

INDEPENDENT AUDITOR'S REPORT ON
BANK-E-MILLIE AFGHAN FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 QAWS 1401
(21 DECEMBER 2022)

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

Introduction

We have audited the financial statements of Bank-e-Millie Afghan (the Bank), which comprise the statement of financial position as at 21 December 2022, (30 Qaws 1401) and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 21 December 2022, (30 Qaws 1401) and of its financial performance and its cash flows for the year ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

Basis for Qualified Opinion

1. The Bank has investment in a wholly owned subsidiary "Afghan American Trading Co. Inc." (AATC) which is carried at a cost of USD 2.2 million (AFN 196.460 million). The Bank has not prepared the consolidated financial information in respect of its above subsidiary as required under International Financial Reporting Standard (IFRS) – 10 'Consolidated Financial Statements' due to lack of availability of financial information relating to the subsidiary. Further, for the reasons disclosed in note 8.1.1 to the financial statements, we have not been able to obtain sufficient and appropriate evidence regarding the existence and recoverability of the above referred investment.
2. Note 5.3.2 of the financial statements includes the balance of AFN 2,546,627,835 (USD 28,517,669), which we were unable to verify through confirmation or any other alternative audit procedures.

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

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Emphasis of Matter

We draw attention to note 7.4.1 of the financial statements which shows that additional impairment allowance would rise for loan and advances, if asset classification provisioning regulation became in effect as of 21 December 2022.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Mazars Afghanistan Limited
Chartered Accountants

Engagement Partner: Muhammad Saqlain Siddiqui

Date: 18 March 2023

Place: Kabul, Afghanistan

BANK-E-MILLIE AFGHAN
STATEMENT OF FINANCIAL POSITION
AS AT 30 Qaws 1401 (21 December 2022)

Assets	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
Cash and cash equivalents	5	29,889,453,197	26,083,845,755
Short-term investments	6	907,866,238	5,527,175,268
Loans and advances to customers - net	7	3,928,047,987	4,856,602,651
Long term investments	8	1,255,375,989	1,357,033,710
Property and equipment	9	1,247,778,520	1,267,981,081
Intangible assets	10	4,386,404	7,769,196
Investment properties		5,724,405,630	5,724,405,630
Other assets	11	999,334,714	1,092,049,872
Total assets		<u>43,956,648,679</u>	<u>45,916,863,163</u>
Liabilities			
Deposits from bank and customers	12	34,003,327,509	35,675,951,680
Lease liabilities	13	20,931,897	46,507,069
Deferred tax liability	14	675,665,283	763,306,670
Other liabilities	15	340,807,112	507,989,339
Total liabilities		<u>35,040,731,801</u>	<u>36,993,754,758</u>
Equity			
Share capital	16	1,000,000,000	1,000,000,000
Retained earnings		7,059,040,849	7,039,911,573
Surplus on revaluations - net		792,247,503	792,247,503
Exchange translation reserves		55,785,024	82,105,824
General reserve		8,843,502	8,843,502
Total equity		<u>8,915,916,878</u>	<u>8,923,108,402</u>
Total liabilities and equity		<u>43,956,648,679</u>	<u>45,916,863,163</u>
Contingencies and Commitments	17		

The annexed notes from 1 to 30 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED ON 30 QAWS 1401 (21 DECEMBER 2022)

	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
Interest income and expenses			
Interest income	18	185,499,412	472,048,732
Interest expense	18	(7,785,222)	(17,749,025)
Net interest income		177,714,190	454,299,707
Commission income and expenses			
Commission income	19	166,943,404	137,461,391
Commission expense	19	(10,361,909)	(2,685,103)
Net commission income		156,581,495	134,776,288
Other income			
Realized exchange gain		53,948,877	68,562,748
Unrealized exchange (loss) / gain		(266,786,178)	447,662,365
Gain on revaluation of investment properties		-	1,058,990,863
Gain on revaluation of gold and silver	5.4	33,053,288	-
Other operating income	20	268,270,385	115,375,652
Total other income		88,486,373	1,690,591,629
Total operating income		422,782,058	2,279,667,624
Operating expenses			
(Reversal) / provision on loans and advances	7.3	(25,013,303)	97,445,100
(Reversal) / provision on other assets	11.4	(23,781,024)	237,743,950
(Reversal) / Provision on short term investment		(8,925,278)	84,569,332
Personnel expenses	21	255,333,233	300,063,904
Finance cost on lease liability	13	1,771,739	2,521,687
Depreciation	9	39,559,015	33,885,159
Amortization	10	3,382,792	3,700,832
Other expenses	22	173,630,074	467,702,960
Total operating expenses		415,957,249	1,227,632,924
Total operating profit		6,824,809	1,052,034,700
Share in (loss) / profit of associate and equity investments	8.4	(68,756,721)	155,264,328
		(68,756,721)	155,264,328
(Loss) / profit before taxation		(61,931,912)	1,207,299,028
Taxation	23	81,061,187	(67,043,020)
Profit for the year		19,129,276	1,140,256,008
Other comprehensive (loss) / income			
<i>Items that may be classified to profit or loss subsequently</i>			
Related deferred tax		(32,901,000)	59,741,000
Other comprehensive (loss) / income, net of tax		6,580,200	(11,948,200)
		(26,320,800)	47,792,800
Total comprehensive (loss)/income for the year		(7,191,524)	1,188,048,808

The annexed notes from 1 to 30 form an integral parts of these financial statements.

Chief Executive Officer

Chief Financial Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
Operating activities			
(Loss) / Profit before taxation		(61,931,912)	1,207,299,028
Adjustments for:			
Depreciation	9	39,559,015	33,457,309
Amortization	10	3,382,792	3,700,832
Share in (loss) / profit of associate and equity investments	8.4	68,756,721	(155,264,328)
Short term investments		(8,925,278)	84,569,332
Impairment loss on loans and advances	7.3	(25,013,303)	97,445,100
Provision for other assets	11.4	(23,781,024)	237,743,950
Gain on Revaluation of investment property		-	(1,058,990,863)
Gain on revaluation of gold and silver	5.4	(33,053,288)	-
Finance cost on lease liability	13	1,771,739	2,521,687
Provision for retirement benefit	15.2	5,788,693	5,950,646
		28,486,068	(748,866,335)
Adjustments for changes in operating assets and liabilities:			
Loans and advances to customers		953,567,967	(466,048,915)
Other assets		68,934,135	8,339,828
Deposits from banks and customers		(1,672,624,171)	3,246,119,689
Lease liabilities		(36,531,469)	50,433,737
Other liabilities		(167,182,227)	(70,390,233)
		(853,835,765)	2,768,454,105
Tax Paid		-	(12,487,269)
Retirement benefit paid		(23,679,222)	(31,762,076)
		(23,679,222)	(44,249,345)
Net cash flow (used in) / from operating activities		(910,960,831)	3,182,637,453
Investing activities			
Long term Investments	8	131,159,006	-
Placements with Banks		4,619,480,952	9,119,380,573
Purchase of intangible assets	10	-	(494,490)
Capital expenditure in investment properties		-	(273,454,515)
Acquisition of Rights of use assets		(1,184,321)	(50,433,737)
Purchase of property and equipment	9	(16,093,805)	(16,093,805)
Net cash flow from investing activities		4,733,361,832	8,778,904,027
Cash flows from financing activities			
Repayment of lease obligations		(16,793,559)	(6,448,354)
Dividend Paid		-	(500,000,000)
Net cash used in financing activities		(16,793,559)	(506,448,354)
Net increase in cash and cash equivalents		3,805,607,442	11,455,093,126
Cash and cash equivalents at beginning of year		26,083,845,755	14,628,752,629
Cash and cash equivalents at end of year		29,889,453,197	26,083,845,755

The annexed notes from 1 to 30 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	Share capital	Retained earnings	Revaluation surplus	Exchange translation reserve	General reserve	Total
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
Profit for the year	-	1,140,256,008	-	-	-	1,140,256,008
Exchange rate differences on translation of investment in AATC Subsidiary -net of tax	-	-	-	47,792,800	-	47,792,800
Reserves for investment and shares	-	-	-	-	902,252	902,252
Dividend paid to shareholders	-	(500,000,000)	-	-	-	(500,000,000)
Balance as at 30 Qaws 1400 (21 December 2021)	1,000,000,000	7,039,911,573	792,247,503	82,105,824	8,843,502	8,923,108,402
Balance as at 30 Qaws 1400 (21 December 2021)	1,000,000,000	7,039,911,573	792,247,503	82,105,824	8,843,502	8,923,108,402
Profit for the year	-	19,129,276	-	-	-	19,129,276
Exchange rate differences on translation of investment in AATC Subsidiary -net of tax	-	-	-	(26,320,800)	-	(26,320,800)
Balance as at 30 Qaws 1401 (21 December 2022)	1,000,000,000	7,059,040,849	792,247,503	55,785,024	8,843,502	8,915,916,878

The annexed notes from 1 to 30 form an integral parts of these financial statements.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS

BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

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 39 branches (2021:36 branches) in operation.

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

2 Basis of preparation

2.1 Statement of compliance

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

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

2.2 Mandatory Departure

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

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

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

a) **Provision for loan losses**

The Bank reviews loans and advances to customer balances monthly for possible impairment and records the provision for possible loan losses in accordance with DAB regulations as disclosed in note 7. The Bank maintains a general provision of 1% standard loans (2021: 1%) against outstanding loan and advances to customers as at the period end.

However, during the year, the DAB has issued a circular to the banks, notifying further deferral of ACPR regulation application from 01 September 2021 to 30 March 2023. Accordingly, the bank has opted deferral in the application of ACPR, in the preparation of financial statements for the year ended on 30 Qaws 1401 (21 December 2022).

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

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

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The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Bank's financial statements.

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4 Significant accounting policies

4.1 IFRS 16 Leases

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

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

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

4.1.1 Leased assets

The Bank as a Lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

Extension options for leases

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

4.2 Cash and cash equivalents

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

4.2.1 Gold and Silver

Gold and Silver coins are recognized at fair values, the bank takes the impact of the any changes in fair values to the profit and loss for the year.

4.3 Financial assets and liabilities

Recognition

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

De-recognition

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

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

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

Offsetting

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

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

Amortized cost measurement

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

Identification of measurement of impairment

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

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

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

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount, (if applicable).

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

4.4 Impairment of non-financial assets

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

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

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

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

4.5 Taxation

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

4.6 Foreign currency

4.6.1 Foreign currencies transactions and translations

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

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

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

4.6.2 Foreign operations

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

4.7 Interest

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

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

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

4.8 Fee and commission

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

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

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

4.9 Rental income

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

4.10 Dividend income

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

4.11 Loans and advances

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

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

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

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

4.12 Murabaha

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

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4.13 Investments

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

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

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

4.14 Property and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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Capital work-in-progress

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

4.15 Intangible assets

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

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

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

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

4.16 Investment property

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

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

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

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 recognize the impact of revaluation in the books.

4.17 Provisions

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

4.18 Employee benefits

Defined benefit plan

The Bank operates a pension scheme for its current and former employees entitled to pension after normal retirement (65 years of age or 40 years of service), voluntary retirement (55 years of age and 25 years of service), disability and in case of death, their legal heirs. Pension is based on formula which takes into account the years of service, average salary and a percentage and in case of death or disability, number of salaries depending upon the years of service. 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 recognized in accordance with the requirements of IAS-19 (Revised). The last actuarial valuation of the scheme was carried out as at 21 December 2019.

Defined contribution plan

The bank also operates defined contribution, where deductions are made at the rate of 8% from the monthly salary of employees and the Bank contributes an equivalent amount.

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		21 December 2022	21 December 2021
	Note	30 Qaws 1401 AFN	30 Qaws 1400 AFN
5 Cash and cash equivalents			
Cash in hand	5.1	1,909,688,840	793,010,652
Balances with Da Afghanistan Bank	5.2	25,100,135,362	21,960,111,319
Nostro accounts balances with banks	5.3	2,813,866,543	3,298,014,620
Gold and silver at bank vault	5.4	65,762,452	32,709,164
		29,889,453,197	26,083,845,755
5.1 Cash in hand			
Local currency	5.1.1	736,413,779	636,062,265
Foreign currency	5.1.2	1,156,090,596	143,276,355
Cash in ATMs		17,184,465	13,672,032
		1,909,688,840	793,010,652
5.1.1			
This represents cash at vaults in the branches of the bank.			
5.1.2			
The foreign currencies includes USD, GBP, EURO and PKR.			

		2022	2021
		30 Qaws 1401	30 Qaws 1400
5.2 Balances with Da Afghanistan Bank			
Local currency			
Current account (interest free)		8,484,231,945	3,676,157,967
Overnight account		-	722,835,616
Required reserve account	5.2.1	1,452,356,651	867,706,242
		9,936,588,596	5,266,699,825
Foreign Currency			
Current account	5.2.2	13,398,304,100	14,934,804,923
Required reserve account		1,765,242,666	1,758,606,570
		15,163,546,766	16,693,411,494
		25,100,135,362	21,960,111,319

- 5.2.1** 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 6% to deposits denominated in AFN and 8% to deposits denominated in foreign currency, credited by the by the DAB from the respective nostro current accounts of the bank with DAB.
- 5.2.2** The foreign currencies includes USD, GBP, EURO and PKR.

		2022	2021
	Note	30 Qaws 1401	30 Qaws 1400
5.3 Nostro accounts balances with banks			
Local currency	5.3.1	132,727	740,793
Foreign currency	5.3.2	2,813,733,816	3,297,273,827
		2,813,866,543	3,298,014,620
5.3.1 Local currency			
Pashtany Bank		123,127	120,786
Azizi Bank		9,600	620,007
		132,727	740,793

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	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
5.3.2 Foreign currency		
Pashtany Bank	329,401	397,085
New Kabul Bank	426,933	514,070
Azizi Bank	25,748	1,853,271
Citi Bank New York	2,546,627,835	2,973,109,574
Canara Bank	838,429	978,840
Habib Bank - Pakistan	16,852,050	25,141,220
Bank of Africa - Europe	248,633,419	295,279,767
	2,813,733,816	3,297,273,827

5.4 This represents gold and silver coins located at bank's main vault, acquired in the early years after inception of BMA in Afghanistan. However, these gold coins were revalued on 14 December 2022, resulting in revaluation gain, the impact was accordingly taken in the financial statements, approved by the BoS of the bank.

	2022 30 Qaws 1401	2021 30 Qaws 1400
6 Short-term investments		
Capital notes with DAB	-	4,494,383,277
Placements in other banks	907,866,238	1,032,791,991
	907,866,238	5,527,175,268

	2022 30 Qaws 1401	2021 30 Qaws 1400
6.1 Placements in other banks (Foreign Banks)		
Murabaha Deposit in RAK Bank - by IBW	170,529,527	199,087,971
First Abu Dhabi Bank	897,368,767	1,042,813,534
	1,067,898,294	1,241,901,504
Accrued Interest	10,497,471	406,592
	1,078,395,765	1,242,308,096
Less: Provision-Loss RAK bank placement	(170,529,527)	(199,087,971)
General provision at (1%)	-	(10,428,135)
	907,866,238	1,032,791,990

6.2 Placements provisioning movement during the year on RAK Bank

Balance at the beginning of the year	199,087,971	73,616,082
Charge for the year	-	74,141,197
Exchange rate differences	(28,558,444)	51,330,692
Balance at the end of year	170,529,527	199,087,971

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	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
7 Loans and advances to customers - net			
Conventional Loans	7.1	3,859,160,574	4,626,165,533
Islamic Loans	7.2	682,704,532	906,674,165
		4,541,865,106	5,532,839,698
Impairment			
Conventional	7.1	(456,279,719)	(487,702,041)
Islamic	7.2	(157,537,400)	(188,535,006)
		(613,817,119)	(676,237,047)
		3,928,047,987	4,856,602,651

	Note	AFN			AFN		
		Gross	Impairment	Carrying Value	Gross	Impairment	Carrying Value
7.1 Conventional							
Overdrafts	7.1.1	2,248,170,308	(127,271,556)	2,120,898,752	3,632,538,256	(154,728,446)	3,477,809,810
Commercial loans	7.1.2	1,472,008,696	(300,046,226)	1,171,962,470	767,362,664	(294,293,772)	473,068,892
Construction loans	7.1.3	6,668,864	(1,667,216)	5,001,648	6,668,864	(1,667,216)	5,001,648
Microfinance loans	7.1.4	120,385,561	(22,915,418)	97,470,143	200,454,933	(29,702,012)	170,752,921
Entrepreneurs	7.1.5	11,583,287	(4,349,871)	7,233,416	18,446,133	(7,262,046)	11,184,087
Loans to employees	7.1.6	343,858	(29,432)	314,426	694,683	(48,548)	646,135
Total Conventional		3,859,160,574	(456,279,719)	3,402,880,855	4,626,165,533	(487,702,041)	4,138,463,493
7.2 Islamic (Murabaha)							
Car financing	7.2.1	32,263,690	(4,222,197)	28,041,493	55,384,564	(6,191,578)	49,192,986
House financing	7.2.1	65,169,039	(65,169,039)	-	76,082,797	(76,082,797)	-
Construction material	7.2.1	143,324,805	(53,379,602)	89,945,204	141,287,614	(55,865,562)	85,422,052
Home appliances	7.2.2	22,837	(228)	22,609	246,972	(6,984)	239,988
Trade Finance	7.2.3	37,556,930	(921,252)	36,635,677	58,900,763	(551,128)	58,349,635
Corporate equipment	7.2.3	404,367,231	(33,845,083)	370,522,148	574,771,455	(49,836,958)	524,934,497
Total Islamic		682,704,532	(157,537,400)	525,167,131	906,674,165	(188,535,006)	718,139,159
Total Conventional & Islamic		4,541,865,106	(613,817,119)	3,928,047,986	5,532,839,698	(676,237,047)	4,856,602,652

- 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% (2021: 10% to 13%) per annum. These facilities are secured against immovable properties.
- 7.1.2** Commercial loans are defined as all loans not properly categorized as consumer, construction, agricultural, or real estate. This category of loans includes all business purpose loans. When a loan cannot be otherwise categorized, it is by definition a commercial loan. These carry mark-up rate ranging from 10% to 11% (2021: 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% (2021: 5% to 15%) per annum.
- 7.1.4** These loans are specially designed for permanent government employees who have served for more than 5 years and less than 35 years. The maximum amount of loan is 500,000. These carry interest rate ranging from 5% to 15% per annum.
- 7.1.5** These loans are specially designed for individuals who are in start up of their businesses.
- 7.1.6** These loans are specially designed for internal employee of the bank. The maximum amount of loan that may be given is 35% of net annual salary of employee.
- 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% (2021: 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% (2021: 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% (2021: 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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Note	21 December 2022		21 December 2021	
	30 Qaws 1401	AFN	30 Qaws 1400	AFN
	676,237,047		525,027,940	
	7,671,121		232,166,855	
	(32,684,424)		(134,721,755)	
	(25,013,303)		97,445,100	
	(37,406,624)		53,764,007	
	613,817,119		676,237,047	

7.4

7.3 Provision held - summary**Balance at the beginning of the year**

Charge for the year
 Reversals during the year
Net (reversals) / charge for the year

Exchange rate difference

21 December 2022 (30 Qaws 1401)**7.4 Set out below shows Classification of loans and advances to customers based on ACPR deferral up to 31 March 2023**

	Provisioning rates	Amount outstanding	Provision required	Provision held
Standard (Optional)	1%	1,585,359,106	15,853,591	15,853,591
Watch-list	5%	1,985,525,155	99,276,258	99,276,258
Substandard	25%	124,660,603	31,165,265	31,165,265
Doubtful	50%	757,596,471	378,798,235	378,798,235
Loss	100%	88,723,771	88,723,771	88,723,771
		4,541,865,106	613,817,119	613,817,119
Less: Write offs		-	-	-
		4,541,865,106	613,817,119	613,817,119

7.4.1 Set out below shows the classification of loans and advances to customers, if ACPR was applicable or active, as of 21 December 2022

	Provisioning rates	Amount outstanding - New classification	Provision required
Standard (Optional)	1%	1,215,949,303	12,159,493
Watch-list	5%	713,071,019	35,653,551
Substandard	25%	210,678,237	52,669,559
Doubtful	50%	405,535,333	202,767,667
Loss	100%	1,996,631,213	1,996,631,213
		4,541,865,106	2,299,881,483

Set out below is net of effect of ACPR deferral on provision for impairment losses as of 21 December 2022:

Provision for impairment losses recognized by the bank (resulting from ACPR deferral)
 Provision for impairment losses required (if ACPR was active)

613,817,119
2,299,881,483
(1,686,064,364)

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8 Long term investments

Afghan American Trading Co. Inc. (100% owned Subsidiary)
 Pashtany Bank (28.77 % - Associate)
 Investment in equity instruments

Note	21 December	21 December
	2022	2021
	30 Qaws 1401	30 Qaws 1400
	AFN	AFN
8.1	196,460,000	229,361,000
8.2	867,150,619	965,408,626
8.3	191,765,370	162,264,084
	<u>1,255,375,989</u>	<u>1,357,033,710</u>

8.1 Afghan American Trading Co. Inc. (100% owned Subsidiary)

Opening balance (cost USD 2,200,000)
 Share of profit / (loss)
 Exchange loss
 Closing balance

8.1.1	229,361,000	169,620,000
	(32,901,000)	59,741,000
	<u>196,460,000</u>	<u>229,361,000</u>

8.1.1 Afghan American Trading Co. Inc. (AATC) is wholly owned subsidiary of the bank wherein investment cost is USD 2.2 million. Previously, there was a dispute with the management of Afghan American Trading Co. Inc. The bank launched an investigation into the affairs of AATC by appointing its legal representative in US. The latest audited financial statements of AATC are not available and the bank can not assess the recoverability of its investment in AATC.

8.2 Investment in associates

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

Note	2022	2021
	30 Qaws 1401	30 Qaws 1400
8.4	965,408,626	810,144,298
	(98,258,007)	155,264,328
	<u>867,150,619</u>	<u>965,408,626</u>

8.3 Investment in equity instruments

Afghan National Insurance Company
 Ariana Afghan Airlines Company
 Edahdia Mazar Sharif
 Sherkat Saderat Pakhta Herat
 Sherkat Pashmena Bafi Qandahar
 Sherkat Yakhsazi Herat
 Sherkat Teel Kashi Herat

Note	2022	2021
	30 Qaws 1401	30 Qaws 1400
8.4	18,606,641	18,605,169
8.4	172,256,476	142,756,663
	30,150	30,150
	844,289	844,289
	15,944	15,944
	7,076	7,076
	4,794	4,794
	<u>191,765,370</u>	<u>162,264,084</u>

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8.4 Movement in investment	Note	Opening Balance as at 22 December 2021		Adjustment / Translation difference	Share of (loss) & profit		Equity Share	Provision for loss	Closing Balance, as at 21 December 2022	
		AFN	AFN		AFN	AFN			AFN	AFN
Afghan American Trading Co		229,361,000	(32,901,000)	-	-	-	-	-	196,460,000	
Pashtany Bank	8.4.1	965,408,626	-	(98,258,007)	-	-	-	-	867,150,619	
Afghan National Insurance	8.4.1	18,605,169	-	1,472	1,472	-	-	-	18,606,641	
Ariana Afghan Airlines		142,756,663	-	29,499,813	29,499,813	-	-	-	172,256,476	
Edahia Mazar Sharif		30,150	-	-	-	-	-	-	30,150	
Sherkat Saderat Pakhta Herat		844,289	-	-	-	-	-	-	844,289	
Sherkat pashmena Bafi Qandahar		15,944	-	-	-	-	-	-	15,944	
Sherkat Yakhsazi Herat		7,076	-	-	-	-	-	-	7,076	
Sherkat Teel Kashi Herat		4,794	-	-	-	-	-	-	4,794	
		1,357,033,710	(32,901,000)	(68,756,721)					1,255,375,989	
8.4.1		Opening Balance as at 22 December 2020		Adjustment / Translation difference	Share of Profit		Equity Share	Provision for loss	Closing Balance, as at 21 December 2021	
		AFN	AFN		AFN	AFN			AFN	AFN
Afghan American Trading Co		169,620,000	59,741,000	-	-	-	-	-	229,361,000	
Pashtany Bank		810,144,298	-	155,264,328	155,264,328	-	-	-	965,408,626	
Afghan National Insurance		18,605,169	-	-	-	-	-	-	18,605,169	
Ariana Afghan Airlines		142,756,663	-	-	-	-	-	-	142,756,663	
Edahia Mazar Sharif		-	-	-	-	-	-	-	30,150	
Sherkat Saderat Pakhta Herat		-	-	-	-	-	-	-	844,289	
Sherkat pashmena Bafi Qandahar		-	-	-	-	-	-	-	15,944	
Sherkat Yakhsazi Herat		-	-	-	-	-	-	-	7,076	
Sherkat Teel Kashi Herat		-	-	-	-	-	-	-	4,794	
		1,141,126,130	59,741,000	155,264,328			902,252		1,357,033,710	

8.4.1 This represents net share of the profits from the bank's investment in associate companies, pertaining to 2018, 2019, 2020 & 2021, based on financial information provided by the associate companies, and for those entities and years, where no equity method of accounting was performed as of 21 December 2022, the bank lacks adequate and complete financial information.

8.5 Financial Information - Summary

For the year 21 December 2022

	Total Assets	Total Liabilities	Net Assets	Profit After Tax	OC Income / (loss)	Holding %age
Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank	21,313,027,781	17,197,969,455	4,115,058,326	-	-	28.77%
Afghan National Insurance Company	-	-	-	-	-	7.66%
Ariana Afghan Airlines	-	-	-	-	-	6.25%
	21,313,027,781	17,197,969,455	4,115,058,326			

For the year 21 December 2021

	Total Assets	Total Liabilities	Net Assets	Profit After Tax	OC Income / (loss)	Holding %age
Afghan American Trading Co	-	-	-	-	-	100.00%
Pashtany Bank	24,568,830,274	21,235,777,408	3,333,052,866	539,726,938	-	28.77%
Afghan National Insurance Company	1,449,536,635	150,050,515	1,299,486,120	7,798,221	305,349,160	7.66%
Ariana Afghan Airlines	4,611,916,517	1,409,248,685	3,202,667,832	319,272,021	10,518,816	6.25%
	30,630,283,426	22,795,076,608	7,835,206,818	866,797,180	315,867,976	

8.5.1 Audited / management financial statements of 'Afghan American Trading Co, Afghan National Insurance Company and Ariana Afghan Airline were not available, hence no information was presented.

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	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
10 Intangibles Assets		
Cost		
Balance at beginning of the year	80,135,496	79,641,006
Additions	-	494,490
Balance at end of the year	80,135,496	80,135,496
Amortization		
Balance at beginning of the year	72,366,300	68,665,469
Charge for the year	3,382,792	3,700,832
Balance at end of the year	75,749,092	72,366,300
Carrying amount	4,386,404	7,769,196

10.1 Intangibles assets include core banking software and licensing rights.

10.2 Intangibles are amortized at the rates ranging from 20% to 33% (2021: 20% to 33%) per annum.

	2022 30 Qaws 1401	2021 30 Qaws 1400
11 Other assets		
Receivable from subsidiaries	29,215,299	34,107,962
Advance salaries	13,376,568	37,212,647
Prepaid expenses	14,674,210	11,441,747
Advance tax to MoF	653,732,584	672,656,749
Rent receivable against investment properties	25,036,473	46,044,544
Accrued interest on loans and advances - Conventional	101,394,976	182,420,411
Accrued profit on loans and advances - Islamic	17,180,698	14,433,823
Receivable against cash misappropriation	443,026	83,857,360
Security deposits with Pashtany Bank	40,000,000	40,000,000
Security deposit with Western union	10,716,000	12,510,600
Receivable from sale of property	1,993,033	29,621,537
Receivable from Western union inbound / outbound	174,623,897	24,156,484
Other receivables	50,537,460	179,798,756
	1,132,924,223	1,368,262,620
Provision held against other assets	(133,589,509)	(276,212,748)
	999,334,714	1,092,049,872

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

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

11.3 The balance is net of the suspense interest accrued on loans and advances, amounting to AFN 103,288,017 (21 December 2021: AFN 20,315).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)**

		21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
11.4 Provision against other assets			
Balance at the beginning of the year		276,212,748	36,645,604
<i>Charge for the year</i>			
Receivable against expenses		495,426	-
Receivable against cash misappropriation		-	45,388,561
Rent receivable against investment properties		-	29,757,449
Profit Receivables from RAK		-	37,531,800
Accrued interest on loans and advances to customers		-	95,444,603
Receivable from sale of property		-	29,621,537
		495,426	237,743,950
<i>Reversal during the year</i>			
Rent receivable against investment properties		(8,811,366)	-
Accrued interest on loans and advances to customers		(15,465,084)	-
Net (reversal) / charge for the year		(23,781,024)	237,743,950
Write offs during the year		(105,549,281)	-
Exchange rate differences		(13,292,934)	1,823,194
Balance at the end of the year		133,589,509	276,212,748
12 Deposits from bank and customers		2022 30 Qaws 1401	2021 30 Qaws 1400
<i>Local currency</i>			
Conventional deposits	12.1	16,608,151,811	13,670,944,161
Islamic deposits	12.2	51,197,143	53,080,603
Margin against letter of guarantee	12.3	68,417,749	367,511,244
		16,727,766,702	14,091,536,008
<i>Foreign Currency</i>			
Conventional deposits	12.1	16,937,158,737	21,163,949,503
Islamic deposits	12.2	304,262,680	385,762,702
Margin against letter of guarantee	12.3	34,139,390	34,703,466
		17,275,560,807	21,584,415,672
		34,003,327,509	35,675,951,680
12.1 Conventional deposits			
Local currency			
Current deposits		11,284,860,578	9,529,385,951
Saving deposits		1,018,066,712	1,181,907,095
Term deposits		4,305,224,521	2,959,651,114
Total local currency		16,608,151,811	13,670,944,161
Foreign currency			
Current deposits		10,664,038,253	12,011,854,688
Saving deposits	12.1.1	5,794,447,221	7,482,963,143
Term deposits	12.1.2	478,673,263	1,669,131,672
Total local currency		16,937,158,737	21,163,949,503
		33,545,310,547	34,834,893,664

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

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

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
12.2 Islamic deposits			
Local currency			
Current deposits		13,185,382	5,463,332
Saving deposits	12.2.1	15,240,977	22,963,691
Term deposits		22,770,784	24,653,580
		51,197,143	53,080,603
Foreign currency			
Current deposits		52,903,750	40,814,758
Saving deposits	12.2.1	48,721,679	77,934,706
Term deposits		202,637,251	267,013,239
		304,262,680	385,762,702
		355,459,823	438,843,305

12.2.1 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.

	2022 30 Qaws 1401	2021 30 Qaws 1400
12.3 Margin against letter of guarantee		
Foreign currency -Not Expired	34,139,390	34,703,466
Local Currency - Not Expired	68,417,749	367,511,244
	102,557,139	402,214,710

	2022 30 Qaws 1401	2021 30 Qaws 1400
13 Lease liabilities		
Opening balance	46,507,069	-
Recognized on transition to IFRS 16	-	50,433,737
Adjustment for Modified lease liability	(9,184,558)	
Lease rentals paid	(16,793,559)	(6,448,354)
Finance cost for the year	1,771,739	2,521,687
Rental prepayments	(1,368,794)	-
	20,931,897	46,507,069

	2022 30 Qaws 1401	2021 30 Qaws 1400
14 Recognized deferred tax liabilities / (assets)		
Surplus on revaluation of property and equipment	198,061,876	198,061,876
Investment in associate	(45,064,778)	(25,413,177)
Defined Contribution plan (Pension Scheme)	(2,347,868)	(1,190,129)
Investment property	754,517,790	754,517,790
Exchange translation reserve	5,368,000	11,948,200
Carry forward taxable losses	(234,869,737)	(174,617,889)
	675,665,283	763,306,670

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

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

	Opening Balance	Recognized in profit or loss	OCI	Closing Balance
	AFN	AFN	AFN	AFN
As at 30 Qaws 1401 (21 December 2022)				
Property and equipment - revalued amount	198,061,876	-	-	198,061,876
Investments:	-	-	-	-
Afghan American Trading Co.	-	-	-	-
Pashtany Bank	(26,714,675)	(19,651,601)	-	(46,366,276)
Afghan National Insurance Company	1,301,498	-	-	1,301,498
Investment property	754,517,790	-	-	754,517,790
Defined Contribution plan	(1,190,129)	(1,157,739)	-	(2,347,868)
Exchange translation reserve	11,948,200	-	(6,580,200)	5,368,000
Carry forward taxable losses	(174,617,889)	(60,251,848)	-	(234,869,737)
	763,306,670	(81,061,187)	(6,580,200)	675,665,283

	Opening Balance	Recognized in profit or loss	OCI	Closing Balance
	AFN	AFN	AFN	AFN
As at 30 Qaws 1401 (21 December 2021)				
Property and equipment - revalued amount	198,061,876	-	-	198,061,876
Investments:	-	-	-	-
Afghan American Trading Co.	-	-	-	-
Pashtany Bank	(57,767,540)	(31,052,866)	-	(26,714,675)
Afghan National Insurance Company	1,301,498	-	-	1,301,498
Investment property	542,719,617	(211,798,173)	-	754,517,790
Defined Contribution plan	-	1,190,129	-	(1,190,129)
Exchange translation reserve	-	-	(11,948,200)	11,948,200
Carry forward taxable losses	-	174,617,889	-	(174,617,889)
	684,315,450	(67,043,020)	(11,948,200)	763,306,670

14.2 Details of Temporary differences (Assets/liabilities)

	Accounting Base of Asset / Liability	Tax Base of Asset / Liability	Taxable / (Deductible) Temporary Difference	Deferred Tax (Asset) / Liability @ 20%
As at 30 Qaws 1401 (20 December 2022)				
Property and equipment - revalued amount	1,140,093,440	149,784,061	990,309,379	198,061,876
Investments:				
Afghan American Trading Co.	196,460,000	196,460,000	-	-
Pashtany Bank	867,150,619	1,098,982,000	(231,831,381)	(46,366,276)
Afghan National Insurance Company	18,605,169	12,097,681	6,507,488	1,301,498
Ariana Afghan Airlines	172,256,476	172,256,476	-	-
Investment property	5,450,951,115	1,678,362,167	3,772,588,948	754,517,790
Defined Contribution plan	(173,854,815)	(185,594,154)	11,739,339	(2,347,868)
Exchange translation reserve	26,840,000	-	26,840,000	5,368,000
	7,671,662,005	3,122,348,232	4,576,153,774	910,535,019
As at 30 Qaws 1400 (21 December 2021)				
Property and equipment - revalued amount	1,140,093,440	149,784,061	990,309,379	198,061,876
Investments:				
Afghan American Trading Co.	229,361,000	229,361,000	-	-
Pashtany Bank	965,408,626	1,098,982,000	(133,573,374)	(26,714,675)
Afghan National Insurance Company	18,605,169	12,097,681	6,507,488	1,301,498
Ariana Afghan Airlines	142,756,663	142,756,663	-	-
Investment property	5,450,951,115	1,678,362,167	3,772,588,948	754,517,790
Defined Contribution plan	185,956,651	191,907,297	(5,950,646)	(1,190,129)
Exchange translation reserve	59,741,000	-	59,741,000	11,948,200
'Carry forward taxable losses	-	873,089,445	(873,089,445)	(174,617,889)
	8,133,132,664	3,503,250,869	4,629,881,795	763,306,670

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
15 Other liabilities			
Accrued interest on deposits - conventional		405,458	2,444,820
Accrued profit on deposits - Islamic		6,409,966	5,538,972
Deferred income from donated assets		11,980,917	18,808,190
Retention deposits		1,585,654	1,460,381
Security deposits on rented investment properties		13,037,974	27,557,366
Withholding tax payable	15.1	9,153,171	8,553,701
Dividend payable		20,716,068	69,099,563
Bills payable		-	15,703,879
Defined benefit plan (pension scheme)	15.2	173,854,815	185,956,651
Accrued expenses		12,483,975	33,064,178
Others		91,179,114	139,801,639
		<u>340,807,112</u>	<u>507,989,339</u>
15.1 This represents withholding taxes deducted from contractors and payroll, which will be offsetted with advance tax paid by the bank to MoF, subject to official intiation from MoF.			
15.2 Movement in the defined benefit obligation			
		2022 30 Qaws 1401	2021 30 Qaws 1400
<i>Opening net liability</i>		185,956,651	211,768,081
Charge for the year		5,788,693	5,950,646
Employee contribution		5,788,693	5,950,646
Benefits paid during the year		(23,679,222)	(37,712,722)
<i>Closing net liability</i>		173,854,815	185,956,651
16 Share capital			
		2022 30 Qaws 1401	2021 30 Qaws 1400
16.1 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>
16.2 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>
16.3 The issued shares are subscribed by the following parties:			
Ministry of Finance		967,508,023	967,508,023
Afghan Red Crescent		20,731,432	20,731,432
Pashtany Bank		11,343,832	11,343,832
Afghan Air Force Commander		370,412	370,412
Kabul Municipality		46,301	46,301
		<u>1,000,000,000</u>	<u>1,000,000,000</u>
17 Contingencies and Commitments			
Letter of Gurantees			
Off Balance sheet assets - AFN		68,417,749	367,511,244
Off Balance sheet assets - USD		34,139,390	34,703,466
		<u>102,557,139</u>	<u>402,214,710</u>

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
18 Interest income and expenses		
<i>Interest income</i>		
Interest on short term investment	13,991,559	75,843,996
Interest on loans and advances - conventional	129,807,201	348,423,188
Profit on loans and advances - Islamic	41,700,652	47,781,548
	185,499,412	472,048,732
<i>Interest expense</i>		
Interest on deposits - conventional	21,812	4,874,255
Profit to Murabaha customers - Islamic	7,763,410	12,874,770
	7,785,222	17,749,025
Net interest income	177,714,190	454,299,707
	2022	2021
	30 Qaws 1401	30 Qaws 1400
19 Commission income and expenses		
<i>Fee and commission income</i>		
Commission income	151,490,778	109,097,060
Customer account service charges	15,233,991	18,084,977
Loan processing fee	218,635	10,279,354
	166,943,404	137,461,391
<i>Fee and commission expense</i>		
Funds transfers	8,795,271	1,017,772
Inter bank transaction fee	1,533,538	1,604,031
Others	33,100	63,300
	10,361,909	2,685,103
Net fee and commission income	156,581,495	134,776,288
	2022	2021
	30 Qaws 1401	30 Qaws 1400
20 Other operating income		
Rental income	44,638,330	78,712,299
Recoveries from loan and advances written off	183,698,334	24,950,840
Devidend received from associates	7,597,271	-
Others	32,336,450	11,712,513
	268,270,385	115,375,652
20.1 This includes certain credit balances amounting to AFN 20,976 thousands that is transferred to other income, based on the assumption of the managemnt that these balances pertains to the prior years where payables parties could not be established. This was approved by BoS of the bank.		
	2022	2021
	30 Qaws 1401	30 Qaws 1400
21 Personnel expenses		
Salaries and benefits	238,432,048	247,100,943
Bonus	9,106,761	39,319,409
Charge for the retirement benefits	5,788,693	5,950,646
Scholarship and training expenses	2,005,731	7,692,906
	255,333,233	300,063,904

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

	Note	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
22 Other expenses			
Advertising and publicity		2,046,437	2,987,513
Repairs and maintenance	22.1	43,872,774	41,456,151
Postage and telegram		22,663	50,662
Deposits insurance expense		50,361,409	71,464,076
Utility charges		10,968,036	11,544,744
Operating lease		1,009,334	13,227,740
Fuel expenses		8,044,335	4,655,405
Printing and stationery		10,626,540	7,943,897
Travelling		2,486,817	4,368,709
Telephone and communication		17,949,824	19,375,091
Security charges		455,528	41,025,109
Audit fee		6,063,629	7,445,392
Penalties imposed by DAB		1,340,000	1,707,000
Legal and professional fees	22.2	2,067,583	16,031,725
Others		16,315,165	224,419,747
		173,630,074	467,702,960

22.1 This represents repairs and maintenance cost on investment properties, software's, office equipment's, furniture, vehicles and other miscellaneous items of the bank.

22.2 This represents the expenses paid by the bank toward the court fees in UAE for registering the case against RAK bank for recovery RAK bank placement.

	2022 30 Qaws 1401 AFN	2021 30 Qaws 1400 AFN
23 Taxation		
Current tax	23.1	-
Deferred tax	14.1	67,043,020
		(81,061,187)
		67,043,020
23.1 Reconciliation of effective tax rate		
Profit before taxation	(61,931,912)	1,207,299,028
Adjustments for tax (disallowances) / allowances	23.2	(239,327,326)
Tax loss for the year		(301,259,238)
Add: Brought forwarded losses - Prior years		(873,089,445)
Net loss carried forward to the future years		(1,174,348,683)
Current tax expense @ 20%	-	-
Prior year tax adjustment	-	-
Prior years tax and penalties	-	-
Current year tax charge	-	-
23.2 Adjustment for Tax		

Items to be deducted

Retirement benefit paid	(23,679,222)	(31,762,076)
Share in profit of associate	68,756,721	(155,264,328)
Gain on revaluation of investment properties	-	(1,058,990,863)
Gain on revaluation of gold and silver	(33,053,288)	-
Dividend Paid	(48,383,494)	(500,000,000)
Unrealized loss/gain in FX	266,786,178	(447,662,365)
	230,426,894	(2,193,679,633)

Items to be added back

DAB penalties	1,340,000	1,707,000
Other write offs	-	103,111,827
Finance cost on lease liabilities	1,771,739	2,521,687
Provision for retirement benefit	5,788,693	5,950,646
	8,900,432	113,291,160
	239,327,326	(2,080,388,472)

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

24 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:

	2022	2021
	30 Qaws 1401	30 Qaws 1400
Shareholders (percentage)		
Ministry of Finance	96.751%	96.751%
Afghan Red Crescent	2.073%	2.073%
Pashtany Bank	1.134%	1.134%
Afghan Air Force	0.037%	0.037%
Kabul Municipality	0.005%	0.005%
	100%	100%
Shareholders (Amount in AFN)		
Ministry of Finance	967,508,023	967,508,023
Afghan Red Crescent	20,731,432	20,731,432
Pashtany Bank	11,343,832	11,343,832
Afghan Air Force Commander	370,411	370,411
Kabul Municipality	46,301	46,301
	1,000,000,000	1,000,000,000
Subsidiaries and associated companies	Country of	Ownership
	Incorporation	Percentage
Afghan American Trading Co. Inc.	USA	100%
Pashtany Bank	Afghanistan	28.77%
Afghan National Insurance Company	Afghanistan	7.66%
Ariana Afghan Airlines Company	Afghanistan	6.25%
Edahdia Mazar Sharif	Afghanistan	41.63%
Sherkat Saderat Pakhta Herat	Afghanistan	8.00%
Sherkat pashmena Bafi Qandahar	Afghanistan	29.95%
Sherkat Yakhsazi Herat	Afghanistan	8.46%
Sherkat Teel Kashi Herat	Afghanistan	17.99%

24.1 Transactions with related parties

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

	Note	2022	2021
		30 Qaws 1401	30 Qaws 1400
		AFN	AFN
Supervisors and key management personnel:			
Basic salary & Bonus	24.1.1	16,981,528	28,469,522
Board of Supervisor's meeting fee		3,720,000	8,231,829
		20,701,528	36,701,351

24.1.1 During the year bonus has been paid to the staff, key management personnel and board of supervisor's.

	2022	2021
	30 Qaws 1401	30 Qaws 1400
	AFN	AFN
Associates		
Pashtany Bank	867,150,619	965,408,625.72
Afghan National Insurance Company	18,606,641	18,605,169
Ariana Afghan Airlines	172,256,476	142,756,663
Edahdia Mazar Sharif	30,150	30,150
Sherkat Saderat Pakhta Herat	844,289	844,289
Sherkat pashmena Bafi Qandahar	15,944	15,944
Sherkat Yakhsazi Herat	7,076	7,076
Sherkat Teel Kashi Herat	4,794	4,794
Subsidiaries:		
Afghan American Trading Company	196,460,000	229,361,000
Shareholders:		
Dividend announced during the year	-	500,000,000
NIDC -Payments owned by MoF	-	273,454,515

24.2 Balances with related parties:

	2022	2021
	30 Qaws 1401	30 Qaws 1400
	AFN	AFN
With Pashtany Bank	907,480,020	1,005,805,711
Afghan National Insurance Company	18,606,641	18,605,169
Afghan American Inc.	196,460,000	229,361,000
Ariana Afghan Airlines	172,256,476	142,756,663

MoF

26 Segmental information (for operating segments)

Statement of Profit or Loss (30 Qaws 1401)

	Conventional	Islamic	Total
Interest / profit income	143,798,760	41,700,652	185,499,412
Interest / profit expense	(21,812)	(7,763,410)	(7,785,222)
Fee and commission income	160,360,537	6,582,867	166,943,404
Fee and commission expense	(10,361,909)	-	(10,361,909)
Exchange (gain) / loss	(216,952,394)	4,115,093	(212,837,301)
Gain on revaluation of gold and silver	33,053,288	-	33,053,288
Other income	216,045,504	52,224,881	268,270,385
Personnel expenses	(233,814,291)	(21,518,942)	(255,333,233)
Depreciation	(38,722,382)	(836,633)	(39,559,015)
Amortization	(3,382,792)	-	(3,382,792)
Other expenses	(162,705,468)	(10,924,606)	(173,630,074)
Impairment (reversal) /loss on loans and advances	22,731,387	2,281,916	25,013,303
Impairment of other assets	14,969,658	8,811,366	23,781,024
Impairment of Short Term Investment	8,925,278	-	8,925,278
Finance cost on lease liability	(1,771,739)	-	(1,771,739)
Operating Profit	(67,848,376)	74,673,185	6,824,809
Impairment (loss) / gain on investment	-	-	-
Share in loss and profit of associate and equity investment	(68,756,721)	-	(68,756,721)
Profit before taxation	(136,605,097)	74,673,185	(61,931,912)
Taxation	-	81,061,187	81,061,187
Profit after taxation	(136,605,097)	155,734,373	19,129,276

Statement of Financial Position (30 Qaws 1401)

Assets

Cash and cash equivalents	29,246,653,629	642,799,568	29,889,453,197
Short-term investments	907,866,238	-	907,866,238
Loans and advances to customers - net	3,402,880,855	525,167,132	3,928,047,987
Long term investments	1,254,473,737	902,252	1,255,375,989
Property and equipment	1,242,342,948	5,435,572	1,247,778,520
Intangible assets	3,968,415	417,989	4,386,404
Investment properties	-	5,724,405,630	5,724,405,630
Other assets	1,361,696,170	(362,361,456)	999,334,714
Total assets	37,419,881,991	6,536,766,688	43,956,648,679

Liabilities

Deposits from bank and customers	32,698,134,162	1,305,193,347	34,003,327,509
Current tax liability	-	-	-
Lease liabilities	20,931,897	-	20,931,897
Deferred tax liability	(51,107,173)	726,772,456	675,665,283
Other liabilities	207,302,609	133,504,503	340,807,112
Total liabilities	32,875,261,494	2,165,470,307	35,040,731,801

Represented by:

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	3,334,329,809	3,724,711,040	7,059,040,849
Surplus on revaluations - net	146,564,414	645,683,089	792,247,503
Exchange translation reserves	55,785,024	-	55,785,024
General reserve	7,941,250	902,252	8,843,502
	4,544,620,497	4,371,296,381	8,915,916,878
	37,419,881,991	6,536,766,688	43,956,648,679

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BANK-E-MILLIE AFGHAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 30 Qaws 1401 (21 December 2022)

Segmental information (for operating segments)**Statement of Profit or Loss (30 Qaws 1400)**

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

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

Cash and cash equivalents	25,824,812,877	259,032,878	26,083,845,755
Short-term investments	5,527,175,268	-	5,527,175,268
Loans and advances to customers - net	4,133,808,564	722,794,087	4,856,602,651
Long term investments	1,356,131,458	902,252	1,357,033,710
Property and equipment	1,265,272,509	2,708,572	1,267,981,081
Intangible assets	7,769,196	-	7,769,196
Investment properties	252,315,015	5,472,090,615	5,724,405,630
Other assets	700,651,434	391,398,437	1,092,049,871
Total assets	39,067,936,319	6,848,926,841	45,916,863,161

Liabilities

Deposits from bank and customers	34,248,815,156	1,427,136,524	35,675,951,680
Current tax liability	(20,042,167)	20,042,167	-
Lease liability	46,507,069	-	46,507,069
Deferred tax liability - net	(51,107,174)	814,413,843	763,306,670
Other liabilities	174,447,718	333,541,621	507,989,339
Total liabilities	34,398,620,602	2,595,134,156	36,993,754,758

Represented by:

Share capital	1,000,000,000	-	1,000,000,000
Retained earnings	3,432,704,229	3,607,207,344	7,039,911,573
Surplus on revaluations - net	146,564,414	645,683,089	792,247,503
Exchange translation reserves	82,105,824	-	82,105,824
General reserve	7,941,250	902,252	8,843,502
	4,669,315,717	4,253,792,685	8,923,108,402
	39,067,936,319	6,848,926,841	45,916,863,160

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26 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	Designated at Fair Value.	Available for sale	Held to maturity	Loans and receivables	Others	Amortized cost	Total carrying amount	Fair value
30 Qaws 1401 (2022)								
Cash and cash equivalents	5	-	-	-	-	29,889,453,197	29,889,453,197	29,889,453,197
Short-term investments	6	-	-	-	-	907,866,238	907,866,238	907,866,238
Loans and advances	7	-	-	3,928,047,987	-	3,928,047,987	3,928,047,987	3,928,047,987
Long term investments	8	-	-	-	-	1,255,375,989	1,255,375,989	1,255,375,989
Other assets	11	-	-	-	-	999,334,714	999,334,714	999,334,714
		-	-	3,928,047,987	-	33,052,030,138	36,980,078,125	36,980,078,125
Deposits		-	-	-	-	34,003,327,509	34,003,327,509	34,003,327,509
Other liabilities		-	-	-	-	166,952,297	166,952,297	166,952,297
		-	-	-	-	34,170,279,806	34,170,279,806	34,170,279,806
30 Qaws 1400 (2021)								
Cash and cash equivalents	5	-	-	-	-	26,083,845,755	26,083,845,755	26,083,845,755
Short-term investments	6	-	-	-	-	5,527,175,268	5,527,175,268	5,527,175,268
Loans and advances	7	-	-	4,856,602,651	-	4,856,602,651	4,856,602,651	4,856,602,651
Long term investments	8	-	-	-	-	1,357,033,710	1,357,033,710	1,357,033,710
Other assets	12	-	-	-	-	1,092,049,872	1,092,049,872	1,092,049,872
		-	-	4,856,602,651	-	34,060,104,605	38,916,707,256	38,916,707,256
Deposits		-	-	-	-	35,675,951,680	35,675,951,680	35,675,951,680
Other liabilities		-	-	-	-	322,032,689	322,032,689	322,032,689
		-	-	-	-	35,997,984,369	35,997,984,369	35,997,984,369

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

Financial risk management**Introduction and overview**

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

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

The note from note no. 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.
- 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 gross exposure to credit risk before collateral held or other credit enhancements

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

Cash and cash equivalents	2,813,866,543	3,298,014,620
Short-term investments	907,866,238	1,032,791,991
Loans and advances	3,928,047,987	4,856,602,651
Other assets	454,517,429	684,164,124
	<u>8,114,298,198</u>	<u>9,871,573,386</u>

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

Contingencies and Commitments

102,557,139

402,214,710

The above table represents credit exposures of the Bank at 20 December 2021 and 21 December 2022, without taking account of any collateral held or other enhancements attached. For on balance sheet assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

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

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

Cash and cash equivalents	35%	21 December 2022	41%	21 December 2021
Short-term investments	11%	30 Qaws 1401	13%	30 Qaws 1400
Loans and advances	48%	AFN	60%	AFN
Other assets	6%		8%	

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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 not been incurred but have not been identified on loans subject to individual assessment for impairment.

Loan Grading

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

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

Write-off policy

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

Concentration of credit risks by sector

All the loans have been disbursed in geographical territory of Afghanistan. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
Concentration by sector - Carrying amount	3,928,047,987	4,856,602,651
Airline	720,207,049	633,893,819
Vegetable ghee and cooking oil	330,725,899	964,097,540
Manufacturer	330,489,786	429,720,303
Pharmaceuticals	927,160,848	700,308,788
Fuel suppliers	36,940,106	42,709,952
Food	1,503,862,245	987,240,961
Construction	-	77,277,669
Automobile	205,934,484	168,624,721
Trading	496,544,614	872,543,107
Others	4,541,865,032	4,876,416,859

Concentration by sector - Gross amount

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

Management of liquidity risk
 The Board of Supervisors ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. Management Board is entrusted with the responsibility of managing the mismatch in maturities to ensure availability of sufficient cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

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

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

Exposure to liquidity risk

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

	Note	Carrying amount	Gross nominal outflow	Amount in AFN				
				Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
30 Qaws 1401 (2022)								
On balance sheet exposures:								
Deposits from banks and Customers	12	34,003,327,509	(34,003,327,509)	22,117,545,102	6,876,476,589	5,009,305,818	-	-
Other liabilities	15	340,807,112	(340,807,112)	340,807,112	-	-	-	-
		34,344,134,621	(34,344,134,621)	22,458,352,214	6,876,476,589	5,009,305,818	-	-
Off balance sheet exposures:								
Letters of guarantees	17	102,557,139	(102,557,139)	22,458,352,214	6,876,476,589	(102,557,139)	-	-
		34,446,691,760	(34,446,691,760)	22,458,352,214	6,876,476,589	4,906,748,679	-	-
30 Qaws 1400 (2021)								
On balance sheet exposures:								
Deposits from banks and Customers	12	35,675,951,680	(35,675,951,680)	21,989,905,361	8,765,596,714	4,920,449,605	-	-
Other liabilities	15	507,989,340	(507,989,340)	507,989,340	-	-	-	-
		36,183,941,020	(36,183,941,020)	22,497,894,702	8,765,596,714	4,920,449,605	-	-
Off balance sheet exposures:								
Letters of guarantees	17	402,214,710	(402,214,710)	22,497,894,702	-	(402,214,710)	-	-
		36,586,155,730	(36,586,155,730)	22,497,894,702	-	4,518,234,895	-	-

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Maturity analysis for financial Assets		Note	Carrying amount	Gross nominal outflow	Amount in AFN					
					Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	
30 Qaws 1401 (2022)										
Cash and cash equivalents										
5	29,889,453,197	(29,889,453,197)	24,125,226,045	5,764,227,152	-	-	-	-	-	-
Short-term investments										
6	907,866,238	(907,866,238)	-	-	907,866,238	-	-	-	-	-
7	3,928,047,987	(3,928,047,987)	-	-	-	-	3,928,047,987	-	-	-
Loans and advances to customers - net										
8	1,255,375,989	(1,255,375,989)	-	-	-	-	-	-	-	1,255,375,989
Long term investments										
11	999,334,714	(999,334,714)	-	-	-	-	-	-	999,334,714	-
Other assets										
	36,960,078,125	(36,980,078,125)	24,125,226,045	5,764,227,152	907,866,238	4,927,382,701	1,255,375,989	-	-	-
30 Qaws 1400 (2021)										
Cash and cash equivalents										
5	26,083,845,755	(26,083,845,755)	23,457,532,942	-	-	-	2,626,312,812	-	-	-
Short-term investments										
6	5,527,175,268	(5,527,175,268)	577,097,561	1,663,326,141	3,297,179,701	-	-	-	-	-
Loans and advances to customers - net										
7	4,856,602,651	(4,856,602,651)	-	-	-	-	4,856,602,651	-	-	-
Long term investments										
8	1,357,033,710	(1,357,033,710)	-	-	-	-	-	-	-	1,357,033,710
Other assets										
11	38,916,707,256	(38,916,707,256)	24,034,630,504	1,663,326,141	3,297,179,701	-	1,092,049,872	8,574,965,335	-	1,357,033,710

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:

Exposure to interest rate risk	Interest rates % (p.a)	Interest Bearing				Interest Bearing Total	Non-interest bearing Total	Gross Total
		Less than 3 months	3-6 months	6-12 months	1-5 years			
		Amount in AFN						
30 Qaws 1401 (2022)								
Financial assets								
Cash and cash equivalents								
	0%	-	-	-	-	-	29,889,453,197	29,889,453,197
Short-term investments								
	3.4%	-	907,866,238	-	-	907,866,238	-	907,866,238
Loans and advances to customers - net								
	5%-15%	-	-	-	-	-	1,255,375,989	1,255,375,989
Long term investments								
	0%	-	-	-	-	-	999,334,714	999,334,714
Other assets								
	0%	-	-	907,866,238	-	907,866,238	32,144,163,900	33,052,030,138
Financial liabilities								
Deposits								
	0%	-	-	-	-	-	34,003,327,509	34,003,327,509
Other Liabilities								
	0%	-	-	-	-	-	340,807,112	340,807,112
On balance sheet sensitivity gap								
		-	907,866,238	-	-	907,866,238	(2,199,970,721)	(1,292,104,483)



30 Qaws 1400 (2021)									
Financial assets									
Cash and cash equivalents								26,083,845,755	26,083,845,755
Short-term investments	577,097,561	1,663,326,141	3,297,179,701			5,527,175,268		5,527,175,268	
Loans and advances							1,357,033,710	1,357,033,710	
Long term investments							1,092,049,872	1,092,049,872	
Other assets	577,097,561	1,663,326,141	3,297,179,701			5,527,175,268	28,532,929,337	34,060,104,605	
Financial liabilities									
Deposits		8,765,596,714	4,920,449,605			13,686,046,319	21,989,905,361	35,675,951,680	
Others Liabilities		8,765,596,714	4,920,449,605			13,686,046,319	507,989,340	507,989,340	
On balance sheet sensitivity gap	577,097,561	(7,102,270,573)	(1,623,269,904)			(8,158,871,051)	22,497,894,702	36,183,941,020	
							6,035,034,635	(2,123,836,415)	

Exposure to currency risk

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

Exposure to currency risk	Note	Amount in AFN							
		Total	AFN	EUR	USD	GBP	Other		
30 Qaws 1401 (2022)									
Assets									
Cash and bank balances		29,889,453,197	10,756,077,554	270,837,873	18,662,135,090	183,443,396		16,959,286	
Short-term investments		907,866,238			907,866,238				
Loans and advances		3,928,047,987	2,098,201,095	24,964,285	1,804,882,607				
Long term investments		1,255,375,989	1,058,915,990		196,460,000				
Other assets		999,334,714	664,470,234		334,851,144				
		36,980,078,125	14,577,664,872	295,802,158	21,906,195,078	183,443,396		16,959,286	
Liabilities									
Deposits from banks and Customers		34,003,327,509	16,727,766,702	191,227,015	17,059,281,847	25,005,171		46,773	
Other liabilities		166,952,297	138,608,547	4,093,910	24,369,002	(91)		(119,070)	
		34,170,279,806	16,866,375,248	195,320,925	17,083,650,848	25,005,080		(77,297)	
Net currency exposure		2,809,798,319	(2,288,710,376)	100,481,233	4,822,544,230	158,438,316		17,031,583	

30 Qaws 1400 (2021)

Assets									
Cash and bank balances		26,083,845,755	5,948,648,656	282,893,100	19,585,962,447	241,113,449		25,228,096	
Short-term investments		5,527,175,268	4,494,383,277		1,043,220,114			13	
Loans and advances		4,856,602,651	2,370,447,173	30,047,873	2,475,921,813				
Long term investments		1,357,033,710	1,127,622,710		229,361,000				
Other assets		1,092,049,871	914,742,360		189,806,365			488,415	
		38,916,707,255	14,855,394,176	312,940,973	23,524,271,739	241,113,449		25,716,524	
Liabilities									
Deposits from banks and Customers		35,675,951,680	14,091,536,009	219,837,160	21,332,598,345	31,902,868		77,299	
Other liabilities		322,032,688	62,185,910	10,104,428	231,410,289	107		(735,338)	
		35,997,984,368	14,153,721,918	229,941,588	21,564,008,635	31,902,760		(658,039)	
Net currency exposure		2,918,722,886	701,672,257	82,999,385	1,960,263,105	209,210,689		26,374,563	

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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.

	21 December 2022 30 Qaws 1401		21 December 2021 30 Qaws 1400	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
USD	89.30	90.00	104.26	106.00
GBP	108.05	110.90	127.75	130.15
PKR	0.35	0.38	0.54	0.56
EUR	93.55	94.95	112.60	114.40

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 behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

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

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

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

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

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28 Capital management

Regulatory capital

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

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

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

	21 December 2022 30 Qaws 1401 AFN	21 December 2021 30 Qaws 1400 AFN
Tier 1 capital		
Total equity	8,915,916,878	8,923,108,402
Less: Current year profit	(19,129,276)	(1,140,256,008)
Less: Surplus on revaluation of property and equipment - net	(792,247,503)	(792,247,503)
Less: Intangible assets	(4,386,404)	(7,769,196)
Total Tier 1	8,100,153,695	6,982,835,695
Tier 2 capital		
Profit for the year	19,129,276	1,140,256,008
Surplus on revaluation of property and equipment - net	792,247,503	792,247,503
General loss reserves on credits Allowable Portion	15,853,591	22,066,473
Allowable deduction-equity investment	(1,255,375,989)	(1,357,033,710)
Total Tier 2	(428,145,619)	597,536,274
Total regulatory capital (Tier 1 + Tier 2)	7,672,008,076	7,580,371,970
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	1,909,688,840	793,010,652
DAB Capital notes	-	4,494,383,277
Direct claims on DAB	25,100,135,362	21,960,111,319
Precious metals and precious stones	65,762,452	32,709,164
0% risk-weight total (above total x 0%)	27,075,586,654	27,280,214,412
20% risk weight:		
Balances with other banks	3,881,764,837	4,539,916,125
20% risk-weight total (above total x 20%)	776,352,967	907,983,225
50% risk weight:		
Balances with other banks	-	-
50% risk-weight total (above total x 50%)	-	-
100% risk weight:		
All other assets	13,917,233,311	15,258,698,527
Less: intangible assets	(4,386,404)	(7,769,196)
Allowable deduction-equity investment	(1,255,375,989)	(1,357,033,710)
100% risk-weight total (above total x 100%)	12,657,470,918	13,893,895,621
0% risk weight:		
Guarantees	102,557,139	402,214,710
Unused Portions of Commitments	-	268,598,544
0% credit conversion factor total (risk-weighted total x 0%)	102,557,139	670,813,254
Total risk-weighted assets	13,433,823,885	14,801,878,846
Tier 1 Capital Ratio (Tier 1 capital as % of total risk-weighted assets)	60%	47%
Regulatory Capital Ratio (Regulatory capital as % of total risk-weighted assets)	57%	51%

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28 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.

29 General

The amounts have been rounded off to nearest AFN.

30 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Supervisors of the Bank-e-Mille Afghan on 18 March 2023.

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Chief Executive Officer

Chief Financial Officer

Chairman BOS