



INDEPENDENT AUDITOR'S REPORT ON  
BANK-E-MILLIE AFGHAN FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 – QAWS - 1400  
(21 - DECEMBER - 2021)

## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BANK-E-MILLIE AFGHAN**

### **Introduction**

We have audited the financial statements of Bank-e-Millie Afghan (the Bank), which comprise the statement of financial position as at 21 December 2021, (30 Qaws 1400) and the statement of comprehensive income, the 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.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 21 December 2021, (30 Qaws 1400) and of its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

### **Basis for Qualified Opinion**

1. The Bank has investment in a wholly owned subsidiary "Afghan American Trading Co. Inc." (AATC) which is carried at a cost of USD 2.2 million (AFN 229.361 million). The Bank has not prepared the consolidated financial information in respect of its above subsidiary as required under International Financial Reporting Standard (IFRS) – 10 'Consolidated Financial Statements' due to lack of availability of financial information relating to the subsidiary. Further, for the reasons disclosed in note 8.1.1 to the financial statements, we have not been able to obtain sufficient and appropriate evidence regarding the existence and recoverability of the above referred investment.
2. Note 5.3.2 of the financial statements includes the balance of AFN 2,973,109,574 (USD 28,517,669), which we were unable to verify through confirmation or any other alternative audit procedures.



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 that are relevant to our audit of the financial statements in Afghanistan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

### **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.

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- 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 the audit.

## Other Matters

The financial statements for the year ended 21 December 2020 were audited by another auditor who has expressed unmodified audit opinion dated on 17 March 2021.

Mazars Afghanistan limited  
**Chartered Accountants**  
**Engagement Partner:** Muhammad Saqlain Siddiqui  
**Date:** 31 March 2021  
**Place:** Kabul, Afghanistan



**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 Qaws 1400 (21 December 2021)**

<b>Assets</b>	Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
Cash and cash equivalents	5	26,083,845,755	14,628,752,629
Short-term investments	6	5,527,175,268	14,731,125,171
Loans and advances to customers - net	7	4,856,602,651	4,487,998,836
Long term investments	8	1,357,033,710	1,141,126,130
Property and equipment	9	1,267,981,081	1,234,910,848
Intangible assets	10	7,769,196	10,975,538
Investment properties	11	5,724,405,630	4,391,960,252
Other assets	12	1,092,049,872	1,338,133,650
<b>Total assets</b>		<b>45,916,863,162</b>	<b>41,964,983,054</b>
<b>Liabilities</b>			
Deposits from bank and customers	13	35,675,951,680	32,429,831,991
Current tax liability	14	-	12,487,269
Lease liabilities	15	46,507,069	-
Deferred tax liability - net	16	763,306,670	684,315,450
Other liabilities	17	507,989,340	604,191,002
<b>Total liabilities</b>		<b>36,993,754,759</b>	<b>33,730,825,712</b>
<b>Equity</b>			
Share capital	18	1,000,000,000	1,000,000,000
Retained earnings		7,039,911,573	6,399,655,565
Surplus on revaluations - net		792,247,503	792,247,503
Exchange translation reserves		82,105,824	34,313,024
General reserve		8,843,502	7,941,250
<b>Total equity</b>		<b>8,923,108,402</b>	<b>8,234,157,342</b>
<b>Total liabilities and equity</b>		<b>45,916,863,162</b>	<b>41,964,983,054</b>
<b>Contingencies and Commitments</b>	19		

The annexed notes from 1 to 33 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS

**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED ON 30 Qaws 1400 (21 December 2021)**

	Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>Interest income and expenses</b>			
Interest income	22	472,048,732	737,263,149
Interest expense	22	(17,749,025)	(51,404,217)
Net interest income		454,299,707	685,858,932
<b>Commission income and expenses</b>			
Commission income	23	149,169,526	207,359,825
Commission expense	23	(2,685,103)	(2,743,672)
Net commission income		146,484,423	204,616,153
<b>Other income</b>			
Realized exchange gain		68,562,748	1,376,779
Unrealized exchange gain / (loss)		447,662,365	(7,146,077)
Gain on revaluation of investment properties	11.1	1,058,990,863	-
Other operating income	24	103,667,517	176,093,687
Total other income		1,678,883,494	170,324,389
Total operating income		2,279,667,624	1,060,799,474
<b>Operating expenses</b>			
<i>Provision for impairment losses on:</i>			
Loans and advances to customers	7.3	97,445,100	219,557,406
Others assets	12.3	237,743,950	169,620,000
Short term investments	6.3, 6.2	84,569,332	-
Personnel expenses	23	300,063,904	303,257,453
Finance cost on lease liability	15	2,521,687	-
Depreciation	9	33,885,159	21,921,254
Amortization	10	3,700,832	5,297,970
Other expenses	24	467,702,960	264,466,723
Total operating expenses		1,227,632,924	984,120,806
Total operating profit		1,052,034,700	76,678,668
Impairment (loss) on investment		-	-
Share in profit of associate		155,264,328	74,129,074
		155,264,328	74,129,074
Profit before taxation		1,207,299,028	150,807,742
Taxation	25	(67,043,020)	(28,249,610)
<b>Profit for the year</b>		<b>1,140,256,008</b>	<b>122,558,132</b>
<b>Other comprehensive income</b>			
<i>Items that may be classified to profit or loss subsequently</i>			
Exchange differences on translation of investment in Afghan American trading Company - Subsidiary			
		59,741,000	-
Related deferred tax			
		(11,948,200)	-
Other comprehensive profit, net of tax			
		47,792,800	-
<b>Total comprehensive income for the year</b>		<b>1,188,048,808</b>	<b>122,558,132</b>

The annexed notes from 1 to 33 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

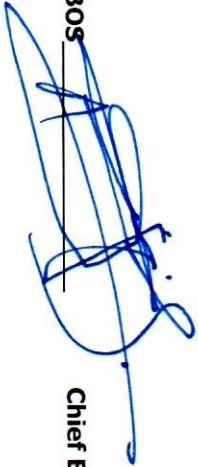


Chairman BOS

**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED ON 30 Qaws 1400 (21 December 2021)**

	Share capital	Retained earnings	Revaluation surplus	Exchange translation reserve	General reserve	Total
<b>Balance as at 30 Qaws 1398 (21 December 2019)</b>	1,000,000,000	6,277,097,432	792,247,503	34,313,024	7,941,250	8,111,599,209
Profit for the year	-	122,558,133	-	-	-	122,558,133
Transfer to Profit and Loss	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
<b>Balance as at 30 Qaws 1399 (21 December 2020)</b>	<u>1,000,000,000</u>	<u>6,399,655,565</u>	<u>792,247,503</u>	<u>34,313,024</u>	<u>7,941,250</u>	<u>8,234,157,342</u>
<b>Balance as at 30 Qaws 1399 (21 December 2020)</b>	<b>1,000,000,000</b>	<b>6,399,655,565</b>	<b>792,247,503</b>	<b>34,313,024</b>	<b>7,941,250</b>	<b>8,234,157,342</b>
Profit for the 30 Qaws 1400	-	<b>1,140,256,008</b>	-	-	-	<b>1,140,256,008</b>
Exchange differences on translation of investment in ATC Subsidiary -net of tax	-	-	-	<b>47,792,800</b>	-	<b>47,792,800</b>
Reserves For Investment and Shares	-	-	-	-	<b>902,252</b>	<b>902,252</b>
Other comprehensive income	-	-	-	-	-	-
Dividend Paid to Shareholders	-	<b>(500,000,000)</b>	-	-	-	<b>(500,000,000)</b>
<b>Balance as at 30 Qaws 1400 (21 December 2021)</b>	<u><b>1,000,000,000</b></u>	<u><b>7,039,911,573</b></u>	<u><b>792,247,503</b></u>	<u><b>82,105,824</b></u>	<u><b>8,843,502</b></u>	<u><b>8,923,108,402</b></u>

The annexed notes from 1 to 33 form an integral parts of these financial statements.

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 Chairman BOS	 Chief Executive Officer	 Chief Financial Officer
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**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED ON 30 Qaws 1400 (21 December 2021)**

	21 December 2021	21 December 2020
Note	30 Qaws 1400 AFN	30 Qaws 1399 AFN
<b>Operating activities</b>		
Profit before taxation	1,207,299,028	150,807,742
<b>Adjustments for:</b>		
Depreciation on Property and equipment and Right-of-use assets	9      33,457,309	21,921,254
Amortization	10      3,700,832	5,297,970
Associates profit	8.5      (155,264,328)	(74,129,074)
Short term investments	84,569,332	-
Impairment loss on loans and advances	7.3      97,445,100	219,557,406
Unrealized gain	-	(7,146,077)
Provision for other assets	12.4      237,743,950	(169,620,000)
Gain on Revaluation of investment property	11.1      (1,058,990,863)	-
Finance cost on lease liability	15      2,521,687	-
Provision for retirement benefit	14.1      5,950,646	4,316,898
	<b>(748,866,335)</b>	198,377
<b>Adjustments for changes in operating assets and liabilities:</b>		
loans and advances to customers	<b>(466,048,915)</b>	(669,017,101)
Non current assets held for sale	-	7,017,349
Other assets	8,339,827	276,176,846
Deposits from banks and customers	3,246,119,689	92,409,253
Lease liabilities	50,433,737	-
Other liabilities	<b>(70,390,232)</b>	79,426,306
	<b>2,768,454,106</b>	(213,987,347)
Tax Paid	<b>(12,487,269)</b>	(116,747,146)
Retirement benefit paid	<b>(31,762,076)</b>	(6,499,674)
	<b>(44,249,345)</b>	(123,246,820)
<b>Net cash flow from / (used) in operating activities</b>	<b>3,182,637,454</b>	(186,426,425)
<b>Investing activities</b>		
Long term Investments	6      -	2,860,000
Placements with Banks	9,119,380,573	444,654,064
Purchase of intangible assets	10      (494,490)	(9,956,186)
Capital expenditure in investment properties	11      (273,454,515)	(1,032,679,078)
Acquisition of Rights of use assets	(50,433,737)	-
Purchase of property and equipment	9      (16,093,805)	(52,573,961)
<b>Net cash flow from / (used) in investing activities</b>	<b>8,778,904,027</b>	(647,695,161)
<b>Cash flows from financing activities</b>		
Repayment of lease obligations	<b>(6,448,354)</b>	-
Dividend Paid	<b>(500,000,000)</b>	-
<b>Net cash used in financing activities</b>	<b>(506,448,354)</b>	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>11,455,093,126</b>	(833,923,209)
Cash and cash equivalents at beginning of year	<b>14,628,752,629</b>	15,455,529,761
Unrealized exchange gain	-	7,146,077
<b>Cash and cash equivalents at end of year</b>	<b>26,083,845,755</b>	14,628,752,629

The annexed notes from 1 to 33 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS



## 1 Status and nature of operations

Bank-e-Millie Afghan (the Bank) is domiciled in The Islamic Republic of Afghanistan. The Bank was incorporated in 1935 and it has been granted license for commercial banking by Da Afghanistan Bank (DAB) on 26 June 2004. The Bank also obtained a private investment license on 08 November 2004 under the Law of Domestic and Foreign Investment and is primarily engaged in the business of banking as mentioned in Law of Banking in Afghanistan. Ministry of Finance is the majority shareholder of the Bank having shareholding of 96.75%. The Bank has 36 branches (2020: 36 branches) in operation.

The registered office of the Bank is at Pashtanistan Square, Kabul, Afghanistan.

## 2 Basis of preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the Law of Banking in Afghanistan and the directives issued by DAB. 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 takes precedence.

Bank-e-Millie Afghan holds one wholly owned subsidiaries namely 'Afghan American Trading Co. Inc.'. As per International Financial Reporting Standard (IFRS) 10 'Consolidated Financial Statements', being a parent, Bank-e-Millie Afghan is required to prepare consolidated financial statements, but the same cannot be prepared by the management, due to non-availability of latest audited financial statements of the subsidiaries for the reasons disclosed in note 'Long term investments'.

### 2.2 Mandatory Departure

Mandatory departure of International Financial reporting Standards (IFRS) - 9 "Financial Instruments", based on the decision of Da Afghanistan Bank until further notice.

### 2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property, land and building which are measured at revalued amount.

### 2.4 Functional and presentation currency

These financial statements are presented in Afghani, which is the Bank's functional currency. The amounts in the financial statements have been rounded to the nearest Afghani.

### 2.5 Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgments will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of assets and liabilities are outlined below:

#### a) Provision for loan losses

The Bank reviews loans and advances to customer balances monthly for possible impairment and records the provision for possible loan losses in accordance with DAB regulations as disclosed in note 7. The Bank maintains a general provision of 1% standard loans (2020: 1%) against outstanding loan and advances to customers as at the period end.

However, during the year due to recent changes in the country, the DAB has issued the circular where banks were instructed for deferring the implementation of ACPR regulation from 1 June 2021 to 30 May 2022 ( 12 Months). Accordingly, Bank has complied with requirement of the said circular in preparing the financial statements for the year ended on 21 December 2021.

#### b) Provision for income taxes

The Bank recognizes tax liability in accordance with the provisions of Income Tax Law 2009. The final tax liability is dependent on assessment by Ministry of Finance, Government of Islamic Republic of Afghanistan.

#### c) Useful life of property and equipment and intangible assets

The Bank reviews the useful life, depreciation method and residual value of property and equipment and intangible assets at each statement of financial position date. Any change in estimates may affect the carrying amounts of the respective items of property and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge.

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

- a) Useful lives of property and equipment
- b) Impairment of loans and advances to customers
- c) Taxation
- d) Revaluation of the investment property and property plant and equipment
- e) Provision for retirement benefit

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### 3 New accounting standards / amendments and IFRS interpretations

**3.1** The Bank has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

**Standard or Interpretation**

- IFRS 3 'Definition of a business' Amendment to IFRS 3
- IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)
- IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform
- Various Amendments to References to the Conceptual Framework in IFRS Standards

The above standards and interpretations did not have a material impact on the financial statements.

### **3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the approved accounting standards would be

**Standard or Interpretation**

**Effective date  
(annual periods  
beginning)**

<ul style="list-style-type: none"> <li>- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)</li> </ul>	Not yet finalized
<ul style="list-style-type: none"> <li>- IFRS 17 – Insurance Contracts</li> </ul>	1 January 2023
<ul style="list-style-type: none"> <li>- IFRS 9 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>- IFRS 16 - Covid-19 Related rent concessions (Amendments to IFRS 16)</li> </ul>	1 June 2020
<ul style="list-style-type: none"> <li>- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>- IAS 16 - Proceeds before Intended Use (Amendments to IAS 16)</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>- IAS 41 - Taxation in Fair Value Measurements (Amendment to IAS 41)</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)</li> </ul>	1 January 2022

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial

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#### 4 Significant accounting policies

##### 4.1 IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach. There has been no impact on the opening equity upon adoption of IFRS 16. The comparative information for 2020 is reported under IAS 17 and is not comparable to the information presented for 2020. Right-of-use asset amounting to AFN 50,433,737 has been recognized along with lease liability of AFN 46,507,509 with remaining impact recognized in reversal of prepaid rent expense as of the date of adoption.

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Bank has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 22 December 2020. At this date, the Bank has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for prepaid/ accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Bank has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The Bank did not had any finance lease. On transition to IFRS 16 the incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 5% per annum. The Bank has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

*Following accounting policy change has been adopted by the Bank pursuant to IFRS 16:*

##### 4.1.1 Leased assets

###### *The Bank as a Lessee*

For any new contracts entered into on or after 22 December 2020, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

###### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment within operating fixed assets and lease liabilities have been disclosed on the face of the statement of financial position.

#### *Extension options for leases*

When the Bank has the option to extend a lease, management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

## **4.2 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, balance held with DAB except under required reserve account, balance in Nostro accounts, placements and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

## **4.3 Financial assets and liabilities**

### **Recognition**

The Bank initially recognizes loans and advances to customers and deposits from customers on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

### **De-recognition**

The Bank de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank also de-recognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

### **Offsetting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet 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.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### **Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

### **Identification of measurement of impairment**

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

The Bank considers evidence of impairment at a specific asset level and also collectively. 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 then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

In determining the potential loss in specific loans, groups of loans, or in the aggregate loan portfolio, all relevant factors are considered including, but not limited to: current economic conditions, historical loss experience, delinquency trends, the effectiveness of the Bank's lending policies and collection procedures, and the timeliness and accuracy of its loan review function.

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 cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount, (if applicable).

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

*Nul*

#### 4.4 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 a cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### 4.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, if any, in which case it is recognized in equity.

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

Deferred tax is provided 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 measured at the 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 to the extent that it is probable that future taxable profits will be available against which temporary difference 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.

#### 4.6 Foreign currency

##### 4.6.1 Foreign currencies transactions and translations

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date, with the exchange gain or loss on translation recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when fair value was measured. For those non monetary items for which gain or loss is recognized in other comprehensive income, the exchange gain loss arising on translation is also recognized in other comprehensive income. While, for those for non monetary items for which gain or loss is recognized in profit or loss, the exchange gain loss arising on translation is also recognized in profit or loss.

##### 4.6.2 Foreign operations

Net investment in foreign subsidiaries is translated to Afghani at the reporting date. Foreign currency differences are recognized directly in other comprehensive income.

#### 4.7 Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss comprise of interest on financial assets and liabilities at amortized cost on effective interest rate basis.

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#### 4.8 Fee and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income, including account servicing fee, funds transfer fee and placement fee, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fee are recognized on a straight-line basis over the commitment period.

Other fee and commission expense relates mainly to transaction and service fee and funds transfer fee, which are expensed as the services are received.

#### 4.9 Rental income

Rental income from investment property is recognized in profit or loss on accrual basis.

#### 4.10 Dividend income

Dividend income is recognized on the date when the Bank's right to receive payment is established.

#### 4.11 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially recognized at fair value plus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method less allowance for impairment.

Loans and advances classified as loss are written off as required by DAB's regulations.

All loans and advances are classified in accordance with the regulations of DAB.

#### 4.12 Murabaha

In Murabaha transactions, the Bank purchases the goods and after taking the possession, sells them to the customers on cost plus mark-up basis either in a spot or credit transaction. Profit on Murabaha is recognized on receipt basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized immediately upon the later date.

#### 4.13 Investments

Investment in subsidiaries are initially recognized at cost, being the aggregate of fair value at the date of acquisition and any cost directly attributable to the acquisition. Investment in subsidiaries are subsequently carried at cost less accumulated impairment losses, if any. Foreign exchange difference on investment in foreign subsidiaries is recognized in equity.

Investments in associates, where the Bank has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the Company's share of the changes in the net assets of the associates are accounted for at the end of each reporting period less impairment loss, if any. Share of profit and loss of associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which has not been recognized in the associates profit and loss account, are recognized directly in equity of the Bank. The goodwill relating to an associate arising on the acquisition of the investment is included in the carrying value of the investments.

After the application of equity method including recognizing the associates losses, the Bank determines whether it is necessary to recognize any additional impairment loss with respect to its net investment in associate by comparing the entire carrying amount including goodwill with its recoverable amount i.e. the higher of value in use or fair market price less cost to sell.

#### 4.14 Property and equipment

##### Recognition and measurement

Items of property and equipment except for land and building are measured at cost less accumulated depreciation and impairment losses, if any, except for land and building which are described below separately.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Land and building are carried under revaluation model, wherein fair value of each item of land and building is determined every year and the resulting increase / decrease in value is recorded in "surplus / (deficit) on revaluation of property and equipment" in equity. Surplus / (deficit) on revaluation of property and equipment is reported in equity, net of deferred tax and incremental depreciation. Incremental depreciation is the excess depreciation arising due to increase in carrying value of the asset due to revaluation and is recognized in profit or loss every year.

##### Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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### Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the useful life of an item of property and equipment. The estimated useful lives of the items of property and equipment for the current and comparative periods are as follows:

Right of Use - Leased buildings	3 Years
Land and Building	50 years
Furniture, fixtures and office equipment	5 years
Computer equipment	5 years
Vehicles	20 years
Books	20 years

Depreciation is charged on property and equipment on the basis of days the asset is being used during the year. Gains and losses (if any) on disposals are determined by comparing proceeds with the carrying amount and are taken to the profit or loss.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

### Capital work-in-progress

Capital work in progress is stated at cost less impairment losses, if any.

#### 4.15 Intangible assets

Banking software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on the software is capitalized only when it is expected that it will increase the future economic benefits embodied in the asset. All other expenditures are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss over the useful life of the asset, using straight line method. Amortization is charged from the month the asset is available for use. Gain and loss (if any) on disposal is determined by comparing proceeds with the carrying amount and is recognized in profit or loss.

Amortization method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

#### 4.16 Investment property

The Bank is carrying its investment properties at fair values determined in the year 1386 (2007). In 1393 (2014), the Bank conducted a revaluation exercise for its investment properties and submitted the same to DAB for approval. During the year ended 30 Qaws 1394 (21 December, 2015), DAB through its letter no. 4952 / 5165 dated 19 Jadi 1394 (09 January 2016), has allowed the Bank to take the revaluation impact at value reduced by 20% from the market value assessed by the valuer, for those properties only for which the Bank has Qabala (local title deed) available.

The total market value (reduced by 20%) assessed by the valuer in year 1393 (2014) for the properties, for which the Bank has Qabala available is Afs. 3,995,000,341. While the market value (reduced by 20%) assessed by the valuer in year 1393 (2014), for the properties for which the Qabala is not available with the Bank is Afs 626,428,835.

*The bank has also recognized the Revaluation Gain amounting to Afn1,0589,90863.49398bn on investment properties as result of the revaluation carried out by the independent valuer during year 2020. However, the results of said revaluations were approved by DAB during 2021 in accordance with letter number 1853/1226 dated 1400/02/09 as details are disclosed in note 8.*

However, the management has decided not to take the impact of revaluations of the properties for which Qabala is not available with the management. Further, due to non-availability of property wise book value, the bank has proportioned the total book value of its investment properties on the basis of proportionate market value of respective property. The management has further decided to arrange court orders for properties for which the Qabala is not available with the Bank to recognise the impact of revaluation in the books.

#### 4.17 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### 4.18 Employee benefits

##### Defined benefit plan

The Bank operates a pension scheme for its current and former employees entitled to pension after normal retirement (65 years of age or 40 years of service), voluntary retirement (55 years of age and 25 years of service), disability and in case of death, their legal heirs. Pension is based on formula which takes into account the years of service, average salary and a percentage and in case of death or disability, number of salaries depending upon the years of service. Deductions are made at the rate of 8% from the monthly salary of employees and the Bank contributes an equivalent amount. Liability of the Bank for this scheme is calculated on the basis of actuarial valuation using the Projected Unit Credit Method. Actuarial gains or losses are recognised in accordance with the requirements of IAS-19 (Revised). The last actuarial valuation of the scheme was carried out as at 21 December 2019.

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Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>5 Cash and cash equivalents</b>		
Cash in hand	5.1 <b>793,010,652</b>	1,311,096,322
Balances with Da Afghanistan Bank	5.2 <b>21,960,111,319</b>	9,999,501,774
Nostro accounts balances with banks	5.3 <b>3,298,014,620</b>	3,285,445,369
Gold and Silver at bank vault	5.4 <b>32,709,164</b>	32,709,164
	<b>26,083,845,755</b>	14,628,752,629
<b>5.1 Cash in hand</b>		
Local currency	5.1.1 <b>636,062,265</b>	425,617,952
Foreign currency	5.1.2 <b>143,276,355</b>	764,609,104
Cash in ATMs	<b>13,672,032</b>	120,869,266
	<b>793,010,652</b>	1,311,096,322

5.1.1 This represents cash at vaults in the branches of the bank.

5.1.2 The foreign currencies includes USD, GBP, EURO and PKR.

**5.2 Balances with Da Afghanistan Bank**

**Local currency**

Current Account (interest free)  
Overnight Account  
Required Reserve Account

5.2.1	<b>3,676,157,967</b>	1,592,012,800
5.2.2	<b>722,835,616</b>	4,025,483
	<b>867,706,242</b>	1,029,157,702
	<b>5,266,699,825</b>	2,625,195,985

**Foreign Currency**

Current Account  
Required Reserve Account

5.2.3	<b>14,934,804,923</b>	5,415,330,373
5.2.2	<b>1,758,606,570</b>	1,958,975,416
	<b>16,693,411,494</b>	7,374,305,789
	<b>21,960,111,319</b>	9,999,501,774

5.2.1 This represents overnight deposits with DAB that earns interest at 0.00% (2020: 0.10%) per annum.

5.2.2 This represents required reserve amount being maintained with DAB in order to meet minimum reserve requirement of Article 3 "Required Reserves Regulation" of the Banking Regulations of Afghanistan. Required reserves are not available for use in the Bank's day-to-day operations. It is calculated by applying 8% to deposits denominated in AFN and 10% to deposits denominated in foreign currency, credited by the by the DAB from the respective nostro current accounts of the bank with DAB.

5.2.3 The foreign currencies includes USD, GBP, EURO and PKR.

Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>5.3 Nostro accounts balances with banks</b>		
Local currency	5.3.1 <b>740,793</b>	746,193
Foreign currency	5.3.2 <b>3,297,273,827</b>	3,284,699,176
	<b>3,298,014,620</b>	3,285,445,369
<b>5.3.1 Local currency</b>		
Pashtany Bank	<b>120,786</b>	126,186
Azizi Bank	<b>620,007</b>	620,007
	<b>740,793</b>	746,193

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**NOTES TO THE FINANCIAL STATEMENTS  
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**5.3.2 Foreign currency**

Pashtany Bank	397,085	317,849
New Kabul Bank	514,070	398,676
Azizi Bank	1,853,271	1,370,170
Citi Bank New York	2,973,109,574	2,271,048,264
Canara Bank	978,840	723,884
Habib Bank - Pakistan	25,141,220	22,958,616
Bank of Africa - Europe	295,279,767	216,881,724
Aktif Bank Turkey	-	-
Islamic Bank of Afghanistan	-	771,000,000
National Westminster Bank	298,771	240,608
Mitsuho Bank	55,535	41,070
BNP Paribas Bank	16,890	14,058
BCCI Bank	28,349,089	21,018,140
<b>Gross Balances</b>	<b>3,325,994,112</b>	<b>3,306,013,056</b>
<b>Less: 100% on provision on the Nostro accounts balances with:</b>		
BCCI	(28,349,089)	(21,018,146)
Mitsuho Bank	(55,535)	(41,070)
National Westminster Bank	(298,771)	(240,608)
BNP Paribas Bank	(16,890)	(14,058)
<b>Net Balances</b>	<b>3,297,273,827</b>	<b>3,284,699,175</b>

**5.4** This represents gold and silver coins located at bank's main vault, acquired in the early years after inception of BMA in Afghanistan. However, these gold coins were last revalued during the year 2019, as a result, the revaluation impact was recorded in the financial statements, approved by the Board of Supervisors of the bank and DAB.

	<b>21 December 2021 30 Qaws 1400 AFN</b>	<b>21 December 2020 30 Qaws 1399 AFN</b>
<b>6 Short-term investments</b>		
Capital notes with DAB	6.1 4,494,383,277	6,841,883,347
Placements in other banks	6.2 1,032,791,991	7,889,241,824
	<b>5,527,175,268</b>	<b>14,731,125,171</b>
<b>6.1 Capital Notes</b>		
Capital notes with DAB	6.1.1 4,494,383,277	6,759,073,074
Accrued Interest on Capital Notes	-	82,810,273
	<b>4,494,383,277</b>	<b>6,841,883,347</b>

**6.1.1** This represents investment in Capital Notes with DAB having maturity of 364 days(2020: 07 days to 364 days) and are on interest free status since 15 August 2021 [2020: 0.34% to 4.98%].

**6.2 Placements in other banks (Foreign Banks)**

Canara Bank London	-	1,696,200,000
State Bank of India - London	-	2,158,800,000
Citi Bank New York	-	1,181,221,814
Murabaha Deposit in RAK Bank - by IBW	199,087,971	147,232,100
ADGMC ITI CITI Bank	-	1,927,742,390
First Abu Dhabi Bank	1,042,813,534	771,000,000
	<b>1,241,901,505</b>	<b>7,882,196,302</b>
Accrued Interest	406,592	80,661,603
	<b>1,242,308,097</b>	<b>7,962,857,905</b>
Less: Provision-Loss RAK bank placement	6.3 (199,087,971)	(73,616,082)
General provision at (1%)	(10,428,135.34)	-
	<b>1,032,791,991</b>	<b>15,852,099,728</b>

**6.3 Placements provisioning movement during the year on RAK Bank**

<b>Balance at the beginning of the year</b>	73,616,082	-
Charge for the year	74,141,197	73,616,082
Exchange rate differences	51,330,692	-
<b>Balance at the end of year</b>	<b>199,087,971</b>	<b>73,616,082</b>

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	Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>7 Loans and advances to customers - net</b>			
Conventional Loans	7.1	<b>4,626,165,533</b>	4,297,246,579
Islamic Loans	7.2	<b>906,674,165</b>	715,780,196
		<b>5,532,839,698</b>	5,013,026,776
<b>Impairment</b>			
Conventional	7.3	<b>(487,702,041)</b>	(435,611,646)
Islamic	7.3	<b>(188,535,006)</b>	(89,416,293)
		<b>(676,237,047)</b>	(525,027,940)
		<b>4,856,602,651</b>	4,487,998,836

	Note	AFN			AFN		
		Gross	Impairment	Carrying Value	Gross	Impairment	Carrying Value
<b>7.1 Conventional</b>							
Overdrafts	7.1.1	<b>3,632,538,256</b>	<b>(154,728,446)</b>	<b>3,477,809,810</b>	3,201,413,003	(94,489,770)	3,106,923,232
Commercial loans	7.1.2	<b>767,362,664</b>	<b>(294,293,772)</b>	<b>473,068,892</b>	836,712,396	(311,767,495)	524,944,901
Construction loans	7.1.3	<b>6,668,864</b>	<b>(1,667,216)</b>	<b>5,001,648</b>	7,926,146	(396,307)	7,529,839
Microfinance loans	7.1.4	<b>200,454,933</b>	<b>(29,702,012)</b>	<b>170,752,921</b>	227,480,431	(22,288,966)	205,191,465
Entrepreneurs	7.1.5	<b>18,446,133</b>	<b>(7,262,046)</b>	<b>11,184,087</b>	22,095,499	(6,600,245)	15,495,254
Loans to employees	7.1.6	<b>694,683</b>	<b>(48,548)</b>	<b>646,135</b>	1,619,104	(68,863)	1,550,241
Total Conventional		<b>4,626,165,533</b>	<b>(487,702,041)</b>	<b>4,138,463,493</b>	4,297,246,579	(435,611,646)	3,861,634,933
<b>7.2 Islamic (Murabaha)</b>							
Car financing	7.2.1	<b>55,384,564</b>	<b>(6,191,578)</b>	<b>49,192,986</b>	68,581,754	(3,955,693)	64,626,061
House financing	7.2.1	<b>76,082,797</b>	<b>(76,082,797)</b>	<b>-</b>	56,265,730	(28,132,857)	28,132,873
Construction material	7.2.1	<b>141,287,614</b>	<b>(55,865,562)</b>	<b>85,422,052</b>	114,098,549	(6,312,207)	107,786,342
Home appliances	7.2.2	<b>246,972</b>	<b>(6,984)</b>	<b>239,988</b>	571,956	(24,583)	547,373
Trade Finance	7.2.3	<b>58,900,763</b>	<b>(551,128)</b>	<b>58,349,635</b>	17,975,790	(564,200)	17,411,590
Corporate equipment	7.2.3	<b>574,771,455</b>	<b>(49,836,958)</b>	<b>524,934,497</b>	458,286,417	(50,426,753)	407,859,664
Total Islamic		<b>906,674,165</b>	<b>(188,535,006)</b>	<b>718,139,159</b>	715,780,196	(89,416,293)	626,363,903
Total Conventional & Islamic		<b>5,532,839,698</b>	<b>(676,237,047)</b>	<b>4,856,602,652</b>	5,013,026,776	(525,027,940)	4,487,998,836

- 7.1.1** These overdraft facilities are extended to borrowers for a period of 12 months, after which the same are subject to renewal. These facilities carry mark-up at rates ranging from 10% to 13% (2020: 10% to 13%) per annum. These facilities are secured against immovable properties.
- 7.1.2** Commercial loans are defined as all loans not properly categorized as consumer, construction, agricultural, or real estate. This category of loans includes all business purpose loans. When a loan cannot be otherwise categorized, it is by definition a commercial loan. These carry mark-up rate ranging from 10% to 11% (2020: 10% to 11%) per annum.
- 7.1.3** Construction loans are made for the purpose of constructing improvements on real property and are extended to borrowers for a period of 6-24 months. These carry interest rate ranging from 5% to 15% (2020: 5% to 15%) per annum.
- 7.1.4** These loans are extended to small and medium –sized enterprises, which are looking to expand their business. It can be provided in the form of overdraft and term loan facilities. These carry interest rate ranging from 10% to 15% (2020: 10% to 15%) per annum.
- 7.1.6** These loans are specially designed for permanent government employees who have served for more than 10 years and less than 35 years. The maximum amount of loan that may be given is 35% of net annual salary of an employee. The interest rate is fixed at 12% (2020: 12%) per annum.
- 7.2.1** These represent financing for purchase of cars, houses and for the purpose of construction. These carry profit at rates ranging from 5% to 8% (2020: 5% to 8%) per annum and have maturity between 1 to 5 years. These are secured against personal guarantees and in certain cases the mortgage of immovable properties.
- 7.2.2** These represent financing for purchase of home appliances, which include air conditioners and refrigerators, mobiles and other appliances, These carry profit at rates ranging from 5% to 8% (2020: 5% to 8%) per annum and are extended for 24 months. These are secured against personal guarantees and immovable properties.
- 7.2.3** These represent financing for purchase of Raw material, plant, machinery and other equipment for the business purposes for corporates, These carry profit at rates ranging from 5% to 8% (2020: 5% to 8%) per annum and have maturity between 1 to 3 years. These are secured against personal guarantees and in certain cases the mortgage of immovable properties.

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**7.3 Provision / impairment - summary**  
**Balance at the beginning of the year**  
 Charge for the year  
 Reversals during the year  
**Net Charge for the year**

	21 December 2021 30 Qaws 1400	21 December 2020 30 Qaws 1399
	AFN	AFN
Balance at the beginning of the year	525,027,940	306,089,022
Charge for the year	232,166,855	497,865,393
Reversals during the year	(134,721,755)	(278,307,987)
<b>Net Charge for the year</b>	<b>97,445,100</b>	<b>219,557,406</b>
Exchange difference	53,764,007	(618,488)
	53,764,007	(618,488)
Provision held	<u>676,237,047</u>	<u>525,027,940</u>

**7.4 Classification of loans and advances to customers**

	21 December 2021 (30 Qaws 1400)		
Standard (Optional)	2,206,647,338	22,066,473	22,066,473
Watch-list	2,287,641,271	114,382,064	114,382,064
Substandard	133,624,470	33,406,118	33,406,118
Doubtful	797,088,026	398,544,013	398,544,013
Loss	107,838,379	107,838,379	107,838,379
	5,532,839,485	676,237,047	676,237,047
Less: Write offs	<u>5,532,839,485</u>	<u>676,237,047</u>	<u>676,237,047</u>

Provisioning rates	21 December 2020 (30 Qaws 1399)	
	Amount outstanding	Provision held
100%	5,013,026,928	525,027,940
50%	17,263,420.7	17,263,421
25%	73,384,828	18,346,207
5%	1,830,813,989	91,540,699
1%	2,301,400,703	23,014,007
	<u>5,013,026,928</u>	<u>545,246,328</u>

Standard (Optional)  
 Watch-list  
 Substandard  
 Doubtful  
 Loss  
 Less: Write offs

AFN

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	Note	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
		<b>8 Long term investments</b>	
Afghan American Trading Co. Inc. (100% owned Subsidiary)	8.1	229,361,000	169,620,000
Pashtany Bank (28.77 % - Associate)	8.2	965,408,626	810,144,298
Investment in equity instruments	8.3	162,264,084	161,361,832
		<u>1,357,033,710</u>	<u>1,141,126,130</u>
<b>8.1 Afghan American Trading Co. Inc. (100% owned Subsidiary)</b>			
Opening balance (Cost USD 2,200,000)	8.1.1	169,620,000	172,480,000
Share of Profit / (Loss)		-	-
Exchange Gain		59,741,000	(2,860,000)
Closing balance		<u>229,361,000</u>	<u>169,620,000</u>

**8.1.1** Afghan American Trading Co. Inc. is wholly owned subsidiary of the bank wherein investment cost is USD 2.2 million. There is a dispute with the management of Afghan American Trading Co. Inc. (AATC) and the Bank plans to launch an investigation into the affairs of the AATC. The latest audited financial statements of AATC are not available and the Bank cannot assess the recoverability of its investment in AATC as well as the current account balance maintained with AATC. This matter has also been raised by the Bank at the National Security Council of the country and the management of AATC has been terminated.

**8.2 Investment in associates**

The bank use equity method of accounting for determining the carrying value of the investment in Pashtany Bank. Set out below is the movement during the year in the investment in associates:

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
Opening balance	810,144,298	737,475,546
Share of profit	155,264,328	72,668,752
Exchange Gains / (Losses)	-	-
Closing balance	<u>965,408,626</u>	<u>810,144,298</u>

**8.3 Investment in equity instruments**

Afghan National Insurance Company	18,605,169	18,605,169
Ariana Afghan Airlines Company	142,756,663	142,756,663
Edahdia Mazar Sharif	30,150	-
Sherkat Saderat Pakhta Herat	844,289	-
Sherkat Pashmena Bafi Qandahar	15,944	-
Sherkat Yakhsazi Herat	7,076	-
Sherkat Teel Kashi Herat	4,794	-
	<u>162,264,084</u>	<u>161,361,832</u>

**8.4 Financial Information - Summary**

	Total Assets	Total Liabilities	Net Assets	Profit / (loss) After Tax	OC Income / (loss)	Holding %age
<b>For the year 21 December 2021</b>						
Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank	-	-	-	-	-	28.77%
Afghan National Insurance	-	-	-	-	-	7.66%
Ariana Afghan Airlines	-	-	-	-	-	6.25%
Edahdia Mazar Sharif	-	-	-	-	-	41.63%
Sherkat Saderat Pakhta Herat	-	-	-	-	-	8.00%
Sherkat pashmena Bafi Qandahar	-	-	-	-	-	29.95%
Sherkat Yakhsazi Herat	-	-	-	-	-	8.46%
Sherkat Teel Kashi Herat	-	-	-	-	-	17.99%
	-	-	-	-	-	
<b>For the year 21 December 2020</b>						
Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank (For 2020)	24,326,768,558	21,520,909,981	2,805,858,577	122,989,791	-	28.77%
Afghan National Insurance (For 2020)	-	-	-	-	-	7.66%
Ariana Afghan Airlines	-	-	-	-	-	6.25%
	-	-	-	-	-	

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**8.5 Movement in investment**

Opening Balance as at 22 December 2020	Adjustment / Translation difference	Share of Profit / (loss)	Equity Share	Provision for loss	Closing Balance, as at 21 December 2021
AFN	AFN	AFN	AFN	AFN	AFN
169,620,000	59,741,000	155,264,328	-	-	229,361,000
810,144,298	-	-	-	-	965,408,626
18,605,169	-	-	-	-	18,605,169
142,756,663	-	-	30,150	-	142,756,663
-	-	-	844,289	-	30,150
-	-	-	15,944	-	844,289
-	-	-	7,076	-	15,944
-	-	-	4,794	-	7,076
-	-	-	-	-	4,794
<b>1,141,126,130</b>	<b>59,741,000</b>	<b>155,264,328</b>	<b>902,252</b>	<b>-</b>	<b>1,357,033,710</b>

**For the year 21 December 2020**

Afghan American Trading Co  
Pashtany Bank  
Afghan National Insurance  
Ariana Afghan Airlines

169,620,000	(2,860,000)	-	-	-	169,620,000
810,144,298	-	72,668,752	-	-	810,144,298
18,605,169	-	1,460,322	-	-	18,605,169
142,756,663	-	-	-	-	142,756,663
1,141,126,130	(2,860,000)	74,129,074	-	-	1,141,126,130

**8.5 Financial Information - Summary**

**For the year 21 December 2021**

Afghan American Trading Co  
Pashtany Bank (For 2020)  
Afghan National Insurance (For 2020)  
Ariana Afghan Airlines

Total Assets	Total Liabilities	Net Assets	Profit / (loss) After Tax	OC Income / (loss)	Holding %age
24,568,830,274	21,235,777,408	3,333,052,866	539,726,938	-	100.00%
24,568,830,274	-	-	-	-	28.77%
-	-	-	-	-	7.66%
-	-	-	-	-	6.25%
<b>24,568,830,274</b>	<b>21,235,777,408</b>	<b>3,333,052,866</b>	<b>539,726,938</b>	<b>-</b>	

**For the year 21 December 2020**

Afghan American Trading Co  
Pashtany Bank (For 2020)  
Afghan National Insurance (For 2020)  
Ariana Afghan Airlines

24,326,768,558	21,520,909,981	2,805,858,577	122,989,791	-	100.00%
-	-	19,064,256	-	-	28.77%
-	-	-	-	-	7.66%
-	-	-	-	-	6.25%
<b>24,326,768,558</b>	<b>21,520,909,981</b>	<b>2,824,922,833</b>	<b>122,989,791</b>	<b>-</b>	

**8.6** Audited / management financial statements of Afghan American Trading Co, and Ariana Afghan Airlines were not available, hence no information was presented.

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9	Property and equipment	Leased buildings - Right of Use Assets	Land & Building	Furniture & Fixtures	Computer Equipments	Vehicles	Library Books	Total	2021		2020	
									AFN	AFN	AFN	AFN
	<b>Cost and Revaluation</b>											
	Balance as at 30-Qaws-1398 (21-Dec-2019)	-	1,271,110,058	137,877,906	115,517,900	71,800,996	445,384	1,596,752,244				
	Additions	-	20,769,404	16,090,427	15,714,130	-	-	52,573,961				
	Adjustments	-	-	-	-	-	-	-				
	<b>Balance as at 30-Qaws-1399 (21-Dec-2020)</b>	-	1,291,879,462	153,968,333	131,232,030	71,800,996	445,384	1,649,326,205				
	Balance as at 30-Qaws-1399 (21-Dec-2020)	50,433,737	1,291,879,462	153,968,333	131,232,030	71,800,996	445,384	1,649,326,205				
	Adjustment on transition to IFRS 16	-	-	-	-	-	-	-				
	Additions	-	-	5,162,387	10,931,418	-	-	16,093,805				
	Adjustments	-	(110,699,529)	33,419	34,215	(24,861)	-	(110,656,756)				
	<b>Balance as at 30-Qaws-1400 (21-Dec-2021)</b>	50,433,737	1,181,179,933	159,164,139	142,197,663	71,776,135	445,384	1,605,196,991				
	<b>Accumulated Depreciations</b>											
	Balance as at 30-Qaws-1398 (21-Dec-2019)	-	131,016,618	107,746,450	96,522,094	57,023,138	185,802	392,494,103				
	Charge for the year	-	2,961,852	8,520,568	8,605,711	1,810,916	22,208	21,921,254				
	<b>Balance as at 30-Qaws-1399 (21-Dec-2020)</b>	-	133,978,470	116,267,018	105,127,805	58,834,054	208,010	414,415,357				
	Balance as at 30-Qaws-1399 (21-Dec-2020)	-	133,978,470	116,267,018	105,127,805	58,834,054	208,010	414,415,357				
	Charge for the year	8,937,924	133,978,470	9,467,989	11,055,585	688,090	22,331	33,457,309				
	Adjustments	-	(110,699,529)	33,419	34,215	(24,861)	-	(110,656,756)				
	<b>Balance as at 30-Qaws-1400 (21-Dec-2021)</b>	8,937,924	26,564,330	125,768,426	116,217,605	59,497,283	230,341	337,215,910				
	Carrying values as at:											
	Balance as at 30-Qaws-1399 (21-Dec-2020)	-	1,157,900,993	37,701,315	26,104,225	12,966,942	237,374	1,234,910,848				
	Balance as at 30-Qaws-1399 (21-Dec-2020)	41,495,812	1,154,615,603	33,395,713	25,980,057	12,278,852	215,043	1,267,981,081				
	Balance as at 30-Qaws-1400 (21-Dec-2021)	-	1,154,615,603	33,395,713	25,980,057	12,278,852	215,043	1,267,981,081				
	<b>9.1 Property and equipment - summary</b>											
	Cost											
	Accumulated Depreciation											
	Written Down Value											

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	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>10 Intangibles Assets</b>		
<b>Cost</b>		
Balance at beginning of the year	79,641,006	69,684,820
Additions during the year	494,490	9,956,186
<b>Balance at end of the year</b>	<b>80,135,496</b>	79,641,006
<b>Amortization</b>		
Balance at beginning of the year	68,665,469	63,367,499
Additions during the year	3,700,832	5,297,970
Balance at end of the year	72,366,300	68,665,469
<b>Carrying amount</b>	<b>7,769,196</b>	10,975,538

10.1 Intangibles assets includes Core banking software and licensing rights.

10.2 Intangibles are amortized at the rates ranging from 20% to 33% (2020: 20% to 33%) per annum.

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>11 Investment Properties</b>		
Investment property	5,450,951,115	4,391,960,252
Capital work in progress	273,454,515	-
	<b>5,724,405,630</b>	4,391,960,252
<b>11.1 Movement during the year</b>		
<b>Opening balance</b>	<b>4,391,960,252</b>	3,359,281,174
Additions during the year	-	1,032,679,078
Revaluation gain	1,058,990,863	-
<b>Closing balance</b>	<b>5,450,951,115</b>	4,391,960,252

11.1.1 This represents revaluation gain as a result of revaluation of the investment properties held by the bank during the year 2020. However, the results of recognized revaluation gain were approved by the DAB during 2021 in accordance with letter number 1853/1226 dated 1400/02/09.

11.2 This represents advance payment to National Development Corporation, (a related party of the bank) against the construction work on investment property located in Dehmazang area of Kabul.

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>12 Other assets</b>		
Receivable from subsidiaries	34,107,962	25,223,959
Advance salaries	37,212,647	32,487,188
Prepaid expenses	11,441,747	18,387,133
Advance tax to MoF	672,656,749	686,180,692
Rent receivable against investment properties	46,044,544	33,497,082
Accrued interest on loans and advances - Conventional	182,420,411	180,271,835
Accrued profit on loans and advances - Islamic	14,433,823	1,792,169
Receivable against cash misappropriation	83,857,360	53,063,218
Security deposits with Pashtany Bank	40,000,000	40,000,000
Security deposit with Western union	12,510,600	9,252,000
Suspense advance	6,419,450	25,532,451
Receivable from sale of property	29,621,537	113,331,512
Other receivables	197,535,790	155,760,016
	<b>1,368,262,620</b>	1,374,779,254
Provision held against other assets	(276,212,748)	(36,645,604)
	<b>1,092,049,872</b>	1,338,133,650

12.1 This represents advances against municipality charges given to Afghan American Trading Company (100% owned Subsidiary of the bank).

12.2 This represents outstanding amount of advance income tax paid on 18 September 2019 to Ministry of Finance (MoF), based on approval of the BOS, which is adjustable against the future tax liabilities to MoF.

12.3 This includes interbranch accounts unreconciled by the amount of AFN 144,942 thousands (30 Qaws 1399 : AFN 117,065 thousands)

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	Note	21 December 2021	21 December 2020
		30 Qaws 1400 AFN	30 Qaws 1399 AFN
<b>12.4 Provision against other assets</b>			
Balance at the beginning of the year		36,645,604	111,550,203
<i>Charge for the year</i>			-
Receivable against cash misappropriation		45,388,561	-
Rent receivable against investment properties		29,757,449	-
Profit Receivables from RAK		37,531,800	-
Accrued interest on loans and advances to customers		95,444,603	-
Receivable from sale of property		29,621,537	-
		<u>237,743,950</u>	<u>-</u>
<i>Reversal during the year</i>			(73,616,082)
		<u>237,743,950</u>	<u>(73,616,082)</u>
<b>Net charge for the year</b>		<u>1,823,194</u>	<u>(1,288,516)</u>
Exchange rate difference		276,212,748	36,645,604
Balance at the end of the year		<u>276,212,748</u>	<u>36,645,604</u>

This represent provision charge for the year against Murabaha Deposit in RAK Bank - by Islamic Banking Window.

**13 Deposits from bank and customers**

*Local currency*

Conventional deposits	13.1	13,670,944,161	11,662,581,721
Islamic deposits	13.2	53,080,603	85,519,943
Margin against letter of guarantee	13.3	367,511,244	525,967,317
		<u>14,091,536,008</u>	<u>12,274,068,982</u>

*Foreign Currency*

Conventional deposits	13.1	21,163,949,503	19,423,508,774
Islamic deposits	13.2	385,762,702	321,631,586
Margin against letter of guarantee	13.3	34,703,466	410,622,650
		<u>21,584,415,672</u>	<u>20,155,763,009</u>

35,675,951,680      32,429,831,991

**13.1 Conventional deposits**

**Local currency**

Current deposits	9,529,385,951	8,130,949,396
Saving deposits	1,181,907,095	1,942,871,337
Term deposits	2,959,651,114	1,588,760,989
Total local currency	<u>13,670,944,161</u>	<u>11,662,581,721</u>

**Foreign currency**

Current deposits	12,011,854,688	11,156,364,443
Saving deposits	7,482,963,143	6,691,429,831
Term deposits	1,669,131,672	1,575,714,500
Total local currency	<u>21,163,949,503</u>	<u>19,423,508,774</u>
	<u>34,834,893,664</u>	<u>31,086,090,495</u>

**13.1.1** Saving deposits are interest free since 15 August 2021, (before 15 August 2021: Carrying interest ranging from 0.57% to 3.5%) (2020: 0.57% to 3.5%) per annum.

**13.1.2** Term Deposits are interest free since 15 August 2021, (before 15 August 2021: Carrying interest ranging from 0.57% to 4%) (2020: 0.57% to 4%) per annum.

**13.2 Islamic deposits**

**Local currency**

Current deposits	5,463,332	5,236,824
Saving deposits	22,963,691	26,586,478
Term deposits	24,653,580	53,696,641
	<u>53,080,603</u>	<u>85,519,943</u>

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**Foreign currency**

Current deposits  
 Saving deposits  
 Term deposits

13.2.1

<b>40,814,758</b>	14,747,018
<b>77,934,706</b>	50,641,384
<b>267,013,239</b>	256,243,184
<b>385,762,702</b>	321,631,586
<b>438,843,305</b>	407,151,529

**13.2.1** Saving deposits and term deposits under Islamic banking are not based on fixed rates arrangements, it is dependent upon actual earned profit or sustained loss, if any.

**13.3 Margin against letter of guarantee**

Foreign currency -Not Expired  
 Local Currency - Not Expired

<b>34,703,466</b>	410,622,650
<b>367,511,244</b>	525,967,317
<b>402,214,710</b>	936,589,967

**14 Current tax liabilities**

Balance at the beginning of the year  
 Tax deducted at source during the year  
 Charge for the year  
 Tax paid - current and prior years

<b>12,487,269</b>	95,240,230
<b>(12,487,269)</b>	(8,275,575)
-	33,994,185
-	(108,471,571)
-	12,487,269

**15 Lease liabilities**

Opening balance  
 Recognized on transition to IFRS 16  
 Lease rentals paid  
 Finance cost for the year

-	-
<b>50,433,737</b>	-
<b>(6,448,354)</b>	-
<b>2,521,687</b>	-
<b>46,507,069</b>	-

**16 Recognized deferred tax liabilities**

Surplus on revaluation of property and equipment  
 Investment in associate  
 Defined Contribution plan (Pension Scheme)  
 Investment property  
 Exchange translation reserve  
 Carry forward taxable losses

<b>198,061,876</b>	198,061,876
<b>(25,413,177)</b>	(56,466,043)
<b>(1,190,129)</b>	-
<b>754,517,790</b>	542,719,617
<b>11,948,200</b>	-
<b>(174,617,889)</b>	-
<b>763,306,670</b>	684,315,450

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**16.1 Movement in deferred tax liability / (asset) during the year**

	Opening Balance	Recognized in profit or loss	OCI	Closing Balance
	AFN	AFN	AFN	AFN
<b>As at 30 Qaws 1400 (20 December 2021)</b>				
Property and equipment - revalued amount	198,061,876	-	-	198,061,876
Investments:				
Afghan American Trading Co.	-	-	-	-
Pashtany Bank	(57,767,540)	(31,052,866)	-	(26,714,675)
Afghan National Insurance Company	1,301,498	-	-	1,301,498
Investment property	542,719,617	(211,798,173)	-	754,517,790
Defined Contribution plan	-	1,190,129	-	(1,190,129)
Exchange translation reserve	-	-	(11,948,200)	11,948,200
Carry forward taxable losses	-	174,617,889	-	(174,617,889)
	<u>684,315,450</u>	<u>(67,043,020)</u>	<u>(11,948,200)</u>	<u>763,306,670</u>
<b>As at 30 Qaws 1399 (20 December 2020)</b>				
Property and equipment - revalued amount	198,061,876	-	-	198,061,876
Investments:				
Afghan American Trading Co.	-	-	-	-
Pashtany Bank	(121,558,175)	(63,790,635)	-	(57,767,540)
Afghan National Insurance Company	-	(1,301,498)	-	1,301,498
Investment property	655,140,718	112,421,101	-	542,719,617
Defined Contribution plan	(41,584,393)	(41,584,393)	-	-
	<u>690,060,025</u>	<u>5,744,575</u>	<u>-</u>	<u>684,315,450</u>

**16.2 Details of Temporary differences**

	Accounting Base of Asset / Liability	Tax Base of Asset / Liability	Taxable / (Deductable) Temporary Difference	Deferred Tax (Asset) / Liability @20%
	AFN	AFN	AFN	AFN
<b>As at 30 Qaws 1400 (20 December 2021)</b>				
Property and equipment - revalued amount	1,140,093,440	149,784,061	990,309,379	198,061,876
Investments:				
Afghan American Trading Co.	229,361,000	229,361,000	-	-
Pashtany Bank	965,408,626	1,098,982,000	(133,573,374)	(26,714,675)
Afghan National Insurance Company	18,605,169	12,097,681	6,507,488	1,301,498
Ariana Afghan Airlines	142,756,663	142,756,663	-	-
Investment property	5,450,951,115	1,678,362,167	3,772,588,948	754,517,790
Defined Contribution plan	185,956,651	191,907,297	(5,950,646)	(1,190,129)
Exchange translation reserve	59,741,000	-	59,741,000	11,948,200
'Carry forward taxable losses	-	873,089,445	(873,089,445)	(174,617,889)
	<u>8,133,132,664</u>	<u>3,503,250,869</u>	<u>3,816,533,350</u>	<u>763,306,670</u>
<b>As at 30 Qaws 1399 (21 December 2020)</b>				
Property and equipment - revalued amount	1,140,093,440	149,784,061	990,309,379	198,061,876
Investments:				
Afghan American Trading Co.	169,620,000	169,620,000	-	-
Pashtany Bank	810,144,298	1,098,982,000	(288,837,702)	(57,767,540)
Afghan National Insurance Company	18,605,169	12,097,681	6,507,488	1,301,498
Ariana Afghan Airlines	142,756,663	142,756,663	-	-
Investment property	4,391,960,252	1,678,362,167	2,713,598,085	542,719,617
Defined Contribution plan	211,768,080	211,768,080	-	-
	<u>6,884,947,902</u>	<u>3,463,370,652</u>	<u>3,421,577,250</u>	<u>684,315,450</u>

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	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>17 Other liabilities</b>		
Accrued interest on deposits - conventional	2,444,820	9,285,747
Accrued profit on deposits - Islamic	5,538,972	3,706,978
Deferred income	18,808,190	25,646,906
Retention deposits	1,460,381	2,409,068
Security deposits on rented investment properties	27,557,366	28,410,653
Withholding tax payable	8,553,701	14,035,400
Dividend payable	69,099,563	69,215,268
Bills payable	15,703,879	11,620,582
Defined benefit plan (pension scheme)	185,956,651	211,768,080
Accrued expenses	33,064,178	26,940,585
Others	139,801,639	201,151,734
	<b>507,989,340</b>	<b>604,191,002</b>
<b>17.1 The movement in the defined benefit obligation</b>		
<i>Opening net liability</i>	211,768,081	207,921,966
Charge for the year	5,950,646	4,316,898
Employee contribution	5,950,646	6,028,891
Benefits paid during the year	(37,712,722)	(6,499,674)
<i>Closing net liability</i>	185,956,651	211,768,081
<b>18 Share capital</b>		
<b>18.1 Authorised</b>		
100,000 (2019: 100,000) ordinary shares of AFN 10,000 each	<b>1,000,000,000</b>	1,000,000,000
<b>18.2 Issued, Subscribed and Paid up Capital</b>		
100,000 (2019: 100,000) ordinary shares of AFN 10,000 each	<b>1,000,000,000</b>	1,000,000,000
<b>18.3</b> The issued shares are subscribed by the following parties:		
Ministry of Finance	967,508,023	967,508,023
Afghan Red Crescent	20,731,432	20,731,432
Pashtany Bank	11,343,832	11,343,832
Afghan Air Force Commander	370,412	370,412
Kabul Municipality	46,301	46,301
	<b>1,000,000,000</b>	1,000,000,000
<b>19 Contingencies and Commitments</b>		
<b>Letter of Gurantees</b>		
Off Balance sheet assets - AFN	367,511,244	525,967,317
Off Balance sheet assets - USD	34,703,466	410,622,650
	<b>402,214,710</b>	936,589,967
<b>Undrawn Overdraft facilities</b>		
Off Balance sheet assets - AFN	149,860,705	-
Off Balance sheet assets - USD	118,737,839	-
	<b>268,598,544</b>	-
	<b>670,813,254</b>	936,589,967

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**BANK-E-MILLIE AFGHAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED ON 30 Qaws 1400 (21 December 2021)**

	21 December 2021	21 December 2020
Note	30 Qaws 1400 AFN	30 Qaws 1399 AFN
<b>20 Interest income and expenses</b>		
Interest income		
Interest on cash and cash equivalents	75,843,996	312,018,877
Interest on loans and advances - conventional	348,423,188	372,853,396
Profit on loans and advances - Islamic	47,781,548	52,390,877
	<b>472,048,732</b>	737,263,149
Interest expense		
Interest on deposits - conventional	4,874,255	39,858,119
Profit to Murabaha customers - Islamic	12,874,770	11,546,097
	<b>17,749,025</b>	51,404,217
Net interest income	<b>454,299,707</b>	685,858,932
<b>21 Commission income and expenses</b>		
Fee and commission income		
Commission income	120,805,195	170,751,110
Customer account service charges	18,084,977	19,699,425
Loan processing fee	10,279,354	16,868,088
Fund transfer fee	-	41,202
	<b>149,169,526</b>	207,359,825
Fee and commission expense		
Funds transfers	1,017,772	1,258,368
Inter bank transaction fee	1,604,031	1,412,004
Others	63,300	73,300
	<b>2,685,103</b>	2,743,672
Net fee and commission income	<b>146,484,423</b>	204,616,153
<b>22 Other operating income</b>		
Rental income	78,712,299	91,050,303
Bad debts recovered	24,950,840	51,179,545
Others	4,378	33,863,839
	<b>103,667,517</b>	176,093,687
<b>23 Personnel expenses</b>		
Salaries and benefits	247,100,943	244,290,460
Bonus	39,319,409	53,097,571
Charge for the retirement benefits	5,950,646	4,316,898
Training expenses	7,692,906	1,552,524
	<b>300,063,904</b>	303,257,453
<b>24 Other expenses</b>		
Advertising and publicity	2,987,513	6,564,941
Repairs and maintenance	41,456,151	25,263,176
Postage and telegram	50,662	82,124
Deposits insurance expense	71,464,076	69,427,136
Utility charges	11,544,744	11,874,476
Rent	13,227,740	19,074,434
Fuel expenses	4,655,405	4,786,814
Printing and stationery	7,943,897	7,503,324
Travelling	4,368,709	4,220,501
Telephone and communication	19,375,091	18,747,970
Security charges	41,025,109	56,269,352
Audit fee	7,445,392	6,749,150
Penalties imposed by DAB	1,707,000	1,000,500
Legal and professional fees	16,031,725	-
Others	224,419,747	32,902,825
	<b>467,702,960</b>	264,466,723

Net

**BANK-E-MILLIE AFGHAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- 24.1** This represents repairs and maintenance cost on investment properties, software's, office equipment's, furniture, vehicles and other miscellaneous items of the bank.
- 24.2** This represents accrual for external auditor fees and DAB supervision fee for the year 1399/1400.
- 24.3** This represents legal fee paid in respect of the legal actions on recovery of the defaulted placements with RAK bank and provisions for IT and AML/CFT audit.
- 24.4** This includes write offs of the interest accrued on inactive loans, unreconciled interbank accounts and other receivables, outstanding since long appearing in other assets of the bank amounting to AFN 206,600 thousands, based on management approval.

**25 Taxation**

Current tax	25.1	-	33,994,185
Deferred tax	16.1	<b>67,043,020</b>	(5,744,575)
		<b>67,043,020</b>	<b>28,249,610</b>

**25.1 Reconciliation of effective tax rate**

Profit before taxation	25.2	<b>1,207,299,028</b>	150,807,742
Adjustments for tax (disallowances) / allowances		<b>(2,080,388,472)</b>	(46,993,510)
(Loss for the year - Carried forward) / Taxable Income		<b>(873,089,445)</b>	103,814,232
Current tax expense @ 20%		-	20,762,846
Prior year tax adjustment		-	13,231,339
Prior years tax and penalties		-	-
Current year tax charge		-	<b>33,994,185</b>

**25.2 Adjustment for Tax**

**Items to be deducted**

Retirement benefit paid	<b>(31,762,076)</b>	(6,499,674)
Share in profit of associate	<b>(155,264,328)</b>	(74,129,074)
Gain on revaluation of investment properties	<b>(1,058,990,863)</b>	-
Extra tax paid to MOF	-	(31,925,808)
Dividend Paid	<b>(500,000,000)</b>	-
Unrealized loss/gain in FX	<b>(447,662,365)</b>	7,146,077
	<b>(2,193,679,633)</b>	(105,408,479)

**Items to be added back**

DAB penalties	<b>1,707,000</b>	1,000,500
Other write offs	<b>103,111,827</b>	-
Finance cost on lease liabilities	<b>2,521,687</b>	-
Bonus	-	53,097,571
Provision for retirement benefit	<b>5,950,646</b>	4,316,898
	<b>113,291,160</b>	58,414,969
	<b>(2,080,388,472)</b>	(46,993,510)

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**26 Related parties**

The Bank has a related party relationship with its shareholders, subsidiaries and associated companies, directors and key management personnel. Details is as follows:

<b>Shareholders (percentage)</b>		
Ministry of Finance	%	<b>96.75%</b>
Afghan Red Crescent	%	2.07%
Pashtany Bank	%	1.13%
Afghan Air Force	%	0.04%
Kabul Municipality	%	0.00%
		<u><b>100%</b></u>

<b>Shareholders (Amount in AFN)</b>		
Ministry of Finance	<b>967,508,023</b>	967,508,023
Afghan Red Crescent	<b>20,731,432</b>	20,731,432
Pashtany Bank	<b>11,343,832</b>	11,343,832
Afghan Air Force Commander	<b>370,411</b>	370,411
Kabul Municipality	<b>46,301</b>	46,301
	<u><b>1,000,000,000</b></u>	<u>1,000,000,000</u>

<b>Subsidiaries and associated companies</b>	<b>Country of Incorporation</b>	<b>Ownership Percentage</b>
Afghan American Trading Co. Inc.	USA	100%
Pashtany Bank	Afghanistan	28.77%
Afghan National Insurance Company	Afghanistan	7.66%
Ariana Afghan Airlines Company	Afghanistan	6.25%

**26.1 Transactions with related parties**

The Bank had transactions with following related parties at mutually agreed terms during the year:

**Supervisors and key management personnel:**

Basic salary	<b>28,469,522</b>	28,469,522
Bonus paid during the year	<b>8,231,829</b>	8,231,829
	<u><b>36,701,351</b></u>	<u>36,701,351</u>

In addition to salaries, the Bank also provides non-cash benefits to supervisors and key management personnel, and contributes to a post-employment defined benefit plan for them. The terms of the plan are same as for all employees as described in note 4.18.

**Associates:**

Pashtany Bank	<b>965,408,626</b>	772,859,708.72
Afghan National Insurance Company	<b>18,605,169</b>	18,605,169
Ariana Afghan Airlines	<b>142,756,663</b>	-
Edahdia Mazar Sharif	<b>30,150</b>	-
Sherkat Saderat Pakhta Herat	<b>844,289</b>	-
Sherkat pashmena Bafi Qandahar	<b>15,944</b>	-
Sherkat Yakhsazi Herat	<b>7,076</b>	-
Sherkat Teel Kashi Herat	<b>4,794</b>	-

**Subsidiaries:**

Afghan American Trading Company	<b>229,361,000</b>	169,620,000
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**Shareholders:**

Dividend announced during the year	<b>500,000,000</b>	-
NIDC -Payments owned by MoF	<b>273,454,515</b>	-

**26.2 Balances with related parties:**

With Pashtany Bank	<b>1,005,805,711</b>	850,462,147
Afghan National Insurance Company	<b>18,605,169</b>	18,605,169
Afghan American Inc.	<b>229,361,000</b>	169,620,000
Ariana Afghan Airlines	<b>142,756,663</b>	142,756,663

MoF

**27 Segmental information** (for operating segments)

**Statement of Profit or Loss** (30 Qaws 1400)

	Conventional	Islamic	Total
Interest / profit income	345,830,825	126,217,907	472,048,732
Interest / profit expense	(5,996,753)	(11,752,272)	(17,749,025)
Fee and commission income	148,932,222	237,304	149,169,526
Fee and commission expense	(2,672,772)	(12,331)	(2,685,103)
Exchange (gain) / loss	506,500,974	9,724,140	516,225,113
Gain on revaluation of investment properties	-	1,058,990,863	1,058,990,863
Other income	103,391,577	275,940	103,667,517
Personnel expenses	(276,691,022)	(23,372,882)	(300,063,904)
Depreciation	(33,278,229)	(606,930)	(33,885,159)
Amortization	(3,700,832)	-	(3,700,832)
Other expenses	(437,731,845)	(29,971,115)	(467,702,960)
Impairment (reversal) /loss on loans and advances	(37,575,365)	(59,869,735)	(97,445,100)
Impairment of other assets	(207,986,501)	(29,757,449)	(237,743,950)
Impairment of Short Term Investment	1,994,946	(86,564,278)	(84,569,332)
Finance cost on lease liability	(2,521,687)	-	(2,521,687)
Operating Profit	98,495,538	953,539,162	1,052,034,700
Impairment (loss) / gain on investment	-	-	-
Share in profit of associate	150,849,345	4,414,983	155,264,328
<b>Profit before taxation</b>	<b>249,344,883</b>	<b>975,032,155</b>	<b>1,207,299,028</b>
Taxation	144,755,153	(211,798,173)	(67,043,020)
<b>Profit after taxation</b>	<b>394,100,036</b>	<b>763,233,983</b>	<b>1,140,256,008</b>

**Statement of Financial Position** (30 Qaws 1400)

**Assets**

Cash and cash equivalents	25,824,812,877	259,032,878	26,083,845,755
Short-term investments	5,527,175,268	-	5,527,175,268
Loans and advances to customers - net	4,133,808,564	722,794,087	4,856,602,651
Long term investments	1,356,131,458	902,252	1,357,033,710
Property and equipment	1,265,272,509	2,708,572	1,267,981,081
Intangible assets	7,769,196	-	7,769,196
Investment properties	252,315,015	5,472,090,615	5,724,405,630
Other assets	700,651,435	391,398,437	1,092,049,872
<b>Total assets</b>	<b>39,067,936,320</b>	<b>6,848,926,841</b>	<b>45,916,863,162</b>

**Liabilities**

Deposits from bank and customers	34,248,815,156	1,427,136,524	35,675,951,680
Current tax liability	(20,042,167)	20,042,167	-
	46,507,069	-	46,507,069
Deferred tax liability - net	(51,107,174)	814,413,843	763,306,670
Other liabilities	174,447,719	333,541,621	507,989,340
<b>Total liabilities</b>	<b>34,398,620,603</b>	<b>2,595,134,156</b>	<b>36,993,754,759</b>

**Represented by:**

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	3,432,704,229	3,607,207,344	7,039,911,573
Surplus on revaluations - net	146,564,414	645,683,089	792,247,503
Exchange translation reserves	82,105,824	-	82,105,824
General reserve	7,941,250	902,252	8,843,502
	4,669,315,717	4,253,792,685	8,923,108,402
	<b>39,067,936,320</b>	<b>6,848,926,841</b>	<b>45,916,863,161</b>

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**BANK-E-MILLIE AFGHAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED ON 30 Qaws 1400 (21 December 2021)**

**27.1 Statement of Profit or Loss (30 Qaws 1399)**

Interest / profit income	684,886,403	52,390,877	737,277,280
Interest / profit expense	(39,858,120)	(11,546,097)	(51,404,217)
Fee and commission income	173,541,044	33,804,650	207,345,694
Fee and commission expense	(2,743,672)	-	(2,743,672)
Income from trading in foreign currencies	(14,946,562)	9,177,264	(5,769,298)
Exchange (gain) / loss	-	-	-
Other income	76,905,319	99,188,368	176,093,687
Personnel expenses	(278,142,476)	(25,114,977)	(303,257,453)
Depreciation	(21,482,479)	(438,775)	(21,921,254)
Amortization	(5,297,970)	-	(5,297,970)
Other expenses	(226,046,597)	(38,420,126)	(264,466,723)
Impairment (reversal) /loss on loans and advances	(183,446,753)	(36,110,653)	(219,557,406)
Impairment loss on other assets	(169,619,999)	-	(169,619,999)
Operating Profit	(6,251,861)	82,930,531	76,678,669
Impairment (loss) / gain on investment	-	-	-
Share in loss of associate	-	-	-
<b>Profit before taxation</b>	<b>67,877,213</b>	<b>82,930,531</b>	<b>150,807,743</b>
Taxation	22,367,216	12,193,621	(28,249,610)
<b>Profit after taxation</b>	<b>90,244,429</b>	<b>95,124,151</b>	<b>122,558,133</b>

**Statement of Profit or Loss (30 Qaws 1399)****Assets**

Cash and bank balances	14,043,963,952	584,788,677	14,628,752,629
Long term Murabaha Deposit	14,581,410,558	149,714,613	14,731,125,171
Loans and advances to customers	3,702,980,245	785,018,591	4,487,998,836
Investments	1,141,126,130	-	1,141,126,130
Property and equipment	1,233,492,837	1,418,011	1,234,910,848
Intangible assets	10,975,538	-	10,975,538
Investment properties	1,032,679,078	3,359,281,174	4,391,960,252
Other assets	1,260,514,954	77,618,696	1,338,133,650
Total assets	<b>37,007,143,292</b>	<b>4,957,839,762</b>	<b>41,964,983,054</b>

**Liabilities**

Deposits from banks and customers	31,864,157,543	565,674,448	32,429,831,991
Current tax liabilities	12,487,269	-	12,487,269
Deferred tax liabilities	81,699,779	602,615,671	684,315,450
Other liabilities	540,619,844	63,571,157	604,191,002
Total liabilities	<b>32,498,964,436</b>	<b>1,231,861,276</b>	<b>33,730,825,712</b>

**Represented by:**

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	3,627,434,987	2,772,220,578	6,399,655,565
Surplus on revaluation of property	146,564,414	645,683,089	792,247,503
Exchange translation reserve	34,313,024	-	34,313,024
General reserve	7,941,250	-	7,941,250
	<b>4,816,253,675</b>	<b>3,417,903,667</b>	<b>8,234,157,342</b>
	<b>37,315,218,111</b>	<b>4,649,764,943</b>	<b>41,964,983,054</b>

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**28 Financial assets and liabilities****Accounting classifications and fair values**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurements where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

Accounting classifications and fair values	Note	Designated at Fair Value	Available for sale	Held to maturity	Loans and receivables	Amount in Afn			Fair value
						Others	Amortized cost	Total carrying amount	
<b>30 Qaws 1400 (2021)</b>									
Cash and cash equivalents	5	-	-	-	-	26,083,845,755	26,083,845,755	26,083,845,755	
Short-term investments	6	-	-	-	-	5,527,175,268	5,527,175,268	5,527,175,268	
Loans and advances	7	-	-	-	4,856,602,651	4,856,602,651	4,856,602,651	4,856,602,651	
Long term investments	8	-	-	-	-	1,357,033,710	1,357,033,710	1,357,033,710	
Other assets	12	-	-	-	4,856,602,651	1,092,049,872	1,092,049,872	1,092,049,872	
						34,060,104,605	38,916,707,256	38,916,707,256	
Deposits		-	-	-	-	35,675,951,680	35,675,951,680	35,675,951,680	
Other liabilities		-	-	-	-	322,032,689	322,032,689	322,032,689	
						35,997,984,369	35,997,984,369	35,997,984,369	
<b>30 Qaws 1399 (2020)</b>									
Cash and bank balances	5	-	-	-	-	14,628,752,629	14,628,752,629	14,628,752,629	
Short-term investments	6	-	-	-	4,487,998,836	14,731,125,171	14,731,125,171	14,731,125,171	
Loans and advances	7	-	-	-	-	1,141,126,130	1,141,126,130	1,141,126,130	
Long term investments	8	-	-	-	-	1,338,133,650	1,338,133,650	1,338,133,650	
Other assets	12	-	-	-	4,487,998,836	31,839,137,580	36,327,136,416	36,327,136,416	
Deposits	12	-	-	-	-	32,429,831,991	32,429,831,991	32,429,831,991	
Other liabilities	15	-	-	-	-	392,422,921	392,422,921	392,422,921	
						32,822,254,912	32,822,254,912	32,822,254,912	

The carrying amounts approximate their fair values as mostly the assets and liabilities have short maturities and are expected to be recovered/settled at their carrying amounts.

**Financial risk management****Introduction and overview**

As disclosed in Note 2.2 "Mandatory Departure" it has been disclosed that bank has not adopted the implications of IFRS 09 "Financial Instruments", and further the ACPR was also deferred from 1 June 2021 to thus bank disclosed the exposure to the following risks from its use of financial instruments on the basis of prior implications.

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

The note from note no 14 to 38 presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

**Risk management framework**

The Board of Supervisors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board of Management comprised of Heads of Departments, which are responsible for developing and monitoring the Bank's risk management policies. Board of Management report regularly to the Board of Supervisors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**a) 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 loans and advances to customers, other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

**Management of credit risk**

The Board of Management has delegated responsibility for the management of credit risk to the Bank's credit department. Head of credit department reports to the Board of Management and Credit Department is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. Bank's Credit department assesses all credit exposures in excess of designated limits. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, for loans and advances.
- Developing and maintaining the Bank's risk gradings in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Management Board.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit related matters to local management and the Bank's Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit.

**Maximum gross exposure to credit risk before collateral held or other credit enhancements**

**Credit risk exposure relating to on-balance sheet assets are as follows:**

- Cash and cash equivalents
- Short-term investments
- Loans and advances
- Other assets

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
Cash and cash equivalents	3,298,014,620	3,285,445,369
Short-term investments	1,032,791,991	7,889,241,824
Loans and advances	4,856,602,651	4,487,998,836
Other assets	684,164,124	578,494,025
	<u>9,871,573,386</u>	<u>32,309,065,191</u>
	<b>402,214,710</b>	<b>936,589,967</b>

**Credit risk exposure relating to off-balance sheet assets are as follows:**

- Contingencies and Commitments

The above table represents credit exposures of the Bank at 20 December 2020 and 21 December 2019, 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.

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

**The percentage of the maximum credit exposure in balances with cash and bank balances, Loans and advances to customers and other assets are as follows:**

- Cash and cash equivalents
- Short-term investments
- Loans and advances
- Other assets

MoA

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
Cash and cash equivalents	33%	33%
Short-term investments	10%	80%
Loans and advances	49%	45%
Other assets	7%	6%

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

**Allowances for impairment**

The Bank establishes an allowance for impairment losses that represents the Bank's estimate of incurred losses on loan portfolio. The main component of this allowance is a specific loss component that relates to individually significant exposures, and a collective allowance for impairment established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

**Loan Grading**

All loans are classified into one of the five classification grades mentioned below for minimum provisioning amounts.

	All other Loans		Microfinance & Small Loans	
	Days past due	Percentage %	Days past due	Percentage %
Standard	1 - 30 Days	1%	0-30 Days	1%
Watch	31 - 60 Days	5%	31 - 60 Days	5%
Substandard	61 - 120 Days	25%	61 - 90 Days	25%
Doubtful	121 - 480 Days	50%	91 - 180 Days	50%
Loss	481 or past due dates	100%	181 or above	100%

**Write-off policy**

The Bank recognized 100% provision on loans after 480 days and keeping these on books of account for additional 06 months after expiry of additional 06 months these loans would be written off as per Da Afghanistan bank regulations. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

**Concentration of credit risks by sector**

All the loans have been disbursed in geographical territory of Afghanistan. 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:

Concentration by sector - Carrying amount	21 December 2021		21 December 2020	
	30 Qaws 1400 AFN	AFN	30 Qaws 1399 AFN	AFN
Alcohol	4,855,602,651	4,487,998,836		
Vegetable ghee and cooking oil	633,893,819	763,066,000		
Manufacturer	964,097,540	862,176,211		
Pharmaceuticals	429,720,303	503,936,211		
Fuel suppliers	700,308,788	665,139,000		
Food	42,709,952	32,474,918		
Construction	987,240,961	870,633,329		
Automobile	77,277,669	78,297,000		
Trading	168,624,721	153,426,706		
Others	872,543,107	558,849,462		
<b>Concentration by sector - Gross amount</b>	<b>4,876,416,859</b>	<b>4,487,998,836</b>		

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**b) 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 of Supervisors 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. Management Board is entrusted with the responsibility of managing the mismatch in maturities to ensure availability of sufficient cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

Finance Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally have shorter maturities and large portion is repayable on demand.

**Exposure to liquidity risk**  
The key measures used by the Bank to measure the liquidity risk includes the Broad Liquidity Ratio (calculated as a percentage of Liquid Assets to Attracted Funds and designated off-balance sheet liabilities). Liquid assets include cash in vault, balances with DAB, demand and time deposits with banks. Attracted funds include demand and time liabilities including customers' deposits. Designated off-balance sheet liabilities include Letters of Guarantee) and Quick Liquidity Ratio (calculated as a percentage of highly liquid assets to volatile liabilities). Highly liquid assets includes cash in vault, current account with DAB and demand deposits with banks. Volatile liabilities represent demand deposits from banks and other financial institutions). Liquidity risk and details are presented below:

Maturity analysis for financial liabilities	Note	Carrying amount	Gross nominal outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Broad Liquidity Ratio	
									21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>30 Qaws 1400 (2021)</b>										
On balance sheet exposures:	13	35,675,951,680	(35,675,951,680)	21,989,905,361	8,765,596,714	4,920,449,605	-	-	92.46%	92.5%
Deposits from banks and Customers	17	507,989,340	(507,989,340)	507,989,340	-	4,920,449,605	-	-	84.12%	84%
Other liabilities		36,183,941,020	(36,183,941,020)	22,497,894,702	-	-	-	-	95.27%	95.3%
Off balance sheet exposures:	19	402,214,710	(402,214,710)	22,497,894,702	-	(402,214,710)	-	-	87.72%	87.72%
Letters of guarantees		36,586,155,730	(36,586,155,730)	-	-	4,518,234,895	-	-	-	-
<b>30 Qaws 1399 (2020)</b>										
On balance sheet exposures:	13	32,429,831,991	(32,429,831,991)	20,243,887,648	-	8,711,529,030	3,474,415,313	-	-	-
Deposits from banks and Customers	17	604,191,002	(604,191,002)	604,191,002	-	8,711,529,030	-	-	-	-
Other liabilities		33,034,022,993	(33,034,022,993)	19,639,696,646	-	-	3,474,415,313	-	-	-
Off balance sheet exposures:	19	936,589,967	(936,589,967)	19,639,696,646	-	9,648,118,997	3,474,415,313	-	-	-
Letters of guarantees		33,970,612,960	(33,970,612,960)	-	-	-	-	-	-	-

AFN

Maturity analysis for financial Assets	Note	Carrying amount	Gross nominal outflow	Amount in AFN					
				Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	
<b>30 Qaws 1400 (2021)</b>									
Cash and cash equivalents	5	26,083,845,755	(26,083,845,755)	23,457,532,942	-	-	-	-	-
Short-term investments	6	5,527,175,268	(5,527,175,268)	577,097,561	1,663,326,141	3,297,179,701	-	4,856,602,651	1,357,033,710
Loans and advances	7	4,856,602,651	(4,856,602,651)	-	-	-	-	-	-
Long term investments	8	1,357,033,710	(1,357,033,710)	-	-	-	-	1,092,049,872	-
Other assets	12	1,092,049,872	(1,092,049,872)	24,034,630,504	1,663,326,141	3,297,179,701	-	8,574,965,335	1,357,033,710
		<b>38,916,707,256</b>	<b>(38,916,707,256)</b>						
<b>30 Qaws 1399 (2020)</b>									
Cash and bank balances	5	32,429,831,991	(32,429,831,991)	20,243,887,648	-	8,711,529,030	-	3,474,415,313	-
Short-term investments	6	604,191,002	(604,191,002)	(604,191,002)	-	8,711,529,030	-	3,474,415,313	-
Loans and advances	7	33,034,022,993	(33,034,022,993)	19,639,696,646	-	-	-	-	-
Long term investments	8	-	-	-	-	-	-	-	-
Other Assets	12	936,589,967	(936,589,967)	19,639,696,646	-	9,648,118,997	-	3,474,415,313	-
		<b>33,970,612,960</b>	<b>(33,970,612,960)</b>						

**c) 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within 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 Management Board.

**Exposure to interest rate risk**

The Bank's 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 is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Management Board is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. Overall non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks, deposits from banks to manage the overall position arising from the Bank's non-trading activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

Exposure to interest rate risk	Interest rates % (Pa)	Interest Bearing					Non-interest bearing Total	Gross Total
		Less than 3 months	3-6 months	6-12 months	1-5 years	Total		
<b>30 Qaws 1400 (2021)</b>								
Financial assets	0%	-	-	-	-	-	-	26,083,845,755
Cash and cash equivalents	0.1%	577,097,561	1,663,326,141	3,297,179,701	-	5,527,175,268	-	5,527,175,268
Short-term investments	5%-15%	-	-	-	-	-	-	1,357,033,710
Loans and advances	0%	-	-	-	-	-	-	1,092,049,872
Long term investments	0%	-	-	-	-	-	-	34,060,104,605
Other assets	0%	577,097,561	1,663,326,141	3,297,179,701	-	5,527,175,268	-	577,097,561
Financial liabilities	0.5%-4%	-	8,765,596,714	4,920,449,605	-	13,686,046,319	21,989,905,361	35,675,951,680
Deposits	0%	-	8,765,596,714	4,920,449,605	-	13,686,046,319	507,989,340	507,989,340
Others Liabilities	0%	-	-	-	-	-	-	22,497,894,702
On balance sheet sensitivity gap		577,097,561	(7,102,270,573)	(1,623,269,904)	-	(8,158,871,051)	6,035,034,635	(2,123,836,415)

Mod

**30 Qaws 1399 (2020)**

Financial Assets									
Cash and cash equivalents	0%	-	-	-	-	-	-	-	-
Short-term investments	0.34%-4.98%	2,427,256,751	2,853,598,557	6,551,266,651	2,899,003,211	14,731,125,171	14,628,752,629	14,731,125,171	-
Loans and advances	5%-15%	-	-	-	-	-	-	1,141,126,130	1,141,126,130
Long term investments	0%	-	-	-	-	-	-	1,338,133,650	1,338,133,650
Other assets	0%	2,427,256,751	2,853,598,557	6,551,266,651	2,899,003,211	14,731,125,171	17,108,012,409	31,839,137,580	-

**Financial liabilities**  
**Deposits**  
**Others Liabilities**

	0.5%-4%	8,711,529,030	2,703,415,313	-	-	11,414,944,344	-	604,191,002	11,414,944,344
	0%	8,711,529,030	2,703,415,313	-	-	11,414,944,344	-	604,191,002	604,191,002
		(6,284,272,279)	150,183,244	6,551,266,651	2,899,003,211	3,316,180,827	16,503,821,407	12,019,135,345	19,820,002,235

On balance sheet sensitivity gape

**Exposure to currency risk**

The Bank's exposure to foreign currency risk is as follow, based on notional amounts.

**Exposure to currency risk****30 Qaws 1400 (2021)**

	Note	Total	AFN	EUR	USD	GBP	Other
<b>Assets</b>							
Cash and bank balances		26,083,845,755	5,948,648,656	282,893,100	19,585,962,447	241,113,449	25,228,096
Short-term investments		5,527,175,268	4,494,383,277	30,047,873	1,043,220,114	-	13
Loans and advances		4,856,602,651	2,370,447,173	1,127,672,710	2,475,971,813	229,361,000	488,415
Long term investments		1,357,033,710	1,127,672,710	914,242,360	189,806,365	241,113,449	25,716,524
Other assets		1,092,049,872	14,855,394,176	312,940,973	23,524,271,739	31,902,868	(735,338)
		38,916,707,256	14,091,536,009	219,837,160	21,332,598,345	31,902,868	(735,338)
		35,675,951,680	62,185,910	10,104,428	231,410,289	31,902,760	-658,039
		322,032,689	14,153,721,918	229,941,588	21,564,008,635	209,210,689	26,374,563
		35,997,984,369	701,672,257	82,999,385	1,960,263,105	-	-
<b>Liabilities</b>							
Deposits from banks and Customers		2,918,722,886	14,091,536,009	219,837,160	21,332,598,345	31,902,868	(735,338)
Other liabilities		35,997,984,369	14,153,721,918	229,941,588	21,564,008,635	209,210,689	26,374,563
		2,918,722,886	14,091,536,009	219,837,160	21,332,598,345	31,902,868	(735,338)
		35,997,984,369	14,153,721,918	229,941,588	21,564,008,635	209,210,689	26,374,563
		35,997,984,369	14,153,721,918	229,941,588	21,564,008,635	209,210,689	26,374,563

Net currency exposure

**30 Qaws 1399 (2020)**

Assets							
Cash and bank balances		14,628,752,629	3,198,122,459	558,935,368	10,651,064,866	197,149,265	23,480,669
Short-term investments		14,731,125,171	6,841,883,347	3,645,122	7,885,596,702	-	13
Loans and advances to customers		4,487,998,836	2,902,601,590	32,787,603	1,552,609,643	-	-
Long term investments		1,141,126,130	971,506,130	-	169,620,000	-	-
Other assets - Gross		1,338,133,650	1,338,133,650	595,368,093	20,258,891,211	197,149,265	23,480,682
		36,327,136,416	13,914,113,527	595,368,093	20,258,891,211	197,149,265	23,480,682
		32,429,831,991	12,274,068,982	521,704,230	19,604,690,234	28,880,394	488,151
		392,422,921	392,422,921	-	-	-	-
		32,822,254,912	12,666,491,903	521,704,230	19,604,690,234	28,880,394	488,151
		3,504,881,504	1,247,621,624	73,663,863	654,200,977	168,268,871	22,992,531

Net foreign currency exposure

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**Sensitivity analysis**

A 10% increase in the exchange rates of USD, GBP, PKR and EUR at year end would have increased (decreased) 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.

The following significant exchange rates were applied during the periods:

	21 December 2021		21 December 2020	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	104.26	106.00	77.10	77.70
GBP	127.75	130.15	102.88	105.28
PKR	0.54	0.56	0.48	0.51
EUR	112.60	114.40	93.72	95.52

A 10% decrease in the exchange rates of USD, GBP, PKR and EUR at year end would have had the equal but opposite effect on the above currencies, on the basis that all other variables remain constant.

**d) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Head of Departments. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

Compliance with the Bank standards is supported by a programmed of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and Chief Executive Officer of the Bank.

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## 29 Capital management

### Regulatory capital

DAB sets and monitors capital requirements for the Bank. The Bank is required to maintain at all times the paid up capital plus reserves in excess of Afs 1,000 million and regulatory capital to be 12% of the risk weighted assets. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

	21 December 2021 30 Qaws 1400 AFN	21 December 2020 30 Qaws 1399 AFN
<b>Tier 1 capital</b>		
Total equity	8,923,108,402	8,234,157,342
Less: Current year profit	(1,140,256,008)	(122,558,133)
Less: Surplus on revaluation of property and equipment - net	(792,247,503)	(792,247,503)
Less: Exchange translation reserve	(82,105,824)	(34,313,024)
Less: Intangible assets	(7,769,196)	(10,975,538)
Total Tier 1	<b>6,900,729,871</b>	7,274,063,144
<b>Tier 2 capital</b>		
Profit for the year	1,140,256,008	122,558,133
Surplus on revaluation of property and equipment - net	792,247,503	792,247,503
Exchange translation reserve	82,105,824	34,313,024
General loss reserves on credits Allowable Portion	22,066,473	2,795,454
Allowable deduction-equity investment	(1,357,033,710)	(1,141,126,130)
Total Tier 2	<b>679,642,098</b>	(189,212,016)
Total regulatory capital ( Tier 1 + Tier 2)	<b>7,580,371,970</b>	7,084,851,128
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	793,010,652	1,343,805,486
DAB Capital notes	4,494,383,277	6,759,073,074
Direct claims on DAB	21,960,111,319	9,999,501,774
Precious metals and precious stones	32,709,164	-
	<b>27,280,214,412</b>	18,102,380,334
0% risk-weight total (above total x 0%)	-	-
<b>20% risk weight:</b>		
Balances with other banks	4,539,916,125	11,167,641,672
20% risk-weight total (above total x 20%)	<b>907,983,225</b>	2,233,528,334
	<b>2021</b>	<b>2020</b>
	<b>30 Qaws 1400</b>	<b>30 Qaws 1399</b>
<b>50% risk weight:</b>		
Balances with other banks	-	-
50% risk-weight total (above total x 50%)	-	-
<b>100% risk weight:</b>		
All other assets	15,258,698,527	13,330,251,311
Less: intangible assets	(7,769,196)	(10,975,538)
Allowable deduction-equity investment	(1,357,033,710)	(1,141,126,130)
	<b>13,893,895,621</b>	12,178,149,643
100% risk-weight total (above total x 100%)	<b>13,893,895,621</b>	12,178,149,643
<b>0% risk weight:</b>		
Guarantees	402,214,710	936,589,967
Undrawn overdraft facilities	268,598,544	-
	<b>670,813,254</b>	<b>936,589,967</b>
0% credit conversion factor total (risk-weighted total x 0%)	-	-
<b>Total risk-weighted assets</b>	<b>14,801,878,846</b>	<b>14,411,677,978</b>
<b>Tier 1 Capital Ratio</b> (Tier 1 capital as % of total risk-weighted assets)	<b>47%</b>	<b>50%</b>
<b>Regulatory Capital Ratio</b> (Regulatory capital as % of total risk-weighted assets)	<b>51%</b>	<b>49%</b>

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**30 Reclassifications**

Corresponding figures have been re-arranged and re-classified where necessary for more appropriate presentation of transactions and events for the purpose of comparison.

**31 General**

The amounts have been rounded off to nearest AFN.

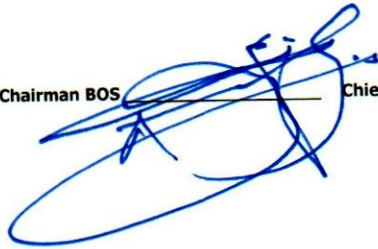
**32 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Supervisors of the Bank-e-Mille Afghan on

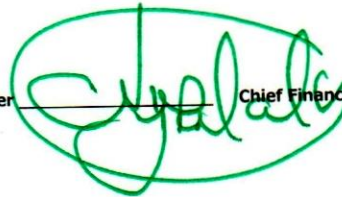
31-March 2022

Mal

Chairman BOS



Chief Executive Officer



Chief Financial Officer

