



Da Afghanistan Bank

Monetary Policy Department

Monthly Report

December 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.

At the beginning of FY1398 (2019), Reserve Money (RM) actual amount has been recorded at Af 271,804.93 million and growth of RM is below the ceiling. The target ceiling for end of Qaws month was Af 322,878.14 million, while the actual amount on the mentioned date stood at Af 304,625.71 million. This figure represents Af 18,252.43 million declines from the target ceiling in the same day and showing growth of 12 percent from the beginning of FY year.

Since the beginning of fiscal year of 1398 (2019) up to end of Qaws, DAB has auctioned a total amount of USD 2,430.40 million through open market operations, and has collected Af 189.25 billion from the market. These operations have fulfilled 42 percent of the total demand for currency (especially the US dollar) in the market.

Headline inflation decreased in the month of October 2019 year over year basis. The year over year inflation decreased to 1.12 percent in September from 1.85 percent observed in the previous month. This decrease in year over year inflation caused by lower prices of both foods and non-foods items. Current account deficit, declined by almost 23 percent to a value of USD 604.74 million in the second quarter of the FY 1398 from a value of USD 784.58 million recorded in the second quarter of the FY 1397.

This outcome was primarily on account of a contraction in the trade deficit as a result of declining merchandize imports by 7 percent, as well as, a rise in the earnings of service account and a rise in the inflows of personal transfers (home worker remittances) in the second quarter of the FY 1398.

Total revenue (domestic revenue plus external aids) for the month of November 2019 is AFN 25.58 billion, while in October; it was AFN 49.13 billion which shows 47.93% or AFN 23.55 billion decrease in November. Total revenue from the start of FY-2019 till end of November reached to AFN 327.10 billion that is combination of AFN 155.27 billion donor contributions and AFN 171.835 billion domestic revenue respectively.

The total assets of the banking sector posted a 4.42 percent YOY decrease, amounting to Af 293.91 billion at end of Nov, 2019 as compared to Af 307.53 billion in Nov, 2018. Total assets increased by 1.23 percent over the previous month, mostly coming from increase in deposits. At the mean time major

increasing assets components were interbank claims mainly Af accounts, net loans, investments and other assets.

The gross loans portfolio of the banking sector registered YOY decrease of 3.90 percent and currently stands at Af 41.96 billion. The decrease is mainly as a result of settlement and charge-off of loans. Total gross loans showed an increase of 1.20 points compared to previous month mainly on account of issuance of new loans, OD utilization and increase in USD rate.

Total Deposits comprising of customer and interbank deposits, the main source of funding in the banking sector presented 4.81 percent YOY decrease, currently stands at Af 250.00 billion. The decrease in total deposits mainly came from the customer demand deposits and in USD currency. Deposits posted an increase of 1.44 points over the previous month mainly coming from customer demand deposits.

Table of content

1.1 Reserve Money (RM) and Currency in Circulation (CiC) growth Report	4
1.2 Net International Reserve	5
1.3 Foreign Exchange and Capital Notes Auction	5
1.5 Exchange Rate.....	10
2. Real Sector	11
2.1.1 Food Inflation.....	12
2.1.2 Non-Food Inflation.....	13
2.2 Core Inflation	13
3 External Sector	14
3.1 CURRENT ACCOUNT BALANCE	14
3.1.1 GOODS ACCOUNT	14
3.1.2 SERVICES ACCOUNT	15
3.1.3 PRIMARY INCOM ACCOUNT:	15
3.1.4 SECONDARY INCOME ACCOUNT:	16
3.2 CAPITAL ACCOUNT BALANCE:	16
4. Fiscal Sector	18
5. Swift and Payments.....	21
6. Banking sector	21
6.1 Total Asset	24
6.1.1 Asset growth	26
6.2 Loan portfolio	27
6.2.1 Loans Growth	27
6.3 Total Deposits	34
6.3.1 Deposits growth.....	35
6.4 Total Capital	36
6.5 Profitability	37
6.5.1 Month – to – Month:.....	37
6.5.2 Banking sector Profitability on Cumulative basis: (Jan- Nov, 2019 – Jaddi- Aqrab 1398).....	37
6.6 Liquidity	38
6.7 Open FX Position.....	39

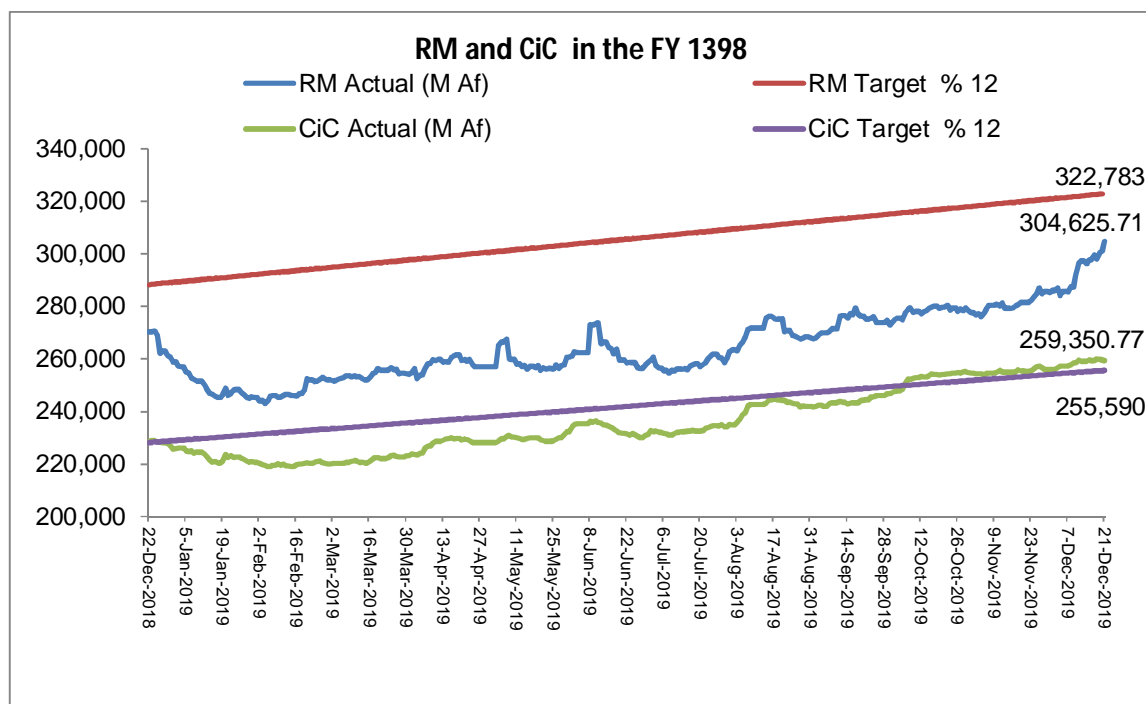
1.1 Reserve Money (RM) and Currency in Circulation (CiC) growth Report

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, Monetary Policy Department of 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 12 percent for this year.

At the beginning of FY1398 (2019), Reserve Money (RM) actual amount has been recorded at Af 271,804.93 million and growth of RM is below the ceiling. The target ceiling for end of Qaws month was Af 322,878.14 million, while the actual amount on the mentioned date stood at Af 304,625.71 million. This figure represents Af 18,252.43 million declines from the target ceiling in the same day and showing growth of 12 percent from the beginning of FY year.

In addition, Da Afghanistan Bank could successfully manage the currency in circulation (CiC). The amount of currency in circulation (CiC) which was stood at Af 228,205.59 million at the beginning of FY1398 (2019), the actual amount of currency in circulation (CiC) stood at Af 259,350.77 million at the end of Qaws month, while the target for CiC is set at Af 255,665.51 million AF. The actual amount difference is Af 3,685.29 million which is above the ceiling and shows positive growth of 13.6 percent. The reason for the positive growth of CiC is the issuance of new banknotes in the last month and as well as financial year ends the government expenditure is going to increase which increased CiC actual amount over ceiling.

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



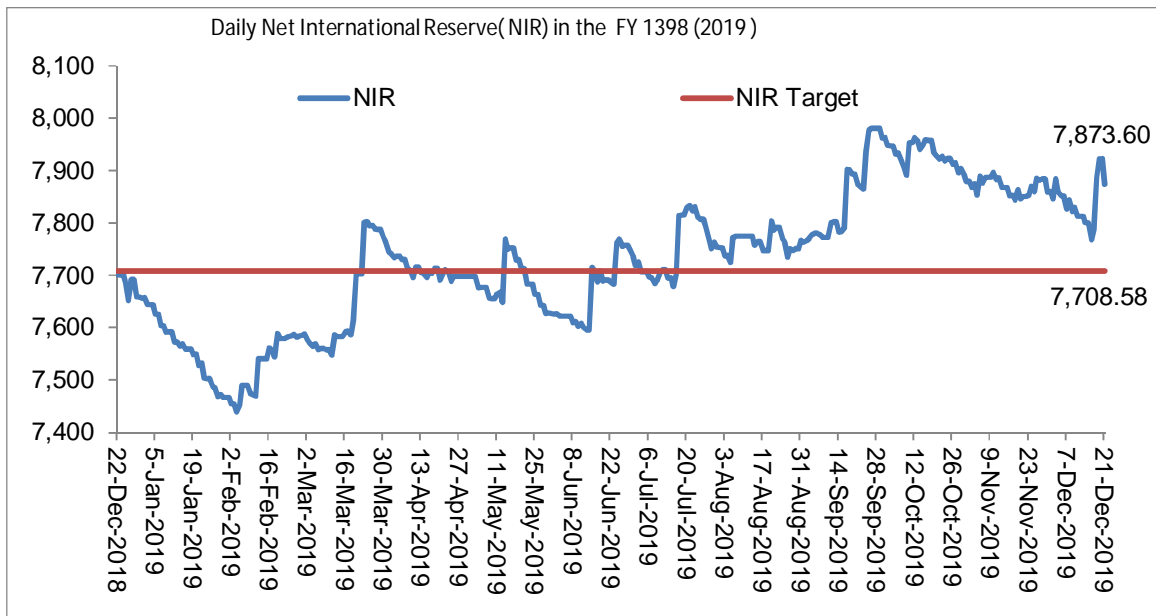
Source: Open Market Operations/Monetary Policy Departments

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, without 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 actual amount was set USD 7,708.58 million, but NIR actual amount reached to USD 7873.60 million at the end of Qaws month, which shows USD 165.01 million aggregated.

NIR growth is presented in the following chart.



Source: Open Market Operations/Monetary Policy Departments

1.3 Foreign Exchange and Capital Notes Auction

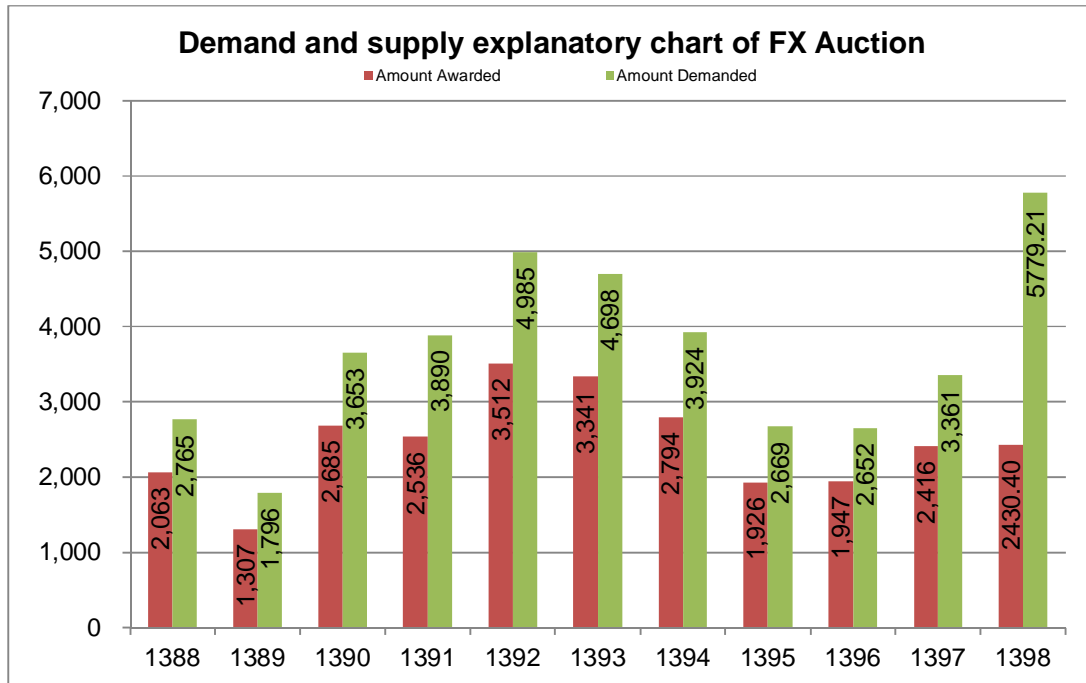
In order to control the liquidity, money supply and mitigate excessive Af exchange rate fluctuations in the economy, DAB manages reserve money growth close to its sited ceiling by conducting USD auctions three times in a week, and weekly capital notes auctions, which are the two instruments used through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

Foreign Exchange Auction

Since the beginning of fiscal year of 1398 (2019) up to end of Qaws, DAB has auctioned a total amount of USD 2,430.40 million through open market operations, and has collected Af 189.25 billion from the

market. These operations have fulfilled 42 percent of the total demand for currency (especially the US dollar) in the market.

The Figure of below illustrates the foreign exchange demand and supply during the last 11th years.



Source: Market Operations/Monetary Policy Departments

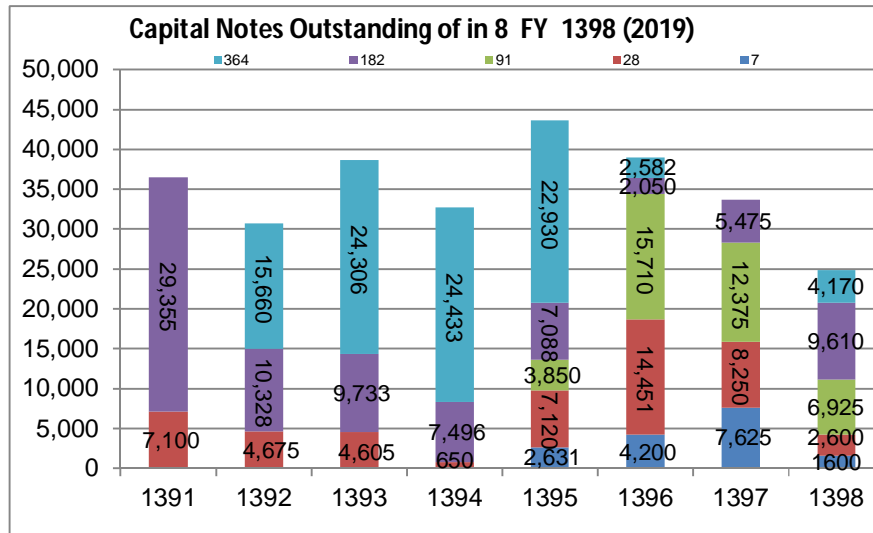
Capital Notes Auction (Interest rate bidding)

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 to the current economic situation in the country, Da Afghanistan Bank has gradually reducing auctions of 364 days 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 Qaws, the total outstanding of capital notes reached Af 24.90 billion and meanwhile the total interest paid for the mentioned notes reached Af 166.85 million at the end of this month.

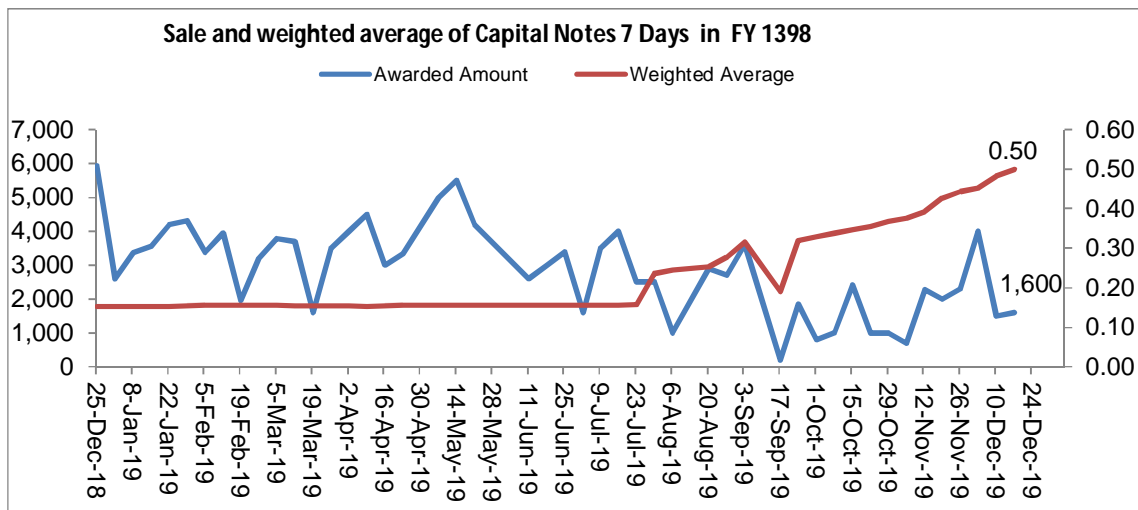
The Figure of below illustrates the Capital Notes Outstanding at end of mention month of FY 1398.



Source: Market Operations/Monetary Policy Departments

7 days Capital Notes

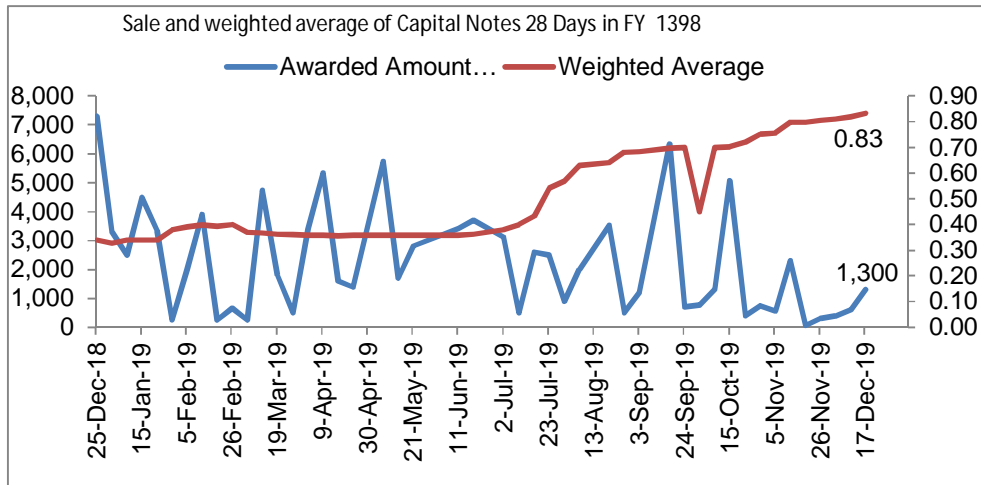
The awarded amount of 7 days capital notes auction at the end of Qaws reached Af 1.6 billion with average interest rate of 0.50 percent. The outstanding of these notes is stood Af 1.6 billion for the mentioned period.



Source: Market Operations/Monetary Policy Departments

28 days Capital Notes

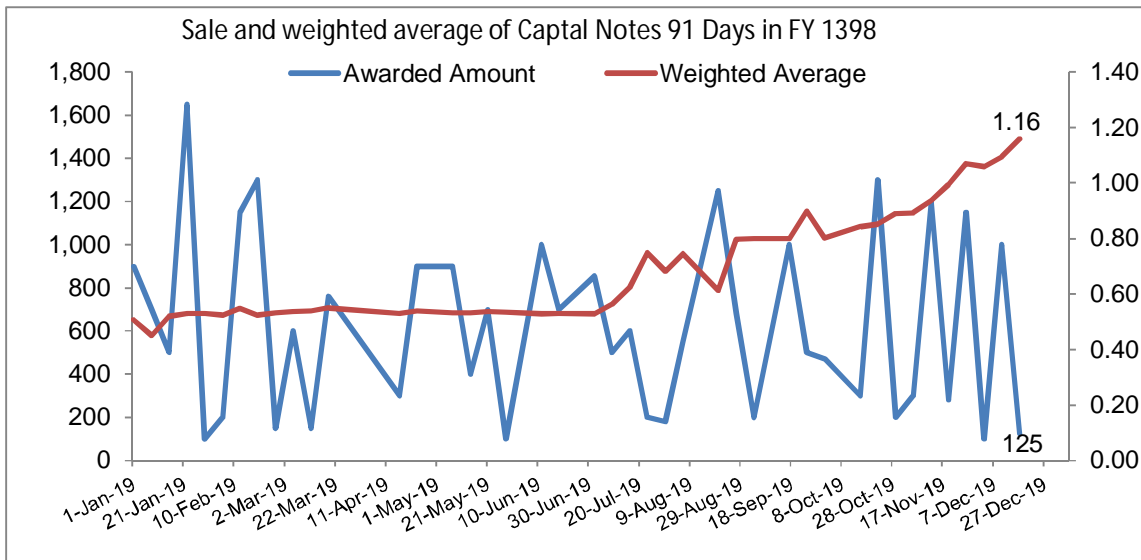
During the reviewed period, awarded amount of 28 days capital notes auction at the end of Qaws is recorded Af 1.30 billion with average interest rate of 0.83 percent and outstanding amount of Af 2.6 billion.



Source: Market Operations/Monetary Policy Departments

91 days Capital Notes

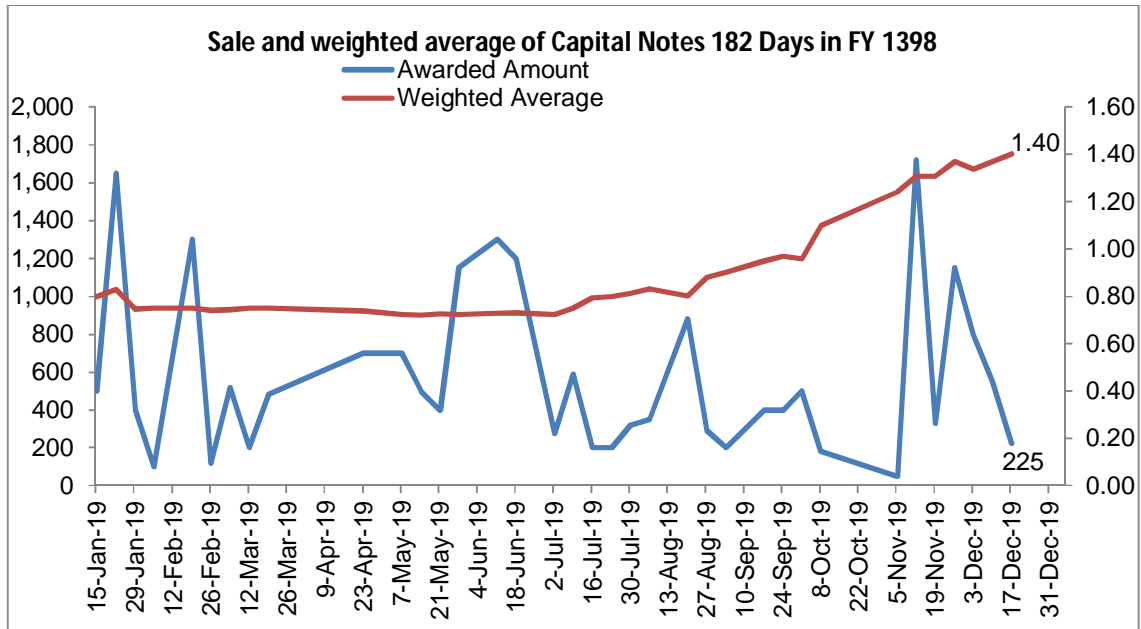
DAB's 91 days capital notes auction during this reporting period stood at Af 0.125 billion at the end of Qaws with average interest rate of 1.16 percent and total outstanding of Af 6.9 billion.



Source: Market Operations/Monetary Policy Departments

182 days Capital Notes

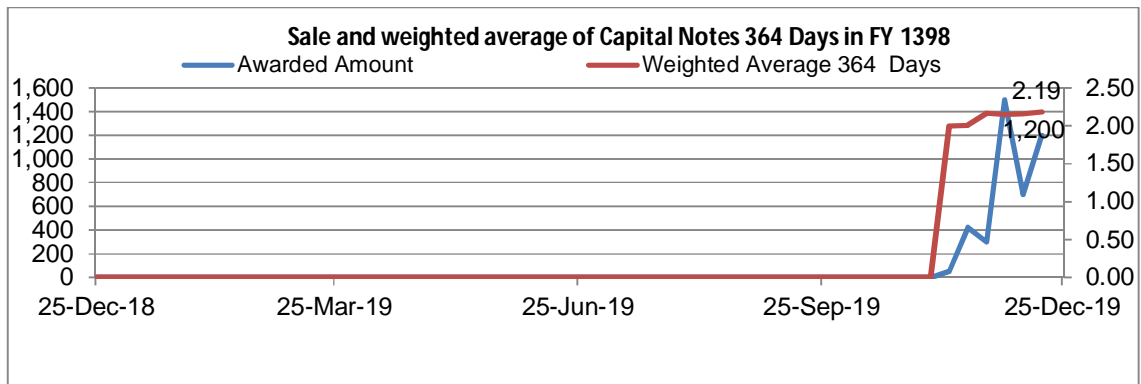
DAB's 182 days capital notes auction during this reporting period stood at Af 0.225 billion at the end of Quws with average interest rate of 1.40 percent and total outstanding of Af 9.61 billion.



Source: Market Operations/Monetary Policy Departments

364 days Capital Notes

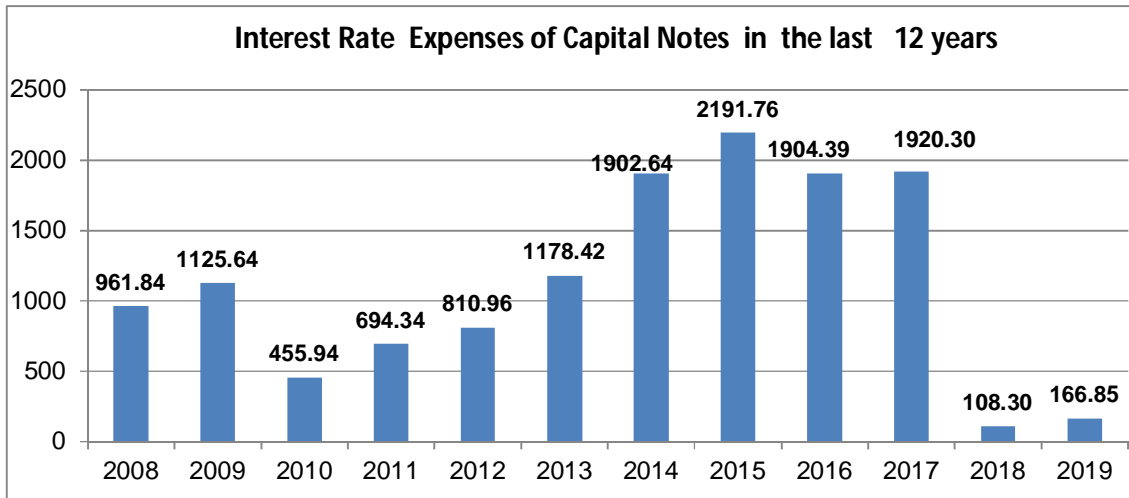
DAB's 364 days capital notes auction during this reporting period stood at Af 1.20 billion at the end of Quws with average interest rate of 2.19 percent and total outstanding of Af 4.170 billion.



Source: Market Operations/Monetary Policy Departments

Interest Expenses

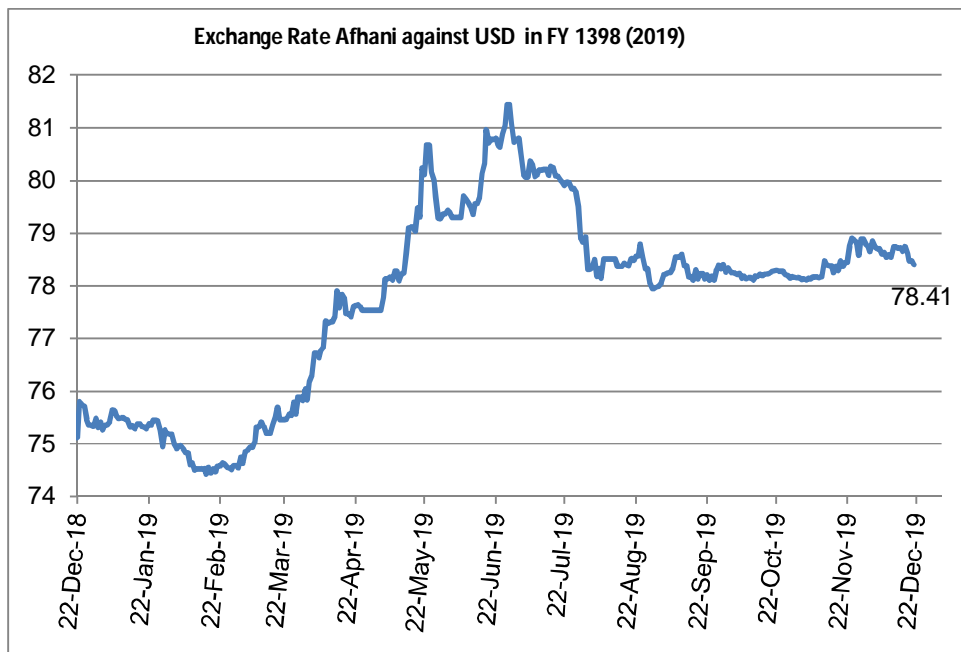
DAB interest paid for Capital Notes during of 12 years till the end of Qaws month FY 1398 (2019) the figure of below illustrated.



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.

From the beginning of FY1398 (2019) Afghani has depreciated by 4.4 percent, and has been exchanged at Af 77.73 per USD on average and recorded at 78.41 Af exchanged at the end of Qaws month.



The table of Monetary Indicators

	FY 1397						1398 FY					
	Hoot	Jawza	Sunbula	Meezan	Aqrab	Qaws	Hoot	Jawza	Saratan	Sunbula	Aqrab	Qaws
Reserve Money Target (%)	-1	3	4	6					12			
Actual Reserve Money (%)	-6.00	-8.00	-10.00	-8.30	7.80	-2.00	-5.60	-4.5	4.82	1.19	3.6	12
RM Actual	260,389.70	253,771.80	293,168.93	253,466.11	250,923.54	309,476.20	255,627.49	259,654.32	258,700.66	275,042.98	281,630.81	304,625.71
RM Target	276,318.10	276,318.10	290,360.45	294,890.25	299,420.06	271,804.90	280,267.14	305,491.17	308,436.51	314,327.17	320,027.82	322,878.14
CiC Actual	215,734.30	226,589.30	225,276.63	229,041.42	227,324.22	256,127.40	222,147.20	231,598.67	233,781.48	244,489.52	255,185.40	259,350.77
CiC Target	228,685.20	228,685.20	242,631.24	244,055.84	247,804.77	228,205.60	233,785.34	241,897.91	244,230.13	248,894.55	253,408.50	255,665.48
Actual NIR	7,349.43	7,499.33	7,549.36	7,514.63	7,439.81	7,550.34	7,702.51	7,691.22	7,823.57	7,868.70	7,850.00	7,873.60
NIR Target	7,301.44	7,250.34	7,402.80	7,451.98	7,501.16	7,708.59	7,684.13	7,708.58	7,708.58	7,708.58	7,708.58	7,708.58
Outstanding Amount	19,443.00	37,960.00	39,515.00	34,820.00	32,450.00	33,725.00	26,665.00	27,020.00	28,665.00	23,920	23,075	24.90
Required Reserve (Afs)	6,148.91	6,140.47	6,136.46	5,884.87	5,933.98	4,625.81	5,768.54	10,923.40	5,672.74	2,657.34	5,442.18	5,734.43

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 October 2019 year over year basis. The year over year inflation decreased to 1.12 percent in September from 1.85 percent observed in the previous month.

This decrease in year over year inflation caused by lower prices of both foods and non-foods items.

- Core inflation when measured based on 30% trimmed mean decreased to 2.14 percent from 2.53 percent.

Table 1.1. Headline Inflation (September 19- October 19)

	Y-on-Y		M-to-M	
	September	October	September	October
National CPI				
Headline	1.85	1.12	-0.66	0.24
<i>Food</i>	4.13	2.85	-0.58	0.18
<i>Non-Food</i>	-0.24	-0.47	-0.74	0.29
<i>CPI ex. B&C, O&F, and T</i>	1.93	1.66	-0.88	0.28
<i>Trimmed Mean</i>	2.53	2.10		
Kabul CPI				
Headline	0.84	-0.52	-1.98	0.54
<i>Food</i>	1.92	-0.08	-2.90	0.56
<i>Non-Food</i>	-1.03	-0.80	-1.39	0.52

2.1.1 Food Inflation

The flow of inflation in food items turned down in October 2019. Food and beverages items are weighted for 47.8 percent of the overall index. Food inflation In October 2019, when measured on year over year basis, decreased to 2.85 percent compared to 4.13 percent calculated in previous month. This decrease came from lower prices of bread and cereal, meat, milk, cheese and butter, sugar and sweets, and vegetables Price of the remaining items increased from the previous month's values.

Table 2.2. Food Inflation(September 19-October 19)

Items	Weight	Y-on-Y		M-to-M	
		Sep	Oct	Sep	Oct
Food and Beverages	47.8	4.13	2.85	-0.58	0.18
<i>Bread and Cereals</i>	14.6	4.08	1.31	-0.21	0.26
<i>Meat</i>	7.5	8.79	7.57	0.38	-0.46
<i>Milk, cheese and eggs</i>	4.7	0.27	-0.92	0.29	0.04
<i>Oils and fats</i>	4.6	-0.91	-0.71	1.27	0.61
<i>Fresh and dried fruits</i>	5.0	-0.30	2.88	-7.31	0.69
<i>Vegetables</i>	6.0	1.60	-0.50	1.22	1.19
<i>Sugar and sweets</i>	2.7	10.28	6.28	-1.04	-3.91
<i>Spices</i>	1.3	23.59	24.01	0.47	4.44
<i>Non-alcoholic beverages</i>	1.4	4.28	4.54	0.15	1.56

Sourced: Da Afghanistan Bank /NSIA

2.1.2 Non-Food Inflation

Inflation in non-food items exhibited downward trend in the month of October 2019. On the year over year basis, non-food inflation decreased to -0.47 percent from -0.24 percent observed in the previous month. The deflationary pressure on this index came from lower prices of tobacco, furnishing and household goods, transportation, and information and culture.

Table 2.3. Non-Food Inflation (September 19-October 19)

	Weight	Y-on-Y		M-to-M	
		Sep	Oct	Sep	Oct
Non-Food	52.2	-0.24	-0.47	- 0.74	0.29
<i>Tobacco</i>	0.3	0.28	-1.08	- 0.25	- 0.37
<i>Clothing</i>	4.6	5.36	6.02	- 1.10	0.72
<i>Housing,</i>	19.1	-5.00	-4.07	- 1.48	1.34
<i>Furnishing and household goods</i>	11.9	2.97	1.42	- 0.34	- 0.78
<i>Health</i>	6.2	5.47	5.53	- 0.57	0.32
<i>Transportation</i>	4.3	-3.86	-6.67	- 0.43	- 0.94
<i>Communication</i>	1.7	-6.63	-6.68	- 0.55	0.12
<i>Information and Culture</i>	1.1	2.98	0.61	- 0.41	- 2.07
<i>Education</i>	0.4	1.84	2.83	- 0.36	0.57
<i>Restaurants and Hotels</i>	1.1	1.36	1.82	1.34	0.15
<i>Miscellaneous</i>	1.4	6.15	6.77	2.03	0.74

2.2 Core Inflation

Core measure of inflation gives a more specific view of price changes. This method is used to analyze the inflationary developments cutting off the effects of eccentric factors, which may be seasonal or

other specific cases. In this method, those components, which show abnormal changes in their price level, are ignored to put down their effects from the CPI.

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 October 2019, trimmed mean (30 % of CPI) decreased to 2.14 percent (year over year) from 2.53 percent observed in the previous month.

Core Measures(Year over Year)		
Indicators	September	October
30% Trimmed Mean	2.53	2.14
CPI ex. B&C,O&F and T	1.93	1.66

Source: *Da Afghanistan Bank and/NSIA*

3 External Sector

3.1 CURRENT ACCOUNT BALANCE

The balance of Payment's current account position posted USD 995.81 million deficit in the third quarter of the FY 1398 up from a deficit of USD 824.67 million recorded in the third quarter of the FY 1397, which caused mainly from 20 percent decrease in earnings of merchandise exports, 26 percent decrease in receipts on respect of services, and 49 percent decreased in net receipts of official grants to the government sector.

3.1.1 GOODS ACCOUNT

- ✓ **Total export of goods** decreased by 20 percent to a value of USD 209 million in the third quarter of the FY 1398 from a value of USD 261.88 million recorded in the third quarter of the FY1397.
- ✓ **Total import of goods** declined by 7 percent to a value of USD 1,461.67 million in the third quarter of the FY 1398 from a value of USD 1,575.53 million recorded in the third quarter of the FY 1397.

- **Main drivers of decreasing exports during the Q3 of the FY 1398 are:**

- ✓ Dry fruits decreased to USD 48.72 million from USD 69.31 million.
- ✓ Fresh fruits decreased to USD 39.36 million from USD 43.06 million
- ✓ Oil seeds decreased to USD 1.83 million from USD 3.51 million
- ✓ Wool and animal skin decreased to USD 3.9 million from USD 8.22 million
- ✓ Cotton decreased to USD 1.39 million from USD 4.25 million.

- **Main drivers of decreasing Imports during the Q3 of the FY 1398 are**

- ❖ Consumer goods such as:

- ✓ Flour and wheat flour declined by 43% to USD 108.41 million from USD 188.85 million.
- ✓ Veg. oil declined by 16% to USD 84.99 million from USD 100.96 million.
- ✓ Electricity imports declined by 4 % to USD 60.28 million from USD 62.64 million.
- ✓ Fabrics declined by 51% to USD 68.08 million from USD 140.16 million.
- ✓ Medicines declined by 45 % to USD 11.61 million from USD 21.11 million.
- ✓ cloths declined by 39 % to USD 6.86 million from USD 11.25 million
- ✓ Cigarettes declined by 40 % to USD 11.72 million from USD 17.68 million.

Note: Imports of Consumer goods as a total decreased by 27 percent to a value of USD 493.56 million in the third quarter of the FY 1398 from a value of USD 676.65 million recorded in the third quarter of the FY 1397.

- ❖ Capital goods such as:

- ✓ Spare parts and machinery declined by 49% to USD 104.26 million from USD 202.71 million.

3.1.2 SERVICES ACCOUNT

Services account deficit increased by 6 percent to a value of USD 186.06 million in the third quarter of the FY 1398 from a value of USD 175.54 million recorded in the third quarter of the FY 1397, mainly due to declined in receipts of some respected services implemented by residents to non-residents such as:

- Receipts from **transportation services**, declined to a value of USD 25 million in the third quarter of the FY 1398 from a value of USD 51 million recorded in the third quarter of the FY 1397.
- Receipts from **telecommunication, computer and information services**, declined to a value of USD 13 million in the third quarter of the FY 1398 from a value of USD 22 million recorded in the third quarter of the FY 1397.
- Receipt from **construction services** declined to a value of USD 20 million in the third quarter of the FY 1398 from a value of USD 31 million recorded in the third quarter of the FY 1397.
- Receipts from **other business services** declined to a value of USD 10 million in the third quarter of the FY 1398 from a value of USD 34 million recorded in the third quarter of the FY 1397.

3.1.3 PRIMARY INCOM ACCOUNT:

Net primary income increased by 8 percent to a value of USD 68.57 million in the third quarter of the FY 1398 from a value of USD 63.34 million recorded in the third quarter of the FY 1397.

1.2.1: Compensation of employee (net): decreased by 83 percent to a value of USD 10 million in the third quarter of the FY 1398 from a value of USD 61 million recorded in the third quarter of the FY 1397.

1.2.2: Investment Income net: increased to a value of USD 58 million in the third quarter of the FY 1398 from a value of USD 2 million in the third quarter of the FY 1397.

3.1.4 SECONDARY INCOME ACCOUNT:

Net inflows to the secondary income account decreased by 28 percent to a value of USD 374.29 million in the third quarter of the FY 1398 from a value of USD 601.18 million recorded in the third quarter of the FY 1397.

- **Official transfers (Net); to** the Afghan government decreased by 50 percent to a value of USD 231.8 million in the third quarter of the FY 1398 from a value of USD 586.7 million recorded in the third quarter of the FY1397.
- **Personal transfers (Net)** increase by 3 percent to a value of USD 142.46 million in the third quarter of the FY 1398 from a value of USD 138.22 million recorded in the third quarter of the FY 1397.

3.2 CAPITAL ACCOUNT BALANCE:

Capital account of the BOP shows 15 percent decrease in the third quarter of the FY 1398. The value inflows to the capital account that was recorded USD456.33 million in the third quarter of the FY 1397 declined to a value of USD 387.5 million in the third quarter of the FY 1398.

3.3 FINANCIAL ACCOUNT BALANCE:

- **Direct investment (Net):** decreased to a value of USD -3.41 million in the third quarter of the FY 1398 from a value of 6.22 million in the third quarter of the FY 1397.
 - ✓ Outflows (assets abroad), decreased to a value of USD 4.79 million in the third quarter of the FY 1398 from a value of USD 31.18 million in the third quarter of the FY 1397.
 - ✓ Inflows (liabilities) decreased to a value of USD 8.20 million in the third quarter of the FY 1398 from a value of USD 24.96 million recorded in the third quarter of the FY 1397.
- **Portfolio Investment (net):** decreased to a value of USD -33.81 million in the third quarter of the FY 1398 from a value of USD 107.08 million recorded in the third quarter of the FY1397.
- **Other Investment (Net):** decreased to a value of USD – 158.45 million in the third quarter of the FY 1398 from a value of USD 85.33 million in the third quarter of the FY 1397.

AFGHANISTAN'S BALANCE OF PAYMENTS (in million USD)

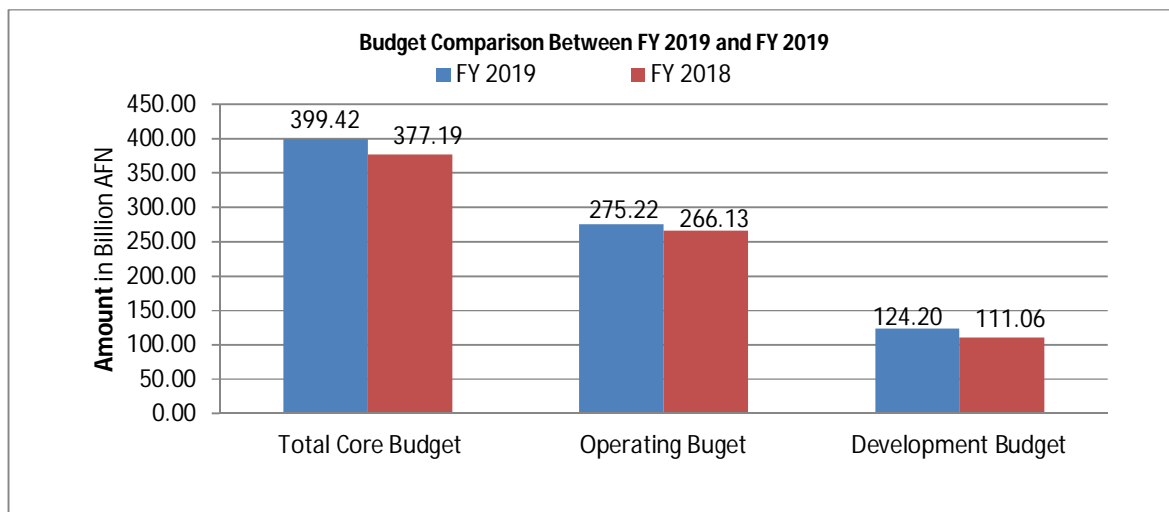
Items / Years	Q1- 97	Q2- 97	Q3 - 97	Q4 - 97	Q1- 98	Q2- 98	Q3-98	%change
Current Account	-1194.09	-734.57	-824.67	-974.93	-1237.27	-747.96	-995.81	20.8%
<i>Credit</i>	984.93	1190.51	1219.74	1151.99	805.23	1021.68	857.69	-29.7%
<i>Debit</i>	2179.02	1925.08	2044.41	2126.92	2042.50	1769.64	1853.50	-9.3%
Goods and Services Account	-1776.51	-1496.23	-1489.19	-1610.43	-1619.95	-1425.76	-1438.67	-3.4%
<i>Credit</i>	335.24	378.06	456.13	442.06	371.01	293.25	352.31	-22.8%
<i>Debit</i>	2111.75	1874.29	1945.32	2052.49	1990.96	1719.01	1790.98	-7.9%
Goods Account	-1590.89	-1418.48	-1313.65	-1397.62	-1458.59	-1322.73	-1252.61	-4.6%
<i>Credit</i>	172.45	146.81	261.88	294.09	182.57	143.60	209.06	-20.2%
<i>Debit</i>	1763.35	1565.29	1575.53	1691.71	1641.16	1466.34	1461.67	-7.2%
Services Account	-185.62	-77.75	-175.54	-212.81	-161.36	-103.03	-186.06	6.0%
<i>Credit</i>	162.78	231.25	194.24	147.97	188.45	149.64	143.25	-26.3%
<i>Debit</i>	348.40	309.00	369.79	360.79	349.81	252.67	329.31	-10.9%
Primary Income Account	22.26	54.54	63.34	50.14	75.48	100.55	68.57	8.3%
<i>Credit</i>	37.01	66.69	114.03	71.26	93.13	111.46	75.53	-33.8%
<i>Debit</i>	14.75	12.15	50.69	21.11	17.66	10.91	6.95	-86.3%
Secondary Income Account	560.16	707.12	601.18	585.36	307.20	577.26	374.29	-37.7%
<i>Credit</i>	612.68	745.76	649.59	638.67	341.08	616.98	429.86	-33.8%
<i>Debit</i>	52.52	38.64	48.41	53.31	33.88	39.72	55.57	14.8%
Current transfers (Official grants)	473.8	586.7	463.0	428.9	165.4	431.9	231.8	-49.9%
<i>Credit</i>	473.8	586.7	463.0	428.9	165.4	431.9	231.8	-49.9%
<i>Debit</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Personal transfers	86.36	120.42	138.22	156.44	141.80	145.36	142.46	3.1%
<i>Credit</i>	138.88	159.06	186.63	209.75	175.68	185.08	198.03	6.1%
<i>Debit</i>	52.52	38.64	48.41	53.31	33.88	39.72	55.57	14.8%
Capital account	37.70	199.92	456.33	620.45	50.53	238.12	387.50	-15.1%
<i>Credit</i>	37.70	199.92	456.33	620.45	50.53	238.12	387.50	-15.1%
<i>Debit</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Capital transfers	37.70	199.92	456.33	620.45	50.53	238.12	387.50	-15.1%
<i>Credit</i>	37.70	199.92	456.33	620.45	50.53	238.12	387.50	-15.1%
<i>Debit</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Financial account	39.1	-27.3	311.3	208.00	3.49	23.86	-39.23	-112.6%
Direct investment	-43.45	-49.75	6.22	8.07	0.02	-6.15	-3.41	-154.9%
Net acquisition of financial assets	-3.78	-4.08	31.18	17.21	8.83	5.84	4.79	-84.6%
Net incurrence of liabilities	39.67	45.67	24.96	9.14	8.81	11.98	8.20	-67.2%
Portfolio investment	44.21	-11.25	107.08	1.18	-18.15	15.57	-33.81	-131.6%
Net acquisition of financial assets	44.21	-11.25	107.08	1.18	-18.15	15.57	-33.81	-131.6%
Net incurrence of liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Other investment	32.63	72.01	85.33	114.49	-26.41	-15.97	-158.45	-285.7%
<i>Assets</i>	-2.23	49.57	59.54	107.09	-40.94	-28.73	-105.68	-277.5%
<i>Liabilities</i>	-34.86	-22.44	-25.79	-7.39	-14.54	-12.76	52.78	-304.6%
Reserve Assets	5.70	-38.35	112.65	84.26	48.03	30.40	156.44	38.9%
Net errors and omissions	1195	507	680	562	1190	534	569	-16.3%

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 Peace and Development Framework (ANPDF). Furthermore, other goals include improvements in public expenditure management, fiscal policy formulation and reformation, efficiency in public enterprises, tax and customs administration.

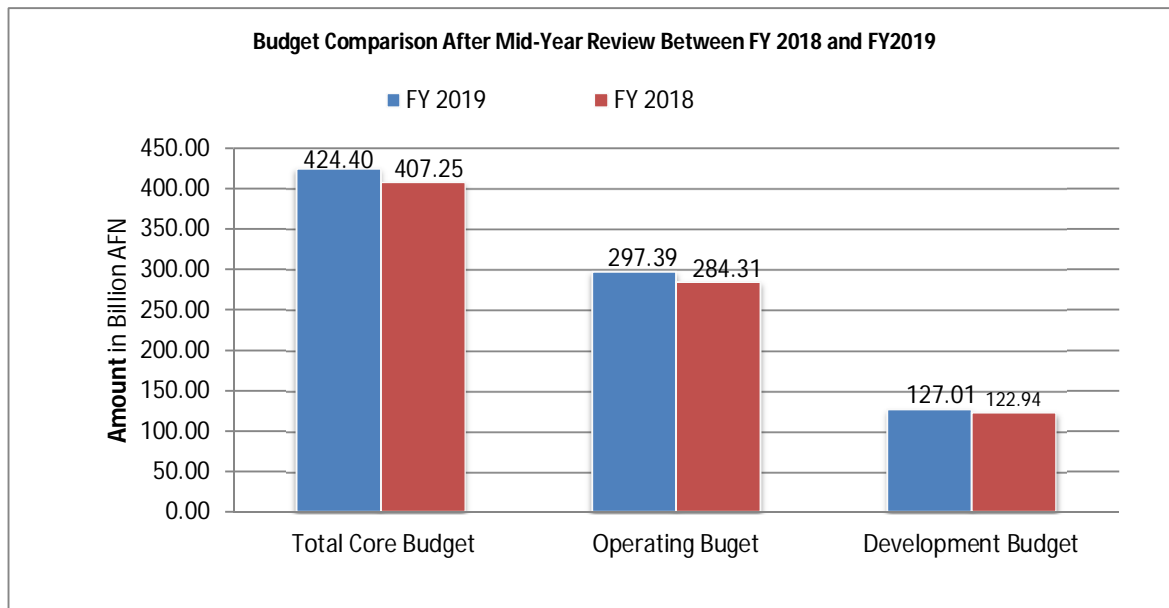
In addition, like other emerging and under developing economies around the world, Afghanistan faces budget imbalance (Budget Deficit), where total core expenditures exceed total revenue (excluding grants).

At the start of fiscal year 2019 total core budget was estimated 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.



It has to be mentioned that the budget is always subject to change during the year at any time either due to non-discretionary expenses incurred by the donors, or by Ministry of Finance (MoF) through mid-year review of budget which has to be approved by parliament following the justification and documentation provided the MoF.

Following chart shows the updated figures for FY 2019 budget, up to November that is changed due to non-discretionary expenses, while the mid-year review is being approved by parliament.



Total core budget estimation is increased to AFN 424.40 billion including operating budget and development budget of AFN 297.39 billion and AFN 127.01 billion respectively. This shows an increase of 4.21% in total core budget from the start of FY 2019 indicating increase of amount AFN 24.98 billion and more over it shows AFN17.14 billion increments compared to the FY 2018 budget at the same date.

Total revenue (domestic revenue plus external aids) for the month of November 2019 is AFN 25.58 billion, while in October; it was AFN 49.13 billion which shows 47.93% or AFN 23.55 billion decrease in November. Total revenue from the start of FY-2019 till end of November reached to AFN 327.10 billion that is combination of AFN 155.27 billion donor contributions and AFN171.835billion domestic revenue respectively.

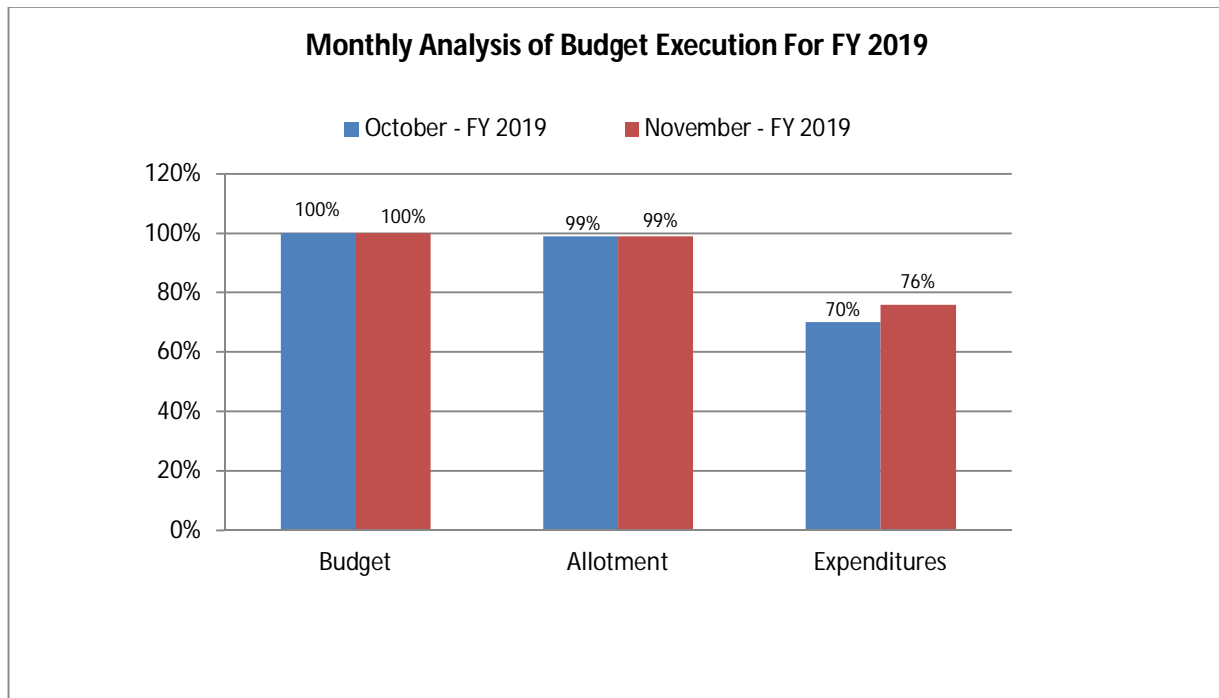
Likewise, domestic Revenue for the month November is AFN 14.88 billion while it was amount AFN 20.00 billion in the month of October, showing an decrease of AFN 5.12 billion 25.61% in the month of November. On the other hand, donor contributions (including loans) amounted to AFN 10.70 billion in November, where donor contributions in October was AFN 29.13 billion, which indicates AFN 18.42 billion 63.26 % decrease in donor contributions for the month of November.

Additionally, total Expenditure at the end of November 2019reached to AFN 333.41 billion, from which operating expenditures and development expenditures were individually, AFN 233.62 billion and AFN 99.80 billion. Likewise, operating expenditures for the month of November is AFN 20.00 billion, where in October it was AFN 29.33 billion. This signifies that, there is AFN 9.33 billion or 31.81 % decrease in operating expenditures in the month of November FY 2019. On the other hand, development expenditures for the month of October was AFN 10.89 billion, while in November increased by AFN 0.96 or 8.83% resulted total expenditure in November FY 2019 amount AFN 11.85 billion.

Description	FY, October 2019	FY, November 2019	From Jan to November FY 2019	Difference Between October and November	Monthly Growth (%)
	Amount in Billion AFN				
Total Revenue	49.13	25.58	327.10	(23.55)	-47.93%
Domestic Revenue	20.00	14.88	171.83	(5.12)	-25.61%
Donor Contribution	29.13	10.70	155.27	(18.42)	-63.26%
Total Expenditures	40.22	31.85	333.41	(8.37)	-20.80%
Operating Expenditure	29.33	20.00	233.62	(9.33)	-31.81%
Developing Expenditure	10.89	11.85	99.80	0.96	8.83%

Source: MoF Financial Reports/MPD Staffs Calculations

Execution rate of core budget at the end of November 2019 reached to 76%, and allotment remained the same as 99%. Compared to October 2019 where 70% of the budget were allotted and 99% expenditure were took place.



5. Swift and Payments

Report of (Outward) Transactions from 1/9/ 1398 up to 30/9/1398

Categories	Remitter Parties	Message Type	USD	EUR	SAR	INR	GBP
A	Ministries	MT 103 ,700 & 910	38759606.33	1,037,021.90	6375000	2143369	2,243,441.00
B	Commercial Banks	202	91817140.17	300,000.00			
C	Da Afghanistan Bank	200	154,000,673.69				

Report of (Inward)Transactions from 1/9/ 1398 up to 30/9/139

Categories	Beneficiary Parties	Message Type	USD	EUR	AED	GBP	
A	Ministries	MT 103 ,700 & 910	225,631,675.16	1,840,708.98	2,531,731.00	193600	
B	Commercial Banks	202	115,340,923.93				
C	Da Afghanistan bank	200					

به ارزش مجموعی (67655872.61) دالر و به تعداد 4 معامله تبادلوی بانک جهانی به ارزش مجموعی 33577761.14 دالر امریکائی نیز اجرا FX Deal بر علاوه به تعداد 5 معامله تبادلوی گردیده است

6. Banking sector

Executive summary

As of end of Nov, 2019 (Mezaan 1398) the main banking sector data demonstrated a decreasing trend as compared with the same period last year. Total assets, gross loans, deposits and equity capital showed decreases, attributed to settlement and charge-off of loans, closure of a branch of a foreign bank, dividend payments and deposit withdrawals. Liquidity remained adequate and profitability increased but the loan quality still remains weak.

The total assets of the banking sector posted a 4.42 percent YOY decrease, amounting to Af 293.91 billion at end of Nov, 2019 as compared to Af 307.53 billion in Nov, 2018. Total assets increased by 1.23 percent over the previous month, mostly coming from increase in deposits. At the mean time major increasing assets components were interbank claims mainly Af accounts, net loans, investments and other assets.

The gross loans portfolio of the banking sector registered YOY decrease of 3.90 percent and currently stands at Af 41.96 billion. The decrease is mainly as a result of settlement and charge-off of loans. Total gross loans showed an increase of 1.20 points compared to previous month mainly on account of issuance of new loans, OD utilization and increase in USD rate.

Total Deposits comprising of customer and interbank deposits, the main source of funding in the banking sector presented 4.81 percent YOY decrease, currently stands at Af 250.00 billion. The decrease in total deposits mainly came from the customer demand deposits and in USD currency. Deposits posted an increase of 1.44 points over the previous month mainly coming from customer demand deposits.

The net equity position of the banking sector remained strong, though it decreased by 4.18 percent yoy basis and represents 11.86 percent of total assets. The decrease is mainly attributed to payment of dividends and closure of a branch of a foreign bank.

The banking sector for the last eleven months of fiscal year 1398 (Jan-Nov, 2019) earned Af 1.79 billion net-profits against Af 1.54 billion net-profits in the comparable period last year . Resulting in ROA of 0.60 percent annualized compared to that of 0.55 percent annualized in Nov, 2018.

Liquidity and FX positions are in accordance with the ratios set by the central bank, except four 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 and EURO long position).

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

CAR (capital adequacy ratio) of the sector recorded at 25.29 percent against 26.30 percent in Nov, 2018 showing 1.01 percent decrease over the year.

Introduction

The banking sector in Afghanistan consists of 13 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 2¹ branches of foreign banks.

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

Provided banking Facilities	No
Full Service Branches	205
Limited Service Branches	205
Automated Teller Machines (Type 22 Facility)	359
*Others (Type 21, 24, 25 Facility)	99
**Point of Sale (Type 23)	107
Total	975

Table 1

Cards	No
Debit Card	671,124
Credit Card	1,294
ATM Card	250,245
Web surfer Cards	4,517
Pre-Paid Card	20,492
Master Card	10,132
Total	957,804

Table 2

¹ As per the DAB SC resolution No. 53 dated 18/12/1397 HBL license revoked

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

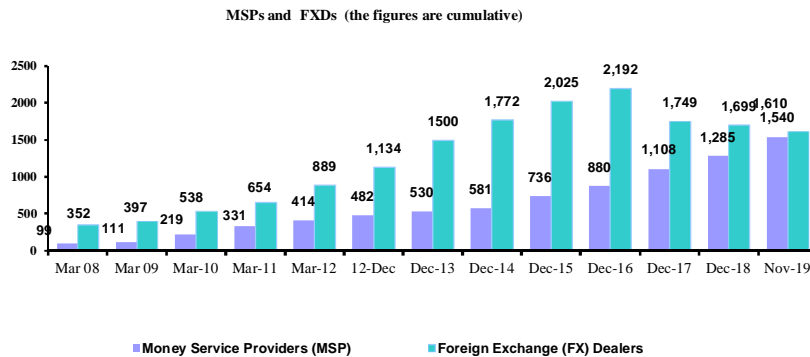
Type 24 Facility: A facility which only disburses cash, such as salaries to government and /or non-government employees, or other cash payments to bank customers

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.

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, 1,540 licensed money service providers (MSP) and 1,610 licensed FX dealers are operating in the country. Of these 1,540 licensed MSPs, 263 are in Kabul, 997 are in provinces while 280 representatives of head offices are in Kabul and provinces. Of 1,610 licensed FX dealers, 329 are in Kabul, 1,274 are operating in provinces, and 7 representatives are active in provinces. Further details are given in the Graph No.1

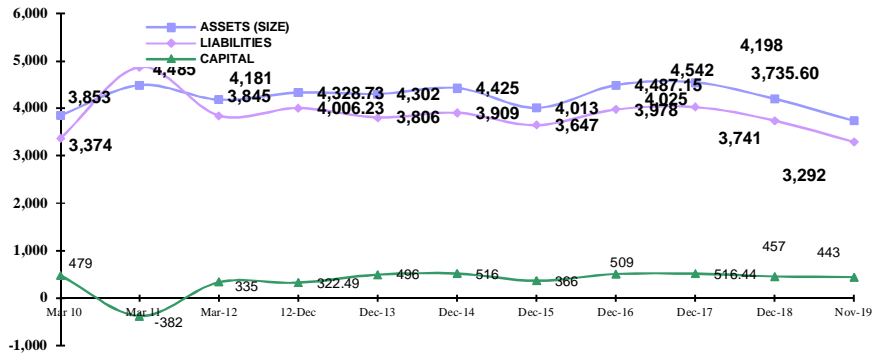


Graph No.1

6.1 Total Asset

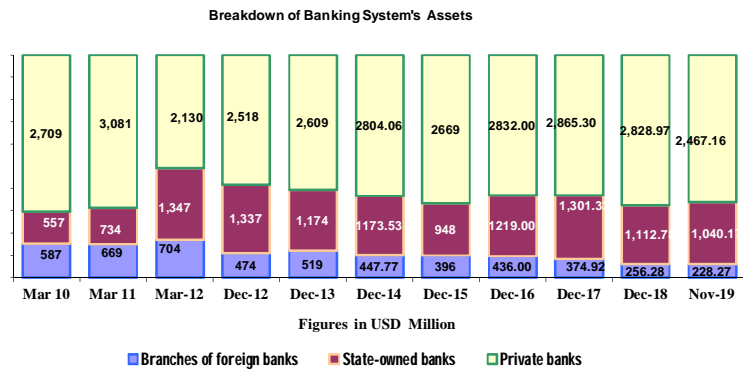
The total assets of the banking sector registered 4.42 percent YOY decline, reaching Af 293.91 billion (USD 3.73 billion), lower than the 0.98 percent increase recorded in the same preceding period (Nov, 2018). The above mentioned decrease in the total assets was mainly contributed by deposit withdrawals (dominant in customer demand deposits and in USD currency), closure of a foreign bank branch and dividend payment. Disaggregated analysis of total assets shows that Current account with DAB, DAB capital notes, required reserve account, interbank claims (USD accounts) and net loans (USD loans) were the top decreasing items.

Looking at the growth rate in total assets across the banking groups, all the banking groups showed decrease in their assets compared to last year. Private banks, state owned banks and branches of branches of foreign banks witnessed 3.56 percent, 4.69 percent and 11.80 percent decrease respectively. The percentage share of private banks in the system's total asset is reported to be 66.04 percent; state-owned banks with 27.84 points are at the second place while branches of foreign banks have 6.11 percentage shares in the system's total asset. Growth of assets of the banking sector from March 2010 to Nov, 2019 is depicted in graph No.2.



Figures in USD Million

Graph No. 2



Figures in USD Million

Branches of foreign banks State-owned banks Private banks

Graph No.3

Assets of the Banking sector in descending order for the month of Nov, 2019			Size of Indv. Banks as % of Total Assets of the sector
S.N	Names of Banks	Assets in million Af	
1	Afghanistan International Bank	66,555.44	22.64
2	Bank-e- Milli Afghan	40,235.87	13.69
3	Azizi Bank	39,398.32	13.41
4	Pashtany Bank	22,443.24	7.64
5	Afghan United Bank	19,701.25	6.70
6	New Kabul Bank	19,161.33	6.52
7	Maiwand Bank	18,728.61	6.37
8	Islamic Bank of Afghanistan	16,866.44	5.74
9	Bank Alfalah Limited	13,054.98	4.44
10	Ghazanfar Bank	11,150.44	3.79
11	First Micro Finance Bank	11,123.03	3.78
12	Arian Bank	10,592.69	3.60
13	National Bank of Pakistan	4,905.27	1.67
Total		293,916.91	100.00

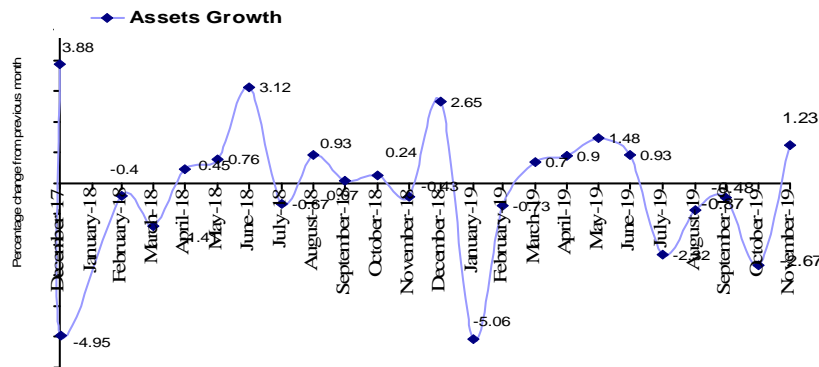
Table 3

6.1.1 Asset 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 an increase of 1.23 percent, mostly coming from increase in deposits and increase in USD rate. While, breakdown of total assets shows that the major increasing items were interbank claims mainly Af accounts, net loans, investments and other assets.

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



Graph No.4

6.2 Loan portfolio

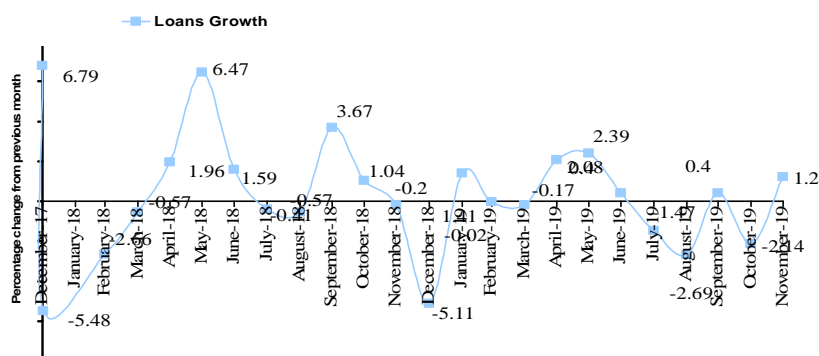
The gross loan portfolio of the banking sector recorded yoy decrease of 3.90 percent, currently standing at Af 41.96 billion (USD 533.34 million), constituting 14.28 percent of the total assets, whereas it was Af 43.66 billion in Nov, 2018 comprising 14.20 percent of the total assets and was up by 9.18 percent on yoy basis. The decrease in total gross loans is mainly come from settlement and charge-off of loans.

Out of this loan portfolio, total Afghani denominated loans recorded at Af 20.79 billion (USD 264 million), 49.54 percent of total Gross loans or 7.07 percent of total assets, showed a yoy increase of 11.80 percent, mostly attributed to issuance of new loans. While the US Dollar denominated loans are Af 21.10 billion (USD 268 million), 50.28 percent of total gross loans or 7.18 percent of total assets decreased by 15.38 percent yoy, mainly attributed to charge off and settlement of loans. Lending in Afghanistan is dominated by private banks, constituting 87.42 percent of total gross loans of the banking sector followed by state-owned banks with 11.73 percent, while the share of the branches of foreign banks is 0.83 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 an increase of 1.20 percent over the previous month, on account issuance of new loans, OD utilization and increase in USD rate. The trend is shown in the graph No. 5



Graph No.5

Classification of total loan portfolio

Item amount in Af million	Nov, 2019	Oct, 2019	As %age of total gross loans	%age growth
Non-Performing Loans ²	6,338	5,864	15.10	8.08
Adversely Classified Loans(substandard, doubtful, Loss) ³	7,460	7,510	17.78	-0.66
Loans classified Watch ⁴	5,024	5,465	11.97	-8.06
Loans Charged-off ⁵	7.77	74.94	0.02	-89.63

Table 4

The overall quality of loans in the banking sector is still a concern making 15.10 percent of the total sector gross loan portfolio, increased on absolute terms as well as percentage of total gross loans. The

² 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)

³ An asset for which the principal and /or interest remains outstanding for 61-120 days - (Substandard), ³ 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

⁴ 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)

⁵ 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-

increase comes from deterioration in loan quality of one bank. The NPLs constitutes 20.10 percent of the regulatory capital. Out of 15.10 percent NPLs, 12.80 percent (84.75 percent of total NPLs and 17.43 percent of total reg. capital) is attributed to three private banks. These three banks hold 56.75 percent of the system's gross loans and 26.79 percent of system's regulatory capital. While the net-NPL ratio of the banking sector recorded at 6.13 percent.

Group wise analysis show that out of Af 6.33 billion total NPLs, Af 6.21 billion NPL is coming from private banks making 14.81 percent of the banking sector total gross loans (98.04 percent of banking sector total NPLs) and Af 124 million is attributed to one state-owned bank constituting 0.30 percent of the banking sector total gross loans (1.96 percent of banking sector total NPLs).

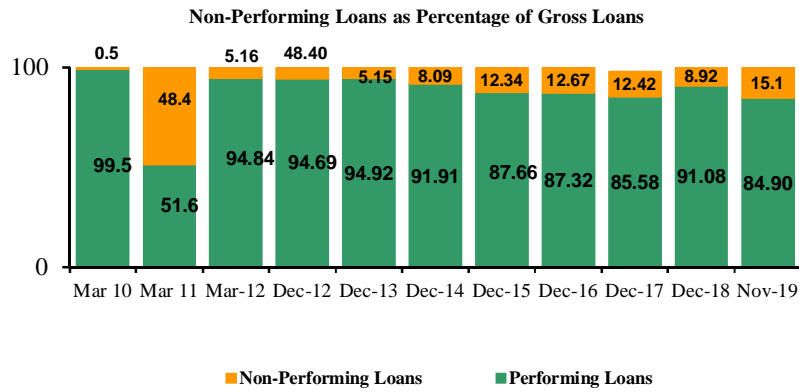
Medium, Small and Micro Loans

Item amount in Af million	Sep, 2019	June, 2019	As %age of total gross loans
Medium Loans	1,191	1,182	2.71
Small Loans	956	1,062	2.17
Micro Loans	4,520	4,855	10.27

Table 5

Breakdown of Gross Loans as Nov, 2019 (million Af)	
State-owned Banks	4,925.80
Private Banks	36,686.15
Branches of foreign Banks	350.90
Total	41,962.85

Table 6



Graph No.6

The Province wide and sector wide distribution of the banking sector’s loan portfolio as of Nov, 2019 and Sep, 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.

Loans designated inside Afghanistan (Province wide designation of loans) Nov, 2019			
No.	Provinces	Loans in million Af	Expressed as % of Total Loans
1	Kabul	30,607.65	72.94
2	Balkh	3,871.85	9.23
3	Herat	3,001.94	7.15
4	Badghis	1,311.84	3.13
5	Kandahar	715.01	1.70
6	Badakhshan	467.32	1.11
7	Baghlan	394.93	0.94
8	Faryab	259.93	0.62
9	Bamyan	248.04	0.59
10	Jawzjan	241.00	0.57
11	Parwan	173.52	0.41
12	Nangarhar	163.93	0.39
13	Saripul	157.81	0.38
14	Samangan	141.01	0.34
15	Takhar	124.45	0.30
16	Kunduz	74.70	0.18
17	Other	7.92	0.02
	Total	41,962.85	100.00

Table 7

Sector wide Designation of Loans as of Sep, 2019

	Sectors	As %age of Total Loans
1	Commercial Real Estate and Construction	8.22%
	Construction and Buildings	8.22%
2	Infrastructure Projects	8.90%
	Power	0.08%
	Road and Railway	2.74%
	Dams	0.37%
	Mines	0.49%
	Other infrastructure projects	5.23%
3	Manufacturing and Industry	10.82%
	Manufacturing & Products of Metal wood plastic rubber leather paper	4.43%
	Manufacturing handmade and machine products	4.04%
	Cement and Construction Materials	2.35%
4	Trade	46.15%
	Textile	1.85%
	wholesale	4.66%
	Machineries	0.25%
	Petroleum and Lubricants	12.73%
	Spare parts	1.73%
	Electronics	2.68%
	Comment and other construction Material	3.78%
	Food Items	7.05%
	All other Items	8.48%
	Retail trading	2.95%
5	Service	19.94%

	Education	0.03%
	Hotel and Restaurant	2.49%
	Telecommunication	6.49%
	Ground Transportation	4.00%
	Air Transportation	0.98%
	Health and Hygienic	1.47%
	Media, Advertisements, Printer	1.85%
	All other Services	2.65%
6	Agriculture, Livestock and farms	3.57%
	Agriculture	0.42%
	Livestock and farming	3.15%
7	Consumer Loans	2.40%
8	Residential Mortgage Loans to Individuals	0.00%
	Total	100.00%

Table 8

Outreach data of MISFA Partners as of Sep, 2019	
MISFA Partners	4
Provinces	14
Districts	82
Active clients	271,045
Active borrowers	132,029
No. of loans disbursed (cumulative)	1,385,223
Amount of loans disbursed, (cumulative) (AF Billion)	95.99
No. of loans outstanding	132,029
Gross loans outstanding, (AF Billion)	8.39
Client voluntary savings outstanding, (AF Billion)	2.76
Percentage of female clients	29.7
Women borrowers	47,711
Rural (Loans outstanding) (AF Billion)	1.62
Urban (Loans outstanding) (AF Billion)	6.77
Source:	www.misfa.org.af

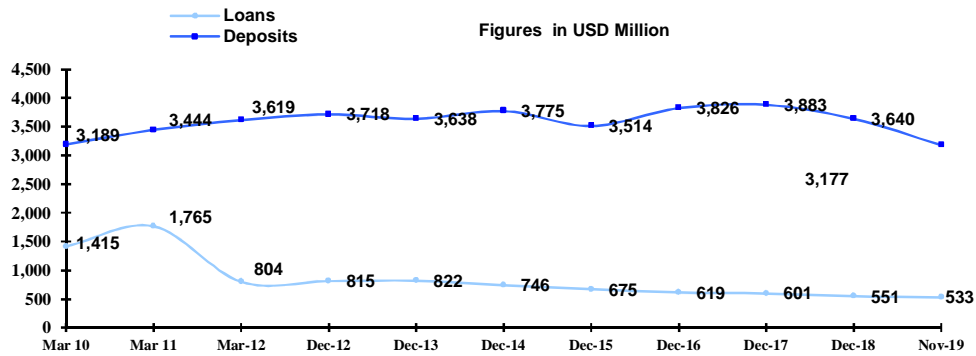
Table 9

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 250.00 billion (USD 3.17 billion), making 96.51 percent of total liabilities, decreased by 4.81 percent yoy basis, against Af 262.64 billion (USD 3.47 billion) with 1.58 percent growth in Nov, 2018. Out of this, customers deposits stands at Af 244.18 billion (USD 3.10 billion) making 97.67 percent of the total deposits decreased by 5.21 percent YOY basis. The decrease in total deposits mainly came from the customer demand deposits and in USD currency.

Af-denominated customer deposits of the banking sector are Af 71.67 billion (USD 911 million), or 29.35 percent of the total customer deposits, decreased by 0.85 percent, while the USD-denominated customer deposits of the banking sector stands at Af 158.68 billion (USD 2.01 billion), or 64.98 percent of total customer deposits decreased by 5.19 percent attributed to decrease in deposits in the review period. Private Banks have the highest percentage share in total deposits of the sector, standing at

67.15 percent followed by state-owned banks with 26.93 percent share, while the share of the branches of foreign banks was 5.91 percent. Graph No.7 depicts the trends in deposits and loans.

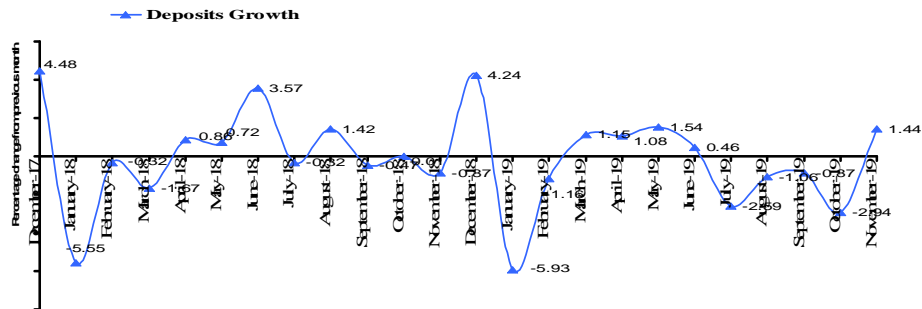


Graph No.7

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 an increase of 1.44 points over the previous month mainly coming from customer demand deposits. The monthly trend is shown the graph No.8



Graph No.8

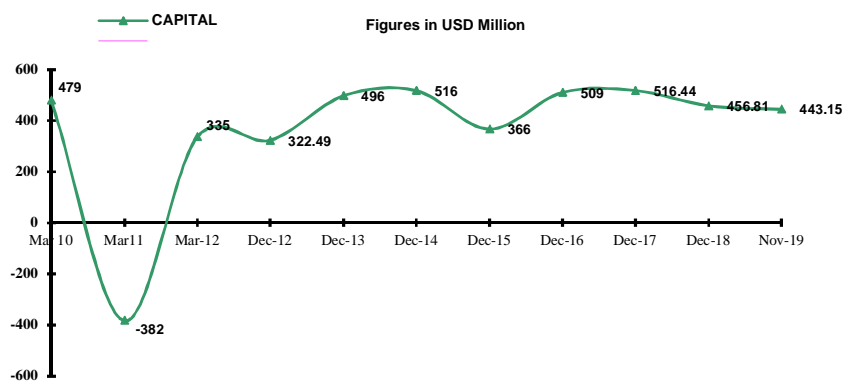
Breakdown of Deposits by Type as Nov, 2019 (million Af)			
Item	Customer deposits	Interbank deposits	Total deposits
Demand	177,026.31	2,329.74	179,356.05
Time	16,187.43	3,478.20	19,665.63
Savings	50,975.59	7.45	50,983.04
Total	244,189.33	5,815.39	250,004.72

Table 10

6.4 Total Capital

The banking sector is well capitalized, making 11.86 percent of total assets. The net equity position of the sector recorded at Af 34.86 billion (USD 443.15 million), decreased by 4.18 percent YOY, mainly attributed to payment of dividends and closure of a branch of a foreign bank. CAR of the sector recorded at 25.29 percent against 26.30 percent in Nov, 2018 showing 1.01 percent decrease over the year.

The regulatory capital ratios of all 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

6.5.1 Month – to – Month:

The banking sector earned Af 102 million net profits in the current month ending Nov, 2019, decreased by Af 147 million over the month. Out of 13 duly-licensed commercial banks, four banks ended with Af 214 million net-losses compared to Af 42 million net-losses incurred by three banks in Oct, 2019. The decrease in the profitability of the banking sector in the current month is attributed to increase in credit provision mostly coming from one private bank on account of deterioration in the loan quality, increase in operating expenses and decrease in FX and investment gains. Whereas, net-interest income and non-interest income (owing to fees on BGs and recoveries) increased while, tax expenses decrease over the previous month.

The median for the spread between returns on loans and cost of funds, a measure of banks' operational efficiency recorded at 11.94 percent lower than 9.85 percent in Oct, 2019. Four banks fall below the median for the current month ending Nov, 2019. While for five banks the spread could not be calculated⁶.

6.5.2 Banking sector Profitability on Cumulative basis: (Jan- Nov, 2019 – Jaddi- Aqrab 1398)

In terms of the profitability, on cumulative basis the banking sector recorded Af 1.79 billion (USD 22.77 million) net profit for the last eleven months of fiscal year 1398 (Jan-Nov, 2019) against Af 1.54 billion net-profits recorded in the comparable period last year, showing an improvement over the year, resulting in ROA⁷ of 0.60 percent annualized as compared to 0.55 percent annualized in Nov, 2018.

The factors contributed towards the increase in the profitability of the banking sector in the last eleven months of 2019 compared to same period of 2018 was increase in net-interest income owing to increase in interest bearing investments, FX gains on account of increase in FX rates and FX deal and decrease in tax expenses. However, operating expenses and provision increased in the review period and non-interest income decreased.

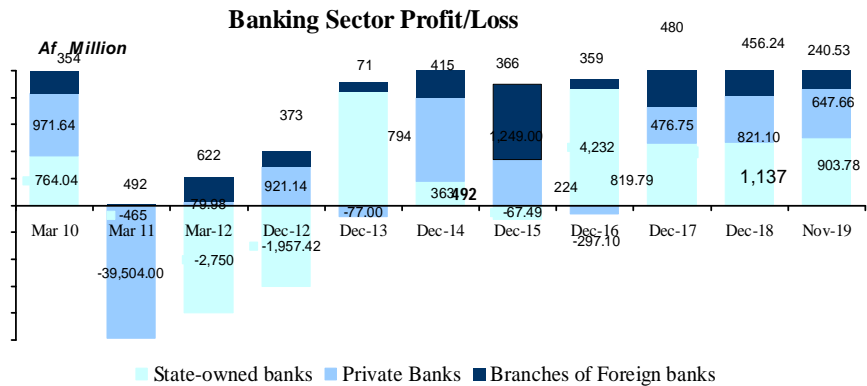
Group wise analysis reveals that State-Owned Banks (SOB), Private Banks (PB) and Branches of foreign banks (BFB) ended with profits. See figure 10.

⁶ 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.

⁷ ROA (Return On Assets)

Profitability of the banking sector is mostly coming from State owned Banks standing at Af 904 million (50 percent of the sector net-profit), with annualized ROA of 1.16 percent, Private Banks earned net-profits amounted to Af 648 million (36 percent of the sector net-profit) with annualized ROA of 0.36 percent, while branches of foreign banks were Af 240 million (13 percent of the sector net-profit) profitable with annualized ROA of 0.62 percent in the review period.

Three banks incurred Af 179 million losses against Af 502 million losses in the previous comparable period with five banks at loss. On core income basis six banks ended with losses against eight 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 58.34 percentage points against 77.57 percent in the preceding period (Nov, 2018), showing a decrease of 19.23 points.

According to Sep, 2019 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 58.77 percent of total customer deposits and consists of 5,242 accounts. This could be judged as quite volatile. Moreover, the average size of these large deposit accounts is high, increased to Af 27.92 million from Af 27.04 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 four banks, which have violated the limits on overall and on an individual currency basis (USD and EURO long position).

Total number of employees, borrowers, depositors and other-clients of the banking sector as of Sep, 2019 all across the country are as follow:

Particulars	No
Full-time Afghan Employees	9,399
Full-time Foreign Employees	66
Present Borrowers	67,376
Present Depositors	3,837,216
Number of loan file where borrower president or vice president is a woman	14,200
Other clients other than borrowers & depositors ⁸	7,651

Table 11

⁸ Customers of the bank who have been issued bank guarantees, letters of credit, or any other types of guarantees and commitments