 2020)
	AFN	AFN
<b>Core (Tier 1) Capital:</b>		
Total shareholder's equity	4,456,587,145	2,793,378,987
Less:		
Profit for the year	(1,351,598,116)	(107,579,083)
Deferred tax assets - Net	(49,735,175)	(133,889,814)
Intangible assets	(50,597,807)	(50,938,226)
Surplus on revaluation of fixed assets	(875,934,706)	(439,812,600)
	<b>2,128,721,341</b>	<b>2,061,159,264</b>
<b>Supplementary (Tier 2) Capital:</b>		
Profit for the year	1,351,598,116	107,579,083
Surplus on revaluation of fixed assets	875,934,706	439,812,600
Allowable deduction - equity investment	(105,752,501)	(266,321,520)
	<b>2,121,780,321</b>	<b>281,070,162</b>
<b>Total regulatory capital</b>	<b>4,250,501,662</b>	<b>2,342,229,426</b>
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	394,680,351	1,366,798,271
Direct claims on DAB	13,493,908,384	15,420,064,954
<b>Total</b>	<b>13,888,588,735</b>	<b>16,786,863,225</b>
0% risk-weight total (above total x 0%)	-	-
<b>20% risk weight:</b>		
Balances with other banks	7,570,013,104	4,574,736,117
20% risk-weight total (above total x 20%)	<b>1,514,002,621</b>	<b>914,947,223</b>

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Notes to the financial statements

For the year ended 30 Qaws 1400 (21 Dec 2021)

**100% risk weight:**

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

30 Qaws 1400 (21 Dec 2021) AFN	30 Qaws 1399 (20 Dec 2020) AFN
4,237,257,706	2,989,307,502
(105,752,501)	(266,321,520)
(50,597,807)	(50,938,226)
(49,735,175)	(133,889,814)
<b>4,031,172,223</b>	<b>2,538,157,942</b>

**0% risk weight:**

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

1,862,382,452	1,191,211,200
-	-
<b>5,545,174,844</b>	<b>3,453,105,165</b>

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

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

38.39%

59.69%

**Regulatory Capital Ratio**

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

76.65%


67.83%

**32 CORRESPONDING FIGURES**

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

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

  
 Chairman

  
 Chief Executive Officer

  
 Chief Financial Officer