

Audited Financial Statements

for Bank-e-Millie Afghan

(For the year ended December 20, 2020)

MGI ILYAS SAEED CHARTERED ACCOUNTANTS

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Date: March 14, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank-e-Millie Afghan

Opinion

We have audited the financial statements of **Bank-e-Millie Afghan - BMA (the Bank)**, which comprise the statement of financial position as at December 20, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 20, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan along with Laws and Regulations issued by Da Afghanistan Bank (DAB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters. We have determined one Key Audit Matter to communicate in our report.



Key Audit Matter	How the matter was addressed
<p>The bank invested in a wholly owned subsidiary "Afghan American Trading Co. Inc. (AATC) which is carried in the books at a cost of USD 2.2 million (AFN 169.620 million). The bank has not prepared consolidated financial statements in respect of its above subsidiary as required under <i>IFRS 10 Consolidated Financial Statements</i> due to lack of financial information relating to its subsidiary.</p>	<p>Due to non-availability of audited financial statements since the time of investment, management has adopted the equity method of accounting. The equity method does not allow line by line addition of financial statements instead it accounts for the investment as an asset which is adjusted with the profit or loss from the investment.</p>

Other matters

Due to the persistently prevailing economic and security situation of the country, there has been significant decline witnessed in the market values of the immovable properties for the last couple of years. Being out of scope we have not assessed the market values of the immovable properties held as collateral against loans and advances to borrowers.

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

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting as described in Note 2 to the financial statements 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 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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

mgiDSCA

Muhammad Abdul Basit – ACA, CIA, CISA & APRM

Engagement Partner - Ilyas Saeed Chartered Accountants
KABUL, AFGHANISTAN.

Dated:

MGI ILYAS SAEED
Chartered Accountants

17 MAR 2021

Audit - Tax - Advisory

Bank-e-Millie Afghan
Statement of Financial Position
As at 20 December 2020 (30-Qaws-1399)

Amounts in AFN

	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
Assets			
Cash and bank balances	5	14,628,752,629	15,455,529,761
Short-term investments	6	14,731,125,171	15,175,779,235
Loans and advances to customers - net	7	4,487,998,836	4,038,539,141
Long term investments	8	1,141,126,130	1,069,857,056
Property and equipment	9	1,234,910,848	1,204,258,141
Intangible assets	10	10,975,538	6,317,321
Investment properties	11	4,391,960,252	3,359,281,174
Non-current assets Held for Sale		-	7,017,349
Other assets	12	1,338,133,650	1,444,690,496
Total assets		41,964,983,054	41,761,269,674
Liabilities			
Deposits from bank and customers	13	32,429,831,991	32,337,422,738
Current tax liability	14	12,487,269	95,240,230
Deferred tax liability - net	15	684,315,450	690,060,025
Other liabilities	16	604,191,002	526,947,472
Total liabilities		33,730,825,712	33,649,670,465
Equity			
Share capital	17	1,000,000,000	1,000,000,000
Retained earnings		6,399,655,565	6,277,097,432
Surplus on revaluations - net	18	792,247,503	792,247,503
Exchange translation reserves	19	34,313,024	34,313,024
General reserve		7,941,250	7,941,250
Total equity		8,234,157,342	8,111,599,209
Total liabilities and equity		41,964,983,054	41,761,269,674

Contingencies and Commitments

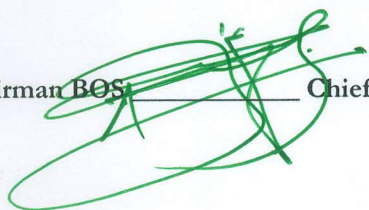
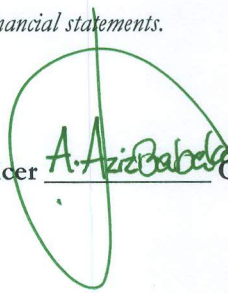
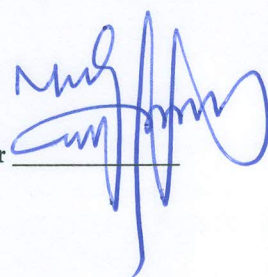
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The annexed notes from 1 to 33 form an integral parts of these financial statements.

Chairman BOS

Chief Executive Officer

Chief Financial Officer

Bank-e-Millie Afghan

Statement of Comprehensive Income

For the year ended 20 December 2020 (30-Qaws-1399)

	Note	<i>Amounts in AFN</i>	
		2020	2019
		30 Qaws 1399	30 Qaws 1398
Year Ended			
Interest income and expenses			
Interest income	21	737,263,149	1,005,133,271
Interest expense	21	(51,404,217)	(92,017,894)
Net interest income		685,858,932	913,115,377
Commission income and expenses			
Commission income	22	207,359,825	175,996,112
Commission expense	22	(2,743,672)	(3,932,929)
Net commission income		204,616,153	172,063,183
Other income			
Realized exchange (loss)/gain		1,376,779	46,470,145
Unrealized exchange gain / (loss)		(7,146,077)	94,374,542
Gain on revaluation of investment properties		-	302,579,899
Other operating income	23	176,093,687	197,152,156
Total other income		170,324,389	640,576,743
Total operating income		1,060,799,474	1,725,755,303
Operating expenses			
Impairment (gain)/ loss on loans - net	7.3	219,557,406	198,681,549
Provision / (reversal) on off balance sheet items		-	(601,200)
Provision / (reversal) on other assets		169,620,000	(581,293)
Personnel expenses	24	303,257,453	280,316,799
Depreciation	9	21,921,254	20,619,315
Amortization	10	5,297,970	9,144,350
Other expenses	25	264,466,723	263,641,989
Total operating expenses		984,120,806	771,221,509
Total operating profit		76,678,668	954,533,794
Impairment (loss) on investment		-	(74,885,984)
Share in profit of associate		74,129,074	129,696,588
		74,129,074	54,810,604
Profit before taxation		150,807,742	1,009,344,398
Taxation	26	(28,249,610)	(154,118,357)
Profit for the year		122,558,133	855,226,041

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

Chairman BOS

Chief Executive Officer

A. Aziz Bahar

Chief Financial Officer

Bank-e-Millie Afghan

Statement of Changes in Equity

For the year ended 20 December 2020 (30-Qaws-1399)

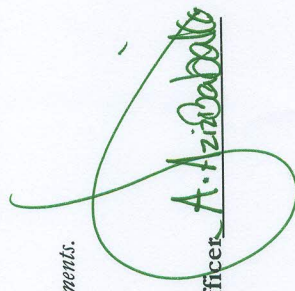
	<i>Amounts in AFN</i>					
	Share capital	Retained earnings	Revaluation surplus	Exchange translation reserve	General reserve	Total
Balance as at 30 Qaws 1397 (21 December 2018)	1,000,000,000	5,421,871,391	792,247,503	34,313,024	7,941,250	7,256,373,168
Profit for the year	-	855,226,041	-	-	-	855,226,041
Transfer to Profit and Loss	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Balance as at 30 Qaws 1398 (21 December 2019)	1,000,000,000	6,277,097,432	792,247,503	34,313,024	7,941,250	8,111,599,209
Balance as at 30 Qaws 1398 (21 December 2019)	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	-	-	-	-	-	-
Balance as at 30 Qaws 1399 (21 December 2020)	1,000,000,000	6,399,655,565	792,247,503	34,313,024	7,941,250	8,234,157,342

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

Chairman BOS

Chief Executive Officer

Chief Financial Officer


Bank-e-Millie Afghan

Statement of Cash Flows

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>	
	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
Cash flows from operating activities			
Profit before taxation		150,807,742	1,009,344,398
<i>Adjustments for:</i>			
Depreciation	9	21,921,254	20,619,315
Amortization	10	5,297,970	9,144,350
Associates profit / (Loss)	8.4	(74,129,074)	(129,696,588)
Impairment of investments	12.5	-	74,885,984
Net impairment loss on loans and advances	7.3	219,557,406	198,681,549
Unrealized gain / (loss)		(7,146,077)	(94,374,542)
Provision for other assets	12.4	(169,620,000)	1,182,493
Gain on investment property		-	(308,767,899)
Provision for retirement benefit		4,316,898	10,381,070
		198,377	(217,944,269)
		151,006,119	791,400,129
<i>(Increase)/ decrease in operating assets and liabilities:</i>			
Loans and advances to customers		(669,017,101)	(362,067,449)
Non current assets held for sale		7,017,349	
Other assets		276,176,846	(842,552,133)
Deposits from banks and customers		92,409,253	(1,003,697,749)
Other liabilities		79,426,306	(16,539,368)
		(213,987,347)	(2,224,856,699)
Tax Paid		(116,747,146)	(111,579,010)
Retirement benefit paid		(6,499,674)	(5,991,341)
		(123,246,820)	(117,570,351)
Net cash flows from operating activities		(186,228,048)	(1,551,026,921)
Cash flows from investing activities			
Long term Investments	6	2,860,000	(7,590,000)
Placements with Banks		444,654,064	(865,897,177)
Purchase of intangible assets	10	(9,956,186)	(107,605)
Capital expenditure in investment properties	11	(1,032,679,078)	-
Purchase of property and equipment	9	(52,573,961)	(34,268,705)
Net cash flows from investing activities		(647,695,161)	(907,863,486)
Cash flows from financing activities			
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		(833,923,209)	(2,458,890,408)
Cash and cash equivalents at beginning of year		15,455,529,761	17,820,045,626
Unrealized exchange gain / loss		7,146,077	94,374,542
Cash and cash equivalents at end of year	20	14,628,752,629	15,455,529,761

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

Chairman BOS

Chief Executive Officer

A. Aziz Bakhshi

Chief Financial Officer

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

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 (2019: 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" as resolved in commercial banks Consultative Group (CBCG) meeting held in Da Afghanistan Bank (DAB) on December 5, 2018, implications of IFRS-9 have been deferred till 2021. Further deliberations of financial decisions would be communicated in the respective years.

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 to customer balances monthly for possible impairment and records the provision for possible loan losses as per the Bank's policy and in accordance with DAB regulations as disclosed in note 7. The Bank maintains a general provision of 1% (2019: 1%) against outstanding loan and advances to customers as at the period end.

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

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

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective Date
IFRIC 23 'Uncertainty over Income Tax Treatments' clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.	Effective for annual periods beginning on or after 1 January 2019
IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management believes that IFRS 16 and amendments made in IFRS 16 would have no impact on the Bank's financial statements as the bank has applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.	Effective for annual period beginning on or after 1 January 2019

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

<p>Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation. For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Bank's financial statements.</p>	<p>Effective for annual periods beginning on or after 1 January 2019</p>
<p>Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures. The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Banks's financial statements.</p>	<p>Effective for annual periods beginning on or after 1 January 2019</p>
<p>Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement . The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The management is in process of analyzing the impact of this ammendement on Banks's financial statements.</p>	<p>Effective for annual periods beginning on or after 1 January 2019</p>
<p>Amendment to IFRS 3 'Business Combinations'–Definition of a Business. The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.</p>	<p>Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020.</p>
<p>Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.</p>	<p>Effective for annual periods beginning on or after 1 January 2019</p>
<p>Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:</p>	

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and management believes that these amendments are not likely to have any significant impact on Banks's financial statements.

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

4 Significant accounting policies

4.1 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.

4.2 Financial assets and liabilities

Recognition

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

De-recognition

The Bank de-recognises 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 recognised as a separate asset or liability.

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

The Bank also de-recognises 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 recognised 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 amortised cost) with similar risk characteristics.

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

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 amortised 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 recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised 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.

4.3 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 recognised 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 recognised in profit or loss. Impairment losses recognised 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 recognised 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 recognised.

4.4 Taxation

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

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

4.5 Foreign currency

4.5.1 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 fairvalue was measured. For those non monetary items for which gain or loss is recognised in other comprehensive income, the exchange gain loss arising on translation is also recognised in other comprehensive income. While, for those for non monetary items for which gain or loss is recognised in profit or loss, the exchange gain loss arising on translation is also recognised in profit or loss.

4.5.2 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.

4.6 Interest

Interest income and expense are recognised 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 amortised cost on effective interest rate basis.

4.7 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 recognised 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 recognised 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. Moreover, the bank is also currently in process of analyzing the impact of IFRS-15 on its financial statements.

4.8 Rental income

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

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

4.9 Dividend income

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

4.10 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 recognised 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.

4.11 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 recognised on receipt basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognised immediately upon the later date.

4.12 Investments

Investment in subsidiaries are initially recognised 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 recognised 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 recognised in the associates profit and loss account, are recognised 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 recognising the associates losses, the Bank determines whether it is necessary to recognise 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.

4.13 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 recognised in profit or loss every year.

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised 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 recognised in profit or loss as incurred.

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:

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.

4.14 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 recognised 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 recognised in profit or loss.

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

4.15 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.

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

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.

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.

4.16 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.

4.17 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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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
5 Cash and bank balances			
Cash in hand	5.1	1,343,805,486	1,748,537,761
Balances with Da Afghanistan Bank	5.2	7,011,368,656	8,275,037,458
Balances with other banks and financial institutions	5.3	3,285,445,369	2,674,445,730
Required Reserve with Da Afghanistan Bank	5.4	2,988,133,118	2,757,508,812
		14,628,752,629	15,455,529,761
5.1 Cash in hand			
Local currency	5.1.1	425,607,952	659,479,507
Foreign currency	5.1.2	764,609,104	1,047,665,570
Cash in ATM - AFN		113,853,166	3,260,000
Cash in ATM - USD		7,016,100	5,413,520
Investment in Gold Coins	5.1.3	32,709,164	32,709,164
Cash counter at Ministry of Commerce and Industries		10,000	10,000
		1,343,805,486	1,748,537,761
5.1.1	These represent local currency cash in vault of all the branches including main branch.		
5.1.2	These represent the foreign currencies balances in vault of including balances at branches and consist of:		
Foreign currency			
US Dollars		596,913,999	815,692,051
Pound		22,502,069	25,490,874
Pak - Rupee		78,442	82,030
Euro		145,114,594	206,400,615
		764,609,104	1,047,665,570
5.1.3	These represent gold coins in the vault acquired in the early years after inception of BMA in Afghanistan. Currently management has revalued these items from local association of Gold Smiths. Related revaluation effect has been taken in these financial statements after BOS and DAB approval.		
5.2 Balances with Da Afghanistan Bank			
Local currency			
Current Account (interest free)		1,592,012,800	2,076,082,273
Overnight Account	5.2.1	4,025,483	4,598,553,324
		1,596,038,284	6,674,635,597
Foreign Currency			
Current Account	5.2.2	5,415,330,372	1,600,401,861
		7,011,368,656	8,275,037,458
5.2.1	This represents overnight deposits with DAB that earns interest at 0.10% p.a. (2019: 0.10% p.a.)		

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>	
		Note	
			2020 30 Qaws 1399
			2019 30 Qaws 1398
5.2.2	These represent foreign currency current accounts with DAB and consist of:		
	US Dollars		4,970,429,993
	Pound Sterling		1,262,090,236
	Pak - Rupee		174,645,344
	Euro		588,319
			269,692,447
			5,415,330,372
			1,600,401,861
5.3	Balances with other banks		
	Current accounts		
	Local currency	5.3.1	746,193
	Foreign currency	5.3.2	748,743
			3,284,699,176
			2,673,696,987
			3,285,445,369
			2,674,445,730
5.3.1	Local currency		
	Pashtany Bank		126,186
	Azizi Bank		128,986
			620,007
			619,757
			746,193
			748,743
5.3.2	Foreign currency		
	Pashtany Bank		317,849
	New Kabul Bank		321,347
	Azizi Bank		398,676
	Citi Bank New York		414,806
	Canara Bank		1,370,170
	Habib Bank - Pakistan		1,445,173
	BMCE Spain		2,271,048,264
	Aktif Bank Turkey		2,529,912,217
	Islamic Bank of Afghanistan		723,884
	National Westminster Bank		736,090
	Mitsuho Bank		22,958,616
	BNP Paribas Bank		24,560,823
	BCCI Bank		216,881,724
			116,306,140
			-
			392
			771,000,000
			-
			240,608
			-
			41,070
			-
			14,058
			-
			21,018,140
			-
	Gross Balances		3,306,013,057
			2,673,696,987
	Less: Provisions on the Bank Balances		
	Provision against deposits at BCCI		(21,018,146)
	Provision against deposits at Mitsuho Bank		-
	Provision against deposits at National Westminster Bank		(41,070)
	Provision against deposits at BNP Paribas Bank		-
			(240,608)
			-
			(14,058)
			-
	Net Balances		3,284,699,176
			-
5.4	Required Reserve with Da Afghanistan Bank		
	Local currency - AFN		1,029,157,702
	Foreign currency - USD		659,961,391
	Foreign currency - EUR		1,908,973,922
			2,025,446,752
			50,001,494
			72,100,669
			2,988,133,118
			2,757,508,812

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
<p>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.</p>			
6 Short-term investments			
Capital notes with DAB	6.1	6,841,883,347	-
Placements in other banks	6.2	7,889,241,824	15,175,779,235
		14,731,125,171	15,175,779,235
6.1 Capital Notes			
Capital notes with DAB		6,759,073,074	-
Accrued Interest on Capital Notes		82,810,273	-
		6,841,883,347	-
6.1.1	<p>This represents investment in Capital Notes with DAB for the period ranging from 07 days to 364 days and earn interest at the rate from 0.34% to 4.98% [2019: 0.34% to 4.98%]. Accrued interest on Capital Notes is AFN Nil [2019: AFN Nil].</p>		
6.2 Placements in other banks (Foreign Banks)			
Canara Bank London		1,696,200,000	3,920,000,000
State Bank of India - London		2,158,800,000	4,782,400,000
Citi Bank New York		1,181,221,814	1,176,000,000
Citi Bank - DIFC		-	1,568,000,000
Murabaha Deposit (conventional & islamic)		-	163,983,413
Murabaha Deposit in RAK Bank - by IBW		147,232,100	149,714,613
BMA Conventional in IBW - EUR	6.2.1	-	45,622,500
Citibank UK		-	1,185,749,699
ADGMC ITI CITI Bank		1,927,742,390	784,000,000
First Abu Dhabi Bank		771,000,000	1,176,000,000
		7,882,196,303	14,951,470,224
Accrued Interest	6.2.2	80,661,603	224,309,011
Less: Provisions on the Time Deposits			
Provision-Doubtful RAK bank placement		(73,616,082)	-
Total Placement		7,889,241,824	15,175,779,235

6.2.1 These are classified as held to maturity and represent EURO Murabaha deposit by BMA Conventional Banking window in its Islamic window carrying profit rate of 3.0% p.a for a period of 1826 days.

6.2.2 This represent accrued interest on time deposits with foreign banks. Time deposit with foreign banks (except BMA Conventional in IBW - EUR) have maturity period ranging from one month to 12 months and earning interest / profit ranging from 1.57% to 3.47% p.a. (2019: 1.57% to 3.47% p.a).

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Notes to the Financial Statements

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Amounts in AFN

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% (2019: 10% to 13%) per annum. These facilities are secured against immovable properties and in certain cases by government guarantees and personal guarantees.

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% (2019: 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% (2019: 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% (2019: 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% (2019: 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% (2019: 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% (2019: 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% (2019: 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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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

	Note	Amounts in AFN	
		2020 30 Qaws 1399	2019 30 Qaws 1398
7.3 Provision / impairment - summary			
Balance at the beginning of the year			
Charge for the year - Conventional		360,531,539	799,959,220
Charge for the year - Islamic		128,913,230	247,768,078
Loss - Conventional		8,420,624	2,150,138
Reversal made during the year - Conventional		(185,505,410)	(651,032,740)
Reversal made during the year - Islamic		(92,802,577)	(200,163,147)
Net Charge for the year		219,557,406	198,681,549
Loans written off		-	(175,246,000)
Exchange difference		(618,488)	(88,610,086)
		(618,488)	(263,856,086)
Balance at the end of the year		525,027,940	306,089,022

7.6 Maturity Analysis of Loans and Advances

Gross Amounts	Less than 3 months					Total
	3 - 6 months	6 - 12 months	1 - 10 years	loss		
Conventional Loans						
Overdrafts	-	-	3,201,413,003	-	-	3,201,413,003
Commercial loans	-	-	836,712,396	-	-	836,712,396
Construction loans	-	-	7,926,146	-	-	7,926,146
Microfinance loans	-	-	227,480,431	-	-	227,480,431
Loans to employees	-	-	1,619,104	-	-	1,619,104
Entrepreneurs	-	-	22,095,499	-	-	22,095,499
	-	-	4,297,246,579	-	-	4,297,246,579
Islamic Loans						
Car financing	-	-	65,212,754	-	3,369,000	68,581,754
House financing	-	-	56,265,730	-	-	56,265,730
Construction material	-	-	114,098,549	-	-	114,098,549
Home appliances	-	269,998	252,958	-	49,000	571,956
Trade Finance	-	-	17,975,790	-	-	17,975,790
Corporate equipment	-	-	458,286,417	-	-	458,286,417
	-	269,998	712,092,198	-	3,418,000	715,780,196

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
8 Long term investments			
Investment in subsidiaries	8.1	169,620,000	172,480,000
Investment in associates	8.2	810,144,298	737,475,546
Investment in equity instruments	8.3	161,361,832	159,901,510
		<u>1,141,126,130</u>	<u>1,069,857,056</u>
8.1 Investment in subsidiaries			
Afghan American Trading Co. Inc. (Cost USD 2,200,000)	8.1.1	169,620,000	172,480,000
		<u>169,620,000</u>	<u>172,480,000</u>
8.1.1 Afghan American Trading Co. Inc.			
<p>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.</p>			
8.2 Investment in associates			
<p>The bank use equity method of accounting for determining the carrying value of the investment in Pashtany Bank.</p>			
8.3 Investment in equity instruments			
Afghan National Insurance Company	8.4	18,605,169	17,144,847
Ariana Afghan Airlines Company	8.4	142,756,663	142,756,663
		<u>161,361,832</u>	<u>159,901,510</u>

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For the year ended 20 December 2020 (30-Qaws-1399)

8.4 Movement in investment	Note	<i>Amounts in AFN</i>					
		Opening Balance	Adjustment / Transalation difference	Share of Profit / (loss)	Equity Share	Provision for loss	Closing Balance
For the year 21 December 2020							
Afghan American Trading Co		172,480,000	(2,860,000)	-	-	-	169,620,000
Pashtany Bank		737,475,546	-	72,668,752	-	-	810,144,298
Afghan National Insurance		17,144,847	-	1,460,322	-	-	18,605,169
Ariana Afghan Airlines		142,756,663	-	-	-	-	142,756,663
		1,069,857,056	(2,860,000)	74,129,074	-	-	1,141,126,130
For the year 21 December 2019							
Afghan American Trading Co		164,890,000	7,590,000	-	-	-	172,480,000
Pashtany Bank		612,826,124	-	124,649,422	-	-	737,475,546
Afghan National Insurance		12,097,681	-	5,047,166	-	-	17,144,847
Ariana Afghan Airlines		142,756,663	-	-	-	-	142,756,663
		932,570,468	7,590,000	129,696,588	-	-	1,069,857,056
8.5 Financial Information - Summary							
For the year 21 December 2020							
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)		-	-	19,064,256	-	-	7.66%
Ariana Afghan Airlines		-	-	-	-	-	6.25%
		24,326,768,558	21,520,909,981	2,824,922,833	122,989,791	-	
For the year 21 December 2019							
Afghan American Trading Co		-	-	-	-	-	100.00%
Pashtany Bank (For 2019)		20,546,233,647	18,415,938,993	2,130,294,654	221,207,264	(29,394,147)	28.77%
Afghan National Insurance (For 2019)		1,030,891,211	71,233,038	959,658,173	2,511,911	63,377,981	7.66%
Ariana Afghan Airlines		-	-	-	-	-	6.25%
		21,577,124,858	18,487,172,031	3,089,952,827	223,719,175	33,983,834	

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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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

9 Property and equipment	<i>Amounts in AFN</i>					
	Land & Building	Furniture & Fixtures	Computer Equipments	Vehicles	Library Books	Total
Cost and Revaluation						
Balance as at 30-Qaws-1397 (21-Dec-2018)	1,268,016,703	122,761,452	105,429,257	66,356,657	445,384	1,563,009,453
Additions	3,101,195	15,116,454	10,088,643	5,444,339	-	33,750,631
Adjustments	(7,840)	-	-	-	-	(7,840)
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
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	-	-	-	-	-	-
Balance as at 30-Qaws-1399 (21-Dec-2020)	1,291,879,462	153,968,333	131,232,030	71,800,996	445,384	1,649,326,205
Accumulated Depreciations						
Balance as at 30-Qaws-1397 (21-Dec-2018)	128,276,730	99,675,768	89,204,184	55,080,487	163,533	372,400,702
Charge for the year	2,842,932	8,070,682	7,317,910	1,942,651	22,269	20,196,445
Adjustments	(103,044)	-	-	-	-	(103,044)
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
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
Adjustments	-	-	-	-	-	-
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
Written Down Values as at:						
Balance as at 30-Qaws-1398 (21-Dec-2019)	1,140,093,440	30,131,456	18,995,806	14,777,858	259,582	1,204,258,141
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
					2020	2019
9.1 Property and equipment - summary					30 Qaws 1399	30 Qaws 1398
Cost					1,649,326,205	1,596,752,244
Accumulated Depreciation					(414,415,357)	(392,494,103)
Written Down Value					1,234,910,848	1,204,258,141

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>	
	Note	2020 30 Qaws 1399	2019 30 Qaws 1398
10 Intangibles Assets			
Cost			
Balance at beginning of the year		69,684,820	69,577,215
Additions during the year		9,956,186	107,605
Balance at end of the year		79,641,006	69,684,820
Amortization			
Balance at beginning of the year		63,367,499	54,223,149
Additions during the year	10.1	5,297,970	9,144,350
Balance at end of the year		68,665,469	63,367,499
Carrying amount		10,975,538	6,317,321
10.1 Intangibles are amortized at the rates ranging from 20% to 33% (2019: 20% to 33%) per annum.			
11 Investment Property			
Opening balance		3,359,281,174	3,050,513,275
Additions during the year	11.1	1,032,679,078	-
Transfer of Afghan National Credit and Finance Building	8.1.2	-	6,188,000
Revaluation gain on property		-	302,579,899
Closing balance		4,391,960,252	3,359,281,174
11.1 This property is held under Islamic banking window located in Dehmazang (Kabul) for construction purposes.			
12 Other assets			
Receivable from subsidiaries	12.1	25,223,959	172,480,000
Prepaid expenses	12.2	725,163,666	824,839,947
Rent receivable against investment properties		33,497,082	23,351,055
Accrued interest on loans and advances - Conventional		180,271,835	192,458,895
Accrued profit on loans and advances - Islamic		1,792,169	2,155,005
Receivable against cash misappropriation	12.3	53,063,218	59,841,489
Prepaid rent/ expenses of branches		11,891,347	10,782,034
Security deposit with DAB and Western union		9,252,000	12,661,600
Suspense advance		25,532,451	5,044,715
Receivable from sale of property		113,331,512	129,262,360
Other receivables		195,760,016	123,363,598
		1,374,779,254	1,556,240,698
Provision held against other assets	12.4	(36,645,604)	(111,550,203)
Net Other Receivable		1,338,133,650	1,444,690,496
12.1 This represents the share of profit receivable from Afghan American Trading Company.			
12.2 This includes prepaid tax given to Ministry of Finance (MoF) which is adjustable against the future paybles of taxes to MoF.			
12.3 This includes various receivables of the Bank against cash misappropriations, thefts, unsettled advances and other such events. Out of this, for Afs. 36 million provisions at the rate of 100% is created, except for USD 167,209 soteln by Mr. Hashim from Kunduz Branch which is outstanding from 2012 for which no provision is created other than the required standard provision of 1%. However this 1% is also reversed during the year.			

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

	Note	Amounts in AFN	
		2020 30 Qaws 1399	2019 30 Qaws 1398
12.4 Provision against other assets			
Balance at the beginning of the year		(111,550,203)	(50,572,382)
Charge for the year	12.5	-	(74,857,339)
Reversal during the year		73,616,082	13,879,518
Exchange difference		1,288,516	-
Balance at the end of the year		<u>(36,645,604)</u>	<u>(111,550,203)</u>
12.5 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	11,662,581,721	8,559,822,278
Islamic deposits	13.2	85,519,943	77,021,668
Margin against letter of guarantee	13.3	525,967,317	471,047,214
Total local currency		12,274,068,982	9,107,891,160
Foreign Currency			
Conventional deposits	13.1	19,423,508,774	22,698,282,180
Islamic deposits	13.2	321,631,586	488,652,780
Margin against letter of guarantee	13.3	410,622,650	42,596,618
Total foreign currency		20,155,763,009	23,229,531,578
Total deposits		<u>32,429,831,991</u>	<u>32,337,422,738</u>
13.1 Conventional deposits			
Local currency			
Current deposits		8,130,949,396	6,073,109,235
Saving deposits		1,942,871,337	1,879,258,165
Term deposits		1,588,760,989	607,454,878
Total local currency		11,662,581,721	8,559,822,278
Foreign currency			
Current deposits		11,156,364,443	12,779,018,531
Saving deposits	13.1.1	6,691,429,831	6,883,699,991
Term deposits	13.1.2	1,575,714,500	3,035,563,659
Total local currency		19,423,508,774	22,698,282,180
Total Deposits from banks and customers - Conventional		<u>31,086,090,495</u>	<u>31,258,104,458</u>
13.1.1 Saving deposits carry interest at the rates ranging from 0.57% to 3.5% (2019: 0.57% to 3.5%) per annum.			
13.1.2 Term deposits carry interest at the rates ranging from 0.57% to 4% (2019: 0.57% to 4%) per annum.			
13.2 Islamic deposits			
Local currency			
Current deposits		5,236,824	3,734,923
Saving deposits	13.2.1	26,586,478	16,311,452
Term deposits		53,696,641	56,975,294
Total local currency		85,519,943	77,021,668

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

	Note	<i>Amounts in AFN</i>	
		2020 30 Qaws 1399	2019 30 Qaws 1398
Foreign currency			
Current deposits		14,747,018	13,225,846
Saving deposits	13.2.1	50,641,384	43,537,170
Deposits with RAK Bank		-	195,337,113
Term deposits		256,243,184	236,552,652
Total foreign currency		321,631,586	488,652,780
Total Deposits from banks and customers - Islamic		407,151,529	565,674,448
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 -Expired		-	-
Foreign currency -Not Expired		410,622,650	42,596,618
Total Foreign Currency		410,622,650	42,596,618
Local Currency - Expired		-	-
Local Currency - Not Expired		525,967,317	471,047,214
Total Local Currency		525,967,317	471,047,214
		936,589,967	513,643,832
14 CURRENT TAX LIABILITIES			
Balance at the beginning of the year		95,240,230	98,540,238
Tax deducted at source during the year	14.1	(8,275,575)	(9,194,125)
Charge for the year	26.1	33,994,185	108,279,002
Tax paid - current and prior years	14.2	(108,471,571)	(102,384,885)
		12,487,269	95,240,230
14.1 Tax paid or deducted at source			
Tax Withheld by DAB on Capital Notes		8,275,575	9,026,833
Tax Withheld by DAB on overnight Deposits		-	159,637
Others		-	7,655
		8,275,575	9,194,125
15 Recognized deferred tax liabilities			
Surplus on revaluation of property and equipment		198,061,876	198,061,876
Investment in associate		(56,466,043)	(121,558,175)
Defined Contribution plan (Pension Scheme)		-	(41,584,393)
Investment property		542,719,617	655,140,718
		684,315,450	690,060,025

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

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

	Opening Balance	Recognized in profit or loss	OCI	Closing Balance
As at 30 Qaws 1399 (20 December 2020)	198,061,876	-	-	198,061,876
Property and equipment - revalued amount	-	-	-	-
Investments:				
Afghan American Trading Co.	(121,558,175)	(63,790,635)	-	(57,767,540)
Pashtany Bank	-	(1,301,498)	-	1,301,498
Afghan National Insurance Company	-	-	-	-
Ariana Afghan Airlines	-	-	-	-
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>
As at 30 Qaws 1398 (21 December 2019)	198,061,876	-	-	198,061,876
Surplus on revaluation of property and equipment	-	-	-	-
Property and equipment	-	-	-	-
Intangible assets	-	-	-	-
Investment in associate	(115,517,191)	(6,040,984)	-	(121,558,175)
Investment property	593,387,138	61,753,580	-	655,140,718
Defined Contribution plan (Pension Scheme)	(40,289,408)	(1,294,985)	-	(41,584,393)
Exchange translation reserve	8,578,255	(8,578,255)	-	(0)
	<u>644,220,670</u>	<u>45,839,355</u>	<u>-</u>	<u>690,060,025</u>

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>			
		Accounting Base of Asset / Liability	Tax Base of Asset / Liability	Taxable / (Deductible) Temporary Difference	Deferred Tax (Asset) / Liability @20%
15.2 Details of Temporary differences					
As at 30 Qaws 1399 (21 December 2020)					
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
15.2.1		211,768,080	211,768,080	-	-
Defined Contribution plan		6,884,947,902	3,463,370,652	3,421,577,250	684,315,450
As at 30 Qaws 1398 (21 December 2019)					
Property and equipment - revalued amount		1,140,093,440	149,784,061	990,309,379	198,061,876
Investments:					
Afghan American Trading Co.		172,480,000	172,480,000	-	-
Pashtany Bank		737,475,546	1,345,266,421	(607,790,875)	(121,558,175)
Ariana Afghan Airlines		142,756,663	142,756,663	-	-
Investment property		3,359,281,174	83,577,585	3,275,703,589	655,140,718
Defined Contribution plan		207,921,966	-	(207,921,966)	(41,584,393)
Exchange translation reserve		34,313,024	34,313,024	-	-
		5,794,321,813	1,928,177,754	3,450,300,127	690,060,025

Accounting & Tax base of the investment property has been increased in current year. Previously AFN 645 million has not added in the tax base resultantly increased the DTL.

As the Tax base of Investment Property has been increased by 1,594,784,582 over the accounting base, DT has been reduced consequently.

Bank-e-Millie Afghan**Notes to the Financial Statements**

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>	
	Note	2020	2019
		30 Qaws 1399	30 Qaws 1398
16 Other liabilities			
Accrued interest on deposits - conventional		9,285,747	9,876,863
Accrued profit on deposits - islamic		3,706,978	25,337,246
Deferred income		25,646,906	8,908,476
Retention deposits		2,409,068	601,801
Security deposits payable		28,410,653	30,792,770
Withholding tax payable		14,035,400	12,182,101
Dividend payable		69,215,268	69,215,268
Bills payable		11,620,582	12,274,226
Defined benefit plan (pension scheme)	16.1	211,768,080	207,921,966
Accrued expenses		26,940,585	25,654,588
Others		201,151,734	124,182,166
		<u>604,191,002</u>	<u>526,947,472</u>
16.1 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	16.2	211,768,081	207,921,966
Fair value of plan assets		-	-
		<u>211,768,081</u>	<u>207,921,966</u>
16.2 The movement in the defined benefit obligation			
Opening net liability		207,921,966	201,447,041
Charge for the year	16.3	4,316,898	10,381,070
Employee contribution		6,028,891	5,756,757
Other comprehensive income (OCI)		-	(3,671,561)
Benefits paid during the year		(6,499,674)	(5,991,341)
Closing net liability		<u>211,768,081</u>	<u>207,921,966</u>
16.3 Charge for the year			
Current service cost		-	1,450,758
Net Interest		-	8,930,312
		<u>-</u>	<u>10,381,070</u>
17 Share capital			
17.1 Authorised			
100,000 (2019: 100,000) ordinary shares of AFN 10,000 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
17.2 Issued, Subscribed and Paid up Capital			
100,000 (2019: 100,000) ordinary shares of AFN 10,000 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
17.3 The issued shares are subscribed by the following parties:			
Ministry of Finance		967,508,023	940,822,582
Afghan Red Crescent		20,731,432	37,758,018
Pashtany Bank		11,343,832	20,660,445
Afghan Air Force Commander		370,411	674,627
Kabul Municipality		46,301	84,328
		<u>1,000,000,000</u>	<u>1,000,000,000</u>

18 Surplus on revaluations - net		
Gross amount - Opening Balance	792,247,503	990,309,379
Revaluation loss / reversal during the year	-	-
Net - Revaluation Surplus	792,247,503	990,309,379
Less: Related deferred tax liabilities	-	(198,061,876)
Net amount - Closing Balance	792,247,503	792,247,503
19 Contingencies and Commitments		
Off Balance sheet assets - AFN	525,967,317	471,047,214
Off Balance sheet assets - USD	410,622,650	42,596,680
	936,589,967	513,643,894
20 Cash and cash equivalents		
Cash and bank balances as per financial statements	14,628,752,629	15,455,529,761
Placements having maturities more than 3 months	-	-
Accrued interest on placements and capital notes	-	-
	14,628,752,629	15,455,529,761

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

	Note	Amounts in AFN	
		2020 30 Qaws 1399	2019 30 Qaws 1398
Year Ended			
21 Interest income and expenses			
Interest income			
Interest on cash and cash equivalents		312,018,877	479,201,513
Interest on loans and advances - conventional		372,853,396	468,976,230
Profit on loans and advances - islamic		52,390,877	56,955,529
		737,263,149	1,005,133,271
Interest expense			
Interest on deposits - conventional		39,858,119	72,378,851
Profit to murabaha customers - Islamic		11,546,097	19,639,043
		51,404,217	92,017,894
Net interest income		685,858,932	913,115,377
22 Commission income and expenses			
Fee and commission income			
Commission income		170,751,110	147,659,746
Customer account service charges		19,699,425	8,969,807
Loan processing fee		16,868,088	19,043,416
Fund transfer fee		41,202	323,142
		207,359,825	175,996,112
Fee and commission expense			
Funds transfers		1,258,368	1,871,563
Inter bank transaction fee		1,412,004	1,879,293
Others		73,300	182,074
		2,743,672	3,932,929
Net fee and commission income		204,616,153	172,063,182
23 Other operating income			
Rental income		91,050,303	74,433,872
Bad debts recovered		51,179,545	93,886,594
Others		33,863,839	28,831,690
		176,093,687	197,152,156
24 Personnel expenses			
Salaries and benefits		244,290,460	221,859,658
Bonus		53,097,571	51,467,914
Charge for the retirement benefits	16.1	4,316,898	5,050,077
Training expenses		1,552,524	1,939,149
		303,257,453	280,316,799
25 Other expenses			
Advertising and publicity		6,564,941	8,464,588
Repairs and maintenance		25,263,176	26,202,860
Postage and telegram		82,124	64,370
Utility charges		11,874,476	9,916,244
Rent		19,074,434	18,238,390
Fuel expenses		4,786,814	6,647,595
Printing and stationery		7,503,324	8,759,565
Travelling		4,220,501	9,063,619
Telephone and communication		18,747,970	19,194,388
Security charges		56,269,352	58,237,766
Audit fee		6,749,150	8,341,472
Penalties imposed by DAB		1,000,500	2,844,000
Others		102,329,961	87,667,133
		264,466,723	263,641,989

Bank-e-Millie Afghan**Notes to the Financial Statements**

For the year ended 20 December 2020 (30-Qaws-1399)

		<i>Amounts in AFN</i>	
	Note	2020	2019
		30 Qaws 1399	30 Qaws 1398
26 Taxation			
Current tax	26.1	33,994,185	108,279,002
Deferred tax	15.1	(5,744,575)	45,839,355
		<u>28,249,610</u>	<u>154,118,357</u>
26.1 Reconciliation of effective tax rate			
Profit before taxation		150,807,742	1,009,344,398
Adjustments for tax (disallowances) / allowances	26.2	(46,993,510)	(467,949,386)
Taxable income		<u>103,814,232</u>	<u>541,395,012</u>
Current tax expense @ 20%		20,762,846	108,279,002
Prior year tax adjustment		13,231,339	-
Prior years tax and penalties		-	-
Current year tax charge		<u>33,994,185</u>	<u>108,279,002</u>
26.2 Adjustment for Tax			
Items to be deducted			
Retirement benefit paid		(6,499,674)	(5,991,341)
Share in profit / (loss) of associate		(74,129,074)	(129,696,588)
Gain on revaluation of investment properties		-	(302,579,899)
Extra tax paid to MOF		(31,925,808)	-
Unrealized loss/gain in FX		7,146,077	(94,374,542)
		<u>(105,408,479)</u>	<u>(532,642,370)</u>
Items to be added back			
DAB penalties		1,000,500	2,844,000
Impairment Loss		-	-
Bonus		53,097,571	51,467,914
Provision for retirement benefit		4,316,898	10,381,070
		<u>58,414,969</u>	<u>64,692,984</u>
Adjustment - net		<u>(46,993,510)</u>	<u>(467,949,386)</u>

Bank-e-Millie Afghan

Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

		2020	2019
		30 Qaws 1399	30 Qaws 1398
27 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:			
Shareholders (percentage)			
Ministry of Finance	%	96.751%	94.082%
Afghan Red Crescent	%	2.073%	3.776%
Pashtany Bank	%	1.134%	2.066%
Afghan Air Force	%	0.037%	0.067%
Kabul Municipality	%	0.005%	0.008%
		100%	100%
Shareholders (Amount in AFN)			
Ministry of Finance		967,508,023	940,822,582
Afghan Red Crescent		20,731,432	37,758,018
Pashtany Bank		11,343,832	20,660,445
Afghan Air Force Commander		370,411	674,627
Kabul Municipality		46,301	84,328
		1,000,000,000	1,000,000,000

During the year 2018 bank has transferred the investment property located in Khare Khawa, to MoF. The carrying value of the property in the books of BMA was AFN 1,108,208,690. The share of MoF in this property based on its shareholding of 97.193% is equal to AFN 1,077,101,271.99 while the remaining amount of AFN 31,107,417.93 was related to the other shareholders. Resultantly, this amount has been than proportionally allocated to the shareholding pattern of other shareholders.

Subsidiaries and associated companies	Country of Incorporation	Ownership Percentage
Afghan American Trading Co. Inc.	USA	100%
Afghanistan Payment System LLC	Afghanistan	16.66%
Pashtany Bank	Afghanistan	28.77%
Afghan National Insurance Company	Afghanistan	7.66%
Ariana Afghan Airlines Company	Afghanistan	6.25%

27.1 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	28,469,522	23,366,417
Bonus paid during the year	8,231,829	5,983,746
Board of Supervisor's meeting fee	3,955,000	4,025,000
	40,656,351	33,375,163

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.

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

	<i>Amounts in AFN</i>	
	2020 30 Qaws 1399	2019 30 Qaws 1398
Associates:		
Pashtany Bank	772,859,709	124,649,422.11
Afghan National Insurance Company		5,047,165.73
Subsidiaries:		
Afghan National Credit and Finance Ltd.	18,605,169	-
Afghan American Trading Company	169,620,000	-
Shareholders:		
Dividend announced during the year	-	-
Transfer of Investment Property	-	-
27.2 Balances with related parties:		
With Pashtany Bank		737,475,546
Afghan National Insurance Company	18,605,169	17,144,847
Afghan American Inc.	169,620,000	172,480,000
Ariana Afghan Airlines	142,756,663	142,756,663

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For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

28 Segmental information (for operating segments)	Conventional	Islamic	Total
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)
Exchange (gain) / loss	(14,946,562)	9,177,264	(5,769,298)
Gain on revaluation of investment properties	-	-	-
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 of 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 profit of associate	74,129,074	-	74,129,074
Profit before taxation	67,877,213	82,930,531	150,807,743
Taxation	22,367,216	12,193,621	(28,249,610)
Profit after taxation	90,244,429	95,124,151	122,558,133
Statement of Financial Position (30 Qaws 1399)			
Assets			
Cash and bank balances	14,043,963,952	584,788,677	14,628,752,629
Short-term investments	14,581,410,558	149,714,613	14,731,125,171
Loans and advances to customers - net	3,702,980,245	785,018,591	4,487,998,836
Long term 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
Non-current assets Held for Sale	-	-	-
Other assets	1,260,514,954	77,618,696	1,338,133,650
Total assets	37,007,143,292	4,957,839,762	41,964,983,054
Liabilities			
Deposits from bank and customers	31,864,157,543	565,674,448	32,429,831,991
Current tax liability	12,487,269	-	12,487,269
Deferred tax liability - net	81,699,779	602,615,671	684,315,450
Other liabilities	540,619,844	63,571,157	604,191,002
Total liabilities	32,498,964,436	1,231,861,276	33,730,825,712
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 revaluations - net	146,564,414	645,683,089	792,247,503
Exchange translation reserves	34,313,024	-	34,313,024
General reserve	7,941,250	-	7,941,250
	4,816,253,675	3,417,903,667	8,234,157,342
	37,315,218,111	4,649,764,943	41,964,983,054

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For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

28 Segmental information (for operating segments)	Conventional	Islamic	Total
28.1 Statement of Profit or Loss (30 Qaws 1398)			
Interest / profit income	934,266,442	70,866,829	1,005,133,271
Interest / profit expense	(72,378,851)	(19,639,043)	(92,017,894)
Fee and commission income	174,762,372	1,233,740	175,996,112
Fee and commission expense	(3,932,929)	-	(3,932,929)
Income from trading in foreign currencies	132,299,605	8,545,083	140,844,688
Exchange (gain) / loss	-	302,579,899	302,579,899
Other income	119,572,229	77,579,927	197,152,156
Personnel expenses	(258,271,572)	(22,045,227)	(280,316,799)
Depreciation	(20,338,155)	(281,160)	(20,619,315)
Amortization	(9,144,350)	-	(9,144,350)
Other expenses	(259,251,811)	(4,390,178)	(263,641,989)
Impairment (reversal) /loss on loans and advances	(198,080,349)	-	(198,080,349)
Impairment loss on other assets	581,293	-	581,293
Operating Profit	540,083,925	414,449,869	954,533,794
Impairment (loss) / gain on investment	-	(74,885,984)	(74,885,984)
Share in loss of associate	129,696,588	-	129,696,588
Profit before taxation	669,780,513	339,563,885	1,009,344,398
Taxation	(93,602,377)	(60,515,980)	(154,118,357)
Profit after taxation	576,178,136	279,047,905	855,226,041
Statement of Financial Position (30 Qaws 1398)			
Assets			
Cash and bank balances	14,870,741,084	584,788,677	15,455,529,761
Long term Murabaha Deposit	15,026,064,622	149,714,613	15,175,779,235
Loans and advances to customers	3,253,520,550	785,018,591	4,038,539,141
Investments	1,069,857,056	-	1,069,857,056
Property and equipment	1,202,840,130	1,418,011	1,204,258,141
Intangible assets	6,317,321	-	6,317,321
Investment properties	-	3,359,281,174	3,359,281,174
Non-Current Asset Held for Sale	7,017,349	-	7,017,349
Other assets	1,367,071,800	77,618,696	1,444,690,496
Total assets	36,803,429,912	4,957,839,762	41,761,269,674
Liabilities			
Deposits from banks and customers	31,771,748,290	565,674,448	32,337,422,738
Current tax liabilities	95,240,230	-	95,240,230
Deferred tax liabilities	87,444,354	602,615,671	690,060,025
Other liabilities	463,376,315	63,571,157	526,947,472
Total liabilities	32,417,809,189	1,231,861,276	33,649,670,465
Represented by:			
Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	3,504,876,854	2,772,220,578	6,277,097,432
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
	4,693,695,542	3,417,903,667	8,111,599,209
	37,111,504,731	4,649,764,943	41,761,269,674

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29 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 measurement 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	Others	Amortized cost	Total carrying amount	Fair value
30 Qaws 1399 (2020)									
Cash and bank balances	5	-	-	-	-	-	14,628,752,629	14,628,752,629	14,628,752,629
Short-term investments	6	-	-	-	-	-	14,731,125,171	14,731,125,171	14,731,125,171
Loans and advances	7	-	-	-	4,487,998,836	-	-	4,487,998,836	4,487,998,836
Long term investments	8	-	-	-	-	-	1,141,126,130	1,141,126,130	1,141,126,130
Other assets	12	-	-	-	-	-	1,338,133,650	1,338,133,650	1,338,133,650
		-	-	-	4,487,998,836	-	31,839,137,580	36,327,136,416	36,327,136,416
Deposits		-	-	-	-	-	32,429,831,991	32,429,831,991	32,429,831,991
Other liabilities		-	-	-	-	-	392,422,921	392,422,921	392,422,921
		-	-	-	-	-	32,822,254,912	32,822,254,912	32,822,254,912
30 Qaws 1398 (2019)									
Cash and bank balances	5	-	-	-	-	-	15,455,529,761	15,455,529,761	15,455,529,761
Short-term investments	6	-	-	-	-	-	15,175,779,235	15,175,779,235	15,175,779,235
Loans and advances	7	-	-	-	4,038,539,141	-	-	4,038,539,141	4,038,539,141
Long term investments	8	-	-	-	-	-	1,069,857,056	1,069,857,056	1,069,857,056
Other assets	12	-	-	-	-	1,054,245,541	390,444,955	1,444,690,496	1,444,690,496
		-	-	-	4,038,539,141	1,054,245,541	32,091,611,007	37,184,395,689	37,184,395,689
Deposits	12	-	-	-	-	-	32,337,422,738	32,337,422,738	32,337,422,738
Other liabilities	15	-	-	-	-	-	319,025,506	319,025,506	319,025,506
		-	-	-	-	-	32,656,448,244	32,656,448,244	32,656,448,244

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.

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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", thus bank disclosed the exposure to the following risks from its use of financial instruments on the basis of prior implications.

- a) Credit risk
- b) Liquidity risk
- c) Market risks
- d) Operational risks

The note from note no 34 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.

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.

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- 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 grading's 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 exposure to credit risk before collateral held or other credit enhancements

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

	30 Qaws 1399	30 Qaws 1398
Cash and bank balances	12,511,447,158	19,328,831,215
Short-term investments	14,731,125,171	15,175,779,235
Loans and advances	4,487,998,836	4,038,539,141
Other assets	578,494,025	434,708,949
	<u>32,309,065,191</u>	<u>38,977,858,539</u>
	936,589,967	513,643,894

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:

	30 Qaws 1399	30 Qaws 1398
Cash and bank balances	39%	50%
Short-term investments	46%	39%
Loans and advances	14%	10%
Other assets	2%	1%

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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.

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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:

	30 Qaws 1399	30 Qaws 1398
Concentration by sector - Carrying amount	4,487,998,836	4,038,539,141
Airline	-	-
Vegetable ghee and cooking oil	763,066,000	578,694,000
Manufacturer	862,176,211	836,082,000
Pharmaceuticals	503,936,211	415,256,000
Fuel suppliers	665,139,000	589,608,000
Food	32,474,918	31,597,000
Construction	870,633,329	816,122,141
Automobile	78,297,000	76,280,000
Trading	153,426,706	146,321,000
Transportation	0	0
Others	558,849,462	854,668,022
Concentration by sector - Gross amount	4,487,998,836	4,344,628,163

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.

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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	30 Qaws 1398	
								30 Qaws 1399	Broad Liquidity Ratio
30 Qaws 1399 (2020)									
On balance sheet exposures:									
Deposits from banks and Customers		32,429,831,991	(32,429,831,991)	20,243,887,648	-	8,711,529,030	3,474,415,313	-	-
Other liabilities		604,191,002	(604,191,002)	(604,191,002)	-	-	-	-	-
		33,034,022,993	(33,034,022,993)	19,639,696,646	-	8,711,529,030	3,474,415,313	-	-
Off balance sheet exposures:									
Letters of guarantees		936,589,967	(936,589,967)	-	-	936,589,967	-	-	-
		33,970,612,960	(33,970,612,960)	19,639,696,646	-	9,648,118,997	3,474,415,313	-	-
30 Qaws 1398 (2019)									
On balance sheet exposures:									
Deposits from banks and Custor	13	32,337,422,738	(32,337,422,738)	28,205,538,271	-	1,976,546,495	2,155,337,972	-	-
Other liabilities	16	526,947,472	(526,947,472)	526,947,472	-	-	-	-	-
		32,864,370,210	(32,864,370,210)	28,732,485,743	-	1,976,546,495	2,155,337,972	-	-
Off balance sheet exposures:									
Letters of guarantees	26	513,643,894	(513,643,894)	-	-	509,063,734	4,580,160	-	-
		33,378,014,104	(33,378,014,104)	28,732,485,743	-	2,485,610,229	2,159,918,132	-	-

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		<i>Amounts in AFN</i>						
Maturity analysis for financial Assets		Carrying amount	Gross nominal outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Note								
30 Qaws 1399 (2020)								
	5	14,628,752,629	(14,628,752,629)	14,628,752,629	-	-	-	-
	6	14,731,125,171	(14,731,125,171)	2,427,256,751	2,853,598,557	6,551,266,651	2,899,003,211	-
	7	4,487,998,836	(4,487,998,836)	-	-	-	4,487,998,836	-
	8	1,141,126,130	(1,141,126,130)	-	-	-	-	1,141,126,130
	12	1,338,133,650	(1,338,133,650)	-	-	-	1,516,029,661	-
		36,327,136,416	(36,327,136,416)	17,056,009,380	2,853,598,557	6,551,266,651	8,903,031,708	1,141,126,130
30 Qaws 1398 (2019)								
	5	-	-	15,455,529,755	-	-	-	-
	6	-	-	-	392,000,000	4,934,709,070	9,801,449,665	47,620,500
	7	0	-	-	-	526,204	4,038,012,937	-
	8	159,901,510	(159,901,510)	-	-	-	1,069,857,056	-
	12	(111,550,203)	111,550,203	-	233,239,554	416,767,907	794,683,041	-
		48,351,307	(48,351,307)	15,455,529,755	625,239,554	5,352,003,181	15,704,002,699	47,620,500

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 reprising 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:

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

Exposure to currency risk

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

Exposure to currency risk	Note	Total	AFN	EUR	USD	GBP	Other
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		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		1,338,133,650	-	-	-	-	-
		36,327,136,416	13,914,113,527	595,368,093	20,258,891,211	197,149,265	23,480,682
Liabilities							
Deposits from banks and Customers		32,429,831,991	12,274,068,982	521,704,230	19,604,690,234	28,880,394	488,151
Other liabilities		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 currency exposure							
		15,455,529,760	8,030,804,402	559,828,691	6,641,478,538	198,307,939	25,110,190
30 Qaws 1398 (2019)							
Assets							
Cash and bank balances				47,610,881	15,128,168,354		
Short-term investments				46,563,800	1,488,811,851		
Loans and advances to customers		4,038,539,141	2,503,163,490	-	172,480,000		
Long term investments		1,069,857,056	897,377,056	-	415,513,645		184,550
Other assets - Gross		1,444,690,497	1,028,992,302	-	23,846,452,388		
		22,008,616,454	12,460,337,250	654,003,372	23,846,452,388	198,307,939	25,294,740
Liabilities							
Deposits from banks and Customers		-	9,107,891,160	565,173,767	22,632,042,100	31,805,295	510,416
Other liabilities		332,104,132	482,469,343		44,478,129		
		332,104,132	9,590,360,504	565,173,767	22,676,520,229	31,805,295	510,416
		21,676,512,322	2,869,976,746	88,829,605	1,169,932,159	166,502,644	24,784,324
Net foreign currency exposure							

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For the year ended 20 December 2020 (30-Qaws-1399)

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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.

	30 Qaws 1399		30 Qaws 1398	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	77.10	77.70	78.40	78.51
GBP	102.88	105.28	101.80	102.20
PKR	0.48	0.51	0.50	0.51
EUR	93.72	95.52	86.90	87.20

The following significant exchange rates were applied during the periods.

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 behavior. 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.

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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

- 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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Notes to the Financial Statements

For the year ended 20 December 2020 (30-Qaws-1399)

Amounts in AFN

30 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.

	2020 30 Qaws 1399	2019 30 Qaws 1398
Tier 1 capital		
Total equity	8,234,157,342	8,111,599,209
Less: Current year profit	(122,558,133)	(855,226,041)
Less: Surplus on revaluation of property and equipment - net	(792,247,503)	(792,247,503)
Less: Exchange translation reserve	(34,313,024)	(34,313,024)
Less: Intangible assets	(10,975,538)	(6,317,321)
Total Tier 1	7,274,063,144	6,423,495,320
Tier 2 capital		
Profit for the year	122,558,133	855,226,041
Surplus on revaluation of property and equipment - net	792,247,503	792,247,503
Exchange translation reserve	34,313,024	34,313,024
General loss reserves on credits Allowable Portion	2,795,454	
Allowable deduction-equity investment	(1,141,126,130)	(1,069,857,057)
Total Tier 2	(189,212,016)	611,929,511
Total regulatory capital (Tier 1 + Tier 2)	<u>7,084,851,128</u>	<u>7,035,424,831</u>
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	1,343,805,486	1,748,537,761
DAB Capital notes	6,759,073,074	-
Direct claims on DAB	9,999,501,774	11,032,546,270
	<u>18,102,380,334</u>	<u>12,781,084,031</u>
0% risk-weight total (above total x 0%)	<u>-</u>	<u>-</u>
20% risk weight:		
Balances with other banks	11,167,641,672	17,580,293,454
20% risk-weight total (above total x 20%)	<u>2,233,528,334</u>	<u>3,516,058,691</u>

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	2020 30 Qaws 1399	2019 30 Qaws 1398
50% risk weight:		
Balances with other banks	-	45,622,500
50% risk-weight total (above total x 50%)	-	22,811,250
100% risk weight:		
All other assets	13,330,251,311	11,771,908,914
Less: intangible assets	(10,975,538)	(6,317,321)
Allowable deduction-equity investment	(1,141,126,130)	(1,069,857,057)
	<u>12,178,149,643</u>	<u>10,695,734,536</u>
100% risk-weight total (above total x 100%)	<u>12,178,149,643</u>	<u>10,695,734,536</u>
0% risk weight:		
Guarantees	936,589,967	513,643,894
0% credit conversion factor total (risk-weighted total x 0%)	<u>936,589,967</u>	<u>513,643,894</u>
Total risk-weighted assets	<u>14,411,677,978</u>	<u>14,748,248,371</u>
Tier 1 Capital Ratio (Tier 1 capital as % of total risk-weighted assets)	50.47%	43.55%
Regulatory Capital Ratio (Regulatory capital as % of total risk-weighted assets)	49.14%	47.70%

31 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.

32 General

The amounts have been rounded off to nearest AFN.

33 Date of authorisation for issue

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

Chairman BCS

Chief Executive Officer

Chief Financial Officer