



DA AFGHANISTAN BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 21 DECEMBER 2018

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## INDEPENDENT AUDITORS' REPORT TO THE SUPREME COUNCIL

### *Opinion*

We have audited the financial statements of **Da Afghanistan Bank** (the Bank), which comprise the statement of financial position as at **30 Qaws 1397 (21 December 2018)** and the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at **30 Qaws 1397 (21 December 2018)**, and of its financial performance and its cash flows for the year then ended in accordance with the accounting framework as stated in note 2 to the financial statements.

### *Basis for Opinion*

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

### *Emphasis of Matter*

We draw attention to:

- a) note 11 to the financial statements, which states that the Bank has a receivable from the Ministry of Finance (MoF), Government of Islamic Republic of Afghanistan, against assistance as lender of last resort (LoLR) provided to Kabul Bank (KB) amounting to Afs.6,961.885 million as of year-end. This receivable is secured by a promissory note agreement (PNA) between the Bank, KB and MoF. During the current year, total amount of repayments received by the Bank in this regard amounted to Afs.8,404.557 million. Management is confident that this amount will be recovered in full as the same is secured under the PNA with the MoF and KB; and



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- b) note 19.3 to the financial statements which states that the Bank is not in compliance with Article 74 of the DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs.73,386.023 million as at 30 Qaws 1397 (21 December 2018). Foreign currency liabilities of the Bank as at the said date stand at Afs.145,377.812 million, resulting in foreign currency liabilities exceeding the prescribed limit by Afs.71,991.789 million.

Our opinion is not qualified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting framework as stated in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

*EVA*



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Ernst & Young for Kuber S. J. & H. J.*

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 31 March 2019

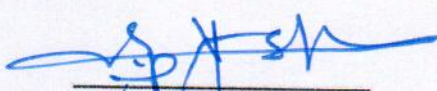
Kabul, Afghanistan




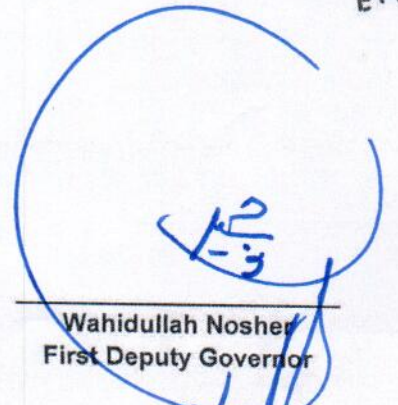
**DA AFGHANISTAN BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 QAWS 1397 (21 DECEMBER 2018)**

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017) Restated
	Note	----- (Afs in '000) -----	
<b>ASSETS</b>			
Gold reserves	7	66,178,591	61,668,571
Foreign currency cash reserves	8	23,048,236	84,615,473
Due from banks and financial institutions	9	325,675,327	226,663,854
Investments	10	207,146,604	191,419,709
Assistance as lender of last resort	11	6,961,885	14,588,096
Advances and other receivables	12	2,046,004	1,630,676
Operating fixed assets	13	5,395,913	5,288,432
Intangible asset	14	62,026	86,381
Other assets	15	13,451,596	13,189,117
<b>Total assets</b>		<b>649,966,182</b>	<b>599,150,309</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Currency in circulation	16	228,055,578	228,633,956
Capital notes	17	33,698,650	38,963,862
Due to banks and financial institutions	18	90,651,239	106,919,372
Due to customers	19	136,516,279	100,125,251
IMF related liabilities	20	2,418,784	1,402,666
Defined contribution obligation	21	1,646,033	1,467,534
Deferred grants	22	155,933	111,429
Provisions and other liabilities	23	10,051,640	1,262,031
<b>Total liabilities</b>		<b>503,194,136</b>	<b>478,886,101</b>
<b>EQUITY</b>			
Capital	24	24,221,649	23,520,250
Revaluation reserve	24	64,987,518	59,332,478
Other components of equity	24	33,341,230	22,739,085
General reserve	24	24,221,649	23,520,250
Accumulated profits	24	-	(8,847,855)
<b>Total equity</b>		<b>146,772,046</b>	<b>120,264,208</b>
<b>Total liabilities and equity</b>		<b>649,966,182</b>	<b>599,150,309</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25		

The annexed notes 1 to 39 form an integral part of these financial statements.

  
**Syed Younas Sadat**  
 Chief Financial Officer

  
**Khalil Sediq**  
 Governor

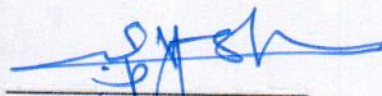
  
**Wahidullah Noshah**  
 First Deputy Governor

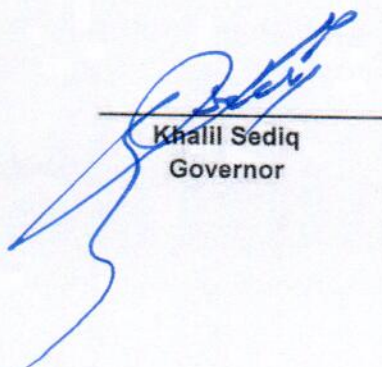


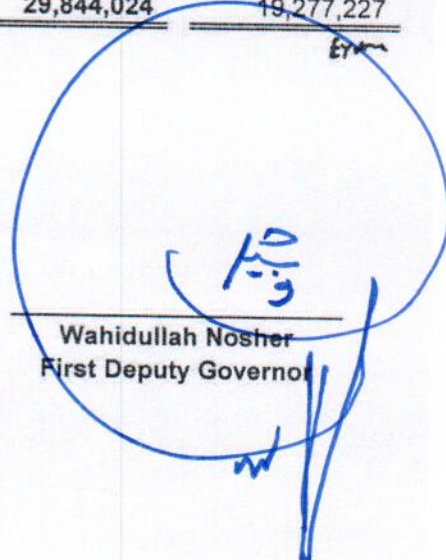
**DA AFGHANISTAN BANK**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 QAWS 1397 (21 DECEMBER 2018)**

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017) Restated
	Note	----- (Afs in '000) -----	
Interest income	26	7,386,329	3,762,404
Interest expense	27	(127,714)	(2,629,693)
<b>Net interest income</b>		<b>7,258,615</b>	<b>1,132,711</b>
Fee and commission income		269,771	310,156
Fee and commission expense		(179,079)	(102,904)
<b>Net fee and commission income</b>		<b>90,692</b>	<b>207,252</b>
Net gain from dealings in foreign currencies		14,435,988	311,685
Net loss on sale of available for sale financial assets		(1,282,652)	(463,318)
Other income	28	1,049,304	1,053,182
<b>Operating income</b>		<b>14,202,640</b>	<b>901,549</b>
		<b>21,551,947</b>	<b>2,241,512</b>
Personnel expenses	29	(1,485,394)	(1,368,384)
Printing cost of bank notes	12.3	(81,238)	(53,726)
Other operating expenses	30	(661,165)	(281,000)
Depreciation and amortization	13.2 & 14	(82,271)	(67,419)
<b>Net operating income</b>		<b>19,241,879</b>	<b>470,983</b>
<b>Non-operating revenue and expenses:</b>			
Grants income recognized against deferred grant	22	39,935	36,116
Expenditure against grants	31	(39,935)	(36,116)
Net unrealised exchange gain		10,602,145	18,806,244
<b>Profit for the year</b>		<b>29,844,024</b>	<b>19,277,227</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
 Syed Younas Sadat  
 Chief Financial Officer

  
 Khalil Sediq  
 Governor

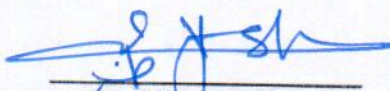
  
 Wahidullah Noshier  
 First Deputy Governor

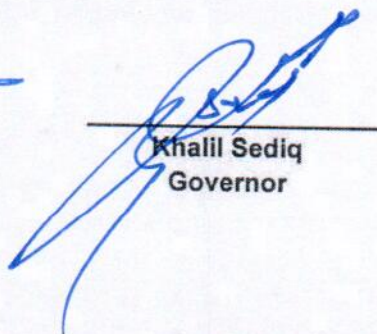


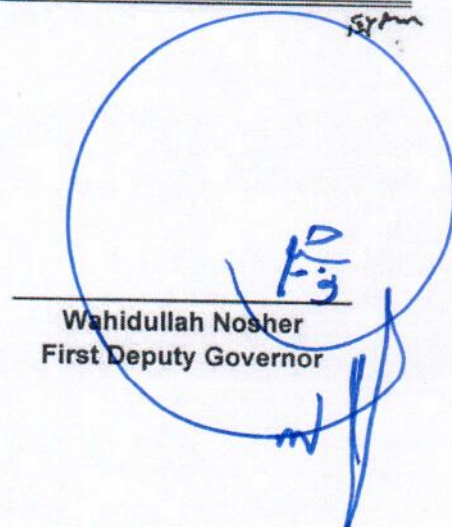
**DA AFGHANISTAN BANK**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 QAWS 1397 (21 DECEMBER 2018)**

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017) Restated
	Note	----- (Afs in '000) -----	-----
Profit for the year		29,844,024	19,277,227
<b>Other comprehensive income</b>			
<b>To be reclassified to statement of profit or loss account in subsequent periods</b>			
Revaluation gain on gold reserve	7	4,510,020	8,867,675
Net unrealised gain on available for sale financial assets		1,145,020	152,644
<b>Other comprehensive income for the year</b>		<u>5,655,040</u>	<u>9,020,319</u>
<b>Total comprehensive income for the year</b>		<u><u>35,499,064</u></u>	<u><u>28,297,546</u></u>

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 Khalil Sediq  
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 First Deputy Governor

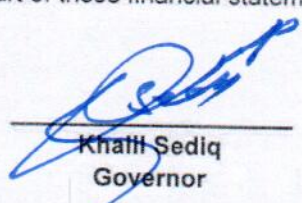


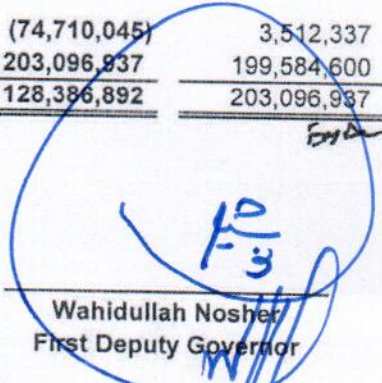
**DA AFGHANISTAN BANK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 QAWS 1397 (21 DECEMBER 2018)**

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	Note	(Afs in '000)	
<b>Cash flows from operating activities</b>			
Profit for the year		29,844,024	19,277,227
Adjustments:			
Depreciation and amortisation	13.2 & 14	82,271	67,419
Interest income	26	(7,386,329)	(3,762,404)
Interest expense	27	127,714	2,629,693
Grant income	22	(39,935)	(36,116)
Grant expense		39,935	36,116
Loss on disposal of investment property		-	9,000
Reversal of provision on advances and other receivables	12.5	(353,814)	-
		22,313,866	18,220,935
Working capital adjustments:			
Increase in due from banks and financial institutions	9	(111,829,160)	(20,677,179)
Decrease in assistance as lender of last resort	11	7,472,959	7,343,039
Increase in advances and other receivables	12	(61,514)	(233,873)
Decrease in other assets	15	16,324	520,710
(Decrease) / Increase in currency in circulation	16	(578,378)	5,022,507
(Decrease) / Increase in due to banks and financial institutions	18	(16,268,133)	25,128,855
Increase in due to customers	19	27,399,802	11,716,810
Increase in IMF related liabilities	20	1,016,118	979,451
Increase in defined contribution obligation	21	178,499	1,375,982
Increase in provisions and other liabilities	23	8,789,609	(892,130)
		(83,863,874)	30,284,172
Interest received		(61,550,008)	48,505,107
Interest paid		6,935,659	3,660,748
Grant received		(127,714)	(2,629,693)
		84,439	9,846
<b>Net cash flows (used in) / from operating activities</b>		<b>(54,657,624)</b>	<b>49,546,008</b>
<b>Cash flows from investing activities</b>			
Investments made during the year	10	(14,581,877)	(42,317,928)
Purchase of property and equipment	13.2	(190,344)	(88,918)
Capital work-in progress additions	13.1	(9,925)	(8,611)
Purchase of intangible assets	14	(4,570)	(8,995)
Proceeds from sale of property and equipment		(493)	12,800
<b>Net cash flows used in investing activities</b>		<b>(14,787,209)</b>	<b>(42,411,652)</b>
<b>Cash flows from financing activities</b>			
Repayments against capital notes	17	(5,265,212)	(3,622,019)
<b>Net cash flows used in financing activities</b>		<b>(5,265,212)</b>	<b>(3,622,019)</b>
Net (decrease) / increase in cash and cash equivalents		(74,710,045)	3,512,337
Cash and cash equivalents at beginning of the year		203,096,937	199,584,600
<b>Cash and cash equivalents at end of the year</b>	32	<b>128,386,892</b>	<b>203,096,937</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

  
**Syed Younas Sadat**  
 Chief Financial Officer

  
**Khafiz Sediq**  
 Governor

  
**Wahidullah Noshah**  
 First Deputy Governor



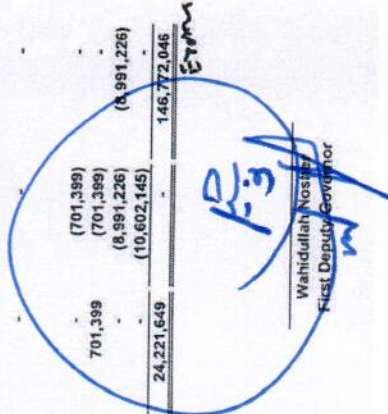
**DA AFGHANISTAN BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 QAWS 1397 (21 DECEMBER 2018)**

	Revaluation reserve		Other components of equity					Grand total
	Net unrealised (loss) / gain on available for sale financial assets	Freehold land	Gold	Total revaluation reserve	Exchange translation reserve	Residual undistributed net unrealized valuation gains	Total other components of equity	
					(Af's in '000)			
Balance at 01 Jadi 1395 (21 December 2016)	19,267,500	(193,507)	947,292	33,725,937	34,479,722	137	18,951,803	19,951,940
Effect of restatement due to change in accounting policy (refer to note 36)	-	-	-	-	-	-	-	-
Balance at 01 Jadi 1395 (21 December 2016) - Restated	19,267,500	(193,507)	947,292	15,843,252	15,843,252	-	(6,984,582)	(8,858,670)
Total comprehensive income for the year:								
Profit for the year	-	-	-	49,569,189	50,322,974	137	11,967,221	11,967,358
Other comprehensive income:								
Net unrealised gain on available for sale financial assets	-	-	-	-	-	-	-	-
Revaluation gain on gold reserve - Restated	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-
Surplus transferred to retained earnings on disposal of properties	-	-	-	-	-	-	-	-
Transactions recorded directly in equity:								
Transfer to capital - Restated	-	-	(10,815)	(10,815)	-	-	-	-
Transfer to general reserve - Restated	-	-	-	-	-	-	-	-
Transfer to MoF	-	-	-	-	-	-	-	-
Transfer to residual net unrealized valuation gains - Restated	-	-	-	-	-	-	-	-
Balance at 30 Qaws 1396 (21 December 2017)	23,520,250	(40,863)	936,477	59,436,864	59,332,478	137	10,771,727	10,771,727
Balance at 01 Jadi 1396 (22 December 2017)	23,520,250	(40,863)	936,477	58,436,864	59,332,478	137	22,738,948	22,739,085
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income:								
Net unrealised gain on available for sale financial assets	-	-	-	-	-	-	-	-
Exchange gain on translation of available for sale financial assets	-	-	-	-	-	-	-	-
Revaluation loss on gold reserve	-	-	-	-	-	-	-	-
Remeasurement gain on defined benefit plan	-	-	-	-	-	-	-	-
Total other comprehensive (loss) / income	-	-	-	-	-	-	-	-
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	-	-
Surplus transferred to retained earnings on disposal of properties	-	-	-	-	-	-	-	-
Transactions recorded directly in equity:								
Transfer to capital	-	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-	-
Transfer to MoF	-	-	-	-	-	-	-	-
Transfer to residual net unrealized valuation gains	-	-	-	-	-	-	-	-
Balance at 30 Qaws 1397 (21 December 2018)	24,221,649	1,104,157	936,477	62,946,864	64,987,518	137	10,602,145	10,602,145
							33,341,093	33,341,230
							24,221,649	146,772,046

The annexed notes 1 to 39 form an integral part of these financial statements.

  
 Syed Younis Sadat  
 Chief Financial Officer

  
 Khalil Sadiq  
 Governor

  
 Wahidullah Nost  
 First Deputy Governor



**DA AFGHANISTAN BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 QAWS 1397 (21 DECEMBER 2018)**

**1. STATUS AND NATURE OF OPERATIONS**

Da Afghanistan Bank, the Central Bank of Afghanistan, (the Bank) was originally established in 1318 (1939) in accordance with Article 12 of the 1311 (1932) Constitution of Afghanistan. The Bank was operating under the supervision of the Ministry of Finance (MoF), Government of Islamic Republic of Afghanistan. Subsequently, during the transitional Government, the Da Afghanistan Bank Law (the DAB Law) of the Islamic Republic of Afghanistan was enacted on 27 Sunbula 1382 (18 September 2003), and the Bank was re-established as an independent legal entity. This law and the change in the Bank's status were ratified by an amendment to Article 12 of the Constitution of the Islamic Republic of Afghanistan in Jadi 1382 (January 2004).

As per the DAB Law, the Bank's main objective is to achieve and maintain domestic price stability with other objectives to foster the liquidity, solvency and effective functioning of a stable market based financial system. The Bank also controls monetary and exchange policy, manages reserves and acts as a bank, advisor and fiscal agent of the Government of Islamic Republic of Afghanistan and other state governed bodies.

Registered office (Head Office) of the Bank is situated in Kabul. As at 30 Qaws 1397 (21 December 2018), the Bank operates with 47 (1396: 47) branches.

**2. STATEMENT OF COMPLIANCE**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the DAB Law and accounting policies for gold and metals, bank notes and coins as stated in notes 5.8 and 5.14 respectively. Where the requirements of the DAB Law and accounting policies adopted by the Bank differ with requirements of IFRSs, the requirements of DAB Law and accounting policies adopted by the Bank take precedence.

These financial statements comprise statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of cash flows, statement of changes in equity and the accompanying notes.

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Afghani ('Afs'), which is the Bank's functional and presentation currency.

**4. BASIS OF PREPARATION AND MEASUREMENT**

These financial statements have been prepared on the historical cost convention, except for gold reserves, foreign currency cash reserves, some investments and few items of operating fixed assets as referred to in their respective notes which have been reported at revalued amounts.

The Bank has adopted the following accounting standards, amendments and interpretations of IFRSs which became effective for the current year:

**Standard or Interpretation**

IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)

IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

5744



## Improvements to Accounting Standards Issued by the IASB in December 2016

IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

The following standards and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Standards and Interpretations	Effective date (accounting periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	January 01, 2019
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRS 16 - Leases	January 01, 2019
IFRS 17 – Insurance Contracts	January 01, 2021
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

The Bank expects that the adoption of the above amendments and interpretation of the standards will not materially affect the Bank's financial statements in the period of initial application except for IFRS 9- "Financial Instruments".

IFRS 9 includes three parts on accounting of financial instruments: recognition and measurement, impairment and hedge accounting. IFRS 9 is mandatorily effective for annual periods beginning on or after 01 January 2018, with early adoption permitted. Except for hedge accounting, the standard is applied retrospectively, but provision of comparative information is not mandatory. Requirements in respect of hedge accounting are mainly applied prospectively, with several limited exclusions.

The Bank plans to apply the new standard from the required effective date and will not recalculate comparative information. Currently, the Bank is in the process of performing a detailed assessment of the impact of IFRS 9 and therefore it has not been presented in these financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of this financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 30 Qaws 1396 (21 December 2017), except the change in accounting policy as disclosed in note 6.



### 5.1 Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of retranslation as at 21 December 2018, the Afghani exchange rates used for the major currencies were:

	1397 (2018)	1396 (2017)
	----- Afs -----	
US Dollar	74.96	69.49
Euro	85.39	82.18
GBP	94.53	92.31
Pakistani Rupee	0.53	0.63

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in statement of profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in statement of other comprehensive income, any exchange component of that gain or loss is also recognised in statement of other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in statement profit or loss, any exchange component of that gain or loss is also recognised in statement profit or loss.

### 5.2 Interest income and expense

Interest income and expense are recognised in statement of profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

### 5.3 Fees and commission income and expense

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

Other fee and commission income, including account servicing fee, transfer commission, branch coordination commission are recognised as the related services are performed.

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

### 5.4 Taxation

Under Article 118.2 of the DAB Law, the Bank is exempt from taxes on income or profits; personal property taxes on assets; taxes on transfer of funds and other financial transactions; stamp duties on issuance of securities and bank notes; customs duties, import duties, sales taxes, value added taxes on import of gold, bank notes and coins; and sales tax on domestic supply of gold, bank notes, and coins etc. Accordingly, no provision for income tax has been made in these financial statements.

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## 5.5 Financial assets and financial liabilities

### a) Recognition and initial measurement

All financial assets and liabilities (including financial assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

### Financial assets

#### b) Classification

The Bank classifies its financial assets into the following categories:

##### Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Bank as fair value through profit or loss or available-for-sale. This includes receivable against sale of investments and other receivables and are carried at amortised cost using the effective yield method, less impairment losses, if any.

##### Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the statement of profit or loss over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

##### Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market prices, are classified as 'available-for-sale'.

##### Financial asset designated at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Bank manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Bank's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading or derivatives.

Upon initial recognition, attributable transaction cost is recognised in statement of profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in statement of profit or loss.

### Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

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**c) Derecognition**

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and consideration received (including any new asset obtained less any new liability assumed). Also all cumulative gain or loss that had been recognised in the other comprehensive income, is recognised in profit or loss. Any interest in the transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

**d) Offsetting**

Financial assets and financial liabilities are offset and a net amount is presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

**e) Amortised cost measurement**

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

**f) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participant would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis that the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell on a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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The fair value of deposits is not less than the amount payable, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

**g) Identification of measurement of impairment**

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

Objective evidence that the financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indication that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market of a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational / financial cash flows.

Impairment losses are recognised in statement of profit or loss. Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to statement of profit or loss. The cumulative loss that is reclassified from equity to statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in statement of profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through statement of profit or loss; otherwise, any increase in fair value is recognised through other comprehensive income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in other comprehensive income.

**5.6 Cash and cash equivalents**

Cash and cash equivalents include foreign currency cash on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### 5.7 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. 'Assistance as lender of last resort' is classified as loans and receivables. Loans and advances are initially measured at fair value and subsequently measured at their amortised cost using the effective interest method.

#### 5.8 Gold

##### Gold held as reserve

Refined gold held as foreign reserve is recorded at fair value at the statement of financial position date. Fair price is determined by reference to the London Bullion Market Association (LBMA) fixings at a discount of USD 2.25 per troy ounce (1396: USD 2.25 per troy ounce). Fair value and foreign exchange changes in gold are taken to revaluation reserve account.

##### Gold at Bank vault

Non-refined gold and precious metals held at the Bank's vault are stated at cost, and are included in other assets.

#### 5.9 Property and equipment

Property and equipment, other than free-hold land (which is not depreciated), are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Land is carried at revalued amount less impairment losses, if any.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Depreciation is calculated by the Bank using the straight line method which writes down the cost of assets to their residual values over the estimated useful lives. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the asset is disposed off. The estimated useful lives for the current and comparative periods are as follows:

	1397 (2018)	1396 (2017)
Buildings	40 years	40 years
Furniture and fixtures	5 years	5 years
Motor vehicles	5 years	5 years
IT and office equipment	5 years	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the revaluation reserve account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in the statement of profit or loss in the year when asset is derecognised.

#### 5.10 Intangible assets

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



Subsequent expenditure on software is capitalised only when it is expected to increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Software is amortised on a straight-line basis in statement of profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of a software for the current and comparative periods is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### 5.11 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the statement of profit or loss.

#### 5.12 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

#### 5.13 Financial guarantees

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Liabilities arising from financial guarantee are initially measured at fair value and the initial fair value is amortised over the life of the guarantee. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

#### 5.14 Bank notes and coins

Bank notes and coins in circulation represent a demand liability of the Bank when issued from the vaults and are recorded in the statement of financial position at their face value. Expenses on bank notes and coins in circulations include expenses on security, transportation, insurance and other expenses. Expenses on bank notes and coins in circulation are recognised as and when they are incurred. Any un-issued currency notes and coins lying at the presidential palace are not reflected in these financial statements.

#### 5.15 Employee benefits

##### Defined contribution plan

In 2016, the Bank has introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Bank and the employees at the rates specified in the Bank's policy.

##### Termination benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognizes the costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then these benefits are discounted.

##### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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### 5.16 Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Bank will comply with all the required conditions attached to it.

Grants for property and equipment are recorded as deferred grants in the statement of financial position and recognised income on a systematic basis over the useful life of assets acquired from the grant.

### 5.17 Deferred cost

The cost of printing of currency is recognised as a deferred expense in other assets. The cost is amortised in the statement of profit or loss when the printed currency is issued for circulation.

### 5.18 Allocation of net profit

According to Article 29 of the DAB Law, if the Bank has a net profit for any financial year, it shall be allocated in the following order of priority:

- 1) to increase the capital to a level equivalent to 5% of the aggregate amount of monetary liabilities at the end of the financial year.
- 2) to redeem the securities issued by the State to the Bank pursuant to Article 31.
- 3) to the General Reserve maintained by the Bank to a level equivalent to the amount of capital of the Bank.
- 4) to any other reserve for specific purposes established by the Bank subject to the approval of the MoF.
- 5) any residual net profit remaining after the preceding allocations shall be allocated in accordance with the following:
  - the preceding allocations from net profit shall be calculated as if made from net operating revenues, except that, if no operating revenues are included in net profit or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations shall be calculated as if made from net unrealized valuation gains;
  - any residual net operating revenues shall be transferred to the State within four months after the end of the financial year; and
  - residual net unrealized valuation gains if any shall be allocated to a Valuation Reserve Account maintained on the balance sheet of the Bank.

### 5.19 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are given below:

- useful lives and valuation of property and equipment; and
- provision for impairment.

Note 5.9  
Note 5.11

## 6. CHANGE IN ACCOUNTING POLICY AND DISCLOSURE

### Unrealised exchange gain/(loss) on Monetary Gold

During the year, the Bank has changed its accounting policy for treatment of unrealised exchange gain/(loss) on monetary gold. The Bank was previously recognizing unrealised exchange gain/(loss) on monetary gold in the statement of profit or loss. Under the new policy the unrealised exchange gain/(loss) on monetary gold would be recognized in the statement of other comprehensive income. The Bank believes that revised policy provides more accurate information to the user of financial statements, and is based on the international best practices followed by other central banks around the world. This change has been applied retrospectively and comparative figures have been restated and presented accordingly.

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	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>7. GOLD RESERVES</b>			
Balance at beginning of the year		61,668,571	52,800,896
(Loss) / gain on revaluation		(312,666)	6,512,596
Exchange gain		4,822,686	2,355,079
Balance at end of the year	7.1	<u>66,178,591</u>	<u>61,668,571</u>

7.1 This represents 703,004.944 fine troy ounces (1396: 703,004.944 fine troy ounces) of gold in bar form held at Federal Reserve Bank, New York (FRB) as the Bank's international reserve.

As per FRB, these bars meet the minimum LBMA (London Bullion Market Association) LGD (London Gold Delivery) standards for quality (995.0 parts per thousand) but these do not comply with the requirements for dimension (top surface: 255 x 81 millimetres; bottom surface: 236 x 37 millimetres; thickness: 37 millimetres). In addition, some of these bars present imperfections such as surface roughness, cracks, fissures and holes which are considered unacceptable by the LBMA.

Accordingly, the Bank has obtained an advice for the estimate of discount to the LBMA rate of USD 1,258.15 per troy ounce (1396: USD 1,264.55 per troy ounce) from the Bank for International Settlements (BIS), Switzerland, which has suggested a discount of USD 2.25 per troy ounce (1396: USD 2.25 per troy ounce) to the LBMA rate. Accordingly, the Bank has valued the gold reserves at USD 1,255.9 per troy ounce (1396: USD 1,262.30 per troy ounce) using a discount of USD 2.25 per troy ounce (1396: USD 2.25 per troy ounce) to the LBMA rate as at the reporting date.

## 8. FOREIGN CURRENCY CASH RESERVES

This represents cash held by the Bank in foreign currency at the Presidential palace, the Head office and its branches.

	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>8.1 Foreign currency profile</b>			
US Dollars		22,529,541	71,898,575
Euro		512,689	12,710,983
GBP		5,846	5,709
Pakistani Rupee		160	189
Indian Rupee		-	17
		<u>23,048,236</u>	<u>84,615,473</u>

## 9. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

Term deposits with foreign banks	9.1	296,399,767	199,845,733
Current accounts with foreign banks		26,914,459	26,734,729
Overnight deposits with foreign banks	9.2	2,361,101	83,392
		<u>325,675,327</u>	<u>226,663,854</u>

9.1 These carry interest rates ranging between -0.01% to 2.95% per annum (1396: -0.01% to 2.08% per annum) having maturity ranging from January 2019 to October 2019 (1396: December 2017 to November 2018).

9.2 These represent overnight deposits carrying interest rate at the rate of 0.03% per annum (1396: 1.34% per annum).

	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>10. INVESTMENTS</b>			
Available for sale - at fair value			
US treasury bonds and other securities	10.1	167,358,572	127,167,084
US treasury bonds	10.2	3,753,196	3,447,551
Bank for International Settlements Investment Pool - A	10.3	27,362,725	52,842,952
		<u>198,474,493</u>	<u>183,457,587</u>
Available for sale - at cost			
Shares in ECOTDB	10.4	1,164,921	1,003,113
Held to maturity - at amortised cost			
US treasury bond	10.5	7,507,190	6,959,009
		<u>207,146,604</u>	<u>191,419,709</u>



- 10.1 The Bank has entered into an investment management and consulting agreement with the International Bank for Reconstruction and Development (IBRD), an organisation of the World Bank Group, for Reserves Advisory Management Program (RAMP). The IBRD has placed the funds in government securities, European federal agency securities and deposit accounts maintained with the Federal Reserve Bank of New York (FRB). This portfolio of investments carries return at rates ranging between 1.125% to 3.625% per annum (1396: 0.75% to 4% per annum).
- 10.2 The Bank has made investment in US treasury bonds held at the Federal Reserve Bank of New York (FRB). These carry interest rates ranging between 1.50% to 3.63% (1396: 1.5% to 3.63%) per annum. These securities have an aggregate face value of Afs.3,763 million (1396: Afs. 3,426 million).
- 10.3 The Bank holds units of Bank for International Settlements Investment Pool A" (BISIP-A) through an asset management agreement, which has investments in USD denominated Government Bonds, foreign currency swaps and other interest bearing securities. The total units held by the Bank at the reporting date were 2,637,453 (1396: 5,562,953) having market value of USD 138.41 (1396: 136.67) per unit.
- 10.4 The bank holds shares in the Economic Cooperation Organization Trade and Development Bank (ECOTDB), Istanbul, Turkey. As per the agreement, the bank is required to subscribe 500 shares, out of which 350 shares are callable. As of year end the Bank has subscribed 126 shares and the remaining 24 shares are required to be subscribed by the bank in the financial year 1398.
- 10.5 This represents US treasury bond having face value of USD 100 million equivalent to Afs.7,506.830 million. This carries mark-up at the rate of 0.875% per annum (1396: 0.875% per annum) and will mature on 15 April 2019.

# 11. ASSISTANCE AS LENDER OF LAST RESORT

Lender of last resort assistance to Kabul Bank

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
Note	----- (Afs in '000) -----	
11.1	<u>6,961,885</u>	<u>14,588,096</u>

- 11.1 This represents the amount paid to Kabul Bank as a lender of last resort ("LoLR") under Article 86 of the DAB Law.

On 21 Hamal 1390 (10 April 2011), the Bank signed a Promissory Note and Agreement ("PNA") with the Ministry of Finance ("MoF"), Government of Islamic Republic of Afghanistan, wherein the MoF agreed to underwrite cost of LoLR facilities to Kabul Bank amounting to Afs.37,620 million (USD 825 million), which was subject to adjustments due to payments of claims against Kabul Bank in receivership. The repayment is subject to other conditions, as mentioned in the PNA, including assignment of claims of the Bank against Kabul Bank to the MoF. As per the terms of repayment the entire amount shall be paid to the Bank in 8 years in 32 quarterly increasing installments beginning from the end of first quarter of 1390.

This carries interest at the annual rate of 2% compounded quarterly on outstanding balance. The terms of repayment schedule under PNA were revised in 1396, wherein the end date of repayment period was extended from 30 Hoot 1397 (21 March 2019) to the end of 1398. The movement in this balance during the year is as follows:

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	----- (Afs in '000) -----	
Opening Balance	14,588,096	22,097,788
Add: Interest charged for the year	249,034	402,286
Less: Present value discount on LoLR	-	(673,975)
Add: Unwinding of discount on LoLR	529,312	826,880
Less: Recoveries during the year:		
- directly from Kabul Bank receivership	(504,557)	(3,558,757)
- received from MoF	(7,900,000)	(4,506,126)
	<u>(8,404,557)</u>	<u>(8,064,883)</u>
	<u>6,961,885</u>	<u>14,588,096</u>

- 11.2 In 1396, the Bank has used risk free interest rate of 6.67% to amortize the outstanding amount under PNA. During the year, based on the fact that the outstanding amount will be settled in 1398 under PNA, the management has not revised the interest rate to unwind the discount. Further, the management of the Bank believes that it will not have material impact on the financial statements.

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		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>12. ADVANCES AND OTHER RECEIVABLES</b>	<b>Note</b>		
Loans to staff	12.1	635,631	624,354
Advance for Afghan Deposit Insurance Corporation	12.2	500,000	500,000
Deferred cost	12.3	773,980	677,339
Others	12.4	286,354	332,758
		<u>2,195,965</u>	<u>2,134,451</u>
Less: Allowance for impairment loss	12.5	(149,961)	(503,775)
		<u>2,046,004</u>	<u>1,630,676</u>

12.1 This represent loans provided to employees of the Bank for housing, marriage and general purposes. These loans are interest free and are repayable on monthly basis over a period ranging from 1 to 15 years (1396: 1 to 15 years). These loans are secured against staff defined benefit / contribution fund and personal guarantee of the employees of the Bank.

12.2 This represents contribution of the Bank for Afghan Deposit Insurance Corporation (ADIC).

12.3 This represents deferred cost incurred in respect of printing of currency. This cost is amortised as an expense in the statement of profit or loss when the printed currency is issued into circulation. The movement in this balance is as follows:

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	----- (Afs in '000) -----	
Balance at the beginning of the year		
Payments during the year	677,339	336,423
Less: amortisation of cost during the year	177,879	394,642
Balance at the end of the year	<u>(81,238)</u>	<u>(53,726)</u>
	<u>773,980</u>	<u>677,339</u>

12.4 This represents advances and receivables on account of misappropriation of cash by the Bank's employees in prior years amounts to Afs.149.96 million and is fully provided.

#### 12.5 Allowance for impairment loss

Balance at the beginning of the year		
Reversal during the year	503,775	1,125,512
Written off against provision	(353,814)	-
Balance at the end of the year	<u>-</u>	<u>(621,737)</u>
	<u>149,961</u>	<u>503,775</u>

#### 13. OPERATING FIXED ASSETS

Capital work in progress	13.1	9,925	2,336
Property and equipment	13.2	5,385,988	5,286,096
		<u>5,395,913</u>	<u>5,288,432</u>

##### 13.1 Capital work in progress

Balance as at 21 December 2016	
Capital expenditure incurred / advances made during the year	
Transfer to operating fixed assets	
Balance as at 21 December 2017	
Capital expenditure incurred / advances made during the year	
Transfer to operating fixed assets	
Balance as at 21 December 2018	

Civil Works  
(Afs in '000)

-
8,611
<u>(6,275)</u>
2,336
9,925
<u>(2,336)</u>
<u>9,925</u>

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## 13.2 Property and equipment

	Land	Buildings	Furniture and fixtures	Motor vehicles	IT and office equipment	Total
<b>Cost / Revalued amounts</b>						
	(Afs '000')					
Balance at 01 Jadi 1395 (21 December 2016)	4,297,157	885,343	125,759	155,975	518,393	5,982,627
Additions	13,829	5,337	2,607	-	67,145	88,918
Transfer from Capital Work In Progress	-	6,275	-	-	-	6,275
Transfer/Adjustments	-	(590)	-	-	-	(590)
Disposal	(7,500)	(7,564)	(244)	-	(4,405)	(19,713)
Balance at 30 Qaws 1396 (21 December 2017)	4,303,486	888,801	128,122	155,975	581,133	6,057,517
Balance at 01 Jadi 1396 (22 December 2017)	4,303,486	888,801	128,122	155,975	581,133	6,057,517
Additions	-	2,114	3,749	39,469	145,012	190,344
Transfer from Capital Work In Progress	-	2,336	-	-	-	2,336
Disposal	-	-	(176)	-	(12,630)	(12,806)
Balance at 30 Qaws 1397 (21 December 2018)	4,303,486	893,251	131,695	195,444	713,515	6,237,391
<b>Depreciation</b>						
Balance at 01 Jadi 1395 (21 December 2016)	-	66,584	40,100	133,948	462,972	703,604
Charge for the year	-	22,379	3,045	5,622	44,275	75,321
Adjustments	-	-	-	-	(3,091)	(3,091)
Disposal	-	(692)	(218)	-	(3,503)	(4,413)
Balance at 30 Qaws 1396 (21 December 2017)	-	88,271	42,927	139,570	500,653	771,421
Balance at 01 Jadi 1396 (22 December 2017)	-	88,271	42,927	139,570	500,653	771,421
Charge for the year	-	22,273	3,029	12,482	55,497	93,281
Adjustments	-	-	-	-	(1,368)	(1,368)
Disposal	-	-	(176)	-	(11,755)	(11,931)
Balance at 30 Qaws 1397 (21 December 2018)	-	110,544	45,780	152,052	543,027	851,403
<b>Carrying amounts</b>						
At 30 Qaws 1396 (21 December 2017)	4,303,486	800,530	85,195	16,405	80,480	5,286,096
At 30 Qaws 1397 (21 December 2018)	4,303,486	782,707	85,915	43,392	170,488	5,385,988

13.2.1 Land and buildings were revalued as at 30 Hoot 1389 by independent property dealer, M/S Pamir Property Dealer, a valuation expert having knowledge and experience in the location and category of property, on the basis of market values. The resulting impact from the revaluation exercise was recorded under revaluation reserve in the statement of changes in equity. The management is of the view that there are no significant changes in the value of land and building from last revaluation.

13.2.2 Land and buildings include properties having cost of Afs.106.557 million (1396: Afs.106.557 million) which have been transferred to the Bank by different ministries, however, the title to these properties has not yet been transferred in the name of the Bank. Further, properties having cost of Afs.51.864 million (1396: Afs.51.864 million) are disputed, mainly due to title / possession issues and are under review by the court of law.

13.2.3 Had no revaluation been carried out, the carrying amount of the land and buildings that would have been recognised in these financial statements is as under:

	30 Qaws 1397 (21 December 2018)		30 Qaws 1396 (21 December 2017)	
	(Afs in '000)		(Afs in '000)	
	Land	Buildings	Land	Buildings
Cost	3,367,009	1,134,442	3,367,009	1,132,328
Accumulated depreciation	-	(187,758)	-	(159,339)
Carrying amount	3,367,009	946,684	3,367,009	972,989
	30 Qaws 1397 (21 December 2018)		30 Qaws 1396 (21 December 2017)	
	(Afs in '000)		(Afs in '000)	
Depreciation charged for the year	93,281		75,321	
Less: Amount classified under grant expense	(39,935)		(36,116)	
	53,346		39,205	

## 13.2.4 Allocation of depreciation and amortisation



	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
----- (Afs in '000) -----			
<b>14. INTANGIBLE ASSET</b>			
Banking software			
Cost			
Balance at beginning of the year		178,132	169,137
Additions		4,570	8,995
		182,702	178,132
Amortisation			
Balance at beginning of the year		(91,751)	(63,537)
Charge for the year		(28,925)	(28,214)
		(120,676)	(91,751)
Carrying amount at end of the year		62,026	86,381

**15. OTHER ASSETS**

Non-monetary gold bullion and bars		5,861,728	5,861,728
Non-monetary silver		6,711,255	6,711,255
	15.1	12,572,983	12,572,983
Accrued interest on available for sale investments			
Others	10	861,795	582,994
		16,818	33,140
		13,451,596	13,189,117

15.1 These represent the gold bullion and bars and silver coins held in the Bank's vault at the Presidential Palace. Under a Memorandum of Understanding ("MoU") agreed between the Bank and the Ministry of Finance (MoF) in the year 1383, the Bank has been granted clear title to all the gold bullion and bars, as well as certain gold and silver coins, asserted to be owned by the Bank and physically located in the Presidential Palace vault.

	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
----- (Afs in '000) -----			
<b>16. CURRENCY IN CIRCULATION</b>			
Coins		512,400	464,400
Bank notes		240,295,533	245,656,752
		240,807,933	246,121,152
Bank notes and coins held by the Bank		(12,752,355)	(17,487,196)
		228,055,578	228,633,956

**17. CAPITAL NOTES**

Face value		33,725,000	38,993,000
Un-amortised discount		(26,350)	(29,138)
	17.1	33,698,650	38,963,862

17.1 These represent debt instruments issued by the Bank to the licensed commercial banks and licensed money changers. These instruments have maturity between 7 days to 182 days (1396: 7 days to 364 days) and are freely transferable between licensed commercial banks, licensed money changers and the Bank.

These notes carry interest at rates ranging between 0.15% to 0.91% per annum (1396: 0.14% to 6.67% per annum).

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## 18. DUE TO BANKS AND FINANCIAL INSTITUTIONS

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	Note	----- (Afs in '000) -----	
<b>Foreign currency:</b>			
Current accounts		26,734,189	36,654,496
Required reserve balance	18.1	18,314,563	16,351,845
Frozen account	18.2	900,349	834,737
		45,949,101	53,841,078
<b>Local currency:</b>			
Current accounts		28,225,191	21,793,442
Required reserve balance	18.1	5,696,112	7,357,485
Overnight deposits	18.3	10,780,835	23,927,367
		44,702,138	53,078,294
		90,651,239	106,919,372

18.1 This represents interest free reserve balances maintained by the commercial banks with the Bank in accordance with the requirements of Article 64 of the DAB Law for local currency and circular no. 3967 dated 07 Sunbula 1396 (29 August 2017) issued by DAB for foreign currency.

18.2 This represents balance due to a commercial bank which was withheld by the Bank on instructions of the Financial Supervision department.

18.3 These are placed by local banks and carry interest at the rate of 0.1% per annum (1396: 0.1% per annum).

## 19. DUE TO CUSTOMERS

		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	Note	----- (Afs in '000) -----	
<b>Foreign currency:</b>			
Current accounts		92,385,936	57,696,284
Dormant accounts	19.2	27,004	70,238
		92,412,940	57,766,522
<b>Local currency:</b>			
Current accounts		39,466,136	38,781,451
Dormant accounts	19.2	66,598	99,560
		39,532,734	38,881,011
Margin against letters of credit	19.4	4,570,605	3,477,718
	19.1, 19.3 & 19.5	136,516,279	100,125,251

19.1 Due to customers consist of:

Government accounts	111,133,304	94,409,729
Others	25,382,975	5,715,522
	136,516,279	100,125,251

19.2 These are prior year's non-operative accounts of the customers of the Bank and non-operative accounts transferred by other commercial banks. According to Article 75 of the Banking Law of Afghanistan, all commercial banks are required to dispatch a notice to each dormant account holder at their registered address and publish a notice in at least one local newspaper, the name and particular of the dormant account holder. If the dormant account holder cannot be located within 90 days after the notice and publication of details, these non-operative accounts are classified as dormant for 10 years and transferred to the Bank which are held in a special account. Thereafter, if any dormant account holder satisfactorily proves his / her ownership, the Bank will repay the amount immediately. If the dormant account holder does not claim back their deposit within this period, the Bank transfers it to the Ministry of Finance (MoF) for inclusion in the revenues of the Government of the Islamic Republic of Afghanistan.

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19.3 The Bank is not in compliance with Article 74 of the DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs.68,983.803 million as at 30 Qaws 1397 (21 December 2018). Foreign currency liabilities of the Bank as at the said date stand at Afs.145,377.812 million, resulting in foreign currency liabilities exceeding the prescribed limit by Afs.76,394.009 million as at the year end.

19.4 These represent the deposits received by the Bank against issuance of letters of credit (LCs). The Bank issues LCs only to the government and governmental organisations against receipt of 100% deposit.

19.5 All these deposits are interest-free.

	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>20. IMF RELATED LIABILITIES</b>			
Account 1	20.1	81,808	74,986
Account 2	20.1	34	31
Extended Credit Facility Loan	20.2	2,336,942	1,327,649
		<u>2,418,784</u>	<u>1,402,666</u>

20.1 The Islamic Republic of Afghanistan is a member of International Monetary Fund (IMF) since 1955. The member country can designate Ministry of Finance, central bank or any other agency as their Fiscal Agent. In addition, each member is statutorily required to designate its central bank as Depository. The Government of the Islamic Republic of Afghanistan has nominated Ministry of Finance as their Fiscal Agent and the Bank as Depository.

As the Depository for the Islamic Republic of Afghanistan, the Bank is required to maintain, in addition to other accounts, the following accounts:

Account 1 (Afghani)  
Account 2 (Afghani)

IMF's holding of the member's currency is placed in IMF Account No 1 and Account No 2 in the Bank. The Bank is required to record balances in the IMF No.1 and No. 2 accounts as its liabilities. These balances, although maintained within the Bank, are owned by the IMF. The IMF Account No. 1 is used for the IMF's operational transactions whereas the IMF Account No. 2 is used for operational expenses incurred by the IMF in the member's currency.

20.2 As per the arrangement between the Bank and IMF, as Trustee of the Poverty Reduction and Growth Trust, the Bank has been granted an extended credit facility loan (ECF loan) equivalent to SDR 42.125 million for a period of three years which is non-interest bearing. During the year, the Bank has received fourth and fifth installment of this ECF loan of SDR 9 million.

	Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
		----- (Afs in '000) -----	
<b>20.3 Off-balance sheet balances</b>			
Securities issued to IMF		<u>32,622,006</u>	<u>29,901,531</u>

## 21. DEFINED CONTRIBUTION OBLIGATION

Defined contribution pension scheme	21.1	<u>1,646,033</u>	<u>1,467,534</u>
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21.1 In 1395, the Bank introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Bank and the employees at the rates specified in the policy of the Bank.

## 22. DEFERRED GRANTS

This represents grants received in kind from various donors in the form of information technology and power equipments.

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	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
Note	----- (Afs in '000) -----	
Balance at the beginning of the year	111,429	137,699
Grants received during the year	84,439	9,846
	<u>195,868</u>	<u>147,545</u>
Less: Deferred grants recognised as income	(39,935)	(36,116)
Balance at the end of the year	<u>155,933</u>	<u>111,429</u>

### 23. PROVISIONS AND OTHER LIABILITIES

Provision against MOU adjustments	23.1	29,467	29,467
Payable to Ministry of Finance		8,991,226	-
Payable in respect of defined benefit obligation	23.2	231,785	301,584
Security deposits	23.3	442,591	356,870
Sundry payables		239,189	512,064
Inter-branch accounts		54,281	-
Others		63,101	62,046
		<u>10,051,640</u>	<u>1,262,031</u>

23.1 The Bank has recognised this provision pending the conclusion of reconciliation process relating to the balances due from / to various ministries of the government.

23.2 The Bank has discontinued its defined pension scheme with effect from Hamal 1395. The balance of defined benefit obligation is retained in the books of the Bank as a full reconciliation has not yet been finalised and is in process. Hence, the obligation will be transferred to defined contribution scheme on completion of reconciliation process.

23.3 This includes security deposits received from foreign exchange dealers and money service providers.

### 24. CAPITAL AND RESERVES

#### 24.1 Capital

According to Article 27 of the DAB Law, the authorised capital of the Bank is Afs 8,000 million or such higher amount as shall result from allocations from net profit pursuant to Article 29 of the DAB Law. The capital of the Bank is solely held by the Government of Islamic Republic of Afghanistan, and shall not subject to lien or encumbrances.

#### 24.2 Revaluation reserve

The Bank's revaluation reserve represents the cumulative unrealised gains on the revaluation of gold reserves at market prices, revaluation of freehold land at fair values and net unrealised valuation gains from available-for-sale financial assets at reporting date.

### 25. CONTINGENCIES AND COMMITMENTS

#### 25.1 Contingencies

There are no outstanding financial guarantees and performance guarantees to third parties including the government.

#### 25.2 Commitments

Outstanding letter of credits

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
Note	----- (Afs in '000) -----	
	<u>4,570,605</u>	<u>3,477,718</u>

### 26. INTEREST INCOME

Interest income on:

Due from banks and financial institutions  
Available for sale investments  
Held to maturity investment  
Interest on LoLR

	4,136,318	1,886,990
	2,936,554	1,443,729
	64,423	29,399
11.1	249,034	402,286
	<u>7,386,329</u>	<u>3,762,404</u>



		30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	Note	----- (Afs in '000) -----	
<b>27. INTEREST EXPENSE</b>			
Interest expense on:			
Capital notes	17.1	108,298	1,920,304
Overnight deposits	18.3	19,416	35,414
Present value discount on LoLR	11.1	-	673,975
		<u>127,714</u>	<u>2,629,693</u>
<b>28. OTHER INCOME</b>			
Reversal of provision on advances and other receivables	12.5	353,814	-
Regulatory income		146,422	149,671
Unwinding of discount on LoLR	11.1	529,312	826,880
Others		19,756	76,631
		<u>1,049,304</u>	<u>1,053,182</u>
<b>29. PERSONNEL EXPENSES</b>			
Salaries		1,395,631	1,285,580
Defined contribution plan		89,763	82,804
		<u>1,485,394</u>	<u>1,368,384</u>
<b>30. OTHER OPERATING EXPENSES</b>			
Auditor's remuneration		6,652	5,769
Repair and maintenance		56,372	44,096
Rent		6,444	6,400
Staff training		19,054	12,451
Printing and stationery		21,805	14,757
Office supplies and maintenance		18,839	18,892
Transportation		13,853	12,202
Fee and subscription		5,129	5,581
Communication		109,227	30,817
Security guard services		9,552	8,799
Travelling		37,459	31,454
Properties donated to MoF		-	23,373
Writeoff of inter-branch accounts	30.1	288,313	-
Utilities		33,282	29,071
Others		35,184	37,338
		<u>661,165</u>	<u>281,000</u>
30.1 This represents the balances written off during the year as a result of the ongoing reconciliation process relating to the inter-branch accounts.			
<b>31. EXPENDITURE AGAINST GRANTS</b>			
Depreciation	13.2.4	39,935	36,116
		<u>39,935</u>	<u>36,116</u>
<b>32. CASH AND CASH EQUIVALENTS</b>			
Foreign currency cash reserve		23,048,236	84,615,473
Deposits (having maturity of less than three months)		76,063,096	91,663,343
Current accounts with foreign banks		26,914,459	26,734,729
Overnight repo balance with foreign bank		2,361,101	83,392
		<u>128,386,892</u>	<u>203,096,937</u>

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## 33. RELATED PARTIES

**Transactions with related parties**

The Bank is a Government entity and the Government of Islamic Republic of Afghanistan is the ultimate owner of the Bank. Related parties to the Bank include the Government of Islamic Republic of Afghanistan, various departments of the government, government controlled entities and enterprises. The Bank enters into transactions with related parties in its normal course of business and it is impracticable to disclose all transactions with related parties. Generally the Bank enters into the following transactions with the government and its related organizations.

- (a) The Bank acts as a depository of the government or its agent, providing banking services to government, governmental organizations and enterprises;
- (b) Issues letters of credit on behalf of government, governmental organisation and enterprises;
- (c) The Bank does not ordinarily collect any commission, fees or other charges for the services which it renders to the government; and
- (d) As an agent of the government, the bank manages foreign reserves.

**Members of the Supreme Council**

H.E Mr. Khalil Sediq, Governor & Chairman of the Supreme Council  
H.E Mr. Wahidullah Noshier, First Deputy Governor & Vice Chairman of Supreme Council  
H.E Dr. Muhammad Naim Azimi, member of the Supreme Council  
H.E Dr. Abdul Wakil Muntazer, member of the Supreme Council  
H.E Dr. Shah Mohammad Mehrabi, the member of the Supreme Council and the Chairman of the Audit Committee  
H.E Dr. Abdul Ghanie Ghaussy, member of the Supreme Council  
H.E Ms. Katrin Faqiri, member of the Supreme Council

**Members of the Executive Board**

H.E Mr. Khalil Sediq, Governor & Chairman of the Supreme Council  
H.E Mr. Wahidullah Noshier, First Deputy Governor & Vice Chairman of Supreme Council  
H.E Mr. Mohammad Qasim Rahimi, Second Deputy Governor

30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
----- (Afs in '000) -----	

**Transactions with key management personnel****Key management personnel compensation**

Salary and other employee benefits	14,641	13,413
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Compensation of the Bank's key management personnel includes salaries and benefits.

The transactions and outstanding balances related to key management personnel were as follows:

**Loans to key management personnel**

Note	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	----- (Afs in '000) -----	
Loans outstanding at the beginning of the year	3,542	4,330
Loans advanced during the year	16,901	334
Loan repayments during the year	(1,348)	(1,122)
Loans outstanding at the end of the year	19,095	3,542

**Other related party transactions****Assistance as lender of last resort**

Repayments received during the year	11.1	8,404,557	8,064,883
Balance outstanding at the year end	11.1	6,961,885	14,588,096

**Advance for Afghanistan Deposit Insurance Corporation**

Balance outstanding at the year end		500,000	500,000
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**Government accounts**

Transactions during the year		16,723,575	13,403,348
Balance outstanding at the year end		111,133,304	94,409,729

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## 34. FINANCIAL ASSETS AND LIABILITIES

## Accounting classification of financial assets and financial liabilities and fair values

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

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

		Designated at fair value through profit or loss	Available-for- sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		(Afs in '000)						
30 Qaws 1397 (21 December 2018)								
Financial Assets								
Foreign currency cash reserves	8	-	-	-	23,048,236	-	23,048,236	23,048,236
Due from banks and financial institutions	9	-	-	296,399,767	29,275,560	-	325,675,327	325,675,327
Investments	10	-	199,639,414	7,507,190	-	-	207,146,604	207,146,604
Assistance as lender of last resort	11	-	-	-	6,961,885	-	6,961,885	6,961,885
Advances and other receivables	12	-	-	-	1,135,631	-	1,135,631	1,135,631
Other assets	15	-	-	-	-	861,795	861,795	861,795
		-	199,639,414	303,906,957	60,421,312	861,795	564,829,478	564,829,478
Financial Liabilities								
Currency in circulation	16	-	-	-	-	228,055,578	228,055,578	228,055,578
Capital notes	17	-	-	-	-	33,698,650	33,698,650	33,698,650
Due to banks and financial institutions	18	-	-	-	-	90,651,239	90,651,239	90,651,239
Due to customers	19	-	-	-	-	136,516,279	136,516,279	136,516,279
IMF related liabilities	20	-	-	-	-	2,418,784	2,418,784	2,418,784
Defined contribution obligation	21	-	-	-	-	1,646,033	1,646,033	1,646,033
Provisions and other liabilities	23	-	-	-	-	9,736,107	9,736,107	9,736,107
		-	-	-	-	502,722,670	502,722,670	502,722,670
								547



Note	Designated at fair value through profit or loss	Available-for- sale	Held-to- maturity	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
30 Qaws 1396 (21 December 2017)							
Financial Assets							
8	-	-	-	84,615,473	-	84,615,473	84,615,473
9	-	-	199,845,733	26,818,121	-	226,663,854	226,663,854
10	-	184,460,700	6,959,009	-	-	191,419,709	191,419,709
11	-	-	-	14,588,096	-	14,588,096	14,588,096
12	-	-	-	1,124,354	-	1,124,354	1,124,354
15	-	-	-	-	582,994	582,994	582,994
	-	185,043,694	206,110,516	16,221,108	112,127,820	518,994,480	518,994,480
Financial Liabilities							
16	-	-	-	-	228,633,956	228,633,956	228,633,956
17	-	-	-	-	38,963,862	38,963,862	38,963,862
18	-	-	-	-	106,919,372	106,919,372	106,919,372
19	-	-	-	-	100,125,251	100,125,251	100,125,251
20	-	-	-	-	1,402,666	1,402,666	1,402,666
21	-	-	-	-	1,467,534	1,467,534	1,467,534
23	-	-	-	-	930,980	930,980	930,980
	-	-	-	-	478,443,621	478,443,621	478,443,621

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

### 30 Qaws 1397 (21 December 2018)


#### Financial assets classified as 'available-for-sale'

	Level 1	Level 2	Level 3	Total
	(Afs in '000')			
US treasury bonds and other securities	-	167,358,572	-	167,358,572
US treasury bonds	-	3,753,196	-	3,753,196
Bank for International Settlements Investment Pool - A	-	27,362,725	-	27,362,725
	-	198,474,493	-	198,474,493

### 30 Qaws 1396 (21 December 2017)

#### Financial assets classified as 'available-for-sale'

	Level 1	Level 2	Level 3	Total
	(Afs in '000')			
US treasury bonds and other securities	-	127,167,084	-	127,167,084
US treasury bonds	-	3,447,551	-	3,447,551
Bank for International Settlements Investment Pool - A	-	52,842,952	-	52,842,952
	-	183,457,587	-	183,457,587

During the year ended 21 December 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements. 



### 35. RISK MANAGEMENT POLICIES

The Supreme Council of the Bank, chaired by the Governor, has the overall responsibility and oversight of the Bank's risk management framework. The Bank is primarily subject to credit, liquidity, market (interest and currency) risks and operational risk. The policies and procedures for managing these risks are outlined in notes 35.1 to 35.5. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and managing of these risks. In addition, International Monetary Fund (IMF) representatives visit the Bank periodically to advise senior management and Governor on the management of these risks.

The Market Operations Department within the Bank is responsible for monitoring the Foreign Currency Reserves as per the Bank's Reserves Management Policy and Guidelines.

#### 35.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Bank, resulting in a financial loss to the Bank. The Bank's primary exposure to credit risk arises through investment in government securities, deposits with banks and financial institutions and investments in available for sale financial assets. Receivable in respect of Assistance as LoLR has insignificant credit risk as this is "guaranteed" by the Ministry of Finance. Credit risk arising from deposit with banks and financial institutions is managed by monitoring, reviewing and analyzing these deposits frequently. Investments are made in government securities, securities issued by government entities and other highly reputable organizations; periodic monitoring and review is carried out by the management. The Bank manages credit risk arising from issuance of letters of credit by obtaining 100% margin against letters of credit.

#### Concentration of credit risk

The Bank's concentration of credit risk exposure is as follows:

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
	----- (Afs in '000) -----	
Due from banks and financial institutions		
Investments	325,675,327	226,663,854
Advances and other receivables	207,146,604	191,419,709
Other assets	1,135,631	1,124,354
	861,795	582,994
	<u>534,819,357</u>	<u>419,790,911</u>

The Bank neither enters into nor is a party to financial instruments and contractual obligations that, under certain conditions, could give rise to or involve elements of, market or credit risk in excess of that shown in the statement of financial position, such as interest rate swaps, forward foreign exchange contracts, financial guarantees, and commitments to extend credit.

The analysis below summarises the credit quality of the Bank's liquid portfolio as on 21 December 2018:

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## Due from banks and term deposits rating by Rating Category

	30 Qaws 1397 (21 December 2018)	30 Qaws 1396 (21 December 2017)
Short Term		
A-1+		
A-1		
A-2		
A-3		
Unrated		
	(Afs in '000)	
	11.29%	13.68%
	0.75%	0.06%
	61.72%	51.15%
	19.94%	28.28%
	6.30%	6.83%
	100.00%	100.00%

## Geographical sector

The Bank monitors concentrations of credit risk by sector and geographic location.

The following table breaks down the Bank's main credit exposure by geographical region. For this table, the Bank has allocated exposures to the regions based on the country of domicile of counterparties.

	Due from banks and financial institutions	Investments	Advances and other receivables	Other assets	Total
	(Afs in '000)				
30 Qaws 1397 (21 December 2018)					
Afghanistan	-	-	1,135,631	-	1,135,631
Asia	64,950,322	-	-	-	64,950,322
Europe	185,573,454	28,527,646	-	-	214,101,100
America	75,151,551	178,618,958	-	861,795	254,632,304
	325,675,327	207,146,604	1,135,631	861,795	534,819,357
30 Qaws 1396 (21 December 2017)					
Afghanistan	-	-	1,124,354	-	1,124,354
Asia	46,011,852	-	-	-	46,011,852
Europe	151,011,379	53,846,065	-	-	204,857,444
America	29,640,623	137,573,644	-	582,994	167,797,261
	226,663,854	191,419,709	1,124,354	582,994	419,790,911



## 35.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In order to reduce the level of liquidity risk arising out of the local currency activities, the Bank manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The table below analyse the Bank's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Bank's liabilities based on contractual maturities is given below:

	Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
							(Afs in '000)
<b>30 Qaws 1397 (21 December 2018)</b>							
<b>Financial assets</b>							
Foreign currency cash reserves	23,048,236	23,048,236	-	-	-	-	23,048,236
Due from banks and financial institutions	325,675,327	102,977,555	50,712,353	171,985,419	-	-	325,675,327
Investments	207,146,604	-	-	7,507,190	199,639,414	-	207,146,604
Assistance as lender of last resort	6,961,885	-	1,832,668	5,129,217	-	-	6,961,885
Advances and other receivables	1,135,631	12,503	23,871	141,904	833,709	123,644	1,135,631
Other assets	861,795	861,795	-	-	-	-	861,795
	564,829,478	126,900,089	52,568,892	184,763,730	200,473,123	123,644	564,829,478
<b>Liabilities</b>							
Currency in circulation	(228,055,578)	-	-	-	-	(228,055,578)	228,055,578
Capital notes	(33,698,650)	(15,873,225)	(12,367,055)	(5,458,370)	-	-	33,698,650
Due to banks and financial institutions	(90,651,239)	(65,740,215)	-	(24,010,675)	(900,349)	-	90,651,239
Due to customers	(136,516,279)	(131,945,674)	(4,570,605)	-	-	-	136,516,279
IMF related liabilities	(2,418,784)	(2,418,784)	-	-	-	-	2,418,784
Defined contribution obligation	(1,646,033)	(1,646,033)	-	-	-	-	1,646,033
Provisions and other liabilities	(9,736,107)	(9,736,107)	-	-	-	-	9,736,107
	(502,722,670)	(227,360,038)	(16,937,660)	(29,469,045)	(900,349)	(228,055,578)	502,722,670
<b>Net assets</b>	62,106,808	(100,459,949)	35,631,232	155,294,685	199,572,774	(227,931,934)	62,106,808



30 Qaws 1396 (21 December 2017)

**Financial assets**

Foreign currency cash reserves  
Due from banks and financial institutions  
Investments  
Assistance as lender of last resort  
Advances and other receivables  
Other assets

Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
	(Afs in '000)					
84,615,473	84,615,473	-	-	-	-	84,615,473
226,663,854	78,846,181	40,077,503	107,740,170	-	-	226,663,854
191,419,709	-	-	-	191,419,709	-	191,419,709
14,588,096	-	1,754,879	5,379,747	7,453,470	-	14,588,096
1,124,354	11,903	23,689	648,492	377,647	62,623	1,630,676
582,994	582,994	-	-	-	-	582,994
518,994,480	164,056,551	41,856,071	113,768,409	199,250,826	62,623	519,500,802

**Liabilities**

Currency in circulation  
Capital notes  
Due to banks and financial institutions  
Due to customers  
IMF related liabilities  
Defined contribution obligation  
Provisions and other liabilities

Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
(228,633,956)	-	-	-	-	(228,633,956)	228,633,956
(38,963,862)	(32,628,396)	(6,238,390)	(97,076)	-	-	38,963,862
(106,919,372)	(82,375,305)	-	(23,709,330)	(834,737)	-	106,919,372
(100,125,251)	(96,647,533)	(3,477,718)	-	-	-	100,125,251
(1,402,666)	(1,402,666)	-	-	-	-	1,402,666
(1,467,534)	(1,467,534)	-	-	-	-	1,467,534
(930,980)	(930,980)	-	-	-	-	930,980
(478,443,621)	(215,452,414)	(9,716,108)	(23,806,406)	(834,737)	(228,633,956)	478,443,621

**Net assets**

Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
40,550,859	(51,395,863)	32,139,963	89,962,003	198,416,089	(228,571,333)	41,057,181

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### 35.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The Bank is exposed to market risk, as a consequence of its operations to deliver its policy objectives as well as in the course of managing the Bank's statement of financial position, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Exposure may also be incurred to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets.

All market risk is managed within the Bank's Market Operations Department through Reserves Management Policy and Guidelines. The Bank is exposed to interest rate risk principally via its investments in available for sale financial assets and short term deposits with other banks and financial institutions bought and held to maturity in normal circumstances with the intention of maintaining the value of the Bank's capital and generating income to pay for the Bank's policy functions.

### 35.4 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's investments in available for sale financial assets and short term deposits with other banks and financial institutions are primarily linked to prevailing market conditions. All other liabilities of the Bank are non interest bearing except the capital notes and overnight deposits included in due to banks and financial institutions.

The Bank does not have any material positions in off-balance-sheet instruments, whose value can be affected by interest rate changes, such as swaps, futures, and forwards; option contracts, such as caps, floors, and options on futures; and firm forward commitments to buy or sell loans, securities, or other financial instruments.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying or revalued amounts, categorised by earlier of contractual reprising of maturity dates. Non interest bearing financial instruments are shown for reconciliation purposes.

#### 30 Qaws 1397 (21 December 2018)

	Interest rates (p.a)	Interest bearing					Non-interest bearing	Total
		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	(Afs in '000)		
<b>Financial assets</b>								
Foreign currency cash reserves	-	-	-	-	-	-	23,048,236	23,048,236
Due from banks and financial institutions	-0.01 % to 2.95%	76,063,096	50,712,353	171,985,419	-	298,760,868	26,914,459	325,675,327
Investments	0.875% to 3.63%	-	-	7,507,190	171,111,768	178,618,958	28,527,646	207,146,604
Assistance as lender of last resort	2%	-	1,832,668	5,129,217	-	6,961,885	-	6,961,885
Advances and other receivables	-	-	-	-	-	-	1,135,631	1,135,631
Other assets	-	-	-	-	-	-	861,795	861,795
		76,063,096	52,545,021	184,621,826	171,111,768	484,341,711	80,487,767	564,829,478
<b>Financial liabilities</b>								
Currency in circulation	0.15% to 0.91%	-	-	-	-	-	228,055,578	228,055,578
Capital notes	0.1%	15,873,225	12,367,055	5,458,370	-	33,698,650	-	33,698,650
Due to banks and financial institutions	-	10,780,835	-	-	-	10,780,835	79,870,404	90,651,239
Due to customers	-	-	-	-	-	-	136,516,279	136,516,279
IMF related liabilities	-	-	-	-	-	-	2,418,784	2,418,784
Defined contribution obligation	-	-	-	-	-	-	1,646,033	1,646,033
Provisions and other liabilities	-	-	-	-	-	-	9,736,107	9,736,107
		26,654,060	12,367,055	5,458,370	-	44,479,485	458,243,185	502,722,670
<b>On balance sheet interest sensitivity gap</b>		49,409,036	40,177,966	179,163,456	171,111,768	439,862,226	(377,755,418)	62,106,808



	Interest rates (p.a)	Interest bearing					Non-interest bearing	Total	
		Less than 1 month	1-3 months	3 months to 1 year	1-5 years (Afs in '000)	Total			
		-----							
30 Qaws 1396 (21 December 2017)									
Financial assets									
Foreign currency cash reserves	-	-	-	-	-	-	84,615,473	84,615,473	
Due from banks and financial institutions	-0.01 % to 2.08 %	52,111,452	40,077,503	107,740,170	-	199,929,125	26,734,729	226,663,854	
Investments	0.75% to 4%	-	-	-	137,573,644	137,573,644	53,846,065	191,419,709	
Assistance as lender of last resort	2%	-	1,754,879	5,379,747	7,453,470	14,588,096	-	14,588,096	
Advances and other receivables	-	-	-	-	-	-	1,630,676	1,630,676	
Other assets	-	-	-	-	-	-	582,994	582,994	
Financial liabilities		52,111,452	41,832,382	113,119,917	145,027,114	352,090,865	167,409,937	519,500,802	
Currency in circulation									
Capital notes	-	-	-	-	-	-	228,633,956	228,633,956	
Due to banks and financial institutions	0.14% to 6.67%	32,628,396	6,238,390	97,076	-	38,963,862	-	38,963,862	
Due to customers	0.1%	23,927,367	-	-	-	23,927,367	82,992,005	106,919,372	
IMF related liabilities	-	-	-	-	-	-	100,125,251	100,125,251	
Defined contribution obligation	-	-	-	-	-	-	1,402,666	1,402,666	
Provisions and other liabilities	-	-	-	-	-	-	1,467,534	1,467,534	
		56,555,763	6,238,390	97,076	-	62,891,229	930,980	930,980	
On balance sheet interest sensitivity gap		(4,444,311)	35,593,992	113,022,841	145,027,114	289,199,636	(248,142,455)	41,057,181	

If the interest rate increase / decrease by 100 bps, the effect on profit for the year would have been Afs.4,398,620 million (1396; Afs.2,891,996 million) higher / lower respectively.



## 35.5 Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. The overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency positions is required to be monitored by the management. The Bank has not entered in to any foreign currency hedging transaction as at year end.

The Bank's exposure to foreign currency risk is as follow:

## 30 Qaws 1397 (21 December 2018)

## Financial assets

Foreign currency cash reserves  
Due from banks and financial institutions  
Investments  
Assistance as lender of last resort  
Advances and other receivables  
Other assets

## Financial liabilities

Currency in circulation  
Capital notes  
Due to banks and financial institutions  
Due to customers  
IMF related liabilities  
Defined contribution obligation  
Provisions and other liabilities

## Net foreign currency exposure

	USD	Euro	GBP	PKR	Others	Afghani	Total
	(Afs in '000)						
Foreign currency cash reserves	22,529,541	512,689	5,846	160	-	-	23,048,236
Due from banks and financial institutions	232,057,131	41,904,822	49,852,427	1,533,834	327,113	-	325,675,327
Investments	205,981,683	-	-	-	-	-	205,981,683
Assistance as lender of last resort	-	-	-	-	-	6,961,885	6,961,885
Advances and other receivables	-	-	-	-	-	1,135,631	1,135,631
Other assets	861,795	-	-	-	-	-	861,795
	461,430,150	42,417,511	49,858,273	1,533,994	327,113	8,097,516	563,664,557
Financial liabilities							
Currency in circulation	-	-	-	-	-	228,055,578	228,055,578
Capital notes	-	-	-	-	-	33,698,650	33,698,650
Due to banks and financial institutions	34,225,847	11,560,130	162,287	837	-	44,702,138	90,651,239
Due to customers	94,984,689	1,934,505	4,230	11,710	5,382	39,575,763	136,516,279
IMF related liabilities	-	-	-	-	2,336,942	81,842	2,418,784
Defined contribution obligation	-	-	-	-	-	1,646,033	1,646,033
Provisions and other liabilities	148,272	-	-	2,981	-	9,577,755	9,729,008
	129,358,808	13,494,635	166,517	15,528	2,342,324	357,337,759	502,715,571
Net foreign currency exposure	332,071,342	28,922,876	49,691,756	1,518,466	(2,015,211)	(349,240,243)	60,948,986

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## 30 Qaws 1396 (21 December 2017)

## Financial assets

Foreign currency cash reserves  
Due from banks and financial institutions  
Investments  
Assistance as lender of last resort  
Advances and other receivables  
Other assets

USD	Euro	GBP	PKR	Others	Afghani	Total
(Afs in '000)						
71,898,575	12,710,983	5,709	189	17	-	84,615,473
141,962,339	35,309,371	47,927,972	1,099,300	364,872	-	226,663,854
190,416,596	-	-	-	-	-	190,416,596
-	-	-	-	-	14,588,096	14,588,096
-	-	-	-	-	1,630,676	1,630,676
582,994	-	-	-	-	-	582,994
404,860,504	48,020,354	47,933,681	1,099,489	364,889	16,218,772	518,497,689

## Financial liabilities

Currency in circulation  
Capital notes  
Due to banks and financial institutions  
Due to customers  
IMF related liabilities  
Defined contribution obligation  
Provisions and other liabilities

-	-	-	-	-	228,633,956	228,633,956
-	-	-	-	-	38,963,862	38,963,862
40,514,249	13,309,226	16,779	819	-	53,078,299	106,919,372
58,430,000	2,722,016	4,131	13,851	-	38,955,253	100,125,251
-	-	-	-	1,327,649	75,017	1,402,666
-	-	-	-	-	1,467,534	1,467,534
470,337	-	-	14,954	-	445,689	930,980
99,414,586	16,031,242	20,910	29,624	1,327,649	361,619,610	478,443,621

## Net foreign currency exposure

305,445,918	31,989,112	47,912,771	1,069,865	(962,760)	(345,400,838)	40,054,068
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## 35.5.1 Sensitivity analysis on foreign currency financial assets and liabilities

A 1% increase in the exchange rates of USD, Euro, GBP and PKR at 21 December 2018 would have increased / (decreased) equity and profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	Euro	GBP	PKR	Others	Afghani	Total
	(Afs in '000)						
<b>30 Qaws 1397 (21 December 2018)</b>							
<b>Effect of 1% increase in exchange rate</b>							
<b>Financial assets</b>							
Foreign currency cash reserves	225,295	5,127	58	2	-	-	230,482
Due from banks and financial institutions	2,320,571	419,048	498,524	15,338	3,271	-	3,256,752
Investments	2,059,817	-	-	-	-	-	2,059,817
Assistance as lender of last resort	-	-	-	-	-	-	-
Advances and other receivables	-	-	-	-	-	-	-
Other assets	8,618	-	-	-	-	-	8,618
	4,614,301	424,175	498,582	15,340	3,271	-	5,555,669
<b>Financial liabilities</b>							
Due to banks and financial institutions	(342,258)	(115,601)	(1,623)	(8)	-	-	(459,490)
Due to customers	(949,847)	(19,345)	(42)	(117)	(54)	-	(969,405)
IMF related liabilities	-	-	-	-	(23,369)	-	(23,369)
Defined contribution obligation	-	-	-	-	-	-	-
Provisions and other liabilities	(1,483)	-	-	(30)	-	-	(1,513)
	(1,293,588)	(134,946)	(1,665)	(155)	(23,423)	-	(1,453,777)
<b>Effect on Equity / Profit</b>	3,320,713	289,229	496,917	15,185	(20,152)	-	4,101,892

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	USD	Euro	GBP	PKR	Others	Afghani	Total
	(Afs in '000)						
<b>30 Qaws 1396 (21 December 2017)</b>							
<b>Effect of 1% increase in exchange rate</b>							
<b>Financial assets</b>							
Foreign currency cash reserves	718,986	127,110	57	2	-	-	846,155
Due from banks and financial institutions	1,419,623	353,094	479,280	10,993	3,649	-	2,266,639
Investments	1,904,166	-	-	-	-	-	1,904,166
Assistance as lender of last resort	-	-	-	-	-	-	-
Advances and other receivables	-	-	-	-	-	-	-
Other assets	5,830	-	-	-	-	-	5,830
	4,048,605	480,204	479,337	10,995	3,649	-	5,022,790
<b>Financial liabilities</b>							
Due to banks and financial institutions	(405,142)	(133,092)	(168)	(8)	-	-	(538,410)
Due to customers	(584,300)	(27,220)	(41)	(139)	-	-	(611,700)
IMF related liabilities	-	-	-	-	(13,276)	-	-
Defined contribution obligation	-	-	-	-	-	-	-
Provisions and other liabilities	(4,703)	-	-	(150)	-	-	(4,853)
	(994,145)	(160,312)	(209)	(297)	(13,276)	-	(1,154,963)
<b>Effect on Equity / Profit</b>	3,054,460	319,892	479,128	10,698	(9,627)	-	3,867,827

**35.5.2** Effect of 1% decrease in exchange rates will have same effect on net unrealised gains / (losses) for both years but in opposite direction.

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### 36. CHANGE IN ACCOUNTING POLICY

During the year, the Bank has changed its accounting policy for treatment of unrealised exchange gain/(loss) on monetary gold. The Bank was previously recognizing unrealised exchange gain/(loss) on monetary gold in the statement of profit or loss. Under the new policy the unrealised exchange gain/(loss) on monetary gold is recognized in the statement of other comprehensive income. The Bank believes that revised policy provides more accurate information to the user of financial statements, and is based on the international best practices followed by other central banks around the world.

This change in accounting policy has been applied in accordance with the requirements of International Accounting Standard - IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and consequently, comparative figures in the statement of financial position and statement of changes in equity have been restated.

The financial impact of the change in accounting policy on the financial statements is as follows:

	As originally reported	Effect of change in policy	Restated
	Afs '000	Afs '000	Afs '000
<b>Balance at 01 Jadi 1395 (21 December 2016)</b>			
<b>Statement of financial position</b>			
Revaluation reserve	34,479,722	15,843,252	50,322,974
Other components of equity	18,951,940	(6,984,582)	11,967,358
Accumulated profits	-	(8,858,670)	(8,858,670)
<b>Balance at 30 Qaws 1396 (21 December 2017)</b>			
Capital	23,809,250	(289,000)	23,520,250
Revaluation reserve	41,134,147	18,198,331	59,332,478
Other components of equity	31,511,561	(8,772,476)	22,739,085
General reserve	23,809,250	(289,000)	23,520,250
Accumulated profits	-	(8,847,855)	(8,847,855)

### 37. RECLASSIFICATIONS

For better presentation the following reclassifications have been made and accordingly, these figures have been reclassified:

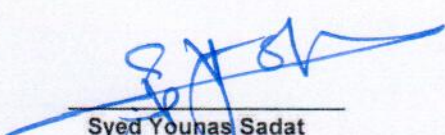
Reclassified from	Reclassified to	30 Qaws 1396 (21 December 2017) (Afs in '000)
Investments	Other Assets	566,868
Due to customers	Due to banks and financial institutions	834,737


### 38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Supreme Council of the Bank on \_\_\_\_\_.

### 39. GENERAL

Figures have been rounded off to the nearest thousand, except as otherwise mentioned.

  
Syed Younas Sadat  
Chief Financial Officer

  
Khalil Sediq  
Governor

  
Wahidullah Noshor  
First Deputy Governor