



Da Afghanistan Bank

Monetary Policy Department

Monthly Report

February 2019

Executive Summary

The report provides a brief analysis, evaluation and progress of the current macroeconomic indicators, and updates on the financial stability in Afghanistan during the month under review. This report is prepared based on the compilation of the monetary and financial data collected from major departments of the Da Afghanistan Bank (DAB). The report incorporates macro-data from Monetary Sector, External Sector, Real Sector, Fiscal sector, and financial data from Payments and Financial Supervision Departments.

From the beginning of the year up to end of FY1398 (2019), growth of Reserve Money (RM) has been under the target ceiling and has been recorded at Afs 271,804.93 million. The target ceiling for end of Dalwa month was Afs 278,087.54 million, while the actual amount on the mentioned date stood at Afs 248,042.60 million. This figure represents Afs 30,044.94 million decline from the target ceiling showing a negative growth of 8.74 percent.

From the beginning of fiscal year of 1398 (2019) up to end of Dalwa, DAB has auctioned a total amount of USD 422 million through open market operations, and has collected Af 31.7 billion from the market. These operations have fulfilled 69 percent of the total demand for currency (especially the US dollar) in the market.

Headline inflation decreased in the month of January 2019. Observing the data, headline inflation decreased to 0.41 percent from 0.75 percent (year over year). This decrease is caused by lower prices of both food and non-food items. Core measure of inflation when measured based on 30% trimmed mean increased to 2.02 percent, while it was calculated 1.93 percent in the previous month.

Current account deficit, narrowed sharply by 2 percent to USD 4055.78 million in the FY 1397 from USD 4145.23 million in the FY 1396. This outcome was primarily on account of a contraction in the trade deficit by both a rise in merchandize exports (12 percent), and a decline in merchandize imports (2 percent).

Total revenue (domestic revenue plus external aids) for the month of February 2019 was AFN 17.34 billion, while in January, it was AFN14.67 billion which shows 18.17% or AFN 2.67 billion increase in February. Total revenue at the end of February FY – 2019 reached to 32.01, of which AFN 28.61 billion and AFN 3.40 billion constitutes domestic revenue and donor contributions respectively.

The total assets of the banking sector posted a 0.57 percent YOY decrease, reaching Af 297.72 billion at end of Feb, 2019 as compared to Af 299.44 billion in Feb, 2018. Total assets decreased by 0.84 percent over the previous month, mostly coming from cash in vault and claims on DAB particularly in capital notes; interbank claims and investments.

The gross loan portfolio of the banking sector registered YOY increase of 9.44 percent and currently stands at Af 42.01 billion. The increase is mainly as a result of issuance of new loans and increase in

USD rate. Total gross loans showed a decrease of 0.02 points attributed to decrease in USD rate, while new loans are being disbursed over the month.

Total Deposits comprising of customer and interbank deposits, the main source of funding in the banking sector presented 0.14 percent YOY increase, currently standing at Af 254.83 billion. The increase in total deposits came from the interbank deposits and was mostly obvious in time deposits.

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1. Monetary Sector

1.1 Reserve Money (RM) and Currency in Circulation (CiC) growth Report

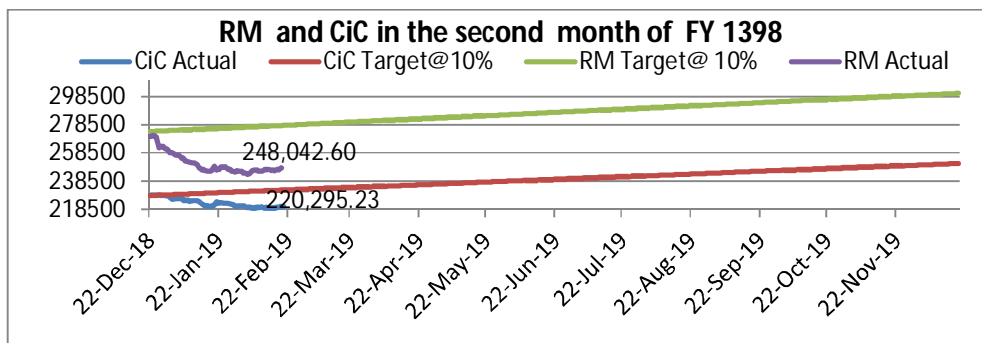
Monetary Policy department develops monetary policies of Da Afghanistan Bank in consideration to the country's economic situation, through the main and effective channels of money demand, government's fiscal program (Revenue and expense), economic growth outlook, and general price level in the country. Therefore, DAB, in official agreements with the IMF, has respectively set the Reserve Money (RM) and Currency in Circulation (CiC) as its operational and indicative targets for 2019, and growth for these indicators is set 10 percent for this year.

From the beginning of the year up to end of FY1398 (2019), growth of Reserve Money (RM) has been under the target ceiling and has been recorded at Afs 271,804.93 million. The target ceiling for end of Dalwa month was Afs 278,087.54 million, while the actual amount on the mentioned date stood at Afs 248,042.60 million. This figure represents Afs 30,044.94 million decline from the target ceiling showing a negative growth of 8.74 percent.

In addition, Da Afghanistan Bank could successfully manage the currency in circulation (CiC)

From beginning of FY1398 (2019) to the end of Dalwa month, growth of currency in circulation (CiC) has been under the target ceiling and has been recorded at Af 231,967.22 million in end of Dalwa, while the actual amount on the mentioned date stood at Afs 220,295.22 million. This figure represents Afs 11,671.98 million decline from the target ceiling showing a negative growth of 3 percent

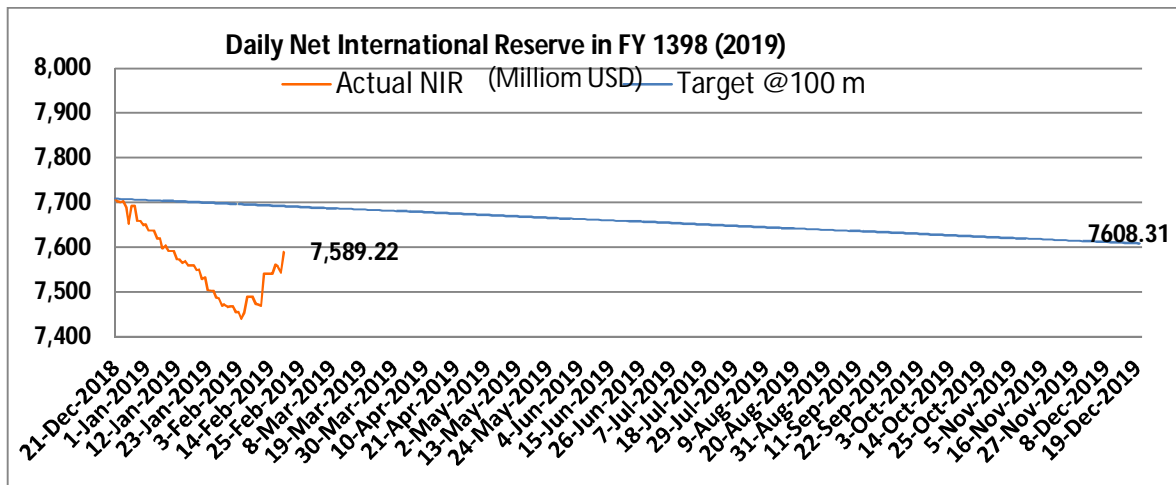
The following chart shows the RM and CiC during FY 1398 (2019)



1.2 Net International Reserve

Accumulation of Net International Reserves (NIR), which is known as a main macroeconomic indicator of the national economy, is one of the biggest achievements in the country's financial system. NIR accumulation, with no doubt, has significant direct impacts on better implementation of monetary policies as well as on managing macroeconomic indicators such as exchange rate, inflation and balance of payment stability.

At the beginning of FY1398 (2019), Afghanistan's NIR was USD 7,708.58 million, but has decreased to USD 7,589.22 million by end of Dalwa month, which shows USD 119.36 million decreased difference. NIR growth is presented in the following chart.



Source: Open Market Operations/Monetary Policy Departments

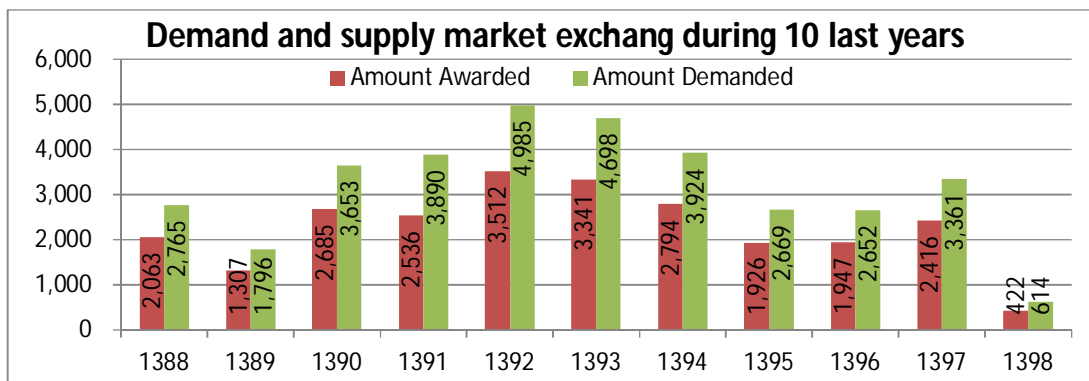
1.3 Foreign Exchange and Capital Notes auction

In order to control the liquidity, money supply and mitigate excessive Af exchange rate fluctuations in the economy, DAB manages reserve money growth close to its sited ceiling by conducting USD auctions three times in a week, and weekly capital notes auctions, which are the two instruments used through open market operations.

Foreign Exchange Auction

From the beginning of fiscal year of 1398 (2019) up to end of Dalwa, DAB has auctioned a total amount of USD 422 million through open market operations, and has collected Af 31.7 billion from the market. These operations have fulfilled 69 percent of the total demand for currency (especially the US dollar) in the market.

The Figure 1.3 illustrates the foreign exchange demand and supply during the last 10 years.



Source: Market Operations/Monetary Policy Departments

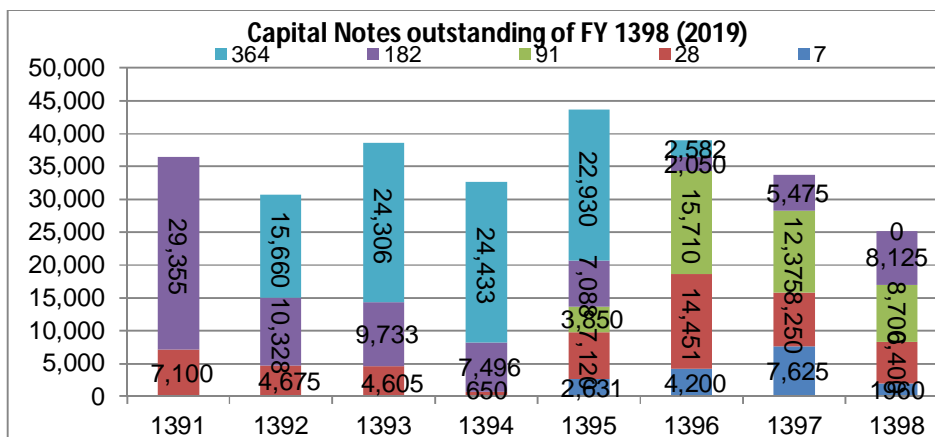
Capital Note Auction (Interest rate bidding)

DAB uses capital notes auction as its secondary tool to manage liquidity in the market and mop up the excess liquidity from the banking sector, establish and vindicate secondary markets for securities, maintain price stability, diversify monetary policy instruments, and motivate commercial banks to attract Afghani denominated deposits.

Considering the current economic situation in the country, Da Afghanistan Bank has gradually reducing auctions of 182 and 364 day capital notes as well as their interest rates in order to encourage investment and increase peoples' access to finance. Lower interest rates on these notes will facilitate the issuance of banking credits to the public with simple requirements and low interest.

from the beginning of fiscal year of 1398 (2019) up to end of Dalwa, The total outstanding of capital notes reached Af 25.18 billion and meanwhile the total interest paid for the mentioned notes reached Afs 11.43 million end of Dalwa.

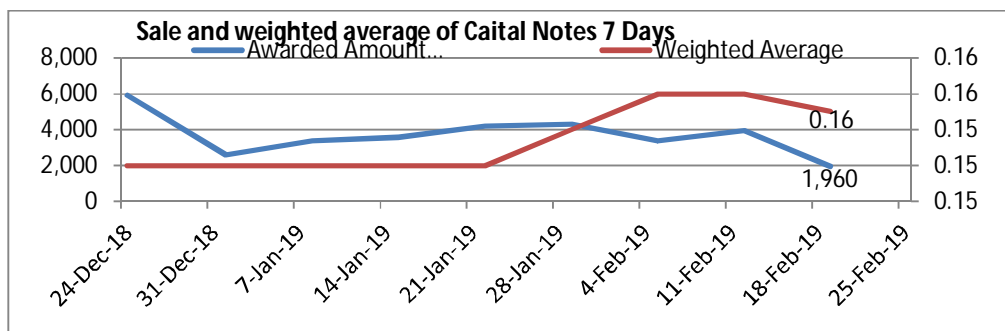
The Figure 1.4 illustrates the Capital Notes Outstanding at end of Dalwa month of FY 1398.



Source: Market Operations/Monetary Policy Departments

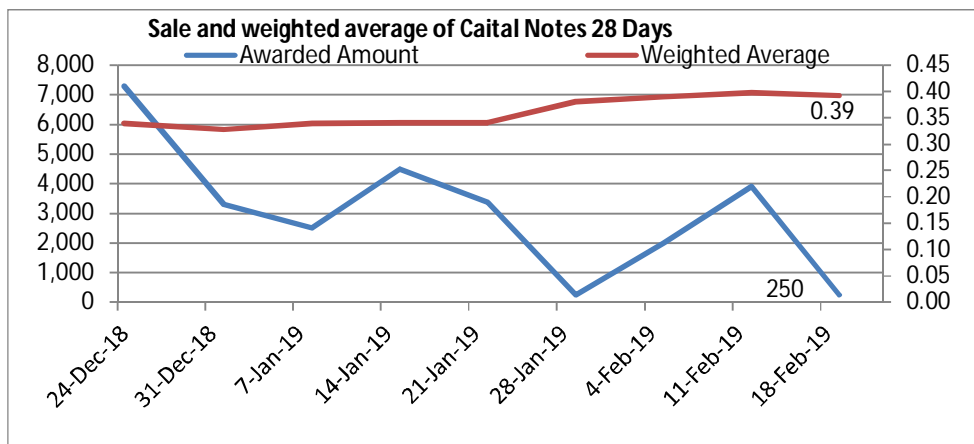
7 days Capital Notes

The total amount of 7 days capital notes auction reached Af 1.96 billion with average interest rate of 0.16 percent. The outstanding of these notes was Af 1.96 billion for the mentioned period.



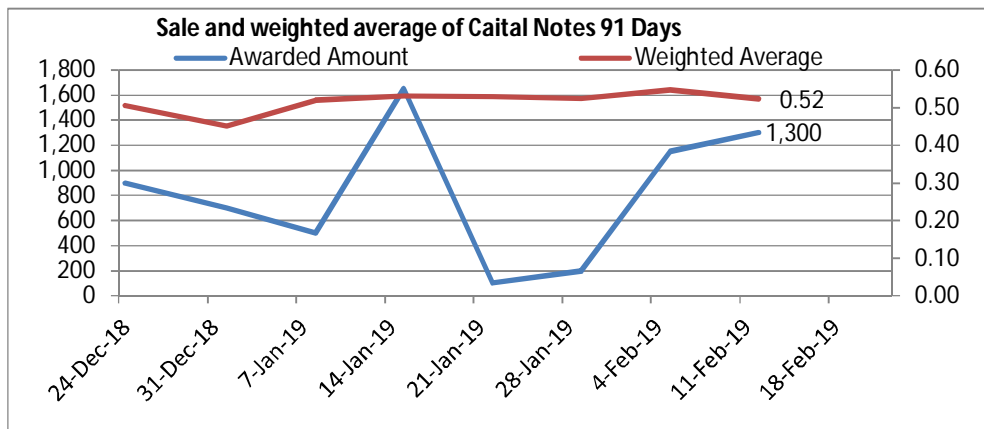
28 days Capital Notes

During the reviewed period, a total amount of 28 days capital notes auction is recorded Af 0.25 billion with average interest rate of 0.39 percent and outstanding amount of Af 6.4 billion.



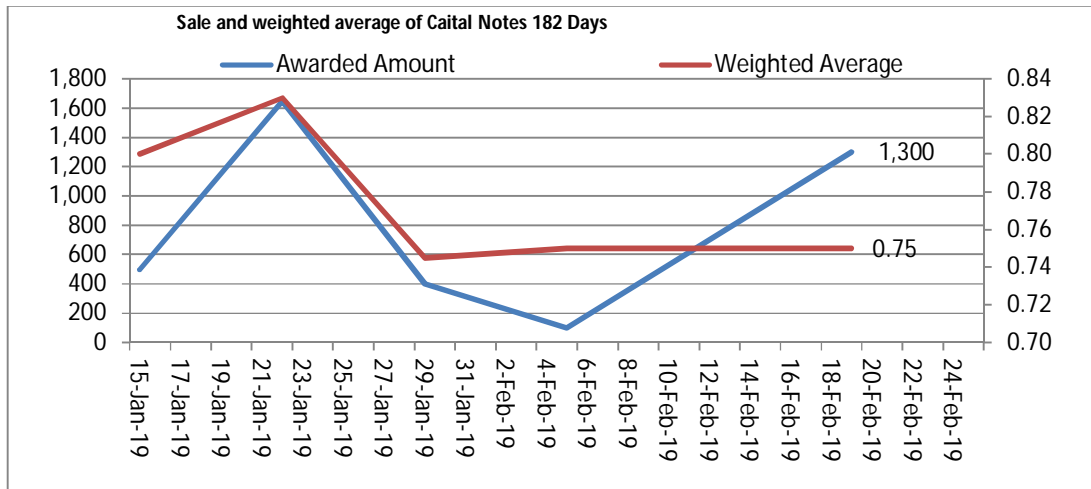
91 days Capital Notes

DAB's 91 days capital note auction during this reporting period stood at Af 1.3 billion with average interest rate of 0.52 percent and total outstanding of Af 8.7 billion.



182 days Capital Notes

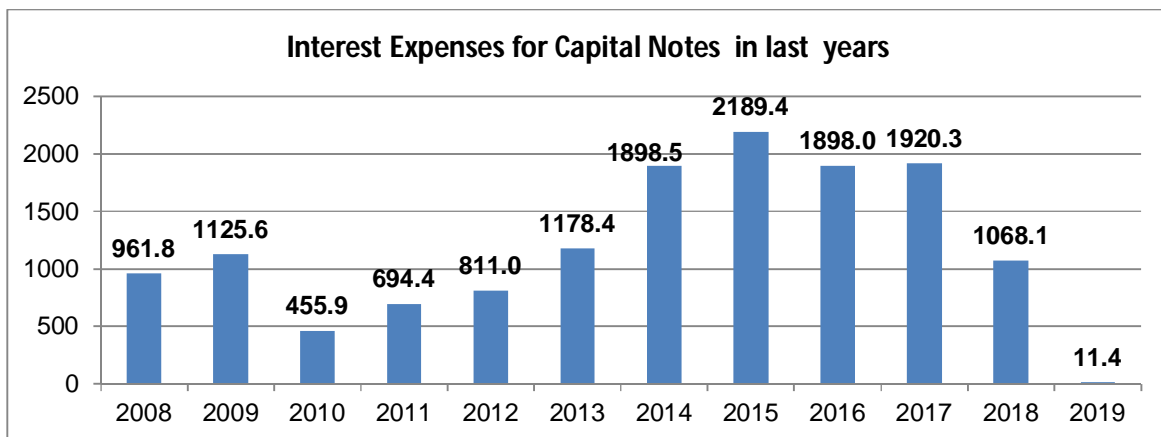
DAB's 182 days capital note auction during this reporting period stood at Af 1.3 billion with average interest rate of 0.75 percent and total outstanding of Af 8.12 billion.



Note : Capital Notes 364 days have not been auctioned during the reporting period.

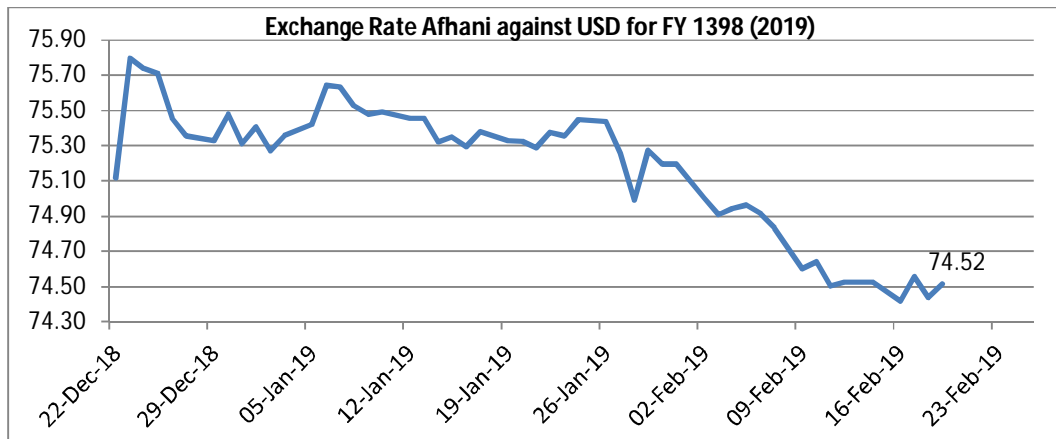
Interest Expenses

DAB paid interest for Capital Notes during of 12 years the figure of below illustrated



1.5 Exchange Rate

Central bank does not target the exchange rate in the market. However, considering its significant effects on other macroeconomic indicators, DAB closely monitors exchange rate behavior to prevent its severe fluctuations. Observing the data, the Afghani exchange rate has recorded some fluctuations against major currencies of the world during of Dalwa , Afghani has appreciated by 1 percent, and has been exchanged at Af 74.92 per USD on average of Dalwa (February) and also exchange rate has receded 74.52 Af at the end of Dalwa .



	FY 1396					FY 1397					FY 1398
	Dalwa	Hoot	Jawza	Sunbula	Qaws	Dalwa	Hoot	Jawza	Sunbula	Qaws	Dalwa
Reserve Money (%)	-0.03		0.01	0.045	0.065	-1		3	4	6	10
Actual Reserve Money (%)	-6		-1	0.47	10	-6		-8	-10	-2	8.74
RM Actual	234,862.05	236,238.90	250,743.10	253,258.80	276,318.10	259,205.36	260,389.70	253,771.80	293,168.93	271,804.90	248,042.60
RM Target	246,715.38	244,281.00	254,354.40	265,687.00	282,056.40	276,318.05	276,318.10	276,318.10	290,360.45	309,476.20	278,087.54
CiC Actual	208,850.25	210,051.90	218,245.90	222,635.80	228,685.20	228,685.19	215,734.30	226,589.30	225,276.63	228,205.60	220,295.23
CiC Target	219,052.94	216,987.60	225,931.60	235,897.40	250,431.40	215,137.49	228,685.20	228,685.20	242,631.24	256,127.40	231,967.22
Actual NIR	6,890.80	6,818.26	6,834.16	7,237.26	7,350.34	7,271.71	7,349.43	7,499.33	7,549.36	7,708.59	7,589.22
NIR Target	6,841.60	6,849.66	6,874.66	6,899.66	6,924.66	7,317.37	7,301.44	7,250.34	7,402.80	7,550.34	7,692.10
Outstanding Amount	39,212.30	41,292.30	39,802.50	41,570.00	38,993.00	19,141.00	19,443.00	37,960.00	39,515.00	33,725.00	25,185.00
Required Reserve (Afs)	19,027.53	18,846.76	18,718.50	8,045.30	7,357.48	6,499.77	6,148.91	6,140.47	6,136.46	4,625.81	5,771.59
Required Reserve (Euro)		-	-	19.96	23.21	23.41	23.41	22.81	22.98	21.63	20.01
Required Reserve (USD)		-	-	188.37	207.85	219.57	222.87	214.12	224.31	219.70	216.42

2. Real Sector

Consumer Price Index (CPI) in Afghanistan is divided into two main groups: Food Items, accounting for 47.8 percent of total CPI and Non-Food Item making up the remaining 52.2 percent. The most important components in food item, which may put significant impacts on the overall inflation, are: bread and cereals (14.6 percent), meat (7.5 percent), milk, cheese and eggs (4.7percent) and oil and fats (4.6 percent). The non-food item is mainly composed of: housing (19.1 percent), clothing (4.6 percent), household goods (11.9 percent), transportation (4.3 percent), and health (6.2 percent).

Headline inflation decreased in the month of January 2019. Observing the data, headline inflation decreased to 0.41 percent from 0.75 percent (year over year). This decrease is caused by lower prices of both food and non-food items. Core measure of inflation when measured based on 30% trimmed mean increased to 2.02 percent, while it was calculated 1.93 percent in the previous month.

Table 1.1. Headline Inflation (Dec 18-Jan 19)

	Y-on-Y		M-to-M	
	Dec	Jan	Dec	Jan
National CPI				
Headline	0.75	0.41	0.16	0.11
<i>Food</i>	-0.30	-0.41	0.88	0.50
<i>Non-Food</i>	1.76	1.19	-0.51	-0.25
<i>CPI ex. B&C, O&F, and T</i>	-0.82	-0.85	0.28	0.21
<i>Trimmed Mean</i>	1.93	2.02		
Kabul CPI				
Headline	1.38	0.64	-0.40	0.06
<i>Food</i>	0.66	0.88	1.05	1.11
<i>Non-Food</i>	1.85	0.49	-1.31	-0.62

2.1.1 Food Inflation

The flow of inflation in food items turned downward in January 2019. Food and beverages items weighted for 47.8 percent of the overall index. Food inflation In January 2019, when measured on year over year basis, decreased to -0.41 percent compared to -0.30 percent calculated in the previous month. This decrease is in line with lower prices of bread and cereals, meat and oil and fats. Price of the remaining items increased from the previous month's values.

Table 2.2. Food Inflation(Dec 18-Jan 19)

Items	Weight	Y-on-Y		M-to-M	
		Dec	Jan	Dec	Jan
Food and Beverages	47.8	-0.30	-0.41	0.88	0.50
<i>Bread and Cereals</i>	14.6	8.17	6.14	0.00	-0.03
<i>Meat</i>	7.5	1.68	1.39	0.80	0.08
<i>Milk, cheese and eggs</i>	4.7	1.26	1.38	0.38	0.37
<i>Oils and fats</i>	4.6	-2.47	-2.81	0.10	-0.10
<i>Fresh and dried fruits</i>	5.0	1.01	2.45	2.88	1.12
<i>Vegetables</i>	6.0	-19.00	-17.44	3.25	2.95
<i>Sugar and sweets</i>	2.7	-1.62	-0.85	-0.03	-0.56
<i>Spices</i>	1.3	-2.27	0.42	1.40	0.84
<i>Non-alcoholic beverages</i>	1.4	4.49	5.15	-0.24	0.25

Sourced: Afghanistan Bank and/NSIA

2.1.2 Non-Food Inflation

Inflation in non-food item exhibited downward trend in the month of January 2019. On the year over year basis, non-food inflation declined to 1.19 percent from 1.76 percent observed in the previous month. The deflationary pressure on this item came from lower price of housing, furnishing and household goods and transportation. In the meantime, price of tobacco, health, communication, information and culture, education, restaurant and hotels and miscellaneous increased during the review period.

Table 2.3. Non-Food Inflation (Dec 18-Jan 18)

	Weight	Y-on-Y		M-to-M	
		Dec	Jan	Dec	Jan
Non-Food	52.2	1.76	1.19	-	-
<i>Tobacco</i>	0.3	6.34	5.56	-	-
<i>Clothing</i>	4.6	4.18	5.22	2.33	1.19
<i>Housing,</i>	19.1	-1.39	-2.73	-	-
<i>Furnishing and household goods</i>	11.9	3.75	2.59	-	-
<i>Health</i>	6.2	1.60	3.04	0.06	0.65
<i>Transportation</i>	4.3	8.74	7.79	-	-
<i>Communication</i>	1.7	-1.70	-2.63	1.42	0.86
<i>Information and Culture</i>	1.1	-0.90	-0.24	-	-
<i>Education</i>	0.4	6.40	7.88	0.61	0.70
<i>Restaurants and Hotels</i>	1.1	2.51	3.06	0.42	0.51
<i>Miscellaneous</i>	1.4	1.40	1.74	0.24	2.58
				0.50	0.37
				-	-
				0.94	0.78

2.2 Core Inflation

One of the most common methods of core inflation is **trimmed mean**. This measure is defined for a particular part of the CPI, and is calculated by taking the simple average of the index after excluding the targeted components. During January 2019, trimmed mean (30 % of CPI) slightly increased to 2.02 percent (year over year) from 1.93 percent observed in the previous month.

Another core measure of inflation is the CPI excluding **bread and cereals, oils and fats, and transportation**, which slightly decreased to -0.85 percent compared to -0.82 percent recorded in the previous month. Similarly, inflation by this measure decreased on month to month basis to 0.21 percent from 0.28 percent.

Core Measures(Year over Year)		
Indicators	December	January
30% Trimmed Mean	1.93	2.02
CPI ex. B&C,O&F and T	-0.82	-0.85

Source: *Da Afghanistan Bank and/NSIA*

3. EXTERNAL SECTOR REPORT

3.1 CURRENT ACCOUNT BALANCE

Current account deficit, narrowed sharply by 2 percent to USD 4055.78 million in the FY 1397 from USD 4145.23 million in the FY 1396.

This outcome was primarily on account of a contraction in the trade deficit by both a rise in merchandize exports (12 percent), and a decline in merchandize imports (2 percent). As well as, a rise in the earnings of service account and a rise in the receipts on respect of primary income account in the FY 1397.

3.1.1 GOODS ACCOUNT

The value of total export of goods increased by 12 percent to USD 875.24 million in the FY 1397 from USD 783.96 million in the FY1396.

The value of total import of goods slightly declined by 2 percent to USD 6899.80 million in the FY 1397 from USD 7023.80 million recorded in the FY 1396.

- **Main drivers of increasing exports in the FY 1397 are:**

- ✓ Cotton Increased to USD 16.87m from USD 7.51m.
- ✓ Karakul Skin Increased to USD 14.84 from almost 9.55m.
- ✓ Wool and Animal Hair Increased to USD 6.25m from 1.20m.
- ✓ Saffron Increased to USD 21.22m from USD 6.49m.
- ✓ Medical seeds increased to USD 146.14m from USD 142.07m.
- ✓ Unspecified Increased to USD 225.52m from USD 146.99m.

- **Main drivers of declining Imports in the FY 1397 are:**

- ❖ Industrial supplies such as:

- ✓ Metal production: declined by 6 percent to USD 383m from USD 406m.

- ✓ Fertilizer declined by 6 percent to USD 118m from USD 125m.
- ✓ Cement: declined by 1 percent to USD 303m from USD 305m.

Note: as a total Industrial supplies declined by 7 percent to USD 826m in the FY 1397 from. USD 883m in the FY 1396.

❖ Consumer goods such as:

- ✓ veg.oil: declined by 19 percent to USD 394m from USD 486m
- ✓ Sugar: declined by 33 percent to USD 203m from USD 301m.
- ✓ Cigarettes: declined by 44 percent to USD 51.10m from 91.63m.
- ✓ Cloths: declined by 21 percent to USD 48.55m from USD 61.40m.
- ✓ Soaps: declined by 24 percent to USD 26.67m from USD 34.90m.
- ✓ Threads: declined by 53 percent to USD 8.65m from USD 18.48m.
- ✓ Bicycles: declined by 13 percent to USD 8.16m from USD 9.38m.
- ✓ TV: declined by 38 percent to USD 3.56m from USD 5.73m

Note: as a total consumer goods declined by 3 percent to USD 2904m in the FY 1397 from USD 2981 million recorded in the FY 1396.

3.1.2 SERVICES ACCOUNT

Services account deficit decreased by 30 percent to USD 515.48 million in the FY 1397 from USD 737.28 million recorded in the FY 1396, mainly due to increasing receipts from some of services implemented by residents to non-residents such as:

- Receipts from **Construction services**, which increased to USD 91.54 million in the FY 1397 from USD 39.22 million recorded in the FY 1396.
- Receipts from **Telecommunication, services** increased to USD 70 million in the FY 1397 from USD 57 million recorded in the FY 1396.
- **In transportation**, our receipts increased to USD 56 million in the FY 1397 from USD 38 million in the FY 1396. But in the same time payments to such services declined to USD 717 million from USD 732 million.

3.1.3 PRIMARY INCOM ACCOUNT:

Net primary income increased by 44 percent to USD 221.69 million in the FY 1397 from USD 153.45 million recorded in the FY 1396.

3.1.3 SECONDARY INCOME ACCOUNT:

Secondary income decreased by 16 percent to USD 2262 million in the FY 1397 from USD 2678 million recorded in the FY 1396.

- **Current transfers Net;** to the Afghan government decreased by 16 percent to USD 1768 million in the FY 1397 from USD 2105 million recorded in the FY1396.
- **Worker remittances (Net)** show an increase of 42 percent to USD 381 million in the FY 1397 from USD 268 million recorded in the FY 1396.

3.2 CAPITAL ACCOUNT BALANCE:

Decline by of 22 percent to USD 1404 million in the FY 1397 from USD 1790 million recorded in the FY 1396, as a result of lower inward of capital transfers to the government sector.

3.3 FINANCIAL ACCOUNT BALANCE:

Financial account (net) decreased by 9 percent to USD 413 million in the FY 1397 from USD 453 million in the FY 1396.

- **Direct investment (Net):**
 - ✓ Outflows (assets abroad), decrease to USD - 23 million in the FY 1397 from USD -10 million in the FY 1396.
 - ✓ Inflows (liabilities) increased to USD 115 million in the FY 1397 from USD 51 million recorded in the FY 1396.

Note: as a sector-wise; Services sector is the first which captured more FDI. Construction, mining and Industry/Manufacture are ranked the second third and fourth respectively.

- **Portfolio Investment (net):** increased to USD 23 million in the FY 1397 from USD -29 million in the FY1396.

AFGHANISTAN'S BALANCE OF PAYMENTS (in million USD)

Items / Years	Q1- 96	Q2- 96	Q3- 96	Q4 - 96	FY 1396	Q1- 97	Q2- 97	Q3- 97	Q4- 97	FY 1396	%change
Current Account	-1055.43	-1430.28	-744.20	-915.32	-4145.23	-1267.08	-842.40	-889.89	-1056.42	-4055.78	-2%
<i>Credit</i>	817.97	816.60	1194.05	1297.50	4126.13	920.99	1133.74	1153.73	1060.70	4269.16	3%
<i>Debit</i>	1873.41	2246.88	1938.25	2212.82	8271.36	2188.07	1976.14	2043.62	2117.12	8324.94	1%
Goods and Services Account	-1607.57	-1981.82	-1573.42	-1814.31	-6977.11	-1834.57	-1560.85	-1543.16	-1601.46	-6540.05	-6%
<i>Credit</i>	213.70	230.54	334.67	368.78	1147.70	320.49	364.21	438.04	437.41	1560.16	36%
<i>Debit</i>	1821.27	2212.36	1908.09	2183.09	8124.81	2155.06	1925.07	1981.21	2038.87	8100.20	-0.3%
Goods Account	-1456.11	-1802.22	-1372.09	-1609.40	-6239.83	-1664.49	-1499.75	-1386.93	-1473.41	-6024.57	-3%
<i>Credit</i>	115.06	124.17	251.37	293.36	783.96	172.45	146.81	261.88	294.09	875.24	12%
<i>Debit</i>	1571.17	1926.39	1623.46	1902.77	7023.80	1836.94	1646.56	1648.81	1767.50	6899.80	-2%
Services Account	-151.45	-179.59	-201.33	-204.90	-737.28	-170.09	-61.11	-156.24	-128.05	-515.48	-30%
<i>Credit</i>	98.64	106.37	83.30	75.42	363.74	148.03	217.40	176.16	143.32	684.92	88%
<i>Debit</i>	250.10	285.97	284.63	280.32	1101.02	318.12	278.51	332.40	271.37	1200.40	9%
Primary Income Account	19.02	36.24	21.39	76.80	153.45	24.83	54.00	98.54	44.32	221.69	44%
<i>Credit</i>	33.98	48.50	32.91	89.14	204.53	35.27	65.53	109.23	67.45	277.47	36%
<i>Debit</i>	14.96	12.27	11.52	12.34	51.08	10.45	11.52	10.69	23.12	55.78	9%
Secondary Income Account	533.11	515.30	807.83	822.18	2678.43	542.67	664.46	554.74	500.71	2262.57	-16%
<i>Credit</i>	570.29	537.55	826.47	839.58	2773.89	565.23	704.00	606.46	555.85	2431.53	-12%
<i>Debit</i>	37.18	22.25	18.64	17.40	95.46	22.56	39.55	51.72	55.13	168.96	77%
Current transfers	439.15	428.08	665.51	572.39	2105.12	424.08	544.35	418.76	381.05	1768.24	-16%
<i>Credit</i>	439.15	428.08	665.51	572.39	2105.12	424.08	544.35	418.76	381.05	1768.24	-16%
<i>Debit</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	#DIV/0!
Workers' remittances	50.40	55.16	76.53	86.79	268.88	91.92	96.60	95.42	97.16	381.10	42%
<i>Credit</i>	58.49	71.81	85.38	97.02	312.70	102.94	114.36	107.55	112.08	436.94	40%
<i>Debit</i>	8.08	16.65	8.84	10.24	43.82	11.02	17.76	12.13	14.92	55.84	27%
Capital and financial account	186.20	454.67	327.92	368.62	1337.41	16.80	226.09	276.57	471.30	990.75	-26%
Capital account	237.56	428.20	555.72	569.29	1790.78	62.89	221.38	478.72	641.53	1404.53	-22%
<i>Credit</i>	237.56	428.20	555.72	569.29	1790.78	62.89	221.38	478.72	644.71	1407.71	-21%
<i>Debit</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.18	3.18	
Capital transfers	237.56	428.20	555.72	569.29	1790.78	62.89	221.38	478.72	644.71	1407.71	-21%
<i>Credit</i>	237.56	428.20	555.72	569.29	1790.78	62.89	221.38	478.72	644.71	1407.71	-21%
<i>Debit</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Financial account	51.36	-26.46	227.80	200.68	453.38	46.09	-4.70	202.16	170.23	413.78	-9%
Direct investment	-11.19	-20.44	-16.98	-13.73	-62.33	-31.58	-40.85	-36.74	-29.85	-139.02	123%
Net acquisition of financial assets	-3.09	-3.27	-3.59	-0.84	-10.80	3.78	3.78	-12.36	-19.11	-23.90	121%

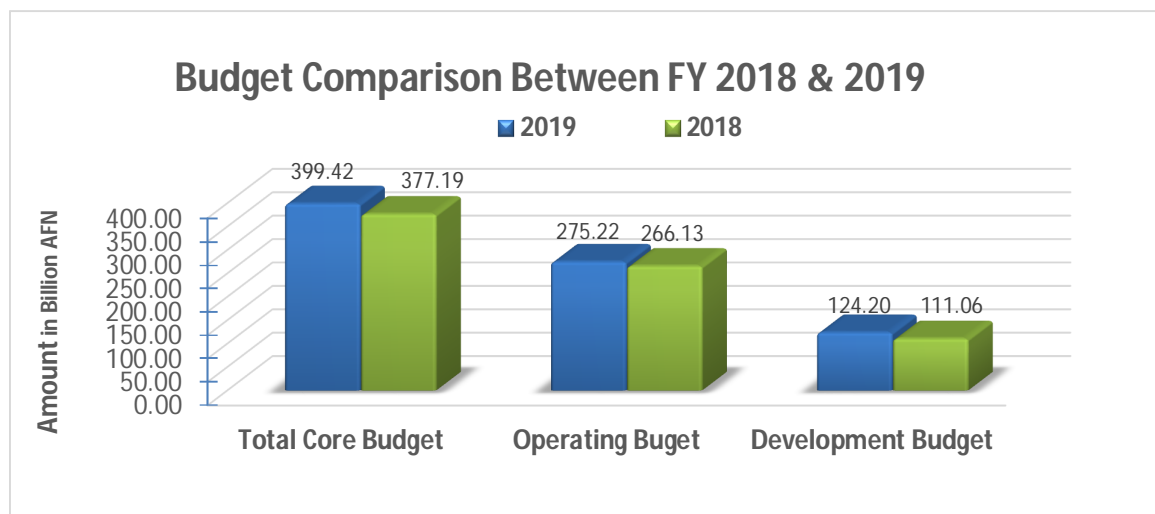
Net incurrence of liabilities	8.10	17.16	13.39	12.89	51.53	35.36	44.63	24.38	10.75	115.12	123%
Portfolio investment	36.62	-30.15	-11.57	-24.01	-29.11	-54.02	18.22	24.37	34.94	23.51	-181%
Net acquisition of financial assets	36.62	-30.15	-11.57	-24.01	-29.11	-54.02	18.22	24.37	34.94	23.51	-181%
Net incurrence of liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other investment	12.19	25.58	-127.93	58.67	-31.48	109.58	57.53	102.07	92.54	361.73	-1249%
Assets	32.98	5.36	-100.29	97.87	35.92	80.47	44.96	79.32	68.59	273.34	661%
Liabilities	20.79	-20.23	27.64	39.20	67.40	-29.11	-12.57	-22.75	-23.95	-88.39	-231%
Reserve Assets	13.73	-1.45	384.28	179.74	576.29	22.11	-39.61	112.46	72.60	167.56	-71%
Net errors and omissions	869.23	975.61	416.28	546.71	2807.83	1250.27	616.31	613.32	585.13	3065.03	9%

4. Fiscal Sector

The key objective in the fiscal area is to achieve sustained increase in revenue collection to permit gradual takeover of externally financed operating & development spending to ensure an expenditure allocation consistent with Afghanistan National Development Strategy (ANDS). Furthermore, other goals include improvements in public expenditure management, fiscal policy formulation and reformation, efficiency in public enterprises, tax and customs administration.

In addition, like other emerging and under developing economies around the world, in Afghanistan also budget imbalance (Budget Deficit) exists, where total core expenditures exceed total revenue (excluding grants).

In fiscal year 2019 total core budget is raised to AFN 399.42 billion from AFN 377.19 billion in FY 2018, showing 5.89% or AFN 22.23 billion increase in annual budget. From the total of AFN 399.42 billion, operating and development budgets are estimated each AFN 275.22 billion and AFN 124.20 billion respectively.



Source: MoF Financial Reports/MPD Staffs Calculations

Total revenue (domestic revenue plus external aids) for the month of February 2019 was AFN 17.34 billion, while in January, it was AFN14.67 billion which shows 18.17% or AFN 2.67 billion increase in February. Total revenue at the end of February FY – 2019 reached to 32.01, of which AFN 28.61 billion and AFN 3.40 billion constitutes domestic revenue and donor contributions respectively.

Likewise, domestic Revenue for the month February was AFN 13.97 billion lower than AFN 14.64 billion in the month of January, which shows AFN 0.67 billion (- 4.60 %) decrease in the month of February. On the other hand, donor contributions amounted to AFN 3.37 billion in February, where donor contributions in January was AFN 0.03 billion, which indicates AFN 3.34 billion (11384 %) increase in donor contributions for the month of February.

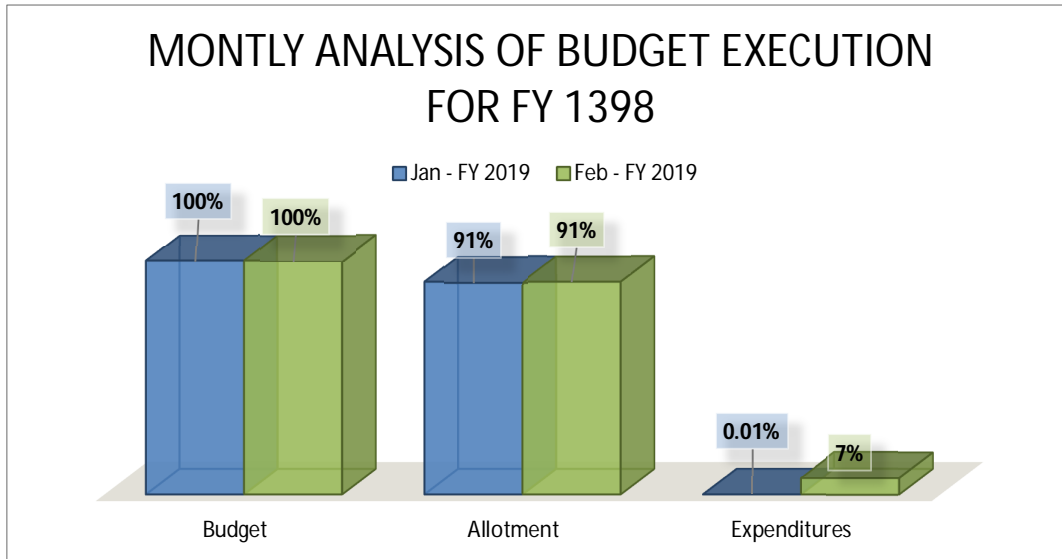
Additionally, total Expenditure at the end of February 2019 reached to AFN 25.28 billion, from which operating expenditures and development expenditures were individually, AFN 22.58 billion and AFN 2.70 billion. Likewise, operating expenditures for February was AFN 17.86 billion, where in January it was AFN 4.72 billion. This signifies that, there is AFN 13.13 billion or 278.07 % rise in operating expenditures for the month of February FY 2019. On the other hand, development expenditures had zero balance for January, where in February, a total of AFN 2.70 billion development expenditures incurred.

Description	Jan - FY	Feb - FY	FY	Difference	Monthly
	2019	2019	2019	(between Jan & Feb)	
Amount in Billion AFN					
Total Revenue	14.67	17.34	32.01	2.67	18.17
Domestic Revenue	14.64	13.97	28.61	- 0.67	4.60
Donor Contributions	0.03	3.37	3.40	3.34	11384.49
Total Expenditures	4.72	20.56	25.28	15.83	335.23
Operating Expenditures	4.72	17.86	22.58	13.13	278.07
Development Expenditures	0.00	2.70	2.70	2.70	NIL

Source: MoF Reports/MPD Staffs Calculations

Execution rate of core budget for the month of February 2019 was 7%, of which, operating and development budgets had 9% and 2% execution rates individually. It is to be mentioned that Total Budget for development expenditures were AFN 124.20 billion, of which AFN 115.51 (93%) billion were allotted and there were only 2% (AFN 3.07 billion) expenditures incurred for the month of

February. On the other hand, operating expenditures were budgeted AFN 275.22 billion, where 89% (AFN 246 billion) were allotted and from the total budgeted amount, around AFN 25 billion or 9% were expended.



Source: MoF Reports/MPD Staffs Calculations

5. Swift and Payments

Report of(Outward) Transactions from 1/11/ 1397 up to 30/11/1397				
Categories	Remitter Parties	Message Type	USD	EUR
A	Ministries	MT 103 ,700 & 910	10,666,710.61	1,310,084.61
B	Commercial Banks	202	97,022,711.64	200,000.00
C	Da Afghanistan Bank	200	360,228,722.58	
Report of(Inward)Transactions fromfrom1/11/ 1397 up to 30/11/1397				
Categories	Beneficiary Parties	Message Type	USD	EUR
A	Ministries	MT 103 ,700 & 910	44,500,957.29	1,310,084.61
B	Commercial Banks	202	79,748,261.78	
C	Da Afghanistan bank	200		
همچنان به تعداد 49 معامله تبادلی FX Deal به ارزش مجموعی (154042772.87) دالر امریکائی نیز اجرا گردید است				

6. Banking Sector

As of end of Dalwa 1397 (Feb, 2019), the main banking sector data demonstrated a mixed picture in terms of growth as compared with the same month of the previous year (YOY). Total assets and equity capital decreased. While loans and deposits depicted YOY increases, which apart from the exchange rate fluctuations (USD) are attributed to issuance of loans. Banking sector started the new fiscal year with profitability, Liquidity remained adequate. However the quality of loans still remains weak.

The total assets of the banking sector posted a 0.57 percent YOY decrease, reaching Af 297.72 billion at end of Feb, 2019 as compared to Af 299.44 billion in Feb, 2018. Total assets decreased by 0.84 percent over the previous month, mostly coming from cash in vault and claims on DAB particularly in capital notes; interbank claims and investments.

The gross loan portfolio of the banking sector registered YOY increase of 9.44 percent and currently stands at Af 42.01 billion. The increase is mainly as a result of issuance of new loans and increase in USD rate. Total gross loans showed a decrease of 0.02 points attributed to decrease in USD rate, while new loans are being disbursed over the month.

Total Deposits comprising of customer and interbank deposits, the main source of funding in the banking sector presented 0.14 percent YOY increase, currently standing at Af 254.83 billion. The increase in total deposits came from the interbank deposits and was mostly obvious in time deposits. While customer deposits decreased over this period. The above mentioned increase in total deposits attributed to appreciation in USD rate, at the meantime AF deposits and USD deposits were down in the mentioned period. Deposits posted a decrease of 1.16 points over the previous month largely coming from customer demand accounts in USD currency over the previous month.

The net equity position of the banking sector remained strong, though it decreased by 3.00 percent yoy basis and represents 11.53 percent of total assets. The decrease is mainly attributed to payment of dividends and getting in a receivership of a private bank.

The banking sector for the first two months of fiscal year 1398 (Feb, 2019) earned Af 108 million net-profits against Af 412 million net-losses in the same preceding period (Feb, 2018). Resulting in ROA of 0.16 percent annualized compared to that of negative 0.81 percent annualized in Feb, 2018.

Liquidity and FX positions are in accordance with the ratios set by the central bank, except three banks that have violated the limits (± 40 percent for over all FX position and ± 20 percent on individual currency position) on overall and individual currency basis (USD long position).

The regulatory capital ratios of all banks except two banks are above the regulatory threshold (12% of RWA).

CAR (capital adequacy ratio) of the sector recorded at 26.41 percent against 29.61 percent in Feb, 2018 showing 3.2 percent decrease over the year.

Introduction

The banking sector in Afghanistan consists of 14 duly-licensed and permitted banking organizations: 3 relicensed state-owned banks, 7 private full-fledged banks Commercial banks, 1 private full-fledged Islamic Bank and 3 branches of foreign banks.

The number of banking facilities, all across the country is as follows:

Provided Facilities	banking No
Full Service Branches	203
Limited Service Branches	212
Automated Teller Machines (Type 22 Facility)	348
*Others (Type 21, 24, 25 Facility)	83
**Point of Sale (Type 23)	168
Total	1,014

* Type 21 Facility: A loan origination facility where the proceeds of the loan are not disbursed

Type 24 Facility: A facility which only disburses cash, such as salaries to government and /or non-government employees, or other cash payments to bank customers

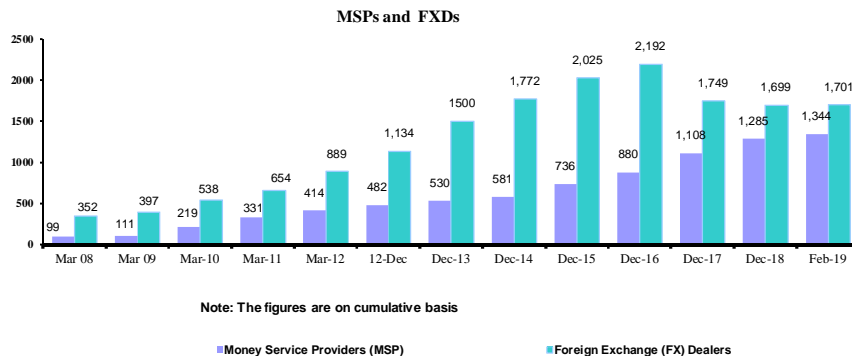
Type 25 Facility: A facility which only receives cash from the public for deposits into the account of a different person or legal entity (usually the embassy, hotel, etc.) and issues a receipt for the cash. this facility could be located on military base, or in a hotel, for example.

** Type 23 Facility: A facility which only receives cash from the public for deposit into the account of a different person or legal entity (usually the embassy, hotel, etc.) and issues a receipt for cash. This facility could be located on the military base, in an embassy, or in a hotel, for example.

Cards	No
Debit Card	541,317
Credit Card	1,989
ATM Card	229,814
Web surfer Cards	13,278
Pre-Paid Card	5,355
Master Card	2,318
Total	794,071

The above-mentioned branch facilities are available in thirty three (33) provinces including the capital city Kabul. ATM services are available in 28 and Debit cards are available in 31 provinces, while credit cards are available in 6 provinces of the country.

In addition, on a cumulative basis, 1,344 licensed money service providers (MSP) and 1,701 licensed FX dealers are operating in the country. Of these 1,344 licensed MSPs, 272 are in Kabul, 789 are in provinces while 283 representatives of head offices are in Kabul and provinces. Of 1,701 licensed FX dealers, 388 are in Kabul, 1,308 are operating in provinces, and 5 representatives are active in provinces. Further details are given in the Graph No.1

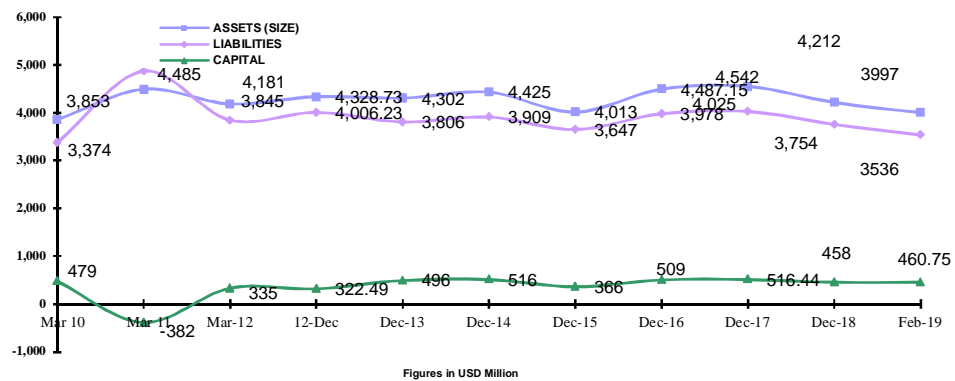


Graph No.1

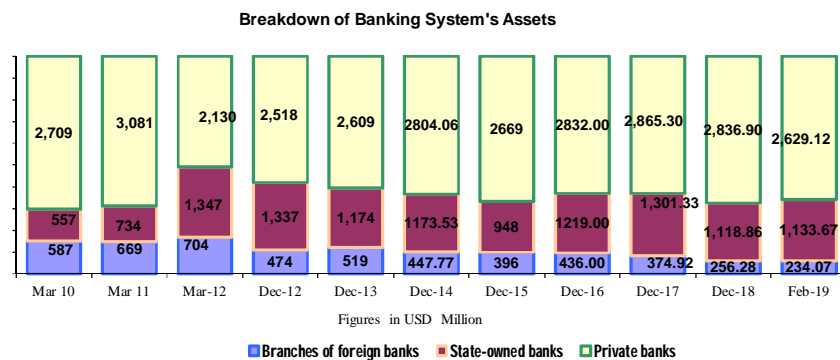
6.1 Total Assets

The total assets of the banking sector registered a 0.57 percent YOY decline, reaching Af 297.72 billion (USD 3.99 billion), against 0.26 percent increase in the same preceding period (Feb, 2018), amounted Af 299.44 billion (USD 4.33 billion). The above mentioned decline in the total assets can mainly be attributed to payment of cash dividends, getting in a receivership of a private bank and charge off of loans in the above mentioned period.

Looking at the increase in total assets across the banking groups, the growth rate for the private banks, as a peer group, was the highest and increased by 3.34 percent; whilst state owned banks and branches of foreign banks registered 3.08 percent and 23.53 percent decline respectively in their asset base over the year. The percentage share of private banks in the system's total asset is reported to be 65.78 percent; state-owned banks with 28.36 points are at the second place while branches of foreign banks have 5.85 percentage shares in the system's total asset. Growth of assets of the banking sector from March 2010 to Feb, 2019 is depicted in graph No.2.



Graph No. 2



Graph No.3

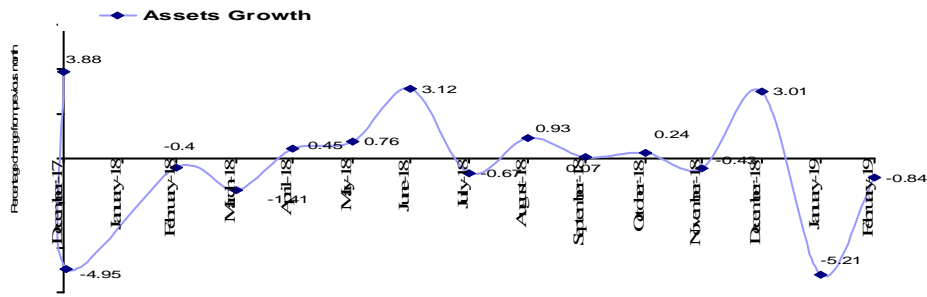
Assets of the Banking sector in descending order for the month of Feb, 2019			Size of Indv. Banks as % of Total Assets of the sector
Serial number	Names of Banks	Assets in million Af	
1	Afghanistan International Bank	67,562.88	22.693
2	Bank-e- Milli Afghan	43,682.93	14.672
3	Azizi Bank	38,764.05	13.020
4	Maiwand Bank	20,655.88	6.938
5	Pashtany Bank	20,506.50	6.888
6	New Kabul Bank	20,257.79	6.804
7	Afghan United Bank	18,608.31	6.250
8	Islamic Bank of Afghanistan	14,114.93	4.741
9	Arian Bank	13,202.12	4.434
10	Ghazanfar Bank	11,535.15	3.874
11	First Micro Finance Bank	11,399.73	3.829
12	Bank Alfalah Limited	11,201.90	3.762
13	National Bank of Pakistan	3,904.28	1.311
14	Habib Bank Limited	2,330.01	0.783
Total		297,726.46	100.00

6.1.1 Assets Growth

Total assets of the banking sector depicted a positive trend for the most part of the 2018, being highest in June and December 2018 coming mostly from increase in the interbank claims dominantly in USD, while touched the lowest point in Jan, 2018, which was mainly due to decrease in cash in vault and claims on DAB particularly in overnight deposits and capital notes.

For the month under analysis total assets recorded a decrease of 0.84 percent over the previous month, mostly coming from cash in vault and claims on DAB particularly the capital notes; interbank claims and investments.

For further details, the trend is shown in graph No. 4



Graph No.4

6.2 Loan portfolio

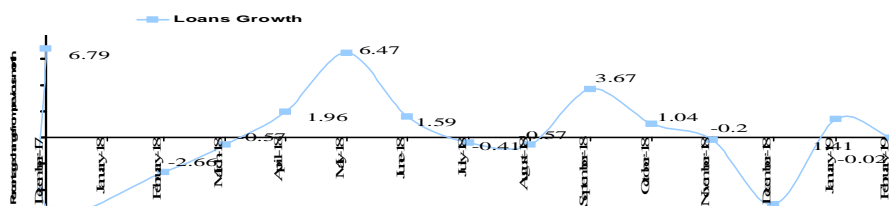
The gross loan portfolio of the banking sector recorded yoy increase of 9.44 percent, currently standing at Af 42.01 billion (USD 564 million), constituting 14.11 percent of the total assets, whereas it was Af 38.38 billion in Feb, 2018 comprising 12.82 percent of the total assets and was down by 3.63 percent on yoy basis. The increase in total gross loans is mainly attributed to issuance of new loans and increase in USD rates.

Out of this loan portfolio, total Afghani denominated loans recorded at Af 19.32 billion (USD 259 million), 45.98 percent of total Gross loans or 6.49 percent of total assets, showed a yoy increase of 48.90 percent, mostly attributed to issuance of new loans. While the US Dollar denominated loans are Af 22.58 billion (USD 303 million), 53.76 percent of total gross loans or 7.59 percent of total assets decreased by 10.78 percent yoy, mainly attributed to charge off of loans, settlement of loans and getting of a private bank in a receivership. Lending in Afghanistan is dominated by private banks, constituting 87.93 percent of total gross loans of the banking sector followed by state-owned banks with 11.00 percent, while the share of the branches of foreign banks is 1.05 percent.

6.2.1 Loans Growth

Total gross loans over the course of the 2018 mostly had a decreasing trend, mostly significant in Jan, and Dec, 2018 attributed to charge-offs and settlement of loans.

Total gross loans showed a decrease of 0.02 percent over the previous month, mainly on account depreciation of USD against Af. However, new loans have been disbursed during the month. For further information; the trend is shown in the graph No. 5



Graph No.5

Classification of total loan portfolio

Item amount in Af million	Feb, 2019	Jan, 2019	As %age of total gross loans	growth
Non-Performing Loans ¹	4,344	4,051	10.34	7.23
Adversely Classified Loans(substandard, doubtful, Loss) ²	6,140	5,848	14.62	4.99
Loans classified Watch ³	4,846	5,229	11.53	-7.32
Loans Charged-off ⁴	3	6	0.01	-50

The quality of loan of the banking sector at the end of Feb, 2019 compared to Jan, 2019 deteriorated, making 10.34 percent of total gross loans and 14.30 percent of the regulatory capital, increased by Af 293 million over the last month largely attributed to one private bank in the sector. Out of 10.34 percent NPL, 8.14 percent (78.76 percent of total NPLs) is attributed to two banks. These two banks hold 36.85 percent of the system's gross loans and 10.35 percent of system's regulatory capital. While the net-NPL ratio of the banking sector recorded at 3.42 percent.

Group wise analysis show that out of Af 4.34 billion total NPLs, Af 4.14 billion NPL is coming from private banks making 9.87 percent of the total gross loans (95.49 percent of total NPLs) and Af 196 million is attributed to one state-owned bank constituting 0.47 percent of the total gross loans (4.51 percent of total NPLs).

Five banking institutions in total provided SME and Micro-Credit Loans.

¹ Defaulted assets and advances for which the principal and/or interest is due and remains outstanding for 121-480 days and more as per the assets classification and provision regulation- (Doubtful and Loss)

² An asset for which the principal and /or interest remains outstanding for 61-120 days - (Substandard), ² Defaulted assets and advances for which the principal and/or interest is due and remains outstanding for 121-480 days - (Doubtful), An asset for which the principal and /or interest remains outstanding for 481 or more days - (Loss) as per the assets classification and provisioning regulation

³ An assets for which the principal and/or interest remains outstanding due for 31-60 days as per the assets classification and provisioning regulation-(Watch)

⁴ Default assets and advances for which the principal and/or interest remains outstanding for 481 days or more days and retained on the books of banks for the period of 12 months (Loss), After 12 months they are immediately charged-off as per the assets classification and provisioning regulation-

Item amount in Af million	Dec, 2018	Sep, 2018	As %age of total gross loans	growth
SME Loans	2,380	2,287	5.74	4.06
Microcredit Loans	4,983	4,941	12.03	0.85

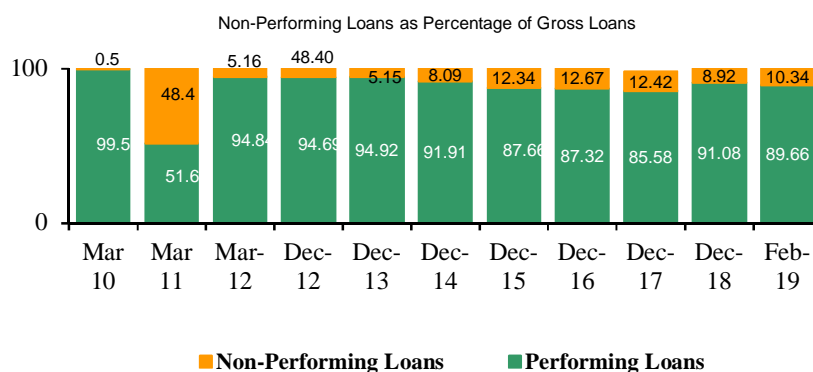
Breakdown of Gross Loans as of Feb, 2019 (million Af)

State-owned Banks 4,623.28

Private Banks 36,941.87

Branches of foreign Banks 444.57

Total 42,009.72



Graph No.6

The sector wide and Province wide distribution of the banking sector's loan portfolio as of December 2018 and Feb, 2019 are given in the tables below.

The designation of Loans geographically and institutionally is not properly diversified, but it is expected that with time the distribution of loans will improve. It is desirable that all banks take active part in lending, so as to diversify lending services in country.

Sector wide Designation of Loans as of Dec, 2018

	Sectors	As %age of Total Loans
1	Commercial Real Estate and Construction	9.03%
	Construction and Buildings	9.03%
2	Infrastructure Projects	6.83%
	Power	0.48%
	Road and Railway	2.18%
	Dams	0.36%
	Mines	0.52%
	Other infrastructure projects	3.28%
3	Manufacturing and Industry	12.19%
	Manufacturing & Products of Metal wood plastic rubber leather paper	4.10%
	Manufacturing handmade and machine products	3.67%
	Cement and Construction Materials	4.42%
4	Trade	45.35%
	Textile	2.21%
	wholesale	3.62%
	Machineries	0.41%
	Petroleum and Lubricants	11.48%
	Spare parts	1.78%
	Electronics	3.21%

	Comment and other construction Material	5.14%
	Food Items	6.44%
	All other Items	7.92%
	Retail trading	3.13%
5	Service	20.54%
	Education	0.03%
	Hotel and Restaurant	2.16%
	Telecommunication	5.98%
	Ground Transportation	3.08%
	Air Transportation	1.21%
	Health and Hygienic	1.74%
	Media, Advertisements, Printer	1.28%
	All other Services	5.07%
6	Agriculture, Livestock and farms	4.16%
	Agriculture	0.30%
	Livestock and farming	3.86%
7	Consumer Loans	1.90%
8	Residential Mortgage Loans to Individuals	0.00%
9	All Other Loans	0.00%
	Total	100.00

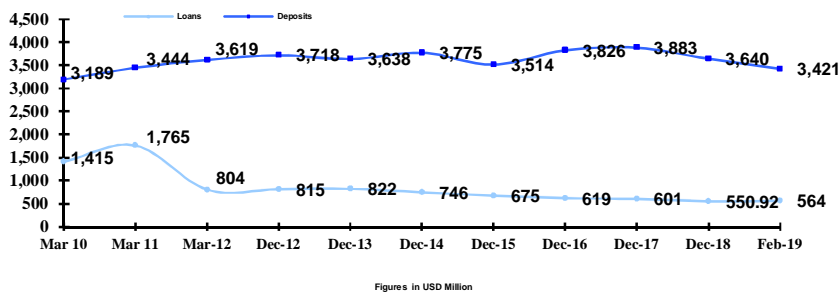
Loans designated inside Afghanistan (Province wide designation of loans) Feb, 2019			
No.	Provinces	Loans in million Af	Expressed as % of Total Loans
1	Kabul	29,523.04	70.28
2	Balkh	4,296.01	10.23
3	Herat	3,460.54	8.24
4	Badghis	1,008.81	2.40
5	Kandahar	791.93	1.89
6	Badakhshan	524.66	1.25
7	Baghlan	514.27	1.22
8	Faryab	299.08	0.71
9	Bamyan	276.35	0.66
10	Saripul	273.04	0.65
11	Jawzjan	266.57	0.64
12	Takhar	209.16	0.50
13	Parwan	187.59	0.44
14	Nangarhar	172.69	0.41
15	Samangan	152.91	0.36
16	Kunduz	47.04	0.11
17	Other	6.02	0.01
	Total	42,009.71	100.00

Outreach data of MISFA Partners as of Dec, 2018	
MISFA Partners	4
Provinces	14
Districts	81
Active clients	253,917
Active borrowers	135,130
No. of loans disbursed (cumulative)	1,301,081
Amount of loans disbursed, (cumulative) (AF Billion)	88.92
No. of loans outstanding	135,130
Gross loans outstanding, (AF Billion)	9.17
Client voluntary savings outstanding, (AF Billion)	2.57
Percentage of female clients	29.1
Women borrowers	46,582
Rural (Loans outstanding) (AF Billion)	1.84
Urban (Loans outstanding) (AF Billion)	7.33
Source:	www.misfa.org.af

6.3 Total Deposits

Total deposits comprising of customer and interbank deposits, the main source of funding and the major component of liabilities, stand at Af 254.83 billion (USD 3.42 billion), making 96.75 percent of total liabilities, increased by 0.14 percent yoy basis, against Af 254.47 billion (USD 3.68 billion) with 0.86 percent growth in Feb, 2018. Out of this, deposits from customers stands at Af 249.57 billion (USD 3.35 billion) making 97.93 percent of the total deposits decreased by 0.25 percent YOY basis. The increase in total deposits came from the interbank deposits and was mostly obvious in time deposits. While customer deposits decreased over the mentioned period. It's worth mentioning that the above mentioned increase is total deposits attributed to appreciation in USD rate, while AF deposits and USD deposits were down in the mentioned period.

Af-denominated customer deposits of the banking sector are Af 72.10 billion (USD 968 million), or 28.89 percent of the total customer deposits, decreased by 1.11 percent, while the USD-denominated customer deposits of the banking sector stands at Af 160.39 billion (USD 2.15 billion), or 64.26 percent of total customer deposits increased by 2.05 percent, attributed to increase in USD rate. Private Banks have the highest percentage share in total deposits of the sector, standing at 67.09 percent followed by state-owned banks with 27.79 percent share, while the share of the branches of foreign banks was 5.10 percent. Graph No.7 depicts the trends in deposits and loans.

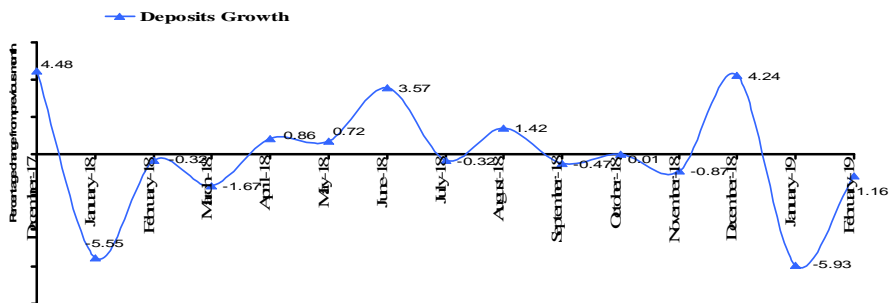


Graph No.7

6.3.1 Deposits Growth

Deposits of the banking sector mostly had an increasing trend in 2018, touching the highest points in June and Dec, 2018 mainly ascribed to customer demand deposits.

The main source of funding in the banking sector showed a decrease of 1.16 points over the previous month largely coming from customer demand accounts in USD currency over the previous month. The monthly trend is shown the graph No.8



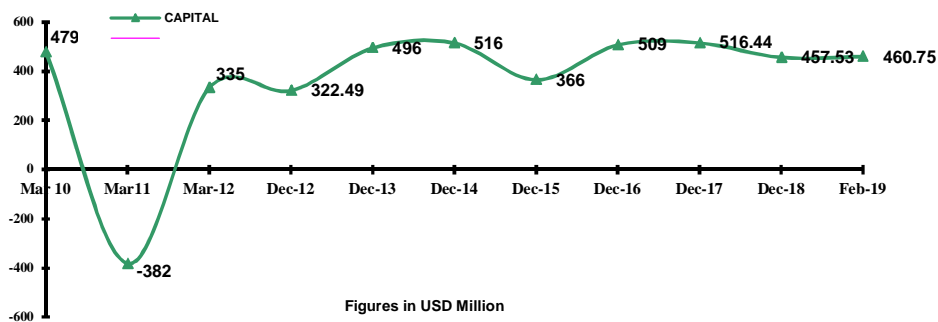
Graph No.8

Breakdown of Deposits by Type as Feb, 2019 (million Af)			
Item	Customer deposits	Interbank deposits	Total deposits
Demand	183,086.60	1,153.53	184,240.13
Time	17,291.71	4,101.53	21,393.24
Savings	49,192.66	6.22	49,198.88
Total	249,570.97	5,261.28	254,832.25

6.4 Total Capital

The banking sector is well capitalized, making 11.53 percent of total assets. The net equity position of the sector recorded at Af 34.32 billion (USD 460.75 million), decreased by 3.00 percent YOY, attributed to payment of dividends and getting in a receivership of a private bank. CAR of the sector recorded at 26.41 percent against 29.61 percent in Feb, 2018 showing 3.2 percent decrease over the year.

The regulatory capital ratios of all banks except two banks are above the minimum regulatory threshold (12% of RWA). The trend of the banking sector financial capital as described above is given in the graph No.9



Graph No.9

6.5 Profitability

1.5.1 Month – to – Month:

The banking sector earned Af 41 million net profits in the current month ending Feb, 2019, against Af 67 million net profits earned in Jan, 2019 showing a decrease over the month. Out of 14 duly-licensed commercial banks, five banks ended with Af 100 million net-losses compared to Af 171 million net-losses incurred by seven banks in Jan, 2019. The main factor towards the decrease in profitability of the banking sector in the current month is mainly attributed to increase in non-interest expense mainly coming from two private banks; salary expense and decrease in FX gains. However, net-interest income and non-interest income show increase while; credit provision and tax expenses are down in the month under review.

The median for the spread between returns on loans and cost of funds, a measure of banks' operational efficiency recorded at 11.74 percent increased from 10.44 percent in Jan, 2019. Three banks fall below the median for the current month ending Feb, 2019. While for seven banks the spread could not be calculated⁵.

1.5.2 Banking sector Profitability on Cumulative basis: (Jan- Feb, 2019 – Jaddi- Dalwa 1397)

In terms of the profitability, on cumulative basis the banking sector recorded Af 108 million (USD 1.45 million) net profit for the first two months of fiscal year 1398 (Feb, 2019) against Af 412 million net-losses recorded in the same period last year, showing an improvement over the year. Resulting in ROA⁶ of 0.16 percent annualized against negative 0.81 percent annualized in Feb, 2018.

The factors contributed towards the profitability of the banking sector in Feb, 2019 compared to Feb, 2018 was increase in non-interest income, FX gains and decrease in credit provisions and tax expenses, while operating expenses increased in the period under review.

Group wise analysis reveals that State-Owned Banks (SOB) and Private Banks (PB) ended Feb, 2019 with profits, while branches of foreign banks (BFB) ended with losses. See figure 10.

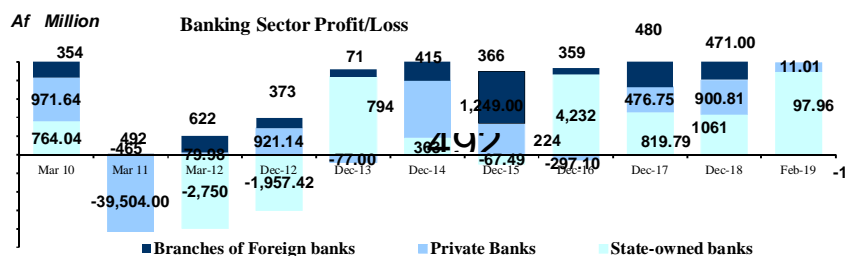
Major portion of the profitability of the banking sector is attributed to State owned Banks standing at Af 98 million, 90.61 percent of the banking sector total net-profit with annualized ROA of 0.86 percent against Af 45 million net-profits in the same preceding period, Private Banks net-profitability recorded at Af 11 million making 10.19 percent of the sector total net-profit with annualized ROA of 0.07 percent against Af 630 million net-losses in Feb, 2018, while branches of foreign banks incurred Af 0.86 million net-losses with annualized ROA of negative 0.01 percent in Feb, 2019 against Af 173 million net profits in Feb, 2018.

⁵ Spread (difference between the weighted average interest on new loans and deposits) is calculated on monthly basis, so for the month if a bank does not have any new loans or new deposits or both, the spread would not be calculated for that bank or banks.

⁶ ROA (Return On Assets)

Seven banks incurred losses of Af 227 million, against Af 814 million losses in the previous period (Feb, 2018) with five banks at loss. On core income basis five

banks ended with losses against seven banks in the previous period. The trend of the banking sector net profit/loss is given in the graph below.



Graph No.10

6.6 Liquidity

Overall all banking institutions are above the set minimum for the broad liquidity ratio (**15 percent**) and the Quick Liquidity Ratio (**20 percent**). Broad liquidity ratio of the banking sector as a median stands at 75.83 percentage points against 65.59 percent in the preceding period (Feb, 2018), showing an increase of 10.24 points.

According to Dec, 2018 available data, concerning the concentration of the customer deposits the sector as a whole appears to be very concentrated in large deposits (deposits in accounts over Af 5 million) which makes up to 60.25 percent of total customer deposits and consists of 6,044 accounts. This could be judged as quite volatile. Moreover, the average size of these large deposit accounts is very high, though decreased to Af 616 million from Af 661 million in the previous quarter.

6.7 Open FX Position

All banking institutions are within the set regulatory threshold for overall open FX position (**± 40 percent**) and on an individual currency (**± 20 percent**) basis except for three banks, which have violated the limits on overall and on an individual currency basis (USD long position).

Total number of employees, borrowers, depositors and other-clients of the banking sector as of Dec, 2018, all across the country are as follow:

Particulars	No
Full-time Afghan Employees	9,345
Full-time Foreign Employees	77
Present Borrowers	72,454
Present Depositors	3,687,206
Other clients other than borrowers & depositors ⁷	7,389

⁷ Customers of the bank who have been issued bank guarantees, letters of credit, or any other types of guarantees and commitments