

Tel: +93 20 221 2428 Fax: +92 21 3568 4239 www.bdo.com.af

2nd Floor, Muslim Business Plaza, Haji Yaqoob Square. Shahr-e-Naw, Kabul, Afghanistan.

INDEPENDENT AUDITOR'S 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 December 21, 2022, 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 present fairly, in all material respects, the financial position of the bank as at December 21, 2022, 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 Standard Board (IASB), the law of banking in Afghanistan, and other laws and regulations issued by Da Afghanistan Bank.

Basis of 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Effect of Regime Change

We draw attention to note 1.2 of the financial statements, which describe the effect of the previous government taken over by the new regime and suspension of "Asset Classification and Provisioning Regulations" by the Da Afghanistan Bank. Our opinion is not modified in respect of this matter.

Other Matter Paragraph

The financial statements for the year ended December 21, 2021 were audited by another firm of chartered accountants who had expressed an unmodified audit opinion vide their report dated March 28, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by International Accounting Standard Board (IASB), the requirements of the Banking Law in Afghanistan and other laws and regulations issued by Da Afghanistan Bank (DAB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Kamran.

KABUL DATED:

0 8 MAY 2023

CHARTERED ACCOUNTANTS

Engagement Partner: Muhammad Kamran

KABUI

BDO Ebrahim & Co. Chartered Accountants Page - 2

BDO Ebrahim & Co. Afghanistan is a branch office of BDO Ebrahim & Co., with offices in Kabul, Afghanistan. BDO Ebrahim & Co., a Pakistan roets even partnership firm is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of the property member firms.

PASHTANY BANK STATEMENT OF FINANCIAL POSITION AS AT 30 QAWS 1401 (DECEMBER 21, 2022)

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AF	
Assets			
Cash and cash equivalents	5	11,903,581,012	6,340,194,486
Receivable from Financial Institution	6	-	1,301,000,000
Loans and Advances	7	23,016,839	31,771,422
Investment and placements	8	4,301,118,959	12,083,230,237
Investment in governmental entities	9	105,752,502	105,752,501
Property and equipment	10	1,312,840,730	1,344,863,485
Intangible assets	11	44,296,389	50,597,807
Investment properties	12	2,063,513,777	2,063,513,777
Deferred tax assets - net	13	53,333,645	49,735,175
Other assets	14	1,515,946,928	2,293,343,705
Total assets		21,323,400,781	25,664,002,594
Equity and liabilities			, , , , , , , , , , , , , , , , , , , ,
Equity			
Share capital	15	3,820,257,000	3,820,257,000
Accumulated losses		(588,615,756)	(239,604,561)
Surplus on revaluation of assets- net of tax	16	861,540,826	875,934,706
Total equity	4	4,093,182,070	4,456,587,145
Liabilities			.,,
Deposits from banks and other financial institutions	17	43,661,567	1,044,220,574
Deposits from customers	18	16,943,349,995	19,860,755,903
Deferred grant	19	40,975,522	56,067,547
Other liabilities	20	202,231,627	246,371,425
Total liabilities		17,230,218,711	21,207,415,449
Total equity and liabilities		21,323,400,781	25,664,002,594
	×		

21

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

Chairman

Contingencies and commitments

Chief Executive Officer

Chief Finance Officer

-0-

PASHTANY BANK STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 QAWS 1401 (DECEMBER 21, 2022)

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AFN	
Interest income		25,324,756	126,022,104
Interest expense		(131,098)	(2,189,779)
Net interest income	22	25,193,658	123,832,325
Fee and commission income		140,496,553	86,625,698
Fee and commission expense		(2,105,008)	(1,454,257)
Net fee and commission income	23	138,391,545	85,171,441
Total operating income		163,585,203	209,003,766
Other income	24	86,212,479	64,279,823
Gain on remeasurement of investment properties			1,184,129,937
Amortization of deferred grant	19	15,092,023	15,001,898
Impairment loss on investments and other assets			(10,304,292)
Employee compensation	25	(187,032,633)	(188,596,724)
Depreciation on property and equipment	10.1	(45,031,344)	(31,905,594)
Depreciation on right of use asset	0	(7,595,833)	(13,999,962)
Amortization on intangible assets	11	(6,301,418)	(6,165,782)
Finance cost on lease liabilities	20.2	(552,917)	(869,708)
Remeasurement gain on lease liabilities		475,539	424,114
Other operating expenses	26	(101,246,622)	(209,174,587)
Exchange (loss)/gain		(280,031,722)	376,250,210
(Loss)/profit before income tax		(362,427,244)	1,388,073,099
Taxation	27	3,598,470	(36,474,983)
(Loss)/profit for the year		(358,828,774)	1,351,598,116
Other comprehensive income			-,,,-,-,-,-
Other comprehensive income that will not be reclassified the profit or loss	to		
Surplus on revaluation of property and equipments		-	486,989,762
Related deferred tax		-	(48,317,256)
		:=:	438,672,506
Actuarial (loss)/gain on defined benefit pension plan	20	(4,576,301)	23,202,263
Total comprehensive (loss)/income for the year		(363,405,075)	1,813,472,885

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

Chairman

Chief Executive Officer

Chief Finance Officer

1

PASHTANY BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 QAWS 1401 (DECEMBER 21, 2022)

	Share capital	Accumulated losses	Surplus on revaluation - net	Total
		A	AFN	
Balance as at December 21, 2020	3,820,257,000	(1,616,955,340)	439,812,600	2,643,114,260
Incremental depreciation - net of deferred tax		2,550,400	(2,550,400)	•
Profit for the year		1,351,598,116		1,351,598,116
Other comprehensive income	1	23,202,263	438,672,506	461,874,769
	1	1,374,800,379	438,672,506	1,813,472,885
Balance as at December 21, 2021	3,820,257,000	(239,604,561)	875,934,706	4,456,587,145
Balance as at December 21, 2021	3,820,257,000	(239,604,561)	875,934,706	4,456,587,145
Incremental depreciation - net of deferred tax	I	14,393,880	(14,393,880)	ı
Loss for the year		(358,828,774)		(358,828,774)
Other comprehensive income/(loss)	1	(4,576,301)	ï	(4,576,301)
		(363,405,075)	1	(363,405,075)
Balance as at December 21, 2022	3,820,257,000	(588,615,756)	861,540,826	4,093,182,070

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 1401 (DECEMBER 21, 2022)

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AFN	AFN
CASH FLOWS FROM OPERATING ACTIVITIES		Silver Maria Caracteria de la compansión de	
Loss before income tax		(362,427,244)	1,388,073,099
Adjustments for:			
Depreciation on property and equipment	10.1	45,031,344	31,905,594
Depreciation on right of use asset	0	7,595,833	13,999,962
Amortization on intangible assets	11	6,301,418	6,165,782
Accounting loss on disposal of property and equipment	10.1	8,445	1,018,336
Gain on remeasurement of investment properties		·	(1,184,129,937)
Write-off of investment property		_	31,000,000
Finance cost on lease liability	20.2	552,917	869,708
Amortization of deferred grant	19	(15,092,023)	(15,001,898)
Pension liability expense		26,999,759	15,515,458
Impairment loss/(reversal)-on investments and other assets		-	10,304,292
Other income - liability return back	24	(22,774,629)	
Remeasurement gain on lease liability		(475,539)	(424,114)
•		(314,279,720)	299,296,282
Increase/(decrease) in assets and liabilities		(
Other assets		777,429,928	170,899,149
Loans and advances		8,754,583	(6,339,959)
Deposits from banks and other financial institutions		(1,000,559,007)	998,913,754
Deposits from customers		(2,917,405,908)	(1,269,333,195)
Other liabilities		(39,563,497)	(23,268,806)
Receivable from Financial Institution		1,301,000,000	(1,301,000,000)
Net cash used in operations		(2,184,623,621)	(1,130,832,775)
		()	(1,100,002,110)
Pension paid		(19,119,142)	(24,574,269)
Tax paid			(24,689,481)
Net cash used in operating activities		(2,203,742,763)	(1,180,096,525)
	- 0		(5,34,74,74,74,74,74,74,74,74,74,74,74,74,74
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(6,688,254)	(6,869,790)
Acquisition of intangible assets			(5,825,363)
Investments		7,782,111,278	(2,008,648,683)
Net cash generated from/(used in) investing activities	2	7,775,423,023	(2,021,343,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liability		(8,293,735)	(13,935,265)
Net cash used in financing activities		(8,293,735)	(13,935,265)
Net increase/(decrease) in cash and cash equivalents		5,563,386,526	(3,215,375,626)
Cash and cash equivalents at beginning of the year		6,340,194,487	9,555,570,113
Cash and cash equivalents at the end of the year	5	11,903,581,012	6,340,194,487
	9	11,703,301,012	0,570,157,407

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

Chairman

Chief Executive Officer

Chief Finance Officer

e Officer

PASHTANY BANK NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 QAWS 1401 (DECEMBER 21, 2022)

1 STATUS AND NATURE OF BUSINESS

1.1 Pashtany Bank ("the Bank") got registered with Afghanistan Investment Support Agency (AISA) on June 26, 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 22 and one counter (2021: 21) branches nationwide.

from actions taken by the United States, International Monetary Fund (IMF), the World Bank and western countries post takeover of Afghanistan by the Islamic Emirate of Afghanistan on August 15, 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. 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.

- Western Union continue to provide services in Afghanistan, and international money transfer services are also provided by the Bank through Western Union.
- The Bank currently holds sufficient liquid assets to make payments against deposit

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.

On December 31, 2021, DAB provided an exemption to all banks from the implementation of "Asset Classification and Provisioning Regulations" (ACPR) up till the end of June 2022 which was extended to August 31, 2023. This regulation deals with provisioning against loans and advances, suspension of interest on non-performing loans, re-possessed assets, classification of off-balance sheet items, classification of investments and other assets, credit risk management, etc. The objective was to protect the banking sector from the imminent risk of default and the financial impact of the current economic turmoil.

Therefore, these relaxations have significant impact on the Bank's financial results. These measures from DAB, has helped the bank in avoiding excessive provisioning and protected its capital base in a very unusual situation.

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 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 21, 2022

The following standards, amendments and interpretations are effective for the year ended December 21, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

Standard and amendments	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions	April 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Amendments to IFRS 16 'Leases' - Lease liability in a sale and leaseback	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current	January 01,
liabilities with covenants	2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023

Da Afghanistan Bank, has deferred the applicability of IFRS 9 "Financial Instruments" until further notice from original applicable date of January 01, 2018. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

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, pension liability which is stated at present value and investment properties which are stated at fair 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 24	Income taxes
c)	Note 10	Useful life of property and equipment

3.3 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Financial instruments

Recognition, initial measurement and de-recognition

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

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

Classification and subsequent measurement of financial assets and financial liabilities

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

- 1. Designated at Fair Value Through Profit or Loss (FVTPL)
- 2. Loans and receivables
- 3. Held to maturity
- 4. 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. However, the "Asset Classifications and Provisioning Regulation" is suspended till further notice.

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

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

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

b) Classification and subsequent measurement of financial liabilities

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

4.3 Investment in equity instruments

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

4.4 Property and equipment

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 form 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 straightline method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives. The depreciation method, residual values and useful lives of fixed assets are reviewed and adjusted (if appropriate) at each balance sheet date.

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

Depreciation

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

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

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

4.5 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 by an accredited external independent valuer applying a valuation model when the valuation is approved by the Da Afghanistan Bank.

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)
- b) Computer software

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

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

4.7 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.

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.

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
- 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 Right of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation /accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor. Right-of-use assets are depreciated over their expected useful lives using the straight-line method.

Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged after the leases are matured or terminated.

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's interbank borrowing rate in Afghanistan.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.17 Contingencies and commitments

A contingent liability is disclosed when the bank has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank or the bank has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.18 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.

Note AFN AFN AFN				30 Qaws 1401 (Dec 21,2022)	30 Qaws 1400 (Dec 21, 2021)
Cash in hand Cash in ATM Cash in ATM Balances with Da Afghanistan Bank Balances with other banks 5.1 Cash in hand 5.2 12,667,635 1,495,160 Balances with Da Afghanistan Bank Balances with other banks 5.4 253,596,811 1,577,542,574 11,903,581,012 6,340,194,486 5.1 Cash in hand Local currency Foreign currency Foreign currency 1,291,806,869 1,356,88,925 1,798,336,350 393,185,191 5.2 Cash in ATM Local currency Foreign currency 12,493,500 1,287,000 Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency Foreign currency 4,009,212,164 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5,3.1 14,496 2,014,496			Note	AFN	AFN
Cash in ATM 5.2 12,667,635 1,495,160 Balances with Da Afghanistan Bank 5.3 9,838,980,216 4,367,971,561 Balances with other banks 5.4 253,596,811 1,577,542,574 11,903,581,012 6,340,194,486 5.1 Cash in hand 506,529,481 257,496,266 Foreign currency 1,291,806,869 135,688,925 1,798,336,350 393,185,191 5.2 Cash in ATM 12,493,500 1,287,000 Foreign currency 174,135 208,160 5.3 Balances with Da Afghanistan Bank 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank 4,009,212,164 1,036,735,836 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496	5	CASH AND CASH EQUIVALENTS			
Balances with Da Afghanistan Bank 5.3 9,838,980,216 4,367,971,561 Balances with other banks 5.4 253,596,811 1,577,542,574 11,903,581,012 6,340,194,486 5.1 Cash in hand		Cash in hand	5.1	1,798,336,350	393,185,191
Balances with other banks 5.4 253,596,811 1,577,542,574 11,903,581,012 6,340,194,486 5.1 Cash in hand		Cash in ATM	5.2	12,667,635	1,495,160
11,903,581,012 6,340,194,486 5.1 Cash in hand Local currency Foreign currency 506,529,481 257,496,266 1,291,806,869 135,688,925 1,798,336,350 393,185,191 5.2 Cash in ATM Local currency Foreign currency 12,493,500 1,287,000 12,87,000 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency Foreign currency 4,009,212,164 1,036,735,836 3,329,221,229 Foreign currency Foreign currency 9,838,965,720 4,365,957,065 3,329,221,229 Overnight deposit 5.3.1 14,496 2,014,496		Balances with Da Afghanistan Bank	5.3	9,838,980,216	4,367,971,561
5.1 Cash in hand Local currency 506,529,481 257,496,266 Foreign currency 1,291,806,869 135,688,925 1,798,336,350 393,185,191 5.2 Cash in ATM 12,493,500 1,287,000 Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: 4,009,212,164 1,036,735,836 Local currency 4,009,212,164 1,036,735,836 3,329,221,229 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Balances with other banks	5.4	253,596,811	1,577,542,574
Local currency 506,529,481 257,496,266 Foreign currency 1,291,806,869 135,688,925 1,798,336,350 393,185,191 5.2 Cash in ATM Local currency 12,493,500 1,287,000 Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496				11,903,581,012	6,340,194,486
Foreign currency 1,291,806,869 135,688,925 1,798,336,350 393,185,191 5.2 Cash in ATM Local currency 12,493,500 1,287,000 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 700 1,287,000 1	5.1	Cash in hand			
1,798,336,350 393,185,191		Local currency		506,529,481	257,496,266
5.2 Cash in ATM Local currency 12,493,500 1,287,000 Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 Py,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Foreign currency		1,291,806,869	135,688,925
Local currency 12,493,500 1,287,000 Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496				1,798,336,350	393,185,191
Foreign currency 174,135 208,160 12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496	5.2	Cash in ATM			
12,667,635 1,495,160 5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Local currency		12,493,500	1,287,000
5.3 Balances with Da Afghanistan Bank Current accounts: Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Foreign currency		174,135	208,160
Current accounts: 4,009,212,164 1,036,735,836 Local currency 5,829,753,556 3,329,221,229 Foreign currency 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496				12,667,635	1,495,160
Local currency 4,009,212,164 1,036,735,836 Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496	5.3	Balances with Da Afghanistan Bank			
Foreign currency 5,829,753,556 3,329,221,229 9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Current accounts:			
9,838,965,720 4,365,957,065 Overnight deposit 5.3.1 14,496 2,014,496		Local currency		4,009,212,164	1,036,735,836
Overnight deposit 5.3.1 14,496 2,014,496		Foreign currency		5,829,753,556	3,329,221,229
				9,838,965,720	4,365,957,065
9,838,980,216 4,367,971,561		Overnight deposit	5.3.1	14,496	2,014,496
				9,838,980,216	4,367,971,561

5.3.1 This represent overnight deposit with Da Afghanistan Bank in local currency which are interest free.

5.4 Balances with other banks

In Afghanistan

Current accounts:

Azizi Bank Bank Millie Afghan New Kabul Bank Ghazanfar Bank

1,956,725	2,280,582
47,383,013	48,162,234
3,638,424	4,253,107
67,847,798	
120,825,960	54,695,923

		30 Qaws 1401 (Dec 21,2022)	30 Qaws 1400 (Dec 21, 2021)
		AFN	AFN
Outside Afghanistan			
Current accounts:			
Aktif Bank, Turkey		41,657,926	256,734,576
BMCE, Spain		44,644,612	52,042,643
Nurol Bank, Turkey		46,468,313	632,652,644
Trans Kapital Bank, Russia			581,416,788
		132,770,851	1,522,846,651
	5.4.1	253,596,811	1,577,542,574

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

6 RECEIVABLE FROM FINANCIAL INSTITUTIONS

Current accounts:

Islamic Bank of Afghanistan

6.1

- 1,301,000,000

6.1 The Bank entered into Memorandum of Understanding effective January 01, 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 (equivalent to AFN 1,301,000 at December 21, 2021) made by the Bank with IBA (repo transaction). These deposits to be maintained for a period of one year.

7 LOANS AND ADVANCES

Consumer Loan
Gross Loan
Carrying Value

23,016,839	31,771,422
23,016,839	31,771,422

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.

8 INVESTMENT AND PLACEMENTS

Capital notes issued by Da Afghani	stan Bank		7,391,759,707
Placements	8.1	4,301,118,959	4,691,470,530
		4,301,118,959	12,083,230,237

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
8.1	Placements	Note	AFN	AFN
	Inside Afghanistan Outside Afghanistan		ż	•
	Aktif Bank, Turkey Citi Bank, UAE		178,600,000 3,138,278,552	3,649,544,301
	First Abu Dhabi Bank Nurol Bank, Turkey		894,940,407 89,300,000	1,041,926,229
			4,301,118,959	4,691,470,530
		8.2.1	4,301,118,959	4,691,470,530

8.2.1 These placements are having maturity up to 364 days and carry interest rate ranging from 0.18% to 4.5% (2021: 0.06% to 0.18%) per annum.

9 INVESTMENT IN GOVERNMENTAL ENTITIES

Shirkat-e-Aryana	281,241	281,240
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	11,340,000	11,340,000
Afghan National Insurance Company	7,660,000	7,660,000
	105,752,502	105,752,501

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

Shirkat-e-Aryana	6.25%	6.25%
Hotel Intercontinental	6.44%	6.44%
Afghan Card Corporation	1.47%	1.47%
Pakht-e-Herat	0.05%	0.05%
Shirkat Nasaji Afghan	0.35%	0.35%
Bank-e-Millie Afghan	1.13%	1.13%
Afghan National Insurance Company	7.66%	7.66%
시 : [[

9.2 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. In 2021 management 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, 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.

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		Note	AFN	AFN
10	PROPERTY AND EQUIPMENT			
	Operating fixed assets	10.1	1,292,359,137	1,330,524,511
	Capital work-in-progress	10.3		
			1,292,359,137	1,330,524,511
	Right of use assets - buildings	10.4	20,481,593	14,338,974
			1,312,840,730	1,344,863,485

10.1 Operating fixed assets

	Land	Building	Electric equipment	IT equipment	Furniture and fittings	Computers	Motor vehicles	Total
				AFN	7			7
Cost/ Revalued amounts								
Balance at December 21, 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		٠	•		i	120,430,912
Surplus on revaluation adjustment	245,403,483	241,586,279			1		,	486,989,762
Disposals			(35,039,289)	(5,997,354)	(2,910,695)	(33,039,136)		(76,986,474)
Balance at December 21, 2021	597,994,989	868,348,115	44,471,224	59,772,097	23,041,303	18,319,846	12,227,693	1,624,175,267
Balance at December 21, 2021	597,994,989	868,348,115	44,471,224	59,772,097	23,041,303	18,319,846	12,227,693	1,624,175,267
Additions		11,860	1,041,405	3,530,612	733,538	1,370,839		6,688,254
Disposals/Adjustment	•		(4,281,587)	(1,900,944)	(628,883)	(862,376)	(1)	(7,673,791)
Balance at December 21, 2022	597,994,989	868,359,975	41,231,042	61,401,765	23,145,958	18,828,309	12,227,692	1,623,189,730
Accumulated Depreciation								
Balance at December 21, 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)
Balance at December 21, 2021		159,223,912	36,505,325	48,918,340	20,097,041	16,746,765	12,159,373	293,650,756
Balance at December 21, 2021	•	159,223,912	36,505,325	48,918,340	20,097,041	16,746,765	12,159,373	293,650,756
Charge for the year		27,339,587	5,310,900	9,899,710	1,204,385	1,225,519	51,243	45,031,344
Disposals/Adjustments		•	(4,459,898)	(1,900,967)	(628,275)	(862,368)	2	(7,851,507)
Balance at December 21, 2022		186,563,499	37,356,327	56,917,083	20,673,151	17,109,916	12,210,617	330,830,593
Carrying amounts	000 100 100	000	000 100 1		0,00000	.00	00000	
At December 21, 2021	597,994,989	709,124,203	7,965,899	10,853,757	2,944,262	1,573,081	68,320	1,330,524,511
At December 21, 2022	597,994,989	681,796,476	3,874,715	4,484,681	2,472,807	1,718,393	17,075	1,292,359,137

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 November 20, 2020, however, revaluation was not incorporated in the books pending approval from DAB. DAB approved the revaluation on February 13, 2022.

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 44% 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).

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AFN	AFN
10.3 Right of use assets - buildings			
Cost			
Opening balance		40,295,406	36,604,521
Additions during the year		2,616,742	7,280,321
Loss on lease modifications	10.3.1	(12,113,366)	(3,589,436)
Closing balance		30,798,782	40,295,406
Accumulated depreciation			
Opening balance		25,956,432	11,956,470
Reversal due to lease modifications		(23,235,076)	•
Charge for the period		7,595,833	13,999,962
Closing balance		10,317,189	25,956,432
Carrying amount as of the year end		20,481,593	14,338,974

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

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AFN	AFN
11 INTANGIBLE ASSETS			
Cost			
Opening balance		64,003,541	58,178,178
Additions during the year			5,825,363
Closing balance		64,003,541	64,003,541
Less: Accumulated amortization			
Opening balance		13,405,734	7,239,952
Charge for the year		6,301,418	6,165,782
Closing balance		19,707,152	13,405,734
Written down value	11.1	44,296,389	50,597,807

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.

12 INVESTMENT PROPERTIES

	Land		1,112,073,136	1,112,073,136
	Buildings		951,440,641	951,440,641
		12.1	2,063,513,777	2,063,513,777
12.1	Province-wise details of investment p	roperties:		
	Kabul			
	Andarabi market 1 & 2		177,985,302	177,985,302
	Saraji land & Building	12.3.1	317,351,843	317,351,843
	Baghban Koja Building 1		92,174,120	92,174,120
	Abida Maiwand		360,906,305	360,906,305
	Timorshahi Building		851,199,530	851,199,530
	Gul Bahar Center	12.2.1	120,430,912	120,430,912
	Qala-Qazi		1,210	1,210
			1,920,049,223	1.920.049.223

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	Note	AFN	AFN
Herat			
Torghondi land		3,413,750	3,413,750
Karwan Sarai land		117,833,610	117,833,610
		121,247,360	121,247,360
Nangarhar			
Nangarhar land		18,031,658	18,031,658
		18,031,658	18,031,658
Samangan			
Ibak Samangan land		3,693,120	3,693,120
		3,693,120	3,693,120
Faryab			
Andkhoy land		492,416	492,416
		492,416	492,416
		2,063,513,777	2,063,513,777
Opening balance			
Land		1,112,073,136	5,786,500
Building		951,440,641	956,396,500
Reclassification from/ (to) property and eq	uipment		
Land			
Building	12.2.1		(120,430,912)
Capital work-in-progress	12.3.1		68,631,752
Derecognized - written - off			
Land	12.2.2		(31,000,000)
Building			
Gain on remeasurement - recognized in	12.3		
Land			1,137,286,636
Building			46,843,301
Closing balance			
Land		1,112,073,136	1,112,073,136
Building		951,440,641	951,440,641
		2,063,513,777	2,063,513,777

12.2

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 November 20, 2020, however, remeasurement gain was not incorporated in the books pending approval from DAB. DAB approved the valuation of investment properties on February 13, 2022.

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. Based on the method used for determination of fair value, it qualifies under Level 2 hierarchy as per IFRS 13, "Fair Value Measurement".

- 12.3.1 As per Initial Decree No. 39 dated 21 Jadi 1388 (January 11, 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 (January 27, 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 (December 12, 2018) by MoF and in consequence special Decree issued by His Excellency the President of Afghanistan No. 2344 dated 1 Jaddi 1397 (December 22, 2018), investment properties of Pashtany Bank have been exempted from the Initial Decree No. 39 dated 21 Jadi 1388 (January 11, 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.
- 12.4 In accordance with Article 67 (1) of the Banking Law of Afghanistan, the Bank is prohibited to hold investment properties to held 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.
- 12.5 The forced sale value of these invessment properties are 80% of its fair value.

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		Note	AFN	AFN
13	DEFERRED TAX ASSETS - NET			
	Deferred tax asset			
	Carried forward tax losses Deferred tax liability	13.1	206,631,831	206,631,831
	Surplus on revaluation	13.2	(153,298,186)	(156,896,656)
			53,333,645	49,735,175
13.1	The movement in carried forward tax losses	is as follow	vs:	
	Opening balance		206,631,831	243,106,814
	Reversal to profit or loss			(36,474,983)
	Closing balance		206,631,831	206,631,831
13.2	The movement in surplus on revaluation is	as follows:		
	Opening balance		156,896,656	109,217,000
	Opening cumules			10 015 056
	Revaluation during the year			48,317,256
	그리는 사람들이 나타가 들어 되었습니다. 그는 사고를 가고 있는 것이 없는 것이 없는데 그리고 있다면 없다면 가지 않는데 없다면		(3,598,470)	48,317,256 (637,600)
	Revaluation during the year		(3,598,470) 153,298,186	
13.3	Revaluation during the year Deferred tax on incremental depreciation	d deferred pension pl	153,298,186 tax asset resulting fi	(637,600) 156,896,656 rom losses for the
13.3	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit	d deferred pension pl	153,298,186 tax asset resulting fi	(637,600) 156,896,656 rom losses for the
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised.	d deferred pension pla	153,298,186 tax asset resulting fi	(637,600) 156,896,656 rom losses for the
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS	pension pl	tax asset resulting fran until the current d	(637,600) 156,896,656 rom losses for the eferred tax asset is 1,734,177,116 510,648,625
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recor year and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account	pension pl	153,298,186 tax asset resulting fi an until the current d 926,163,663 510,648,625 10,026,077	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax	pension pl	153,298,186 tax asset resulting from until the current december 153,298,186 26,163,663 510,648,625	(637,600) 156,896,656 rom losses for the eferred tax asset is 1,734,177,116 510,648,625
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time	pension pl	153,298,186 tax asset resulting fi an until the current d 926,163,663 510,648,625 10,026,077	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time deposits and Loan	pension pl	153,298,186 tax asset resulting from until the current december of the second s	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time	pension pl	153,298,186 tax asset resulting from until the current december of the second s	(637,600) 156,896,656 rom losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677 1,565,706
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time deposits and Loan Security deposit	pension plants pension pen	153,298,186 tax asset resulting fi an until the current d 926,163,663 510,648,625 10,026,077 4,846,734 16,042,670 5,778,000	(637,600) 156,896,656 From losses for the efferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677 1,565,706 7,107,160
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recor year and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time deposits and Loan Security deposit Receivable from financial institution	pension plants pension pen	153,298,186 tax asset resulting from until the current dependent of the current dependent depend	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677 1,565,706 7,107,160 31,856,951
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recor year and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time deposits and Loan Security deposit Receivable from financial institution	pension plants pension pen	153,298,186 tax asset resulting fi an until the current d 926,163,663 510,648,625 10,026,077 4,846,734 16,042,670 5,778,000 20,860,553 42,441,159	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677 1,565,706 7,107,160 31,856,951 26,258,605 2,325,200,656
	Revaluation during the year Deferred tax on incremental depreciation Closing balance The management has decided to not recoryear and actuarial losses on defined benefit utilised. OTHER ASSETS Required reserve account Advance tax Advances to employees Advances to suppliers Interest accrued on capital notes, time deposits and Loan Security deposit Receivable from financial institution Others	pension plants pension pen	153,298,186 tax asset resulting fi an until the current d 926,163,663 510,648,625 10,026,077 4,846,734 16,042,670 5,778,000 20,860,553 42,441,159	(637,600) 156,896,656 From losses for the eferred tax asset is 1,734,177,116 510,648,625 8,427,816 5,158,677 1,565,706 7,107,160 31,856,951 26,258,605

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.

interest.		
	30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
Note	AFN	AFN
Currency profile of required reserve with DAB		
Local currency	298,707,324	839,189,923
Foreign currencies	627,456,339	894,987,193
	926,163,663	1,734,177,116
RECEIVABLE FROM FINANCIAL INSTITUTIO	NS	
Opening for the year	31,856,951	29,847,367
Additions for the year	•	
Exchange (loss) / gain on translation	(10,996,398)	2,009,584
Closing for the year	20,860,553	31,856,951

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.

14.4 PROVISION AGAINST RECEIVABLE FROM FINANCIAL INSTITUTIONS

(31,856,951)	(29,847,367)
10,996,398	(2,009,584)
	•
(20,860,553)	(31,856,951)
	10,996,398

15 SHARE CAPITAL

15.1 Authorized

14.2

3,820,257 (2021: 3,820,257) ordinary shares		
of AFN 1,000 each	3,820,257,000	3,820,257,000

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	No	ote	AFN	AFN
15.2	Issued, subscribed and paid-up			
	3,820,257 (2021: 3,820,257) ordinary shares			
	of AFN 1,000 each		3,820,257,000	3,820,257,000
15.3	The issued shares are subscribed by the following p	partie	es:	
	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
	Saderaat Kashmesh		3,900,000	3,900,000
	Institute of Qaraqol		3,775,000	3,775,000
	Carpet corporation		3,775,000	3,775,000
			3,820,257,000	3,820,257,000
16	SURPLUS ON REVALUATION OF			
	PROPERTY AND EQUIPMENT- NET	5.1	861,540,826	875,934,706
16.1	Opening balance		875,934,706	439,812,600
	Revaluation made during the year		•	438,672,506
	Incremental depreciation - net of deferred tax		(14,393,880)	(2,550,400)
	Closing balance		861,540,826	875,934,706
17	DEPOSITS FROM BANKS AND OTHER FIN	ANC	CIAL INSTITUTIO	ONS
	Current deposit			
	Bank-e-Millie Afghan		40,351,612	40,426,375
	Maiwand Bank		957,004	1,109,451
	Afghan United Bank		2,179,314	2,467,913
	Azizi Bank		27,415	135,253
	New Kabul Bank		111,224	37,572
	Islamic bank of Afghanistan			999,997,600
	Ghazanfar Bank		34,998	46,410
			43,661,567	1,044,220,574

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		Note	AFN	AFN
18	DEPOSITS FROM CUSTOMERS			
	Fixed deposit	18.1	5,037,315	38,355,612
	Saving deposits	18.2	5,984,646,670	7,619,864,299
	Current deposits		10,953,666,010	12,202,535,992
			16,943,349,995	19,860,755,903

- 18.1 This includes fixed deposit of USD 54,715 (equivalent AFN 4.21 million) from the Ministry of Commerce which carry no interest .
- 18.2 These carry no interest rate (2021: 0.05%) p.a. for AFN currency and no interest for deposits in USD and other currencies.

19 DEFERRED GRANT

Opening balance		56,067,547	71,069,445
Additions during the year	19.1		
Amortization			
Property and equipment		9,121,746	9,320,379
Intangible assets		5,486,016	6,165,782
Adjustment		484,263	(484,263)
		15,092,025	15,001,898
		40,975,522	56,067,547

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

Employees pension fund	20.1	118,772,338	106,315,420
Accrued expenses		6,648,535	4,580,410
Other payables		55,581,515	119,008,189
Withholding tax payable		1,422,901	1,222,480
Lease liability	20.2	19,806,338	15,168,238
Inter-branch unreconciled balance			76,688
		202,231,627	246,371,425

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 390 employees existed in the data for the valuation process. The total monthly eligible salaries payable to these employees amounts to AFN 6,127,638.

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 December 21, 2022 (30 Qaws 1401). 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:

	2022	2021
Discount rate	5.5% p.a.	5.5% p.a.
Short term salary increase rate	5.15% p.a.	4.5% p.a.
Long term salary increase rate	5.15% p.a.	4.5% p.a.
Mortality rate	SLIC -2005-06	SLIC -2005-06
Withdrawal rate	7.34%	9.52%
Duration (years)	7.44	7.44

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

		30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		AFN	AFN
	Present value of defined benefit obligation	118,772,338	106,315,420
20.1.5	Movement in the present value of defined benefit ob	ligation:	
	Opening balance	106,315,420	138,576,494
	Expense for the year	15,490,988	15,515,458
	Contributions made to the scheme by employees	11,508,771	14,526,458
	Actuarial loss/(gain) - recognized in OCI	4,576,301	(23,202,263)

	30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	AFN	AFN
Benefits paid during the year	(19,119,142)	(35,959,469)
Benefit paid - annuity payment of old employees		(3,141,258)
Opening balance	118,772,338	106,315,420
Charge for defined benefit plan		
Current service cost	10,169,416	10,136,074
Interest cost	5,321,572	5,379,384
Expense for the year	15,490,988	15,515,458
Re-measurements recognized in OCI during the	year	
- Financial assumptions	5,648,328	(8,428,942)
- Demographic assumptions	-	(0,10,2,12)
- Experience adjustments	(1,072,027)	(14,773,321)
Total re-measurement recognized in OCI	4,576,301	(23,202,263)

20.1.7 Sensitivity analysis

20.1.6

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

Particulars	PVDBO (AFN)	PVDBO (AFN)
Current liability	118,443,838	106,315,420
+1% discount rate	110,211,197	98,916,772
-1% discount rate	127,844,484	114,744,361
+1% salary increase rate	128,013,204	114,914,928
-1% salary increase rate	109,923,028	98,646,087
+10% withdrawal rate	118,443,838	106,315,420
-10% withdrawal rate	118,443,838	106,315,420
1 year age mortality age set back	118,561,986	106,450,614
1 year age mortality age set forward	118,324,797	106,179,228

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		Note	AFN	AFN
20.1.8	Maturity profile			
	Particulars			
	Year 1		12,349,510	9,881,589
	Year 2		10,026,174	9,178,910
	Year 3		11,123,826	10,595,211
	Year 4		7,537,958	9,820,195
	Year 5		11,637,030	6,580,709
	Year 6 to Year 10		54,387,182	52,600,339
	Year 11 and above		85,325,912	73,440,400

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.

20.2 Movement Finance Lease Liability under IFRS 16

15,168,237	24,967,024
2,616,743	7,280,321
10,646,171	(3,589,436)
	(424,115)
(883,995)	
	869,708
(8,293,735)	(13,935,265)
19,806,338	15,168,237
10,323,789	7,406,443
	7,761,794
· ·	
19,806,338	15,168,237
	10,646,171 (883,995) 552,917 (8,293,735) 19,806,338 10,323,789 9,482,549

30 Qaws 1401	30 Qaws 1400
(Dec 21, 2022)	(Dec 21, 2021)
AFN	AFN

21 CONTINGENCIES AND COMMITMENTS

Bank guarantees issued

21.1 1,643

Note

21.1 __1,643,367,962 __1,862,382,452

- 21.1 Bank guarantees issued by the Bank are backed up by 100% cash margin. There are no contingencies at the year end (2021: Nil).
- 21.2 There are no commitments at the year end (2021:Nil).

22 NET INTEREST INCOME

22,689,758	122,893,377
2,634,998	3,128,727
25,324,756	126,022,104
(130,045)	(37,639)
(1,053)	(2,152,140)
(131,098)	(2,189,779)
25,193,658	123,832,325
	2,634,998 25,324,756 (130,045) (1,053) (131,098)

23 NET FEE AND COMMISSION INCOME

NET FEE AND COMMISSION INCOME		
Fee and commission income		
Fee	22,013,019	15,659,468
Commission	118,483,534	70,966,230
	140,496,553	86,625,698
Fee and commission expense		
Fund transfer charges	(247,835)	(1,216,188)
Account maintenance charges	(1,857,173)	(238,069)
	(2,105,008)	(1,454,257)
	138,391,545	85,171,441
THED INCOME		

24 OTHER INCOME

Recovery of loans written-off		
Loan principal	7,955,130	15,428,288
Loan interest	300,189	1,632,943
	8,255,319	17,061,231
Rental income	55,143,618	44,142,285
Income from investments	38,912	45,879
Liabilities return back	22,774,629	3,030,428
Page - 31	86,212,479	64,279,823

Page - 31

			30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
		Note	AFN	AFN
25	EMPLOYEE COMPENSATION			
	Salaries, wages and benefits		178,365,739	168,692,138
	Bonus		6,115,733	18,001,334
	Staff welfare		2,551,161	1,903,252
	Start Westare		187,032,633	188,596,724
26	OTHER OPERATING EXPENSES			
	Repair and maintenance		5,735,319	5,758,071
	Travel and conveyance		1,784,555	1,360,244
	Advertisement and publicity		1,027,150	5,081,545
	Building tax		153,132	191,432
	Deposit insurance		23,318,163	38,241,683
	Investment property written-off	12.2.2		31,000,000
	Internet expense		6,794,277	9,255,978
	Security expense		582,318	29,160,508
	Printing and stationery		5,599,364	4,605,191
	Communication		645,355	854,854
	Electricity		13,407,828	10,322,914
	Fuel expenses		5,763,122	3,799,326
	Auditor's remuneration		1,953,062	1,839,487
	Cleaning and water		455,828	613,481
	Kindergarten expenses		157,242	142,261
	Employees training expenses		23,470	1,243,337
	Others		33,846,437	65,704,275
			101,246,622	209,174,587
27	TAXATION			
	Current	27.1	-	
	Prior			500
	Deferred		3,598,470	(36,474,983)
			3,598,470	36,474,983

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

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 Chief Credit Officer

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

Bala	inces	Trans	actions
Al	FN	A	FN
(Dec 21, 2022)	(Dec 21, 2021)	(Dec 21, 2022)	(Dec 21, 2021)
30 Qaws 1401	30 Qaws 1400	30 Qaws 1401	30 Qaws 1400

Transactions with key management personnel

Short-term employee benefits

17,283,367

18,003,012

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.

FINANCIAL ASSETS AND LIABILITIES 29

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	LUAIIS AIIU	Available for sale	Other amortized	rotal carrying
				AFN		*
2022						
Cash and cash equivalents		,			11,903,581,012	11,903,581,012
Placements and investments		4.301.118.959		105,752,502		4,406,871,461
Loans and advances		•	23,016,839			23,016,839
Other assets					1,515,946,928	1,515,946,928
		4,301,118,959	23,016,839	105,752,502	13,419,527,940	17,849,416,239
Deposits from banks and financial institutions			•	•	43,661,567	43,661,567
Deposits from customers					16,943,349,995	16,943,349,995
Other liabilities				•	202,231,627	202,231,627
		r	•	-	17,189,243,188	17,189,243,188
2021						
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
		12,083,230,237	31,771,422	105,752,501	8,109,303,073	20,330,057,233
Denosits from banks and financial institutions			•		1,044,220,574	1,044,220,574
Denosits from customers					19,860,755,903	19,860,755,903
Other liabilities			•		138,756,837	138,756,837
			•		21,043,733,314	21,043,733,314

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

30 FINANCIAL RISK MANAGEMENT

30.1 Introduction and overview

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

1 ...

- 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

Liability Committee (ALCO) and Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All Board 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 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 guarantees issued by the Bank. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Bank's Credit Department. Credit Department reporting to the Bank Credit Committee is responsible for oversight of the Bank's credit risk. A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Board of Supervisors and Management. The Credit department is headed by Chief Credit Officer (CCO). Credit Officer along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board. The credit evaluation system comprises of well designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. The amount of credit risk in this regard is represented by the carrying amounts of the assets on the balance sheet date. The Bank has major concentration of credit risk in where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immoveable property duly registered with the court of trading sector. Exposure to credit risk is managed through regular analysis of borrower to met interest and capital repayment obligations and by changing their lending limits law and hypothecation over stock dully verified by the Bank's Credit Officer on monthly basis.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Bank believes impairment is not appropriate.

Allowances for impairment

components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the groups of The Bank establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its loan portfolio. The main homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off Policy

obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller standardized loans, charge off decisions generally are based on a The Bank write off a loan balance against allowances for impairment losses when the Bank's Credit Department determines that the loan are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrowers financial position such that the borrower can no longer pay the product specific past due status. Loan past due by more than 480 days are 100% provisioned and would be kept on books of account for additional 6 months after 480 days and then after expiry of 6 months loans would be written off pursuant to guidelines issued by the Central Bank of Afghanistan, however, this does not waive off the right of the Bank to recover these loans including through legal action.

Exposure to liquidity risk

Credit risk relating to on-balance sheet items	
Balances with other banks	
Placements (excluding capital notes with DAB)	
Investments (excluding capital notes)	
Loans and advances to customers	
Other assets	

Credit risk relating to off-balance sheet items Bank guarantees issued

30 Qaws 1401	30 Qaws 1400
(Dec 21, 2022)	(Dec 21, 2021)
253,596,811	1,577,542,574
4,301,118,959	4,691,470,530
105,752,502	105,752,501
23,016,839	31,771,422
89,969,116	71,947,099
4,773,454,226	6,478,484,126
	11
1,643,367,962	1.862.382.452

The above table represents credit risk exposure to the Bank at December 21, 2022 and December 21 2021, without taking account of any collateral held or other enhancements attached. For on-balance sheet assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

Bank guarantees issued by the Bank are backed up by 100% cash margin.

Exposure of the Bank do not include balances and investments Da Afghanistan Bank (DAB) being the regulator.

The percentage of the maximum credit exposure in balances with other banks, placements, investments, loans and advances are as follows (In percentage of the total credit exposure):

Balances with other banks	Placements (excluding capital notes with DAR)	(mig initial constraints and might see that it is a second	Investments (excluding capital notes)	Loans and advances to customers	Other assets

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

30 Qaws 1400

30 Qaws 1401

(Dec 21, 2021)	31.771.422		31,771,422
(Dec 21, 2022)	23.016.839		23,016,839
	Gross Ioan	Concentration by sector	- Government employees

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, whist enabling the Bank to pursue valued business opportunities. The Bank relies on deposits from customers as its primary source of funding. Deposits form 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 (Dec 21, 2021)	94.39	94.44	135.14	89.27
30 Qaws 1401 (Dec 21, 2022)	91.29	90.49	95.25	68.11
	At year end	Average for the year	Maximum for the year	Minimum for the year

Maturity analysis for financial liabilities

			Gross inflow/		,	
	Note	Carrying amount	(outflow)	Less than I month	1-3 months	3 months to 1 year
2022				AFN		
Deposits from banks and financial institutions	14	43,661,567	(43,661,567)	(43,661,567)		
Deposits from customers	15	16,943,349,995	(16,943,349,995)	(16,943,349,995)	•	
Other liabilities	17	202,231,627	(202,231,627)	(202,231,627)		
		17,189,243,188	(17,189,243,188)	(17,189,243,188)	•	
2021						
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)	•	
		21,043,733,314	(21,043,733,314)	(21,043,733,314)	• 1000 1000	

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.

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	han one month	Less than 3 months	6-12 months	1-5 years
				AFN		
2022						
Cash and cash equivalents	5		•			
Investments and Placements	8	4,301,118,959		3,138,278,552	1.162.840.407	
		4,301,118,959		3,138,278,552	1,162,840,407	
Deposits from banks and financial institutions	17	·	,		,	
Deposits from customers	18	5,984,646,670				
		5,984,646,670				
Gap		(1,683,527,710)		3,138,278,552	1,162,840,407	

	Note	Carrying amount I	Carrying amount Less than one month Less than 3 months 6-12 months	ess than 3 months	6-12 months	1-5 years
				AFN		
2021 Cash and cash equivalents	\$					
Investments and Placements	∞	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	. 11					
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	•	

Exposure to currency risk

2022			
	asn	Euro	Others
Cash and cash equivalents	6.339.757.202	384.536.673	610.299.303
Receivable from Financial Institution	•	•	
Investment and placements	4,301,118,959		
Other assets	650,338,506	2,712,200	
	11,291,214,667	387,248,872	610,299,303
Deposits from banks and other financial institutions	2,956,221	103,810	•
Deposits from customers	7,002,168,912	243,411,074	610,688,681
Other liabilities	27,320,543	818,694	•
	7,032,445,676	244,333,578	610,688,681
Net foreign currency exposure	4,258,768,991	142,915,295	(389,378)
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		A.
Other assets	881,766,482	24,134,846.	•
	11,389,273,677	455,309,563	56,038,161

	QS:)	Euro	Others
Deposits from banks and financial institutions	3,479,226	132,916	٠
Deposits from customers	9,424,438,829	278,399,219	49,392,484
	65,888,430		•
	9,493,806,485	278,532,134	49,392,484
Net foreign currency exposure	1,895,467,191	176,777,429	6,645,676

The following significant exchange rates were applied during the periods.

2022 2021 Reporting date spot rate rate Average rate 89.30 82.92 95.45 92.93 97.44
2022 Reporting date rate rate .49
2 4. 4. 1
Average rate 90 95 95 95

Sensitivity analysis

Euro

SSO

A 10% strengthening of the Afghani, as indicated below, against the USD, and 10% strengthening euro at December 21, 2022 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.

	Profit or loss		189,546,719.14	17,677,742.92
2021	Equity	N	151,637,375.32	14,142,194.34
	Profit or loss	AFN	425,876,899.14	14,291,529.50
2022	Equity		340,701,519.31	11,433,223.60

Euro

A 10 % weakening of the Afghani against the above currencies at December 21, 2022 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.

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 December 21, 2022 is as follows:

21, 2022) (Dec 21, 2022) AFN AFN	87,145 98,116) 35,175) 97,807)
Total shareholder's equity 4,093,182,070 4,456,58 Less:	98,116) 35,175) 97,807)
Less:	98,116) 35,175) 97,807)
	35,175) 97,807)
71 251 50	35,175) 97,807)
Profit for the year - (1,351,59	97,807)
Deferred tax assets - Net (53,333,645) (49,73	
Intangible assets (44,296,389) (50,59	24 700
Surplus on revaluation of fixed assets (861,540,826) (875,93	34,700)
3,134,011,210 2,128,77	21,341
Supplementary (Tier 2) Capital:	
Profit for the year - 1,351,59	98,116
Surplus on revaluation of fixed assets 861,540,826 875,93	34,706
Allowable deduction - equity investment (105,752,502) (105,752,502)	52,501)
755,788,324 2,121,78	80,321
Total regulatory capital 3,889,799,534 4,250,50	01,662
Risk-weight categories	
0% risk weight:	
Cash in Afghani and fully-convertible	
	80,351
Direct claims on DAB 10,765,143,879 13,493,9	08,384
Total 12,576,147,864 13,888,5	88,735
0% risk-weight total (above total x 0%)	
20% risk weight:	
Balances with other banks 4,554,715,770 7,570,0	13,104
20% risk-weight total (above total x 20%) 910,943,154 1,514,0	02,621

	30 Qaws 1401 (Dec 21, 2022)	30 Qaws 1400 (Dec 21, 2021)
	AFN	AFN
100% risk weight:		
All other assets	4,213,397,699	4,237,257,706
Allowable deduction-equity investment	(105,752,502)	(105,752,501)
Intangible assets	(44,296,389)	(50,597,807)
Net deferred tax asset	(53,333,645)	(49,735,175)
100% risk-weight total (above total x 100%)	4,010,015,163	4,031,172,223
0% risk weight:		
Guarantees	1,643,367,962	1,862,382,452
0% credit conversion factor total (risk-weighted total x 09	-	
Total risk-weighted assets	4,920,958,317	5,545,174,844
Tier 1 Capital Ratio		
(Tier 1 capital as % of total risk-weighted assets)	63.69%	38.39%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	79.05%	76.65%

32 CORRESPONDING FIGURES

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

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

Chairman

Chief Executive Officer

Chief Financial Officer

Bolo