



Ammual Report 2019





Annual Report of Da Afghanistan Bank

Governor's Office Directorate General Add: Ibn-e-Sina Watt, Kabul - Afghanistan





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Overview of Afghanistan's Economic Environment and Monetary Policy Performance

Overview of Afghanistan's Economic Environment and Monetary Policy Performance

World Economic Environment

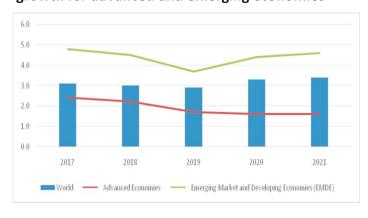
According to World Bank report, the world economy has declined in FY 1398, because of poor performance of international commercial market and decreased productivity and investment in emerging economies which have decelerated the economic growth of developing and emerging economies like China, India, Brazil and Russia.

The World Bank and IMF report further reveals that the economies of advanced economies, European countries and developing and emerging countries have declined by 1.7 percent, 1.2 percent and 3.7 percent respectively.

Among advanced economies, the US economy grew by 2.3 percent in FY 1398, while Britain and Germany have recorded a growth rate of 1.4 percent and 0.4 percent respectively.

Among emerging economies, China's economy grew by 6.1 percent and Turkey experienced 0.9 percent growth.

Figure (1) depicts gross domestic product growth for advanced and emerging economies



Source: World Bank

Economic Developments in Afghanistan Real Sector

The real sector developments will be analyzed in two categories. The first part will discuss the economic developments and the second will focus on inflationary developments.

Economic Development

Afghanistan enjoyed significant economic growth in FY 1398 as compared to a year earlier. Gross domestic product comprised of agriculture, industry and service sectors, has increased to 4.03 percent in FY 1398; however it was recorded 1.58 percent last year.

Agriculture has grown remarkably in FY 1398. The sector performed well due to favorable weather and adequate rainfalls, as well as increased export of dry and fresh fruits through ground and air transportation, which has doubled the economic development in the reporting period. Agriculture making up 25.52 percent of gross domestic product grew by 20.79 percent, which was -5.86 percent last year. Agriculture sector boomed owing to increased production of sub-items like grain (from - 12.54 percent in 1397 to 14.95 percent in 1398), fruits (from - 9.43 percent to 19.65 percent) and other items (from 3.46 percent to 46.31 percent). The national industrial growth slowed substantially in FY 1398. The industries sector accounting for 12.13 percent of GDP, declined from 19.44 percent last year to - 4.39 percent in FY 1398. Poor investments and worsened financial, political and security risks have adversely affected the industrial development in the country. Figures reveal that industrial supplies fell from 68.48 percent in FY 1397 to shocking – 9.55 percent in FY 1398, non-food industrial products decreased from 38.05 percent to – 36.77 percent and construction activities decreased from 1.99 percent to – 1.35 percent that pushed industrial growth downward.

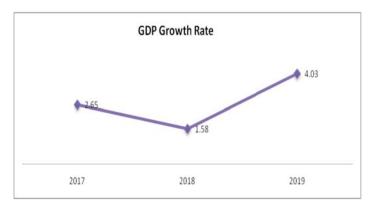
Likewise, service sector also experienced negative growth in the reporting year. Making up 57.38 percent of GDP, the service sector decreased by -1.00 percent in FY 1398 compared to 2.05 percent decrease last year. Undesirable changes to industrial sector have overshadowed the service sector,

resulting in slowed growth trend. Wholesale and retail trade fell from 10.02 percent of preceding period to 0.44 percent in FY 1398, restaurants and hotels decreased from 3.33 percent to 0.65 percent, postal services and telecommunications from 6.60 percent to 0.90 percent, property dealing from 4.16 percent to 2.54 percent, education from 0.68 percent to – 26.76 percent, health and social services declined from 2.94 percent to 0.54 percent.

Table (1) explains the gross domestic product (% change)

Indicators	1396	1397	1398
	17/2016	18/2017	19/2018
Gross domestic product	2.9	1.58	4.03
Agriculture	9.33	-5.86	20.79
Industry	8.05	19.44	-4.39
Services	-1.79	2.05	-1.00

Figure (2) depicts the GDP growth rate



Monetary Inflation:

In FY 1398, the monetary inflation stood at a desirable level. Da Afghanistan Bank successfully curbed inflationary fluctuations. This year, inflation hovered between 3.63 percent and 3.75 per-

cent that reached 3.75 percent at the end of year after a surprising jump from 2.77 percent a month earlier, reflecting the bank's upswing in realization of monetary goals.

The headline inflation rate rose due to increased price of both food and non-food sub-categories.

The food index reached 5.99 percent in the month of Jaddi (January), while the figure was 4.91 percent in Qaws 1398. Moreover, the nonfood inflation standing at 0.77 percent in the month of Qaws (December) 1398, climbed to 1.65 percent in Jaddi.

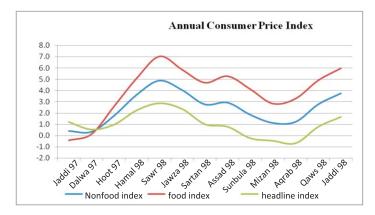
For thorough study of inflationary developments in the country, the central bank evaluates the core inflation. Based on this measure, unusual factors that arise out of seasonal developments or exceptional conditions are being removed from the index to prevent its impact on headline index. One of the key measures of core inflation is trimmed mean. In Afghanistan, it covers a specific portion (70%) of index that demonstrates normal develop-

ment. Based on this measure, the inflation rate has dropped from 3.89 percent in Qaws to 3.35 percent in the month of Jaddi 1398.

Annual headline inflation rate explained in the table (2):

Items	Jadi 97	Dalwa 97	Hoot 97	Hamal 98	Sawr 98	Jawza 98	Sartan 98	Assad 98	Sunbula 98	Mizan 98	Aqrab 98	Qaws 98	Jadi 98
Headline index	0.41	0.34	1.77	3.63	4.88	4.03	2.77	2.92	1.85	1.12	1.22	2.77	3.75
Food items index	-0.41	0.14	2.62	5.12	7.04	5.86	4.71	5.28	4.13	2.85	3.29	4.91	5.99
Nonfood items index	1.19	0.53	0.97	2.24	2.85	2.35	1.00	0.78	-0.24	-0.47	-0.69	0.77	1.65
%30) Trimmed (Mean	2.02	2.23	2.62	3.54	3.00	3.04	2.53	2.14	2.23	3.26	3.46	3.89	3.35

Figure (3) illustrates annual consumer price index



External Sector

External Trade:

The figures show that export of goods and service has declined by 6 percent in FY 1398 compared to a year ago. Total export is placed at USD 1,509.21 million in FY 1398, which was registered USD 1,609.74 million last year.

Moreover, the import of goods and services also experienced a decrease of 8 percent in FY 1398 as compared to preceding period. The total import

value was estimated to be USD 7,370.58 million as compared to USD 7,983.85 million.

However, the deficit of balance of trade was USD 6,374.38 million in FY 1397 that fell to USD 5,861.36 million in FY 1398, representing 8 percent decrease.

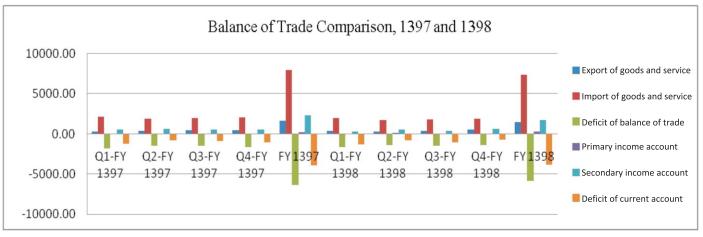
The net primary income increased by 61 percent from USD 190.73 million in FY 1397 to USD 306.66 million in the year under review, but subordinate income (grants and remittances) reduced by 23 percent which has decreased from USD 2,286.81 million in preceding period to USD 1,756.14 million in the reporting year.

The deficit of current account demonstrates 3 percent decrease in 1398 from USD 3,896.84 million in FY 1397 to USD 3,798.57 million.

Table (3) highlights the balance of current account (in million USD)

Items/ Period	Q1 1397	Q2 1397	Q3 1397	Q4 1397	FY 1397	Q1 1398	Q2 1398	Q3 1398	Q4 1398	FY 1398
Export of Goods and Services	334.51	377.83	455.64	441.49	1,609.47	370.49	283.89	344.64	510.20	1,509.21
Import of Goods and Services	2,111.75	1,874.30	1,945.32	2,052.48	7,983.85	1,990.96	1,711.12	1,783.13	1,885.36	7,370.58
Deficit of balance of trade	-1,777.24	-1,496.48	-1,489.68	-1,610.98	-6,374.38	-1,620.48	-1,427.23	-1,438.49	-1,375.16	-5,861.36
Primary income account	22.38	54.64	63.45	50.26	190.73	75.91	101.07	68.84	60.84	306.66
Subordin ate income account	514.01	667.92	562.03	542.85	2,286.81	267.66	547.83	341.22	599.43	1,756.14
Deficit of current account	-1,240.84	-773.92	-864.20	-1,017.87	-3,896.84	-1,276.91	-778.33	-1,028.43	-714.89	-3,798.57

Figure (4) compares the balance of trade in 1397 and 1398



Source: monetary policy department, DAB

Capital Account Balance:

The capital account of balance of payments is reported USD 1,193.94 million in FY 1398, compared to USD 1,314.41 million in the last year with 9 percent decrease.

The net foreign direct investment (FDI) represents

104 percent decrease in FY 1398, dropping from USD 80.63 million in FY 1397 to USD 2.90 million in the period under review. Likewise, indirect investment (investment in bonds) fell from USD 142.70 million to USD - 14.62 million in the reporting period.

Table (4) highlights financial and capital account balance (figure in million USD)

Financial and capital account balance	Q1 1397	Q2 1397	Q3 1397	Q4 1397	FY 1397	Q1 1398	Q2 1398	Q3 1398	Q4 1398	FY 1398
Capital account	37.70	199.92	456.33	620.45	1314.41	56.13	241.57	391.57	504.68	1,193.94
Financial account	47.54	-81.88	304.04	209.75	479.45	-38.34	40.88	49.18	11.59	63.31
Direct investment	-43.31	-49.75	5.94	6.50	-80.63	1.71	-6.30	9.04	-1.55	2.90
Indirect investment	44.07	-11.24	106.80	3.07	142.70	-16.46	15.42	-33.74	20.16	-14.62
Other investments	40.98	17.47	78.65	115.92	253.02	-71.61	1.35	-82.58	123.72	-29.13

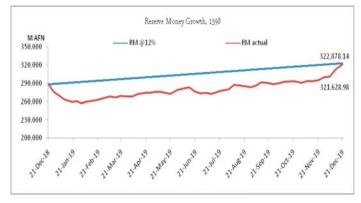
Source: monetary policy department, DAB

Monetary Sector Developments

Liquidity (Reserve Money and Currency in Circulation):

For FY 1398, the reserve money target was set at 11.60 percent and Da Afghanistan Bank has outperformed in achieving this target as the real figure was placed at AF 321.628 billion which is just low by AF 1.25 billion from the target which proves the successful implementation of monetary policies in Afghanistan.

Figure (5) illustrates the growth trend of reserve money, FY 1398

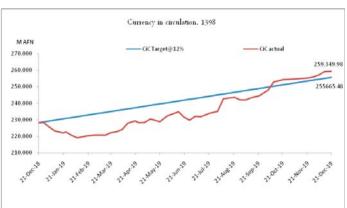


Source: monetary policy department, DAB

For currency in circulation, the target was 12 percent which amounted to AF 259.349 billion at the end of FY 1398. The real currency in circulation grew by 13.65 percent in FY 1398 as compared to

preceding period and records AF 3.68 billion above target. Hence, we can conclude that real reserve money is below and currency in circulation is above the target.

Figure (6) reveals currency in circulation trend, FY 1398



Source: monetary policy department, DAB

Net International Reserves of Da Afghanistan Bank

The net international reserves (NIR) reaches to USD 7,846.07 million at the end of FY 1398, recording a surplus of USD 141.09 million above the target.

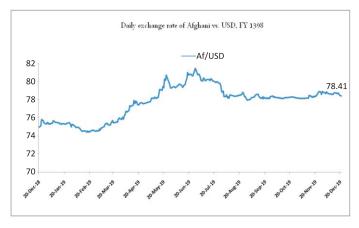
Afghani-USD Exchange Rate

Da Afghanistan Bank follows the Managed Floating Exchange Rate Regime as it determines the

exchange rate on the basis of market demand and supply rate. As obvious, Afghanistan faces severe trade deficit as the foreign currencies are being used instead of Afghani as payment for imports. Therefore, Afghani's value is under pressure in the market which is among pressing factors reducing Afghani's exchange rate against foreign currencies.

Exchange rate of Afghani to USD was 78.41 at the year-end which has decreased by 4.65 percent compared to similar period of last year. Also, Afghani exchange rate to Pound and Euro depreciated by 5.6 percent and 1.74 percent respectively.

Figure (7) depicts Afghani exchange rate to USD, FY 1398



Source: monetary policy department, DAB

The prominent factors pressing the exchange rate of Afghani against foreign currencies are import-based and currency-based economy, capital flight and security challenges.

One of the key objectives of Da Afghanistan Bank is the domestic price stability. Da Afghanistan Bank uses the Managed Floating Exchange Rate and the economy's reliance on imports alongside other factors move Afghani's exchange rate further into fluctuations. To curb these fluctuations, the central bank utilizes the open market opera-

tions (currency and capital note auctions) as it has sold a total of USD 2,430.40 million via currency auction and collected AF 189.25 billion from the market in the year under review.

The other tool DAB uses to maintain the liquidity is capital notes auction, as AF 24.90 billion has been auctioned via capital note in the year under review.

Financial Sector Developments

In FY 1398, monetary policy department analyzed various financial sector areas (budget, revenues and expenditures) for quarterly and annual basis, as the financial sector performances have been adversely affected by security and political turmoil as well as exchange rate fluctuations.

As per monetary policy's annual action plan, the financial sector as a special representative for the launch of Public Private Partnership (PPP) programs contributes to the department as board member of public partnership. Additionally, the division is involved in the finance ministry's State Building Contract (SBC) launched in 1396 as per EU rules and standards. According to the contract, a range of reforms surrounding public policy, macroeconomic framework, public financial management are agreed and the EU will offer Afghanistan a voluntary package of Euro 200 million in return for these reforms. As a special representative to aforesaid schemes, Da Afghanistan Bank played a key part by providing individual reports on economic indicators and presenting any important information gathered and prepared by financial sector division, for the scheme in order for the contract to run precisely and on time as envisaged by the finance ministry of Afghanistan.

According to annual action plan 1398, the financial

sector division has successfully gathered the financial sector variables on monthly, quarterly and yearly basis and built the quarterly and annual statistical bulletins around it. Furthermore, it has submitted monthly economic reports to the executive board and provides accurate data on financial sector (budget, revenues and expenditures) for DAB's Financial Programming and Poli-

cies program.

In spite of existing challenges, the domestic revenue amounts to AF 208.41 billion in FY 1398 which shows increase by 9.78 percent compared to AF 189.84 in the previous year.

Table (5) explains approved and real budget of FY 1398 and proposed budget of FY 1399

	Approved budget 1398		Realized budge		Proposed budget 1399		
	Billion Afghani	Billion dollar	Billion Afghani	Billion dollar	Billion Afghani	Billion dollar	
Total core budget	399.41	5.36	412.03	5.53	428.38	5.75	
Operational budget	275.22	3.69	272.87	3.66	289.11	3.88	
Development budget	124.19	1.66	139.16	1.87	139.27	1.87	
Total income	387.02	5.20	400.80	5.38	415.98	5.59	
Domestic revenues	188.00	2.52	208.41	2.80	208.90	2.80	
Foreign aids	199.02	2.67	192.38	2.58	207.08	2.78	

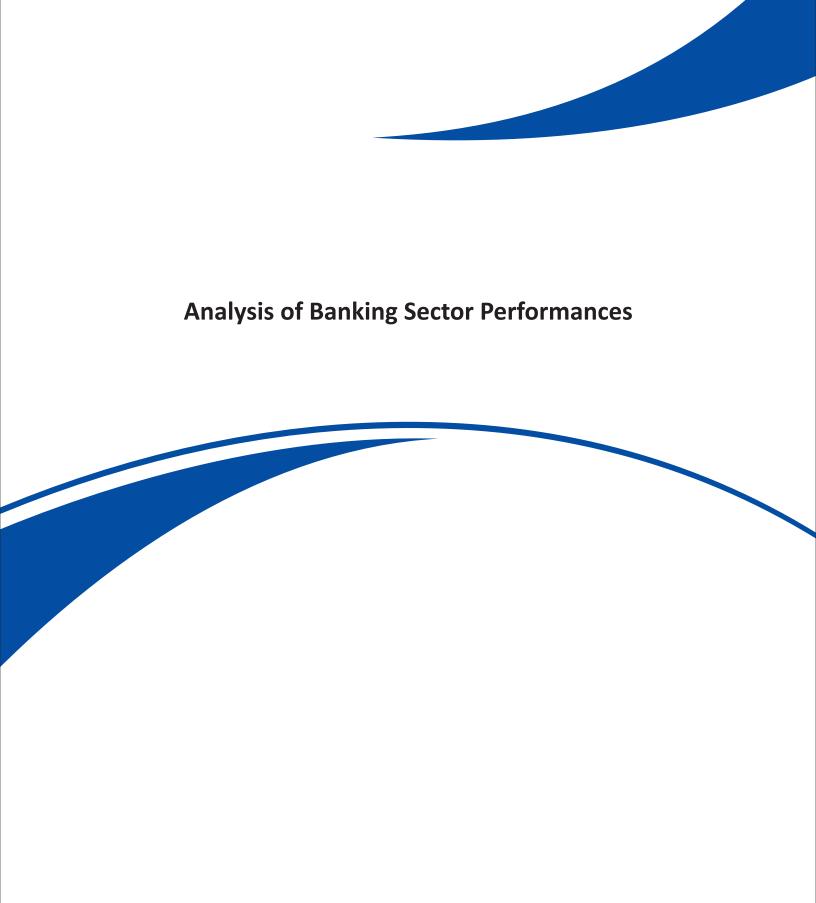
Budget FY 1398:

The national budget for 1398 was put at AF 399.41 billion and the realized budget reaches to AF 412.03 billion in Qaws

Operational budget	Projection was AF 275.22 billion, and the budget realized to AF 272.87 billion
Development budget	Projection was AF 124.19 billion and the budget realized to AF 139.16 billion
Domestic revenues	Projection was AF 188.00 billion, and the budget realized to AF 208.41 billion
Foreign aids	Projection was AF 199.02 billion and the budget realized to AF 192.38 billion

The budget projected for FY 1399 is AF 428.38 billion equivalent to USD 5.75 billion

Projection for operational budget	AF 289.11 billion equivalent to USD 3.88 Billion
Projection for development budget	AF 139.27 billion equivalent to USD 1.87 Billion
Projection for domestic revenues	AF 208.90 billion equivalent to USD 2.80 Billion
Projection for foreign aids	AF 207.08 billion equivalent to USD 2.78 Billion



Analysis of Banking Sector Performances

The banking sector of the country accounts for 23.58 percent of GDP, composed of 13 banks including three state-owned banks, seven private banks, one Islamic bank and the rest of two are foreign branch banks.

1: A Glimpse of Banking Sector

The table (6) describes the highlights of developments of banking sector's key financial indicators, which will be discussed in the coming pages

	Annual Developments Quarterly Developments						
Indicators		ı	Figures in m	illion Afghar	ni		Remarks (Annual Developments)
	Dec 2018	Dec 2019	% of change	Sept 2019	Dec 2019	% of change	
Total Assets	315,666	313,069	-0.82%	298,334	313,069	4.94%	It decreased by AF 2.59 billion in current year compared to preceding fiscal year
Total Gross Loans	41,435	41,150	-0.69%	42,373	41,150	-2.89%	Gross loans decreased by AF 285 million compared to previous year
Interbank Gross Claims	94,766	83,466	-11.92%	85,126	83,466	-1.95%	Indicators of interbank gross claims records AF 11.30 billion decrease compared to previous year.
Investment in Capital Notes	22,082	31,743	43.75%	30,529	31,743	3.98%	Investment indicators increased by AF 9.66 billion in current year compared to a year ago
Overdue Loans	10,738	12,908	20.21%	13,581	12,908	-4.96%	Overdue loans grew by AF 2.17 billion in reporting year compared to a year ago.
Adversely Classified Loans	6,153	7,366	19.71%	8,186	7,366	-10.02%	This indicator increased by AF 1.21 billion compared to previous year.
Non-Performing Loans	3,725	5,956	59.90%	5,573	5,956	6.87%	Non-performing loans grew by AF 2.23 billion compared to a year ago.
Total Deposits	273,335	266,576	-2.47%	253,919	266,576	4.98%	Total deposits decreased by AF 6.75 billion compared to preceding year
Total Liabilities	281,345	277,365	-1.41%	263,641	277,365	5.21%	Total liabilities decreased by AF 3.98 billion compared to a year ago.
Total Financial Capital	34,320	35,704	4.03%	34,694	35,704	2.91%	The financial capital increased by AF 1.38 billion in reporting year compared to previous year.
Regulatory Capital	30,417	31,428	3.32%	30,570	31,428	2.80%	This indicator represents an increase of AF 1.01 billion in year under review.
Risk-Weighted Assets	117,744	121,196	2.93%	118,453	121,196	2.32%	It increased by AF 3.45 billion compared to preceding year.
Net Accrued Gain/Loss	2,378	2,683	12.83%	1,422	2,683	88.67%	The total profit or gain increased by AF 305 million in reporting year

Following is the in-depth report on banking sector performance:

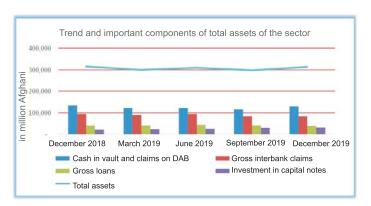
The number of bank branches and other facilities available in the country are listed in the table (7):

Bank Facilities	Dec 2019	Dec 2018	Developme nts	% of Development
Branches with full services	205	203	2	0.99%
Branches with limited services	205	212	(7)	-3.30%
ATMs	359	341	18	5.28%
POS	122	170	(48)	-28.24%
Facilities type 24 (21)and25)	104	87	17	19.54%
Credit card	1,294	2,008	(714)	-35.56%
Debit card	688,755	506,557	182,198	35.97%
ATM card	252,270	226,066	26,204	11.59%
Master card	11,604	1,566	10,038	641.00%
Pre-paid card	25,555	5,088	20,467	402.26%
Web-surfer card	4,660	12,887	(8,227)	-63.84%
Number of credit accounts	66,302	72,457	(6,155)	-8.49%
Number of borrowers	66,221	72,455	(6,234)	-8.60%
Number of credit accounts owned by female company director or deputy director	14,210	15,593	(1,383)	-8.87%
Number of depositors	4,012,928	3,687,206	325,721	8.83%
Number of accounts with balance	3,316,687	3,182,044	134,642	4.23%
Number of staff (national and foreign)	9,609	9,422	187	1.98%

2. Total Assets

As of December 2019 (Qaws 1398), the total assets of the banking sector amounts to AF 313.06 billion, decreased by 0.8 percent compared to preceding period (Qaws 1397). The total assets reduced due mainly to remarkable demand deposit withdrawals by clients and other factors including closing of a foreign branch bank and payment of dividends. A quick look at total assets will reveal a considerable decrease in items such as interbank claims (USD accounts), DAB capital notes, required reserve and net loans accounts (USD).

Figure (8) illustrates the trend and key components of assets



As seen in the figure above, the main components are cash in vault and claims on DAB (41.97 percent), interbank claims (26.66 percent), gross

Facility type 21: a unit authorized to lead the initial processing of loan but not the payment of loan

Facility type 24: a unit only authorized to pay cash

Facility type 25: a unit only authorized to receive and collect cash

loans (13.14 percent and investment in capital notes (10.14 percent).

Table (8) compares the indicators of asset quality in 2018 and 2019

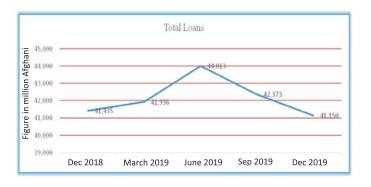
Indicators of Asset Quality	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019
Ratio of cash and claims on DAB (excluding capital notes) to total assets	31.96%	32.16%	30.75%	30.55%	33.46%
Ratio of capital notes to total assets	10.92%	8.77%	8.61%	8.65%	8.51%
Ratio of interbank claims (internal) to total assets	1.01%	1.31%	1.35%	1.76%	1.63%
Ratio of interbank claims (external) to total assets	28.90%	28.67%	29.02%	26.54%	25.04%
Ratio of gross loans to client deposits	15.45%	16.62%	16.99%	17.02%	15.72%
Ratio of loan loss reserve to total gross loans	9.83%	10.67%	10.93%	12.25%	12.21%
Ratio of loan loss reserve to assets	1.29%	1.49%	1.55%	1.74%	1.60%
Ratio of related persons' loans to regulatory capital	1.10%	0.53%	1.25%	1.26%	1.27%
Ratio of seized assets to total assets	0.28%	0.30%	0.30%	0.33%	0.35%
Ratio of seized assets to total gross loans	2.13%	2.14%	2.15%	2.30%	2.64%
Ratio of non-performing loans to total assets	1.18%	1.53%	1.82%	1.87%	1.90%

2.1 Total Loans

As of Qaws 1398 (December 2019), total loans amount to AF 41.15 billion, representing a decrease of 0.69 percent compared to previous period (Qaws 1397), due mainly to settlement and charge-off of loans.

It has to be noted that private banks lead the lending category by making up 88.70 percent of the total loans, with state-owned banks second at 10.56 percent and foreign branch banks at 0.74 percent stands the last.

Figure (9) depicts the course of total loans of the banking sector



The total loan constitutes 15.44 percent of total deposits and 13.14 percent of total assets of the banking sector.

Table (9) explain the total loans by type of currency

Total loans by currency type (figure in million Afghani)									
Currency	Dec 2018	March 2019	June 2019	September 2019	Dec 2019				
Afghani	17,071	18,864	20,227	20,439	20,912				
US\$	24,247	22,955	23,685	21,851	20,171				
Other currencies	117	117	101	83	68				

2.2 Credit Quality

The credit quality of banking sector is still concerning, as non-performing loans accounts for 14.47 percent of total gross loans which took a surge after December 2018. From 14.47 percent of non-performing loan, 13.09 percent is attributed to four banks, making up 66.19 percent of total gross loans and 37.57 percent of regulatory capital of the banking sector.

Figure (10) illustrates gross loan and overdue loan

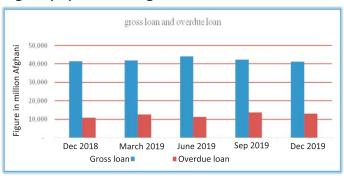


Figure (11) illustrates the course of nonperforming loan of the banking sector



A breakdown of banking groups reveals 99 percent of total nonperforming loan belongs to private banks whereas the state-owned banks constitute only 1 percent.

Table (10) describes the indicators of credit quality

Credit Quality Indicators	Dec 2018	March 2019	June 2019	Sep 2019	Dec 2019
Ratio of overdue loan to gross loan	25.92%	30.18%	25.41%	32.05%	31.37%
Ratio of adversely classified loan to gross loan	14.85%	15.29%	16.88%	19.32%	17.90%
Ratio of nonperforming loan to gross loan	8.99%	10.91%	12.80%	13.15%	14.47%
Ratio of nonperforming loan to regulatory capital	12.25%	15.06%	17.91%	18.23%	18.95%
Ratio of substandard loan loss reserve to overdue loan	33.12%	31.18%	38.56%	34.80%	35.50%
Ratio of substandard loan loss reserve to nonperforming loan	73.02%	69.39%	65.24%	68.24%	66.37%
Ratio of standard loan loss reserve to standard loan	1.68%	1.80%	1.52%	1.62%	1.56%
Ratio of nonperforming loan loss reserve to capital tier 1	3.49%	4.53%	6.33%	5.92%	6.75%
Ratio of net nonperforming loan to gross loan	2.69%	3.74%	5.00%	4.76%	5.54%
Ratio of net nonperforming loan to total gross loan	2.43%	3.34%	4.45%	4.18%	4.87%

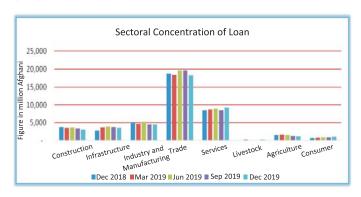
2.3 Types of Loan

The banking sector has issued various loan including overdraft loan, term loan and Islamic loan where overdraft constitute more than 50 percent of total loan.

2.4 Distribution of Loan by Sector

Breakup of the loans across the various sectors indicates the trade sector with highest share of 44.35 percent (including 11.30 percent petroleum and lubricants) is at first place and services sector with 22.15 percent share (including 6.57 percent telecommunication) stands at the second position. Manufacturing and industry, infrastructural projects and constructions rank third, fourth and fifth with 11 percent, 8.75 percent and 7.51 percent respectively.

Figure (12) demonstrates sectoral concentration of loan



2.5 Related Person Loan

The related person loan amounts to AF 398 million, making up 0.97 percent of total gross loan and 1.27 percent of regulatory capital. In the meantime, the related person loan was lower than limit set by relevant regulation (for individual 5 percent and aggregate 25 percent of regulatory capital).

2.6 Seized Assets

The total seized asset amounts to AF 1.08 billion,

making up 0.35 percent of assets which is attributed to five banks.

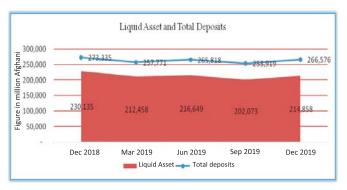
3. Liquidity

The banking sector is adequately liquid (cash and cash equivalents) and the liquidity ratio of all banks is above determined limit in liquidity accounting and management regulation (broad liquidity ratio 15 percent and quick liquidity ratio 20 percent). The median broad liquidity ratio of the banking sector is 55.89 percent.

3.1 Liquid Assets

The sector enjoys sufficient liquid assets, as liquid asset (cash and cash equivalents) amounts to 68.63 percent, constituting 87.12 percent of short-term debts.

Figure (13) depicts the course of liquid assets and total deposits



Liquidity Indicators

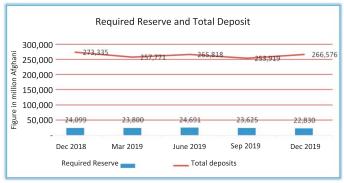
The table (11) describes the liquidity indicators

Liquidity Indicators	Dec 2018	March 2019	June 2019	September 2019	Dec 2019
Ratio of gross loan to total deposits	15.16%	16.27%	16.56%	16.69%	15.44%
Ratio of gross loan to assets	13.13%	14.00%	14.22%	14.20%	13.14%
Ratio of liquid assets to short term debts	90.68%	89.88%	89.06%	86.56%	87.12%
Ratio of highly liquid assets to short term debts	36.69%	36.35%	38.19%	36.89%	38.36%
Ratio of liquid assets to total assets	72.90%	70.92%	69.97%	67.73%	68.63%
Ratio of FX deposits to total deposits	70.56%	71.28%	72.96%	70.57%	69.08%
Ratio of gross loan to client deposits	15.45%	16.62%	16.99%	17.02%	15.72%
Ratio of elusive debts to total debts	0.77%	0.78%	1.33%	0.98%	0.91%
Ratio of national credits to total deposits and financial capital	13.47%	14.36%	14.60%	14.68%	13.61%

3.2 Required Reserve

In FY 1398, all banks met the required reserve limit for deposits, as the total required reserve limit for Afghani is 8 percent and for US\$ and Euro deposits is 10 percent.

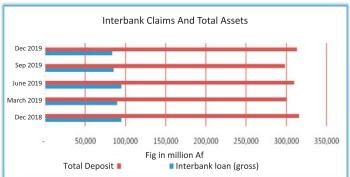
Figure (14) illustrates the required reserve and total deposits



3.3 Interbank Claims

Gross interbank claims consists of demand and time deposits, loan to bank and financial institutions which is the second largest component of assets composed of demand and time deposits in foreign banks.

Figure (15) depicts the course of interbank claim and total assets



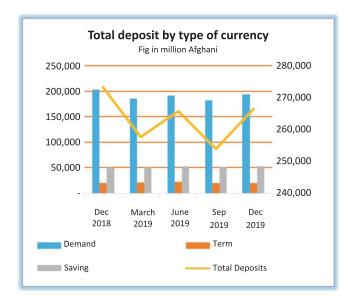
3.4 Deposits with Foreign Banks

The total deposits with foreign banks make up 25 percent of total assets and 30 percent of total deposits of the banking sector. By adding investments to capital notes, the share of investment outside the country amounts to 35 percent of total assets and 41 percent of total deposits, representing that a large portion of fund earned externally are invested. Moreover, gross loan accounts for total assets and deposits at 13 percent and 15 percent respectively.

3.5 Total Deposits

As main funding source of banks, deposits amounts to AF 266.57 billion as of December 2019, which decreased by 2.47 percent compared to previous period (December 2018) owing to demand deposit withdrawals.

Figure (16) and (17) reveal total deposits by type of accounts and currency



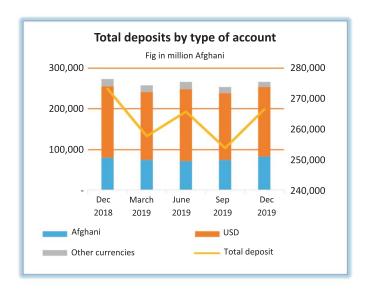
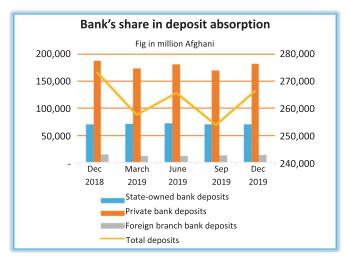


Figure (18) and (19) reveal the bank's share in absorption of deposits and total deposits by depositors





As observed above, most of the banking sector deposits consists of legal or corporate deposit (49.47 percent), followed by individual deposit at 43.88 percent, state deposits at 4.83 percent and financial institutions deposits at 1.83 percent.

Furthermore, private banks hold the largest share

of total deposits registering 68.29 percent and those of state-owned banks and foreign branch banks stand at 26.27 percent and 5.44 percent respectively.

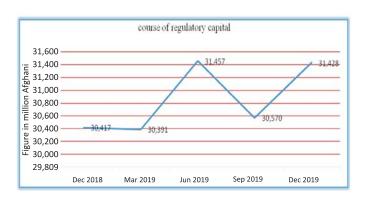
Table (12) explains the total deposits by type of deposit and currency (figure in million Afghani)

Total Deposits By Type of Deposit and Currency (Figure in million Afghani)								
Deposit Types	Dec 2018	March 2019	June 2019	Sep 2019	Dec 2019	Percentage of annual change		
Demand	203,362	185,929	191,005	181,877	194,109	-4.55%		
Time	19,546	21,392	22,552	20,464	19,961	2.12%		
Saving	50,427	50,449	52,260	51,578	52,506	4.12%		
Total Deposits	273,335	257,771	265,818	253,919	266,576	-2.47%		
Afghani	80,456	74,044	71,881	74,738	82,415	2.43%		
USD	174,886	166,532	176,264	164,254	170,839	-2.31%		
Other currencies	17,993	17,195	17,673	14,926	13,323	-25.95%		

4. Capital

According to reports provided by banks, the banking sector enjoys sufficient capital which constitutes 11.40 percent of total assets. The financial capital amounts to AF 35.70 billion in current month, which increased by 4.03 percent compared to previous periods (December 2018) due to profits and receipt of dividend from subsidiary company. Moreover, the regulatory capital amounts to AF 31.42 billion, indicating an increase of 3.32 percent compared to previous year.

Figure (20) reveals the regulatory capital of banking sector



Capital Adequacy Ratio
Table (13) describes the ratio or indicator of capital adequacy

Capital Adequacy Indicators	Dec 2018	Mar 2019	June 2019	Sep 2019	Dec 2019
Ratio of regulatory capital to risk-weighted assets	25.83%	26.99%	26.51%	25.81%	25.93%
Ratio of capital tier 1 to risk-weighted assets	24.49%	27.45%	26.09%	25.24%	24.50%
Reliance ratio	9.13%	10.31%	10.00%	10.02%	9.48%
Ratio of financial capital to total assets	10.87%	11.44%	11.49%	11.63%	11.40%

5. Profits

The banking sector has earned AF 2.68 billion profit in 2019, whereas it profited AF 2.37 billion in previous period, representing improvement in the year under review. The profit increased by 12.83 percent due to currency revaluation, income from capital note auction, cut in tax expenditures and rise in net interest income. Meanwhile, operational spending rose compared to previous period and non-interest income decreased.

Figure (21) illustrates the net accumulated profit on quarterly basis

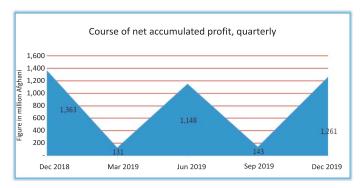


Table (14) explains indicators of profitability

Indicators	Dec 2018	March 2019	June 2019	Sep 2019	Dec 2019
Ratio of net interest income to net profit	128%	1,183%	150%	1,148%	118%
Ratio of net interest income to assets	0.55%	0.52%	0.56%	0.55%	0.48%
Ratio of non-interest income to assets	0.93%	0.51%	0.61%	0.53%	0.84%
Ratio of non-interest income to net profit	215%	1,161%	163%	1,113%	209%
Ratio of operational spending to net profit	209%	1,921%	237%	1,839%	226%
Ratio of salary to non-interest expenditures	70.59%	73.62%	74.19%	68.33%	63.04%
Proficiency ratio	60.83%	81.98%	75.65%	81.30%	68.99%
Gap between non-interest income to operational spending	85	(994)	(847)	(1,036)	(213)
Net accumulated gain/loss per quarter	1,363	131	1,148	143	1,261
Ratio of return to asset	0.44%	0.04%	0.38%	0.05%	0.42%
Ratio of return to capital	3.83%	0.38%	3.30%	0.41%	3.62%
Note: income and spending described in this table are quarterly accumulated amounts					

As seen above, the proficiency ratio demonstrates rising trend. It means bank spending is increasing and/or bank revenues are dwindling (proficiency ratio equal to 50 percent or lower is desirable). In the meantime, the gulf between non-interest income

and non-interest spending is largely wide (especially in September 2019) which has adversely affected the profitability and proficiency ratio, representing higher operational expenditures.

Table (15) shows monthly gain/loss

Monthly gain/loss (figure in million Afghani)						
Items	Dec 2018	March 2019	June 2019	Sep 2019	Dec 2019	
Interest income	683	627	680	570	567	
Interest spending	81	79	106	81	97	
Net interest income	602	547	573	489	469	
Net credit provisions	-190	34	-20	103	-436	
Investments gain/loss	2	-2	25	31	75	
Other non-interest income	1,307	545	530	536	1,320	
Non interest expenditures	630	525	548	519	670	
Salary costs	468	354	370	345	381	
Total operational costs	1,097	879	918	864	1,051	
Pre-currency revaluation and tax spending gain/loss	1,004	177	229	89	1,248	
Gain/loss from currency revaluation	17	86	209	53	193	
Tax spending	189	243	88	38	167	
Net gain/loss	832	19	350	103	1,275	

5.1 Credit Interest Rate

The interest rate of various credit types issued to clients reveals that the highest interest rate belonged to credit cards (though still little in number), followed by term loan, overdraft loan, consumer loan and Islamic (Murrabaha) loan. Moreover, the highest interest rate is 32 percent and the lowest is recorded at 2 percent. The average interest rate for loan registered in current month is 12.91 percent.

Table (16) describes types of loan in the banking sector

Credit Type	Average Interest Rate
Overdraft	13.70%
Term	13.76%
Consumer	12.81%
Murrabaha	12.02%
Credit Card	26.80%
Highest Interest Rate	32%
Lowest Interest Rate	2%

5.2 Interest Rate for Deposits

As of December 2019, for deposit attraction the interest rate was 1.57 percent, indicating increase against the preceding period.

Figure (22) shows average interest rate for new deposits



Figure (23) depicts average interest rate for new deposits

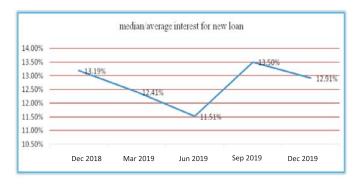
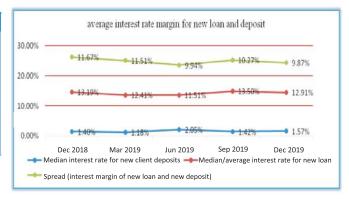


Figure (24) reveals average interest rate margin for new loan and deposit



6. Off-Balance Sheet Items

As of December 2019, total off-balance sheet items amount to AF 61.84 billion, largely composed of bank guarantee letters for auction, good performance and advance payments, representing an increase of 5.21 percent compared to previous period (December 2018).

7. Islamic Banking

Although the establishment of Islamic banking deputy office within DAB dates back to 2008, it recently expanded into a separate department (Islamic Banking and Finance Department).

The department supervises the entire Islamic banking activities and Islamic window of stateowned and private banks under Sharia law, Afghanistan Banking Law, DAB's banking guidelines and approved international Islamic standards.

The department's activities of FY 1398 (2019) revolves around supervision and regulation, Sharia affairs management and licensing, which will be discussed below:

Supervision Activities

In FY 1398, a comprehensive oversight of Islamic windows of five banks including Ghazanfar bank, Afghan Millie Bank, New Kabul Bank, Afghanistan International Bank and Afghan United Bank was conducted. Additionally, financial reports of Afghanistan Islamic Bank and Islamic windows of six conventional banks were collected on daily, monthly, quarterly and annual basis and assessed and analyzed in accordance with AAOIFI and IAS standards.

In FY 1398, new reporting format was developed for Islamic banks and Islamic windows of conventional bank to boost the reporting professionalism.

Moreover, two Islamic windows faced certain conditions under Supreme Council approvals and a special on-site supervision was conducted on these banks to ensure implementation of SC approvals. It must be said that the financial reports are shared with DAB executive board. As result, the board has imposed a number of conditions on these banks.

In the meanwhile, in response to the comprehensive on-site supervision report, a range of enforcement actions have been considered for Islamic window of a bank, which came into practice after receiving the corrective plan of concerning bank.

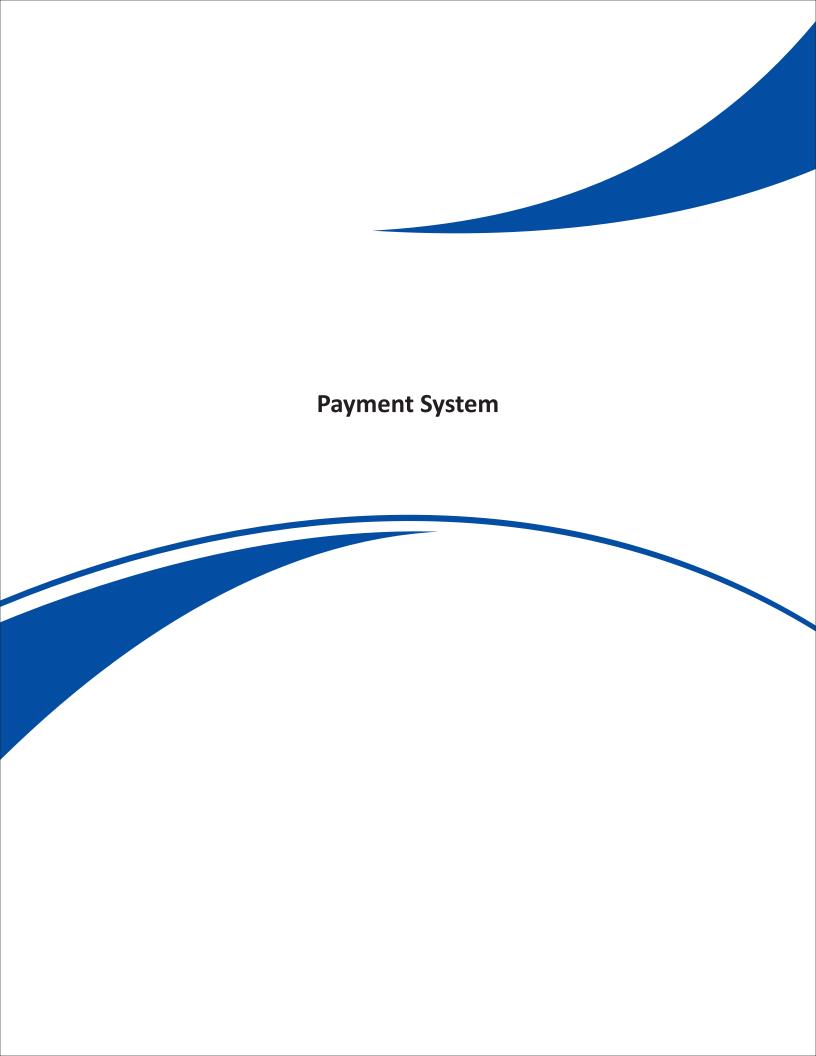
Regulations, Sharia Affairs Management and Licensing

In FY 1398, profit distribution regulation draft,

DAB Sharia supervisory board regulation, corporate governance regulation, Sharia affairs management regulation, Islamic banking Camel matrix draft and circular on management of bank policies and Islamic windows were compiled.

In the year under review, the licensing division has established an organized database for key posts of Islamic windows of conventional banks and one fully-fledged Islamic bank. This year's efforts include hiring and extension of service term of 12 qualified individuals for top Islamic bank and Islamic windows posts, assessment of six important positions, appraisal of organizational structures of Islamic window of AIB and Afghanistan Islamic Bank and evaluation and finalization of statute of Afghanistan Islamic Bank. It is pertinent to note that this year the department of Islamic banking and finance has collected AF 2.5 million as assessment fee of staff members of Islamic bank and windows as well as fine imposed for continued vacancy of top Islamic banking posts.

Last year, Sharia supervisory board held four meetings which discussed on policies of Islamic windows and Afghanistan Islamic bank and adopted necessary decisions. After approval by Sharia supervisory board, these policies are shared with relevant banks to adjust the onward executions accordingly.



Payment System

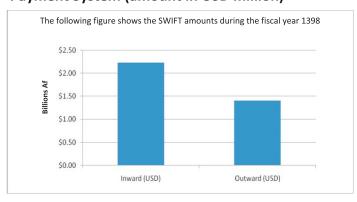
It's one of the main duties of Da Afghanistan Bank to establish, maintain, and develop sound and effective systems of payments. For this purpose, Da Afghanistan Bank bears the responsibility to register, organize, and supervise the payment systems and its organizers.

A summary of the performance of this department in the fiscal year 1398 is presented as under;

International Payment (SWIFT)

A total number of 5,605 transactions were made and processed through international payment system which included 1,844 inward transactions worth USD 2 Billions, 254 inward transactions worth Euro 132.3 million, 2,925 outward transactions worth USD 1.3 Billions and 582 outward transactions worth Euro 32.6 million. Also, 588 FX transactions worth USD 11.6 million and 38 FX transactions relating to World Bank worth USD 177.2 million are also included in this quarter. In addition to the aforementioned information, USD 3.1 Billions and Euro 223.6 million of outward amounts relating to the transactions of Da Afghanistan Bank were processed through this system.

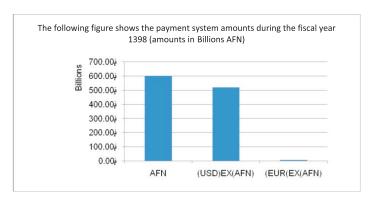
Figure (25) Processed Amounts of International Payment System (amount in USD million)



Interbank Payment System

According to statistics, total number of 196,716 transactions which included 138,767 transactions worth AFN 603.1 billion and 55,824 transactions worth USD 6.69 billion, as well as, 2,125 transactions worth Euro 60,648,916.16 were executed and processed through the interbank payment system

Figure (26) Amounts Executed through Interbank Payment System during the Fiscal Year 1398



Internal Payment Section

This section executes all transactions pertaining to the collection of government revenue. Branch offices of commercial banks are connected with Da Afghanistan Bank through this system so all revenues are collected and submitted into the government accounts.

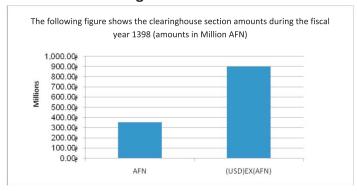
In this section, 257,975 transactions worth AFN 65.2 billion were executed and processed through ICPSS during the fiscal year 1398.

Cheque Settlement Section

Cheque from member banks of the system are settled through this section. In the year under review, total number of 2,459 cheques which included 1,384 cheques worth AFN 353 million, and

1,075 cheques worth USD 11.5 million were settled and processed by this section.

Figure (27) Executed Amounts of Cheque Settlement Section during the Fiscal Year 1398



Policy and Plan Development Section

Main duties of the Policy and Plan Development Section include preparing annual work plans, reviewing the procedures and policies, and developing the payment systems concerning the electronic payments in accordance with international standards.

General activities and achievements of the policy and plan development section during the fiscal year 1398 are outlined below;

- Finalizing the Pashto and Dari translation of the new payment systems of the ATS Policy Framework
- 2. Expanding the electronic payments and connecting four customs offices, as well as connecting 234 revenue accounts of Afghanistan to the International Payment System.
- 3. Expanding the work environment in regard to the access of banks to the international payment system.
- Implementing new payment systems of ATS (RTGS - ACH) project
- Cooperating with domestic and international counterparts in regard to the expansion of

- payment systems
- 6. Arranging awareness programs pertaining to the implementation of the electronic payment development plan in the west, north, and east zones of the country.
- 7. Arranging training programs concerning the new ATS (RTGS ACH) systems for the employees of Da Afghanistan Bank and other licensed banks of Afghanistan
- 8. Testing the transactions in the new ATS (RTGS ACH) system by the technical team of the Payment Department, as well as, testing the systems through all licensed banks of Afghanistan and solving the problems during the testing
- Reviewing the work procedures of the Payment Department and obtaining the approval of the executive board of Da Afghanistan Bank in this regard

Market Operation

Market Operation

Pursuant to Da Afghanistan Bank Law, DAB as sole institution to devise, adopt and implement the monetary policy in Afghanistan. This bank, operates in the open market by purchasing and selling, outright (spot and forward) or under repurchase agreements, convertible foreign currencies, and issued debt securities;

The Market Operations Department has the responsibility to act as the executive base of the monitory policy and administer the auction of FX and CNs, and manage the currency reserves and foreign exchange investment.

The process and status of currency reserves of Afghanistan, Capital Notes auction, Foreign Exchange auction and other activities of the Market Operations Department during the fiscal year 1398 (2020) are outlined below;

Currency Reserves: Currency Reserves of Afghanistan that was reported USD 8.280 billion at the beginning of Jaddi, 1397 (December 2018), amounted to USD 8.589 billion in Qaws, 1398 (November 2019) showing USD 309 million increase in Da Afghanistan Bank portfolio.

Investments of Da Afghanistan Bank which are carried out by the reserve section of the Market Operations Department include investment in time deposits of credible banks of the world and investment in government securities of large economy countries.

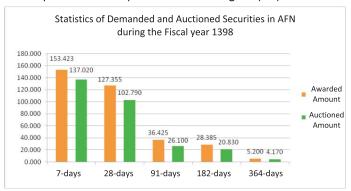
Even though USD investments have reported an upward trend compared to Sterling Pound and Euro, which so far have not been doing well in the world market, however, since the second quarter

of the fiscal year 1398 (June 2019), a considerable decrease has been reported in USD interest rate which, as a result, has significantly affected the world investment market. Also, keeping in view the economic situation of America and the decisions of the Federal Reserve Bank concerning the decrease in the interest rate for investment, the downward trend of the interest rate for USD investment will continue.

Even though the interest rate of investment in the world market was reported bad compared to the previous year and has experienced significant fluctuations, Da Afghanistan Bank has been able to achieve USD 181 million profits pertaining to its investment which has been declared as an unprecedented achievement. Meanwhile, investment in Sterling Pound is improving and the interest rate for Euro investment is still negative as it was in the past, and it seems that the condition for Euro investments may not improve till the fourth quarter of 2020.

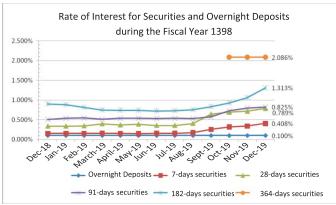
Capital Notes Auction: Capital Notes are one of the monetary policy tools of Da Afghanistan Bank. Since the beginning of the fiscal year 1398 (2019) to the end, the Market Operations Department has launched Capital Notes auction once every week. Auctions for 7- days, 28- days, 91- days, 182- days and 364-days Capital Notes have been conducted 48 times during the related fiscal year the total auctioned sum of which amounts to AFN 290,910,000,000 the investors of which consists of government and private commercial banks.

Further details of the demanded and awarded amounts of the Capital Notes are presented in the figure (28) below



Based on the decision of the Monetary Policy Committee of Da Afghanistan Bank and as per the previous year, short-term Capital Notes have also been sold in the year under review as a result of which the price of capital notes has been decreased.

Figure (29) Interest Rate of Capital Notes and Overnight Deposits



The rate of Capital Notes is determined based on supply and demand, and the decision of the Auction Committee taking into account the monetary conditions of the country. During the fiscal year 1398 (2019), the average interest rate is determined around 0.408% for short-term Capital Notes (7-days), 2.08% for long-term Capital Notes (one year), and 0.10% for overnight deposits.

Figure (30) Total Outstanding Capital Notes during the Fiscal Year 1398 (2019)

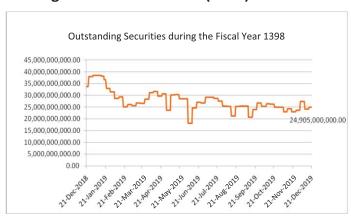
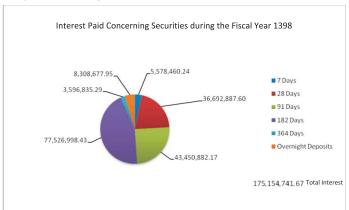


Table (17) Capital Notes Awarded to the Banks during the Fiscal Year (1398)

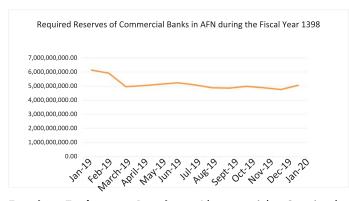
Bank Name	7 days	28 days	91 days	182 days	364 days	Total	Percentage of Share
Aziz Bank	1,000,000,000.00	1,800,000,000.00	0.00	100,000,000.00	600,000,000.00	3,500,000,000.00	10.20%
Pashtanay Bank	500,000,000.00	0.00	4,000,000,000.00	1,500,000,000.00	500,000,000.00	6,500,000,000.00	24.48%
First Microfinance Bank	100,000,000.00	600,000,000.00	350,000,000.00	100,000,000.00	0	1,150,000,000.00	3.26%
New Kabul Bank	0.00	0.00	1,750,000,000.00	5,235,000,000.00	2,520,000,000.00	9,505,000,000.00	38.79%
Afghanistan Interna- tional Bank	-	200,000,000.00	250,000,000.00	250,000,000.00	250,000,000.00	950,000,000.00	3.88%
Arian bank	0	0	0	0	0	0.00	0.00%
Habib Bank	0	0	0	0	0	0.00	0.00%
Banki Milli Afghan	0.00	0.00	0.00	0.00	0	0.00	6.94%
Al Fallah bank	-	0.00	375,000,000.00	1,225,000,000.00	0	1,600,000,000.00	5.51%
Afghan United Bank		0.00	200,000,000.00	500,000,000.00	0	700,000,000.00	2.86%
Maiwand bank	0	0	0	0	0	0.00	0.00%
National Bank of Pakistan	0.00	0.00	0.00	700,000,000.00	300,000,000.00	1,000,000,000.00	4.08%
Ghazanfar Bank	0		0		0	0.00	0.00%
Afghan Deposit Insur-							
ance Corporation			0		0	0.00	0.00%
Total	1,600,000,000.00	2,600,000,000.00	6,925,000,000.00	9,610,000,000.00	4,170,000,000.00	24,905,000,000.00	100.00%

Figure (31) Further Details of Paid Interest Concerning the Sale of Capital Notes and Overnight Deposit during the Fiscal Year 1398



It's worth mentioning that during the fiscal year 1398, AFN 175,154,741.67 total interest for Capital Notes and Overnight Deposits have been paid for which AFN 500,000,000 budget was allocated.

Figure (32) commercial Banks Required Reserves in AFN



Foreign Exchange Auction: Along with Capital Notes auction, Da Afghanistan Bank, for the effectiveness of the monetary policy, also administers Foreign Exchange auction for licensed foreign exchange dealers. During the fiscal year 1398, this department has launched foreign exchange auction 142 times and has supplied a total amount of USD 2,430,404,999 equivalent to AFN 189,251,255,851 to the market.

Required Reserves: This is another monetary policy tool and pursuant to the law, private banks are re-

quired to keep required reserves as per the percentage determined for foreign exchange and Afghani deposits. Commercial banks are required to hold 8 percent of their total deposits as obligatory reserves

Figure (33) Required Reserves of Commercial Banks in USD (10% of their total deposits) during the Fiscal Year 1398

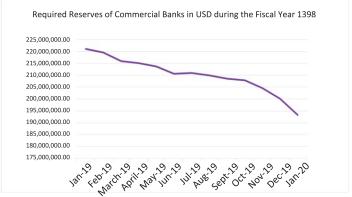
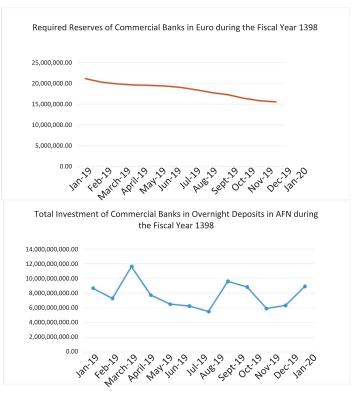


Figure (34 & 35) Required Reserves of Commercial Banks in Euro



Letters of Credit: This section of Market Operations Department opened 16 letters of credit during the fiscal year 1398 amounting to USD 50,208,648, Euro 16,084,370 and AFN 27,207,132.

Public Credit Registry Department

Public Credit Registry Department

The public credits registry department was established under the financial sector strengthening project funded by World Bank within DAB's structure in September 2008.

Public credits registry department has worked towards the management of public credits registry and registration of mortgage rights on movable properties:

1. Public Credits Registry

PCR operates under DAB law and credits reporting regulation and currently all commercial banks and microfinance institutions (FINCA, OXUS, United, Rural Afghan financial institutions), as well as DAB's financial supervision department is actually utilizing it. To this moment, credit information of up to 5800 companies and 305,392 individuals is registered in the system.

The registrations into PCR system includes variety of banking products like letter of credit, bank guarantees, term loans, overdraft loan, credit card and Islamic loans.

The registrations also cover a number of contracts, described in the following table: 18

No.	Contract Type	Amount
1	Total open contracts	118,220
2	Total closed contracts	364,638
3	Total contracts registered in the system	482,858
4	Number of companies registered in the system	5,800
5	Number of individuals registered in the system	305,392

This system is not used commonly, only those officially introduced by an involved authority and provided with user as per procedures may take advantage of the system. The top product of the system is credit reports that allow the users to take reasonable decisions and well identify clients. This system is not used for free and a fee is being charged from users in accordance with the executive board's approval no. 415 dated 18/10/1392.

PCR's launch is a new phenomenon in Afghanistan that needs further development. Hence, the PCR department strives to inform other authorities of the advantages of the system and provide necessary conveniences for the utilization of the system, as the followings are point-based efforts made in FY 1398:

- Agreement signed with Breshna company for the utilization of PCR system;
- Agreement signed with Islamic financial and investment institutions;
- The second stage of public credits registry launched for the preparation of the system for collection of credit information from non -required institutions and convincing them into the effectiveness of the system;
- Several meetings held with Afghanistan Telecommunication Regulatory Authority (ATRA) and telecommunication companies to include data in the credit reports for completing the awareness drive on PCR;
- Access to finance workshop held in Badakhshan, Kandahar, Herat, Nangarhar and Bamyan provinces for traders, industrialists

and female entrepreneurs.

2- Registration of Mortgage Rights on Movable Properties

The achievements of this office in FY 1398 are briefed as below:

- Amendment draft of law on mortgage of immovable properties is submitted to DAB's legislation committee for the review and confirmation;
- Training held for the employees of finance ministry's major tax-payers' directorate for learning the usage of registration of mortgage rights on movable properties system;

3- Business Development

The business development unit of PCR department has organized another five awareness events across the nationwide zones. In the capital, it has launched one-day public awareness workshops on the systems of credit registry and registration of mortgage rights on movable properties. The participants of these events include private entrepreneurs, commercial banks, microfinance institutions, national merchant, industrialists, female entrepreneur, handicraft owners, teachers and students.

Besides the above, the awareness events on systems of public credit registry and registration of mortgage rights on movable properties were held in private and state-run universities in the capital and provinces.

These events were organized for the students of Kabul, Kardan, Kateb and Maiwand Universities that raises the total number of participants for public awareness events in state-run and private universities to 1600 individuals and to 417 indi-

viduals across five provinces.

4- Information Technology (IT)

The IT office is a supporting unit for PCR that plays important part in daily operations of both systems.

It has carried out the following activities in FY 1398:

- Inclusion of two modules in the system including benchmarking for quick access to market reports based upon performances and role of financial institutions (banks and microfinance institutions) and billing for the preparation of electronic user statements in public registry system is underway with the cooperation of credit info (PCR system provider).
- For the further protection of PCR department's dual systems (PCR and CR), the required hardware is provided and the daily backup of data is secured.
- An organized internal procedure is established for testing the system backups and test servers are created for both systems to ensure the registration of information.
- Internet with the capacity of 1MB and 2MB is connected with the safe, continuous and rapid fiber optic network.
- Technical problems are addressed and prevented in other cases of PCR's technical issues.

5- Legal Counsel

Besides providing quarterly reports for World Bank in 1398, the legal affairs office has specifically carried out the followings:

• Drafting of legal materials for awareness events held in the capital and provinces.

- Active participation in and delivering presentation on legal affairs at awareness events.
- Active participation in the meetings of banks and microfinance institutions and relevant financial organizations about the usage of public credits registry system and obedience to regulatory criteria of credits info quality.
- Study of legal context in the light of law and regulations for increasing new products in PCR for the improvement of services.

6. Management of executive and financial affairs.

Besides administrative tasks, the department is tasked to maintain relations with the banks and microfinance institutions and prepare monthly financial reports of banks and microfinance institutions.

The total revenues collected in FY 1398 from services provided by the department for banks and micro and medium finance institutions amount to AF 3,352,300 which will be described in the table (19) by monthly breakdown.

No	Months	Banks	Microfinance Institutions	Total
1	December	234,200	60,000	294,200
2	January	233,000	15,000	248,000
3	February	246,300		246,300
4	March	256,050	100,000	356,050
5	April	196,250		196,250
6	May	254,350	30,000	284,350
7	June	188,800	30,000	218,800
8	July	264,650	45,000	309,650
9	August	198,500	35,000	233,500
10	September	236,800	80,000	316,800
11	October	310,900		310,900
12	November	227,500	110,000	337,500
	Total	2,847,300	505,000	3,352,300

Afghan Deposits Insurance Company (ADIC)

Afghan Deposits Insurance Company (ADIC)

Afghan Deposit Insurance Corporation (ADIC) is established within DAB in order to back the public deposits in commercial banks, repay public deposits in the event of crisis, preserve banking stability, and encourage depositors, increase savings and gain public trust on the banking sector.

Main activities of ADIC for FY 1398 will be briefed as following:

ADIC's Monetary Resources

ADIC is basic sources of income are including ini-

tial and circulatory capital received from DAB and ministry of finance, membership fee from member commercial banks, annual premium collection from commercial banks and proceeds of ADIC's investments.

Premium collection from banks by currency, FY 1398

According to its procedure, ADIC has collected premium from banks considering the currency as described in table (20) below:

Prem	Premium transferred from commercial bank accounts to ADIC account, FY 1398					
Quarters	Year	Afghani	USD	Euro		
Q4	Jan, Feb and March 2019	35,959,931	1,059,355	97,348		
Q1	April, May and June 2019	36,169,313	1,049,944	29,905		
Q2	July, August and September 2019	35,895,807	1,033,398	28,554		
Q3	Oct, Nov and December 2019	37,110,735	1,062,880	25,912		
	Total	145,135,786	4,205,577	181,719		

Development of procedure on deposit insurance of Islamic banking

According to its strategic plan, ADIC has considered a separate system for deposit insurance of Islamic banking, encompassing the general fundamental framework for deposit insurance of Islamic banking.

This system runs independently in respect of account, premium collection, report collection and reporting on Islamic banking deposits, investment of earned fund on the basis of regulated Islamic Sharia, which has altogether enabled the ADIC to prepare the draft procedure of deposit insurance of Islamic banking in spirit of regulations, procedures and objectives determined as per possibilities available. This draft procedure will be proposed to the Supreme Council of DAB for approval after confirmed by Sharia supervisory board.

ADIC's Overseas Investment

For the safety and lucrative movement of funds, ADIC has invested its fund out of Afghanistan with the help of DAB's market operation department. The corporation has earned USD 145,548.05 from depositing USD 29,498,000 for a period of three months with in overseas bank.

 Altering the nature of premium collection from commercial banks For further transparency in premium collection, segregation of currency deposits, creating convenience in premium collection and segregation of currency deposit reports submitted through financial supervision department, ADIC has received the premium in each respective currency including Afghani, USD and Euro, and other currencies are collected in USD.

Financial Transaction and Reports Analysis Center of Afghanistan

Financial Transaction and Reports Analysis Center of Afghanistan

Preface

Financial Transaction and Reports Analysis Center of Afghanistan (FinTRACA) was established in 2006 pursuant to Anti-Money Laundering and Proceeds of Crime Law and in accordance with the internationally recognized Financial Action Task Force standards. The center was established to prevent the misuse of the country's banking and financial system for money laundering and terrorism financing activities. Under the Anti-Money Laundering and Proceeds of Crime Law, FinTRACA (the Financial Intelligence Unit) is independent in its operations to conduct its activities, duties and functions, including full autonomy in decisions to receive, analyze and disseminate information relating to Money Laundering, major crimes, and Terrorism Financing in accordance with the provisions of law. Together with financial supervisors, justice and law enforcement agencies, FinTRACA contributes to building and maintaining a sound environment for identifying and combating money laundering and terrorist financing activities.

Transfer of Currencies and Bearer Negotiable Instruments at Border Customs

Currencies are controlled at all international airports and six land borders in accordance with Article 7 of Anti-Money Laundering and Proceeds of Crimes law, and the regulation Governing the Reporting and Control of Physical Transfers of Currency, and Bearer Negotiable Instruments through the Border Customs. The statistics of declaration forms recorded at the aforementioned airports

and land borders during the financial year 1398, are outlined below;

Cases Disseminated to the Law Enforcement Agencies During Financial Year 1398 (2019)

Pursuant to Article 25 of the Anti-money Laundering and Proceeds of Crimes Law, FinTRACA collects and analyzes suspicious financial transactions received from reporting entities and sends them to the law enforcement agencies and the relevant entities of the Attorney General's Office of the Islamic Republic of Afghanistan. Under Article 36 of the said law, concerned institutions shall ensure FinTRACA of their performance.

The Analysis Section, being one of the key sections of FinTRACA, always endeavor to analyze suspicious financial cases in a quantitative and qualitative manner. In addition to analyzing and disseminating cases of combating terrorism financing, organized crimes, drug trafficking, kidnapping, hostage-taking, money laundering, corruption and bribery, tax evasion, forgery, and fraud, the center has comprehensively cooperated in arranging 18 meetings of experts on 10 cases to present technical opinions in regard to financial and banking documents for greater effectiveness of investigations carried out by the law enforcement agencies.

For more information, observe Table (21):

No	Case Type	PREDICATE OFFENSE	Number of Suspicious Transaction Reports	Number of Subjects involved in Case	Law Enforcement Agency the case is disseminated to
1	Strategic	Human Trafficking	0	19	Ministry of Interior Affairs (MCTF)
2	Strategic	Terrorist Financing	0	7	National Directorate of Security (241)
3	Reactive	Drug Trafficking	0	9	Attorney General's Office (CNJC) (ACJC)
4	Reactive	Money Laundering	1	6	FSD, Da Afghanistan Bank
5	Reactive	Money Laundering	4	6	Ministry of Interior Affairs (MCTF)
6	Reactive	Money Laundering	5	23	Attorney General's Office
7	Reactive	Terrorist Financing	1	7	National Directorate of Security (241)
8	Reactive	TF, Cash and Hu- man Trafficking	6	22	National Directorate of Security (241)
9	Proactive	Fraud	0	12	Attorney General's Office
10	Proactive	Terrorist Financing	0	10	National Directorate of Security (241)
11	Strategic	Terrorist Financing	1	31	Security Council
12	Proactive	Terrorist Financing	0	1	Ministry of Interior Affairs (GDCT) (CTP)
13	Reactive	Money Laundering	1	3	National Directorate of Security (062)
14	Reactive	Money Laundering	3	6	Ministry of Interior Affairs (MCTF)
15	Reactive	Money Laundering	1	3	Attorney General's Office (ACJC)
16	Reactive	Money Laundering	2	5	Attorney General's Office (ACJC)
17	Reactive	Money Laundering	0	18	Attorney General's Office (ACJC)
18	Reactive	Money Laundering	5	14	Attorney General's Office (ACJC)
19	Reactive	Terrorist Financing	1	10	National Directorate of Security (241)
20	Reactive	Cash Smuggling	0	2	National Directorate of Security (MCTF)
21	Reactive	Terrorist Financing	1	10	National Directorate of Security (241)
22	Reactive	Terrorist Financing	1	1	National Directorate of Security (241)
23	Reactive	Terrorist Financing	1	1	National Directorate of Security (241)
24	Reactive	Drug Trafficking	1	3	Ministry of Interior Affairs (SIU)
25	Reactive	Terrorist Financing	1	5	National Directorate of Security (CTP)
26	Proactive	Cash Smuggling	0	6	Ministry of Interior Affairs (MCTF)
27	Reactive	Robbery	3	10	National Directorate of Security (062)
28	Reactive	Money Laundering	5	9	Ministry of Interior Affairs (SIU)
29	Reactive	Money Laundering	1	3	Ministry of Interior Affairs (GDCT) (CTP)
30	Reactive	Terrorist Financing	1	8	National Directorate of Security (241)
31	Reactive	Terrorist Financing	1	2	National Directorate of Security (241)

MONEY SERVICE PROVIDERS

As per Da Afghanistan Bank Law, money service providers involve services conducted in relation to money including safekeeping, money transmission, cheque cashing, and currency exchange.

Persons providing these services are termed as Money Service Providers and are legally required to attain a business license. This sector is vulnerable in regard to money laundering and terrorism financing; therefore FinTRACA has taken the following measures during the year 1398 (2019);

HAWALA ELECTRONIC AND MANUAL REPORTING

In order to act more transparently and bring efficiency to the sector, FinTRACA has always sought to pave ground for electronic reporting in this sector. To this end, a series of specific training programs have been delivered by FinTRACA throughout the country for the purpose of capacity building in the area of electronic reporting which increased the number of the electronic reporting entities.

Currently 82% of the sector provides its Large Cash Transaction Reports electronically to this center. While the percentage of the LCTRs remains the same as last year, however, the number of licensed entities has increased.

Table (22) Breakdown of electronic and manual reporting by region:

REMITTANCE TRANSACTIONS REPORTING					
NO	REGION	MANUAL REPORTING	ELECTRONIC REPORTING		
1	Central Region	54	345		
2	East Region	35	106		
3	West Region	5	211		
4	North Region	0	189		
5	Northeast Region	0	254		
6	Southwest Region	48	68		
7	Southeast Region	114	37		
TOTAL		256	1,210		
GRAND	TOTAL	1,	466		

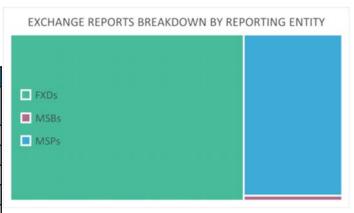
The table above shows a significant increase in the number of Money Service Providers compared to the previous year.

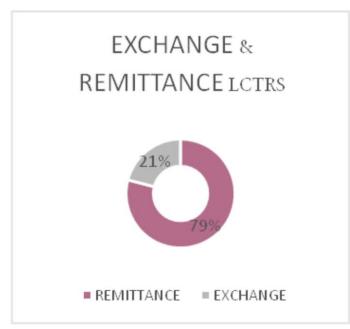
Receipt of Large Cash Transaction Reports of Remittance and Exchange

Money Service Providers and Foreign Exchange Dealers are mandated to report Large Cash Transaction Reports (LCTR) in compliance with article 17 of the AML-PC law and article 33 of the MSP-FXD Regulation. Also, pursuant to the provisions of the said regulation, MSPs and FXDs shall report all-transactions (exchanges or transfers) amounting to or in excess of AFN 500,000.00 or its equivalent in other currencies no earlier than the first business day of the month and no later than the tenth business day of the month following the month during which the transaction occurred.

Any two (2) transactions by and between the same two parties that occur within 48 hours one after another, the aggregate of which is AFN 500,000.00 shall also be reported.

Figures (36 & 37) Exchange Transactions Breakdown by Reporting Entity and Large Cash Transactions of Remittance and Exchange







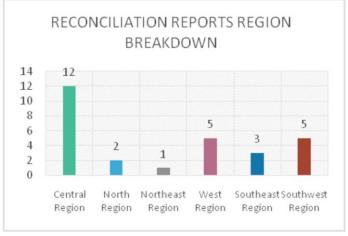
Since MSPs are required to report their LCTRs within the specific dates, the relevant section responsible for receiving LCTRsdecided to reconcile these transactions. The reconciliation process of the receipt of reports is conducted to ensure that both parties have reported the transaction details of their customer in the same period under reconciliation.

Since the establishment of the process, FinTRACA has concluded 28 reconciliation reports, as a result of which, 28 MSPs are identified as violators and financial penalties amounting to 1,400,000 AFN are imposed and collected in regard thereto.

It is also worth mentioning that the reconciliation process was established not only in main office of this center but also in its regional offices throughout the country.

Figures (38 & 39) illustrate breakdown of reconciliation reports by region & financial penalties





FinTRACA Measures in DAB USD Auction Process

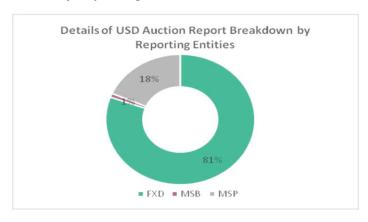
Financial Transactions and Reports Analysis Center of Afghanistan has always played its active role in achieving and maintaining the highest level of integrity and transparency in financial sector of Afghanistan. While remaining steadfast to its commitments to establish transparency in financial sector of the country, the center engages itself in DAB USD Auctions process in line with Articles 5, 17 and 18 of AML- PC law.

DAB USD Auction Reports Receipt

Money Service Providers and Foreign Exchange Dealers are reporting entities to FinTRACA as per article 5 of AML-PC Law of the country. Therefore, these sectors are required to report their entire USD auction Transactions to FinTRACA via FX Por-

tal regardless of the amount.

Figure (40) Details of USD Auction Report Breakdown by Reporting Entities



<u>Enforcement Measures of FinTRACA in DAB USD</u> <u>Auction Process</u>

As per the enforcement action MATRIX specific for DAB USD Auction, and relevant law and regulations, this Center is committed to take enforcement measures for non-compliance with Auction terms and conditions and regulatory violations.

Table (23) Enforcement Measures Taken against Violations Concerning DAB Auction Process:

EXCLUSION	NUMBER OF PARTICIPANTS
Permanent	6
Temporary	54

FX-Portal

All reporting entities (FXDs and MSPs) have electronic reporting systems in place to ensure transparency in reporting and enable reporting entities to report electronically in a timely manner.

Recently, MSPs and FXDs have been equipped with an electronic reporting portal called 'the FX-Portal'. In the same manner, all MSPs and FXDs are required to register themselves into this portal.

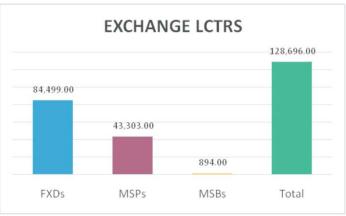
The FX-Portalis developed in three languages (Pashto, Dari and English) and is easily accessible in all parts of the country via computers, smart phones

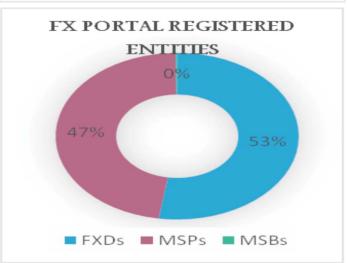
and other smart gadgets. It enables all MSPs and FXDs and relevant government authorities to further analyze the transactions as prescribed in Anti-money Laundering and Terrorism Financing laws of Afghanistan. The system also enables the sector to prevent crimes like money laundering and terrorism financing, and helps the reporting entities in implementing the UN Sanctions list.

Since most of the FXDs in the country are not fully familiar with the use of advanced technology, the interface of the portal is developed in a simple and user-friendly manner.

Since the establishment of the FX portal, 3,015 entities comprising of 1,610 FXDs, 1,402 MSPs and 3 MSBs have been registered in the portal.

Figures (41 and 42) Large Cash Transactions of FX Portal Registered Entities





As illustrated above, a total of 128,696 reports have been received via this portal, of which 84,499 have been reported by FXDs, 43,303 have been reported by MSPs and 894 reports have been received from Money Service Businesses. During the implementation of the FX Portal almost 200 training sessions were conducted across the country in 34 provinces by FinTRACA Regional Operations Team to complete the project.

To ensure compliance with the registration requirement into the portal, FinTRACA obliged all banks by providing them a separate user to identify and differentiate these entities with unlicensed entities. Non- compliance with the FX portal requirements has resulted in revocation of 7 licenses and suspension of 16 licenses of the reporting entities (FXDs and MSPs).

Non-Banking Institutions Section Directorate

The Non-Banking Financial Institutions Section was established in April 2019 in FinTRACA's operational Framework. FinTRACA incorporated Four important sectors of the country's financial system; Insurance Companies, Money Services and FXD Businesses, Electronic Money Institutions (EMIs) and Micro Finance Institutions (MFIs) along with other entities. Since these four sectors were developing, therefore, it was required that the said institutions were managed by an independent department, therefore, this responsibility was borne by the Nonbanking Institutions Section. These sectors are connected with FinTRACA database and submit their STRs and LCTRs regularly to this Center. The section organized and arranged coordination meetings for increased coordination of the abovementioned sectors and supervising entities. Also, to regulate the activities of the reporting sectors, the section provided the said sectors with the relevant laws and regulations, along with circulars necessary for organizing their activities.

National Cooperation

Responding to Enforcement Entities' and other State Institutions' Requests for Information

In compliance with the Article 28 of Anti-Money Laundering and Proceeds of Crime Law, FinTRACA received 293 requests for information from Attorney General's Office, Ministry of Interior, National Directorate of Security (NDS), Asset Registration and Verification Office, National Procurement Authority (NPA), Afghanistan Revenue Department (ARD), and other government institutions, of which 253 requests for information that included 882 legal and natural subjects, were responded to by this Section.

Tables (24 & 25) contain details of the applications based on which the requests for information were processed.

NO	REQUESTING ENTITIES	TOTAL REQUESTS
1	Attorney General's Office (AGO)	61
2	Ministry of Interior	111
3	National Directorate of Security (NDS)	71
4	Asset Registration and Verification Office, Office of the President	21
5	National Procurement Authority (NPA)	8
6	Afghanistan Revenue Department (ARD)	6
7	Other	8
TOTAL REQUEST OF INFORMATION RECORDED IN DATA- BASE		286
TOTAL RESPONDED REQUEST OF INFORMATION		253
TOTAL REQUEST OF INFORMATION RECEIVED FROM ENFOREEMENT ENTITITIES AND OTHER INSTITUTIONS		293
	ER OF LEGAL AND NATURAL SUBJECTS INCLUDED : RESPONDED APPLICATIONS	882

NO.	BASIS OF REQUESTS	NUMBER OF REQUEST
1	Asset Registration & Verification	28
2	Corruption & Bribery	23
3	Drug Trafficking	61
4	Tax Crime	5
5	Terrorist Financing	53
6	Fraud	2
7	Kidnapping	6
8	Money Laundering	10
9	Extortion	1
10	Forgery	7
11	Robbery and Theft	2
12	Wired Fraud	4
13	Other	84
	GRAND TOTAL	286

FinTRACA has received 21 requests for information from the Asset Registration and Verification Department of the Office of the President during the financial year 1398. These requests were related to the information pertaining to the non fixed assets of the 522 high raking government officials out of which 15 such requests for information that included information of 332 high ranking government officials were timely responded to.

Requesting Information from Enforcement Agencies and other Govt. Entities

Pursuant to Article 28 of Anti-money Laundering and Proceeds of Crime Law, FinTRACA has made

18 requests for information required for the analysis of their cases during the year 1398 which included information pertaining to the payment or nonpayment of taxes by the concerned commercial companies, customs duty of commercial companies, validity and non-validity of commercial companies' licenses, and credibility of the national identity cards of natural persons. The said requests were sent to the organizations related to the Ministry of Interior, Ministry of Finance, Ministry of Commerce and Industries and National Statistics and Information Authority to acquire the required information.

Natural and Legal Subjects' Accounts Freezing

Considering the importance and urgency of the issue, FinTRACA has been able to respond to requests made for the freezing of accounts by law enforcement agencies including the Anti-Corruption Criminal Justice Center (ACJC), NDS, Major Crimes Task Force (MCTF), Intelligence and Investigation Unit (IIU), and Sensitive Investigative Unit (SIU) of the Deputy Ministry of Anti-narcotics, and has frozen a total number of 34 corporate and individual bank accounts which total frozen amount equals to 51,538,178 AFN and 2,466,984 USD.

MoUs on the Exchange of Financial Information

 Memorandum of Understanding on the Exchange of Financial Information with the NDS:

In line with Article 28 of the Anti-Money Laundering and Proceeds of Crime Law, a Memorandum of Understanding on the Exchange of Financial Information was signed between Fin-TRACA and the National Directorate of Security in April, 2019. The aim behind this MoU was to

facilitate cooperation concerning the exchange of information in accordance with the applicable laws of the country as well as for the purpose of detecting and investigating financial crimes, money laundering, terrorism financing, and identifying suspicious assets resulting from major crimes inside the country and cooperating in regard to the exchange of information with financial intelligence units of foreign countries.

It is noteworthy that the departments of the NDS have already cooperated concerning the exchange of information in combating money laundering, terrorist financing and other major crimes in the light of the law and previous agreements.

 MoUs on the Exchange of Financial Information with the Attorney General's Office:

FinTRACA has signed a Memorandum of Understanding on the exchange of information concerning combat against money-laundering and terrorism financing with Attorney General's Office of the Islamic Republic of Afghanistan in accordance with the applicable laws of the country in October, 2019. The purpose of signing this memorandum was to create a cooperation framework, accelerate the exchange of financial information, and to establish an effective mechanism, and coordination for combating money laundering, terrorism financing and other major crimes.

It is worth mentioning that FinTRACA has already cooperated in all aspects with the Attorney General's Office in this regard, which has led to better results in combating against money laundering, terrorism financing and other financial crimes and more technical cooperation between the two institutions.

International Cooperation

A total number of 64 inbound and outbound international requests were dealt with during the year 2019, which included 11 outbound international requests made for receiving information from foreign Financial Investigation Units, and 53 inbound international requests responded. A total number of 156 legal and natural subjects were included both in inbound and outbound international requests.

International MoUs

FinTRACA signed two memorandums of understanding during the year 2019. These MoUs were signed with Financial Intelligence Unit of Bank Negara Malaysia to create a cooperation framework for the Financial Intelligence Units of both countries, and to accelerate the exchange of financial information, establish an effective mechanism, and improve coordination in combating money laundering, terrorism financing and other major crimes. Another MoU was signed with the Department of CombatingEconomicCrimesattheProsecutorGeneral'sOfficeofTheRepublicofUzbekistan on the exchange of information on money laundering, terrorism financing, and other associated predicate offences.

National Money Laundering and Terrorism Financing Risk Assessment

In accordance with the provisions of the Anti-Money Laundering and the Proceeds of Crimes Law, recommendation No. 1 of (FATF) and the recommendation of International Monetary Fund, the National Money Laundering Risk Assessment and Terrorism Financing was started in January, 2018, in line with the World Bank model, to assess the aforementioned risks, identify vulnerabilities

of money laundering and terrorism financing in different sectors, and to set priorities in order to increase the effectiveness of the combat against money laundering and terrorism financing. Representatives of state institutions and private sectors participated in this assessment. The process of the national money laundering and terrorism financing risks assessment was finalized by five responsible teams and its report was presented to the authorities of the relevant institutions in the final workshop.

High Level Anti-Money Laundering and Terrorism Financing Coordination Commission

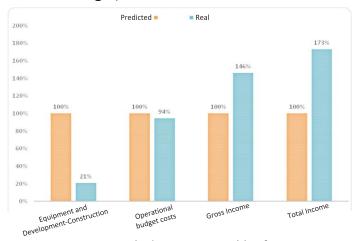
Pursuant to the amendments made to Article 33 of the Anti-money Laundering and Proceeds of Crimes Law, two meetings of High Level Anti-Money Laundering and Terrorism Financing Coordination Commission comprising of ten government institutions were held in the year 2019. The aim behind these meetings were to strengthen inter-governmental agency coordination for better combating of terrorist financing, money laundering and proceeds of crimes.

Budget and Financial Statement

Budget and Financial Statement

It is among the finance and accounting department's duties to figure out the budget and expenditures. The budget setting process actually begins three months ahead of the fourth (final) meeting of Supreme Council. At first, the data on necessities of bank offices is collected and then the budget is developed accordingly. The finance and accounting department submits the designed budget to budget committee. When required processing and precise assessment is over, the operational and development budget is finally approved by the Supreme Council of Da Afghanistan Bank.

Figure (43) indicates the difference of predicted and real budget, FY 1398



1- Revenues: It includes revenues like fee, interest income, currency investment, other income, Kabul Bank loan interest income, income realized from sale of currencies and grant income.

Commissions/Fees: This category has experienced 9 percent rise against predicted budget rate in FY 1398.

Interest Income from Currency Investment: The real interest income from bank investments has

increased remarkably against predicted rate in Q2 of FY 1398 which is due to increased interest rate in the global market.

Other Income: The real figure for other income has experienced a staggering rise of 206 percent against planned budget, because of high rate of fines imposed on commercial banks as well as delayed procurement contracts in FY 1398.

Kabul Bank Loan Interest Income: The figure has increased for this category against predicted budget in the year under review.

Real Income from Currency Auction: It has experienced an increase of 20 percent compared to predicted budget rate, attributed to increased exchange rate of currencies against Afghani.

Grants (Income): It covers donated equipment that has decreased by 47 percent against the planned budget which is attributed to non-implementation of projects related to department of financial sector strengthening projects.

Figure (44) depicts the real and predicted figures of revenues, FY 1398



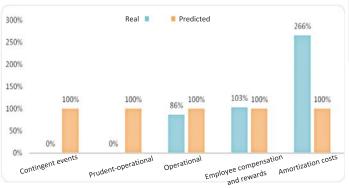
2- Expenditures: It includes spending on contingent events, operations, employee compensation and rewards and amortization costs.

Operational Costs: The real figure for operational

expenditures has decreased by 14 percent against planned budget due to lower capital note auction. **Employee Compensation and Rewards:** The real figure was up by 3 percent against the predicted budget which is a normal and negligible rise.

Amortization Costs: In FY 1398, the real figure has increased by 166 percent compared to predicted budget rate which came mainly for changes to fixed asset procedure that reduced developing software's life from five to two years, as well as launch of FAMS in some zone offices that included the furniture that were previously out of system.

Figure (45) reveals the real and predicted rate of various expenditures, FY 1398



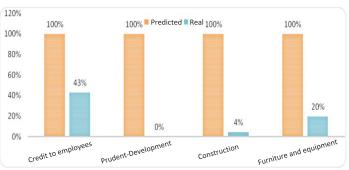
3- Furniture, Equipment and Development-Construction Costs: It covers credit to employees, construction, furniture and equipment costs.

Credits to Employees: The real figures for credits to employees have dropped by 67 percent compared to budget in plan which is because of limited inflow of application for residence purchase loan.

Construction Costs: It entails construction of structures and surrounding wall for new facilities in the capital and provincial branches of Da Afghanistan Bank, and FY 1398 figures indicate that no development-construction project has been implemented.

Furniture and Equipment Costs: It covers the cost for furniture, electronics, vehicles, computers and printers, IT equipment; printing of banknote, software and other items which has decreased by 80 percent compared to predicted budget, due to no vehicle purchase as per procurement plan in FY 1398.

Figure (46) illustrates the real and predicted figure for furniture, equipment and development-construction costs, FY 1398



DA AFGHANISTAN BANK CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 QAWS 1398 (21 DECEMBER 2019)

		30 Qaws 1398 (21 Dec 2019)	30 Qaws 1397 (21 Dec 2018)
	Note	(Afs ir	
ASSETS	Note	(1-110-11	
7.602.16			
	_		00.470.504
Gold reserves	7	81,400,561	66,178,591
Foreign currency cash reserves	8	19,583,336	23,048,236
Due from banks and financial institutions	9	355,570,353	325,675,327
Investments	10	218,264,106	207,146,604
Assistance as lender of last resort	11	166,793	6,961,885
Advances and other receivables	12	1,710,370	2,046,004
Operating fixed assets	13	5,376,792	5,395,913
Intangible assets	14	23,268	62,026
Other assets	15	13,491,650	13,451,596
Total assets		695,587,229	649,966,182
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in circulation	16	259,348,259	228,055,578
Capital notes	17	24,775,173	33,698,650
Due to banks and financial institutions	18	97,224,024	90,651,239
Due to customers	19	130,121,482	136,516,279
IMF related liabilities	20	3,003,600	2,418,784
Defined contribution obligation	21	1,769,903	1,646,033
Deferred grants	22	142,182	155,933
Provisions and other liabilities	23	14,479,909	10,051,640
Total liabilities		530,864,532	503,194,136
EQUITY			
Capital	24	25,398,034	24,221,649
Revaluation reserve	24	82,273,898	64,987,518
Other components of equity	24	31,652,731	33,341,230
General reserve	24	25,398,034	24,221,649
Accumulated profits	24	-	· · · · -
Total equity		164,722,697	146,772,046
Total liabilities and equity		695,587,229	649,966,182
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 37 form an integral part of these financial statements.

DA AFGHANISTAN BANK CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 QAWS 1398 (21 DECEMBER 2019)

Interest income Interest expense Net interest income Fee and commission income Fee and commission expense Net fee and commission income	Note 26 27	30 Qaws 1398 (21 Dec 2019) (Afs in 9,525,355 (175,155) 9,350,200 235,884 (141,207) 94,677	30 Qaws 1397 (21 Dec 2018) '000') 7,386,329 (127,714) 7,258,615 269,771 (179,079) 90,692
Net gain from dealings in foreign currencies Net gain / (loss) on financial assets measured at FVOCI Other income Operating income Operating expenses Personnel expenses	28	21,039,852 2,239,367 807,632 24,086,851 33,531,728	14,435,988 (1,282,652) 1,049,304 14,202,640 21,551,947 (1,485,394)
Printing cost of bank notes Other operating expenses Depreciation and amortisation Net operating income	12.3 30 13.2 & 14	(1,711,374) (280,924) (515,426) (104,330) 30,919,074	(81,238) (661,165) (82,271) 19,241,879
Non-operating income and expenses: Grants income recognised against deferred grant Expenditure against grants	22 31	119,244 (119,244)	39,935 (39,935)
Net unrealised foreign exchange (loss) / gain Profit for the year	24.3	(1,688,362) 29,230,712	10,602,145 29,844,024

The annexed notes 1 to 37 form an integral part of these financial statements.

DA AFGHANISTAN BANK CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 QAWS 1398 (21 DECEMBER 2019)

	Note	30 Qaws 1398 (21 Dec 2019) (Afs in	30 Qaws 1397 (21 Dec 2018) '000')
Profit for the year		29,230,712	29,844,024
Other comprehensive income			
Items that will be reclassified subsequently to the consolidated profit and loss account:			
Revaluation gain on gold reserve Net gains from changes in fair value of debt instruments at FVOCI Changes in allowances for expected credit loss of debt instruments at FVOCI	7	15,221,968 2,057,359 (1,317)	4,510,020 1,145,020
Other comprehensive income for the year		17,278,010	5,655,040
Total comprehensive income for the year		46,508,722	35,499,064

The annexed notes 1 to 37 form an integral part of these financial statements.

DA AFGHANISTAN BANK CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 QAWS 1398 (21 DECEMBER 2019)

Profit for the year		- Note	30 Qaws 1398 (21 Dec 2019) (Afs in	30 Qaws 1397 (21 Dec 2018) '000')
Depreciation and amortisation 13.2 & 14 104,330 82,277 Interest income 26 (9,525,355) (7,386,329) Interest expense 27 175,155 127,714 Grant income 22 (119,244) (39,935) Grant expense 37 119,244 39,935 Recovery of expected credit loss 28 (407,700) (353,814) Inter-branch balances written off 30 26,117 - 19,003,259 22,313,866 Working capital adjustments: Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease in assistance as lender of last resort 17 6,795,092 7,472,959 Decrease / (increase) in due to fast resort 17 6,795,092 7,472,959 Decrease in other assets 15 1,617 16,324 (61,514) Decrease in other assets 15 1,617 16,324 (676,378) Increase / (decrease) in currency in circulation 16 31,292,681 (576,378) Increase / (decrease) in currency in circulation 16 31,292,681 (576,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 (16,268,133) (Decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) in currency in circulation 21 123,870 178,499 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 20 584,816 1,016,118 Increase in provisions and other liabilities 20 180,717,080 (83,863,874) 200,320,339 (61,550,008) (77,714	Cash flows from operating activities Profit for the year		29,230,712	29,844,024
Depreciation and amortisation 13.2 & 14 104,330 82,277 Interest income 26 (9,525,355) (7,386,329) Interest expense 27 175,155 127,714 Grant income 22 (119,244) (39,935) Grant expense 37 119,244 39,935 Recovery of expected credit loss 28 (407,700) (353,814) Inter-branch balances written off 30 26,117 - 19,003,259 22,313,866 Working capital adjustments: Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease in assistance as lender of last resort 17 6,795,092 7,472,959 Decrease / (increase) in due to fast resort 17 6,795,092 7,472,959 Decrease in other assets 15 1,617 16,324 (61,514) Decrease in other assets 15 1,617 16,324 (676,378) Increase / (decrease) in currency in circulation 16 31,292,681 (576,378) Increase / (decrease) in currency in circulation 16 31,292,681 (576,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 (16,268,133) (Decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) in currency in circulation 21 123,870 178,499 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 20 584,816 1,016,118 Increase in provisions and other liabilities 20 180,717,080 (83,863,874) 200,320,339 (61,550,008) (77,714	Adjustments:			
Interest income	-	13.2 & 14	104,330	82,271
Interest expense	•	26		
Grant income 22 (119,244) (39,935) Grant expense 31 119,244 39,935 Recovery of expected credit loss 28 (407,700) (353,814) Inter-branch balances written off 30 26,117 - Working capital adjustments: 19,603,259 22,313,866 Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease / (increase) in advences and other receivables 12 316,523 (61,514) Decrease in other assets 15 1,617 16,324 Increase / (decrease) in due to banks and financial institutions 18 6,757,275 (16,268,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 Increase in IMF related liabilities 20 584,816 1,016,118 Increase in provisions and other liabilities 20 584,816 1,016,118 Increase in provisions and other liabilities 23 634,225 8,789,609 Interest received 29,485,532 6,935,659 Interest paid	Interest expense	27	• • • •	•
Grant expense 31 119,244 39,935 Recovery of expected credit loss 28 (407,700) (353,814) Inter-branch balances written off 30 26,117 - Working capital adjustments: 19,603,259 22,313,866 Decrease / (increase) in due from banks and financial institutions 9 140,790,288 (111,829,160) Decrease in assistance as lender of last resort 11 6,795,092 7,472,959 Decrease / (increase) in due to decrease and other receivables 12 316,523 (61,514) Decrease / (decrease) in currency in circulation 16 31,292,681 (578,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,288,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 Interest received 29 9,485,53 61,550,008 Interest paid (175,155) (175,155)		22	·	
Recovery of expected credit loss Inter-branch balances written off 19,603,259 22,313,866	Grant expense	31		· · · · · · · · · · · · · · · · · · ·
Inter-branch balances written off 30 26,117 19,603,259 22,313,866		28	·	
Working capital adjustments: 19,603,259 22,313,866 Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160) Decrease in assistance as lender of last resort 11 6,795,092 7,472,959 Decrease / (increase) in advances and other receivables 12 316,523 (61,514) Decrease / (decrease) in other assets 15 1,617 16,324 Increase / (decrease) in currency in circulation 16 31,292,681 (578,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) / increase in Mer leated liabilities 20 584,816 1,016,118 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 Interest received 9,485,532 6,935,659 Interest received 9,485,532 6,935,659 Interest paid (175,155) (127,714) Grant received 9,485,532 8,439 Net cash flows from investing activities		30		_
Decrease / (increase) in due from banks and financial institutions 9 140,790,268 (111,829,160)		-		22,313,866
Decrease in assistance as lender of last resort 11	Working capital adjustments:			
Decrease / (increase) in advances and other receivables 12 316,523 (61,514) Decrease in other assets 15 1,617 16,324 Increase / (decrease) in currency in circulation 16 31,292,681 (578,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 Increase in IMF related liabilities 20 584,816 1,016,118 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 Increase in provisions and other liabilities 23 634,225 8,789,609 Interest received 9,485,532 6,935,659 Interest received 9,485,532 6,935,659 Interest paid (175,155) (127,714) Grant received 22 12,365 84,439 Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) Cash flows from investing activities (9,060,143) (14,581,877) Purchase of property and equipment 13,2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 13,2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 13,2 (71,404) (200,269) Cash flows from financing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,882 203,096,937	Decrease / (increase) in due from banks and financial institutions	9	140,790,268	(111,829,160)
Decrease in other assets	Decrease in assistance as lender of last resort	11	6,795,092	7,472,959
Increase / (decrease) in currency in circulation 16 31,292,681 (578,378) Increase / (decrease) in due to banks and financial institutions 18 6,572,785 (16,268,133) (Decrease) / increase in due to customers 19 (6,394,797) 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 27,399,802 1,016,118 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 180,717,080 (83,863,874) 200,320,339 (61,550,008) (61	Decrease / (increase) in advances and other receivables	12	316,523	(61,514)
Increase / (decrease) in due to banks and financial institutions (Decrease) / increase in due to customers (Decrease) / increase in due to customers (Decrease) / increase in due to customers (Decrease) / increase in lumb related liabilities (Decrease) / increase in IMF related liabilities (Decrease) / increase in lumb related liabilities (Decrease) / increase in defined contribution obligation (Decrease in defined contribution obligation (Decrease in provisions and other liabilities (Decrease in provisions and other liab	Decrease in other assets	15	1,617	16,324
Cocrease / Increase in due to customers 19 (6,394,797) 27,399,802 Increase in IMF related liabilities 20 584,816 1,016,118 Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 Increase in provisions and other liabilities 23 180,717,080 (83,863,874) 200,320,339 (61,550,008) Interest received 9,485,532 6,935,659 Interest paid (175,155) (127,714) Grant received 22 12,365 84,439 Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) Cash flows from investing activities (9,060,143) (14,581,877) Net long-term assets of the Subsidiary (4,362) - (4,362) Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) Net cash flows used in investing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Payments of profit to MoF (23,989,159) - (23,989,159) Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,892 203,096,937	Increase / (decrease) in currency in circulation	16	31,292,681	(578,378)
Increase in IMF related liabilities 20 584,816 1,016,118 Increase in defined contribution obligation 21 123,870 178,499 8,789,609 180,717,080 (83,863,874) 200,320,339 (61,550,008) 180,717,080 (83,863,874) 200,320,339 (61,550,008) 180,717,080 (83,863,874) 200,320,339 (61,550,008) 180,717,080 (83,863,874) 200,320,339 (61,550,008) 180,717,080 (83,863,874) 200,320,339 (61,550,008) 180,717,080 (83,863,874) (175,155) (127,714) Grant received 22 12,365 84,439 (175,155) (127,714) (175,155) (127,714) (175,155) (127,714) (175,155) (Increase / (decrease) in due to banks and financial institutions	18	6,572,785	(16,268,133)
Increase in defined contribution obligation 21 123,870 178,499 Increase in provisions and other liabilities 23 634,225 8,789,609 180,717,080 (83,863,874) 200,320,339 (61,550,008) 10,550,008 10,550,508 10,550,0	(Decrease) / increase in due to customers	19	(6,394,797)	27,399,802
Increase in provisions and other liabilities	Increase in IMF related liabilities	20	584,816	1,016,118
180,717,080 (83,863,874) 200,320,339 (61,550,008) 10 10 10 10 10 10 10 1	Increase in defined contribution obligation	21	123,870	178,499
Interest received 9,485,532 6,935,659 Interest paid (175,155) (127,714) Grant received 22 12,365 84,439 Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) (14,581,877) (14,58	Increase in provisions and other liabilities	23	634,225	8,789,609
Interest received 9,485,532 6,935,659 Interest paid (175,155) (127,714) Grant received 22 12,365 84,439 Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) Cash flows from investing activities (9,060,143) (14,581,877) Investments made during the year (4,362) - Net long-term assets of the Subsidiary (4,362) - Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) Net cash flows used in investing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Payments of profit to MoF (32,989,159) - Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,892 203,		_	180,717,080	(83,863,874)
Interest paid			200,320,339	(61,550,008)
Grant received 22 12,365 84,439 Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) Cash flows from investing activities Investments made during the year (9,060,143) (14,581,877) Net long-term assets of the Subsidiary (4,362) - Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) Net cash flows used in investing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Payments of profit to MoF (23,989,159) - Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,892 203,096,937	Interest received		9,485,532	6,935,659
Net cash flows from / (used in) operating activities 209,643,081 (54,657,624) Cash flows from investing activities (9,060,143) (14,581,877) Investments made during the year (9,060,143) (14,581,877) Net long-term assets of the Subsidiary (4,362) - Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) Net cash flows used in investing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Payments of profit to MoF (23,989,159) - Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,892 203,096,937	Interest paid		(175,155)	(127,714)
Cash flows from investing activities (9,060,143) (14,581,877) Investments made during the year (4,362) - Net long-term assets of the Subsidiary (4,362) - Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) Net cash flows used in investing activities (9,131,940) (14,787,209) Cash flows from financing activities (8,923,477) (5,265,212) Payments of profit to MoF (23,989,159) - Net cash flows used in financing activities (32,912,636) (5,265,212) Net increase / (decrease) in cash and cash equivalents 167,598,505 (74,710,045) Cash and cash equivalents at beginning of the year 128,386,892 203,096,937	Grant received	22		
Investments made during the year (9,060,143) (14,581,877) Net long-term assets of the Subsidiary (4,362) - (71,404) (200,269) Purchase of property and equipment 13.2 (71,404) (200,269) Purchase of intangible assets 14 (2,157) (4,570) Proceeds from sale of property and equipment 6,126 (493) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (14,787,209) (1	Net cash flows from / (used in) operating activities		209,643,081	(54,657,624)
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	, ,			
Cash and cash equivalents at end of the year 32 <u>295,985,397</u> 128,386,892				
	Cash and cash equivalents at end of the year	32	295,985,397	128,386,892

The annexed notes 1 to 37 form an integral part of these financial statements.

DA AFGHANISTAN BANK CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 QAWS 1398 (21 DECEMBER 2019)

			Revaluat	Revaluation reserve		Other	Other components of equity	of equity			
	Capital	Net unrealised gain / (loss) on financial assets measured at fair value	Freehold	Gold	Total revaluation reserve	Exchange translation reserve	Residual undistributed net unrealised valuation gains	Total other components of equity	General reserve	Accumulated profits	Grand total
						(A1	(Afs in '000')				
Balance at 01 Jadi 1396 (22 December 201 ⁻	23,520,250	(40,863)	(40,863) 936,477	58,436,864	59,332,478	137	22,738,948	22,739,085	23,520,250	(8,847,855)	120,264,208
Total comprehensive income for the year: Profit for the year. Other comprehensive income:		•	į	•	•	•		ı		29,844,024	29,844,024
Net unrealised gain on financial assets measured at FVOCI Revaluation gain on gold reserve		1,145,020		4,510,020	1,145,020						1,145,020
Total other comprehensive income Total comprehensive income for the year		1,145,020		4,510,020	5,655,040 5,655,040					29,844,024	5,655,040 35,499,064
Transactions recorded directly in equity: Transferred to capital Transferred to general reserve Transferred to MACE	701,399	1 1		1 1	1 1	1 1	1 1		701,399	(701,399)	1 1000
Transletted to Mort Transferred to residual undistributed net unrealised valuation gains Balance at 30 Qaws 1397 (21 December 20	24.221.649	1.104.157	936,477		- 64.987.518	- 137	10,602,145	10,602,145 33.341.230	24.221.649	(10,602,145)	1
			Pevelinat	Povelnetion recente		rotho.	Other components of equity	f ocuity.			
. "	Capital	Net unrealised gain on financial assets measured at fair value through OCI	Freehold	Gold	Total revaluation reserve	Exchange translation reserve	(-	Total other components of equity	General reserve	Accumulated profits	Grand total
, •	i !					(AI	(Afs in '000')				-
Balance at 30 Qaws 1397 (21 December 20 Impact of adopting IFRS 9 Balance at 01 Jagi 1337 (22 December 201	24,221,649	1,104,157 8,233 1,112,390	936,477	62,946,884	64,987,518 8,233 64,995,751	137	33,341,093	33,341,230	24,221,649	(809,218)	146,772,046 (800,985) 145,971.061
Total comprehensive income for the year: Profit for the year			, ,	. '	, '	•				29,230,712	29,230,712
Net gains from changes in fair value of debt instruments at FVOCI	ı	2,057,359		ı	2,057,359					1	2,057,359
Change in allowances for expected credit loss of debt instruments at FVOCI		(1,317)		15 221 968	(1,317)						(1,317)
Total other comprehensive income Total comprehensive income		2,056,042		15,221,968	17,278,010]. .]. .		29,230,712	17,278,010 46,508,722
Transactions recorded directly in equity: Transferred to capital	1,176,385				1					(1,176,385)	
Transferred to general reserve Transferred to net unrealised gain on	•	•	ı	1	•		•	•	1,176,385	(1,176,385)	•
financial assets measured at FVOCI Transferred to MoF		137			137	(137)		(137)	1 1	(27,757,086)	(27,757,086)
		- 2 400 500	- 200	70 460 050			(1,688,362)	(1,688,362)	- 200 004	1,688,362	
Balance at 30 Qaws 1398 (21 December 20	25,398,034	3,168,569	936,477	78,168,852	82,273,898		31,652,731	31,652,731	25,398,034		164,7

Banking Operation Department

Banking Operations Department

Da Afghanistan Bank acts as state banker and chief banker of national banks which requires the banking operation department of DAB to provide banking services to government institutions, commercial banks and DAB employees.

According to its action plan 1398 (2019), the department managed to attain its objectives and activities, summed up in the below:

A. Cash and Non-Cash Transactions Management

The effort includes ensuring Afghani and foreign currency liquidity management of DAB in city and provincial branches, collection and incineration of worn banknotes and providing banking services.

1. Ensuring Afghani Liquidity

To maintain the liquidity of DAB branches, provide money for government costs, liquidate commercial banks and make disbursements to National Citizens Charter Program, an amount of AF 32.2 billion has been transferred to provinces through ground and air with the support of Afghan security authorities. Meanwhile, to supply adequate liquidity for the capital and keep sufficient cash for branches, surplus amounts of AF 77 billion, USD 284.8 million, Euro 400,000 and Saudi Rial 504 million have been moved from provinces to capital Kabul and delivered to general treasury.

2. Ensuring Foreign Currency Liquidity

Considering the balance of trade, Afghanistan is fiercely suffering from the deficit of external trade balance that defies the management of currency liquidity. In spite of all challenges lying to FX liquidity management, DAB has managed to handle the deficit of foreign currencies, in particular the

USD in the market and prevent it from running short.

3. Collection and Annihilation of Worn Banknotes

To lead an organized and accountable monetary system and prevent the swelling of battered banknotes in the market, Da Afghanistan Bank has swapped worn Afghani banknotes with new ones through its 49 branches across the country and with the support of commercial banks. Subsequently, it has incinerated the mass of collected banknotes in the presence of a delegation composed of government authorities including parliament members from the capital and relevant zones. In FY 1398, old banknotes worth at AF 3.8 billion were moved out of circulation under the supervision of tasked delegation that reduced the quantity of battered banknotes to great extent.

4. Providing Banking Services

The banking operations department has spared no effort in providing swift, safe and transparent banking services and regularly accepted the government revenues of FY 1398 in relevant accounts. Government costs and cash needs have been fulfilled on time, as the departmental activities are explained in two categories below.

- In FY 1398, some 661 accounts have been opened for commercial banks, National Citizens Charter program, DAB employees and state agencies and as many as 15,250 checkbooks have been distributed to ministry of finance and other clients.
- In total, approximately 199,000 transactions of government, banks and other entities in Afghani and other currencies have been

processed in the central bank, as further elucidated in the following table: 26

Type of Transaction	Currency	Quantity	Figure (in billions)
	Afghani	57,300	203.58
Transfer transaction	USD	2 , 590	5.38
	Euro	190	0.7
Afghani		99,700	540.76
Cash transaction	USD	38,600	7.30
transaction	Euro	1,490	0.170

B. Management and Development

It involves sending/receiving official letters, renewal of organizational structure, planning the development of e-payment and preparation for printing new Afghani banknotes.

1- Sending/Receiving Official Letters

Banking operations department has processed a number of 12000 inward and outward letters to/from bank offices, zonal directorates, commercial banks, ministries and all external sources to which DAB has work relations. Its work reports have been developed and necessary actions have been taken according to plan and submitted to relevant divisions on time.

2- Renewal of Organizational Structure

The organizational structure and the job description of staff of this department were developed a decade ago which is not consistent with recent developments and it has created challenges. To this end, the department's structure and job description were reformulated as per needs of the day and proposed to HR department for onward executions, and as result, the new structure has finally been approved by Supreme Council.

3- Planning the Development of E-Payments

Given the vital role of payments in the financial sector, Da Afghanistan Bank has taken considerable strides towards further development of the system to bring it in line with international standards in order to build conveniences, speed and transparency in the transfer of assets. In addition, in FY 1398 a development scheme and practical mechanism for e-payment was devised with the collaboration of involved bodies and Da Afghanistan Bank following negotiations and after it was prepared and proposed to High Economic Council, it was approved by the authority with the following objectives:

- Providing effective, convenient, confident and transparent banking services for clients, in particular for traders
- Creating convenience and speed in payment of tax and other merchant transactions
- Mitigation of risks arising from physical money transportation
- Collection of government revenues without geographical restriction
- Institutionalization of banking culture among people and public knowledge of products and advantages of banking services
- Promotion of noncash transactions and prevention of unusual premature wear and tear of Afghani banknotes.

The implementation plan was conducted in three stages (first stage launched on first of Dalwa 1397, second stage – first of Hoot in six zones and third stage on first of Hamal 1398 in rest of the provinces). According to this plan, the government revenues above AF 50,000 were collected by commercial banks and transferred into government

accounts with DAB. The conduct of this scheme realized positive developments to cash management and slowed the premature wear and tear of banknotes, eased the revenues collection for government and revenue senders, ensured transparency and mitigated the transportation risks of physical money.

4- Preparation for Printing of New Afghani Banknotes

After the banknotes become worn and move out of economic circulation, the need arise for printing of the new Afghani banknotes to secure the liquidity of the market. Followings have been achieved in FY 1398 for printing the new banknotes:

- Formulation of banknote features
- Administrative processing and approval by executive board and national assembly
- Submission of specifications to procurement department and National Procurement Authority
- Visit of DAB delegation to company printing small denominations
- Contracting with company over printing 10 billion banknotes from 10 Afghani denomination to 100 Afghani
- Separate proposal for printing 100 billion small and large denomination banknotes

5- Revision of Law on Negotiable Instruments

By process of time and changes in social-economic era and technological developments, it is necessary to revise and update the laws, regulations and policies. Among the reasons to revise the law of negotiable instruments to address the ongoing needs of commercial and financial sector are, on the one hand, incompatibility with the fundamental developments in commercial and financial

spheres, plentiful technical and operational loopholes and ambiguities in some provisions of law with no practical aspects and, on the other hand, no directions on creation of regulation for checking purposes and problems with literary structure. As result, Da Afghanistan Bank determined to amend the law taking the aforesaid and three years strategic plan into account. It made deletions and additions to 79 points of provisions. With revisions and development of new relevant regulations, the flaws of negotiable instruments law have come to minimal, which has brought myriad of facilities to trading and financial sectors. The amendments were finalized by banking operations department and sent to legal counsel's office of DAB for further processing.

Administration and Development

Administration and Development

Comptroller General Office

Internal audit in an organization plays an a considerable role in strengthening the management, enhancement and empowerment of internal control activities, contribution to management of strategic risks and ensuring transparency in receiving reports at national and international level. The functional significance of this division is dependent upon the level of autonomy and impartiality. As Da Afghanistan Bank's internal audit unit, comptroller division is part of internal control process which is responsible to inspect affairs independently and neutrally and express opinion on appropriateness or inappropriateness of descriptions, policies, laws and regulations enforced by DAB, as well as monitor the sound implementation of Supreme Council and executive board decisions. The objectives and scope of activities of comptroller's office are determined by Internal Audit Charter and article 21 of DAB law.

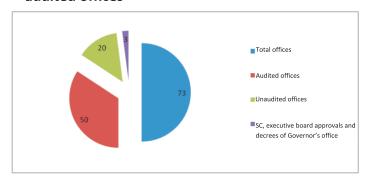
Implementation of Annual Plan 1398:

According to audit plan 1398 approved by internal audit committee, the plan covers 73 planned sites including offices in headquarter, city branches, seven zones and provincial branches. In FY 1398, comptroller's office has managed to complete inspection of 50 sites and report the findingsfrom administrative perspective to Governor's office and operational aspect to internal audit committee. Further 20 sites relating to provincial branches have not been inspected due to insecure route and postponed to audit plan 1399.

The approvals of Supreme Council and executive

board and individual decrees of the Governor's office have constantly been followed-up.

Figure (47) depicts total offices, audited and unaudited offices



Factors that block the audit of certain sites consist of unavailability of facilities like state-run and commercial flights to some provinces, prolonging of audit of some important headquarter offices due to various reasons and the other weighty issue is the widespread insecurity along the highways. It has to be added that most restive sites have been inspected on unattended basis under the approved procedure "Self-Assessment Control" in FY 1398 and their reports are submitted to the bank leadership.

Quality Assurance

The audit team's findings are submitted to the Governor's office of DAB under the title of observations, considering the risk rating from high, medium to low, plus recommendations in individual reports. After consideration and necessary directions by Governor's office on the conduct of recommendations, a copy is being sent to quality assurance office for further follow-up. When the given maturity ends to ensure the implementation

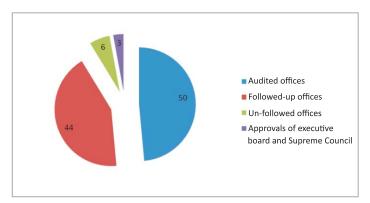
or non-implementation of recommendations, the quality assurance office carries out follow-up of the audit. On the part of recommendations that are not put into practice due to excuses or other reasons, the follow-up team will set a new time-frame.

If the desired observation fails to take place again, it will be placed in the priorities of audit team for the coming year.

Out of 50 sites inspected in FY 1398, some 44 sites whose administrative processing and report submission time was over, have come under the follow-up of quality assurance office while the six other sites with no administrative processing are a stage behind.

It is worth mentioning that three categories including approvals of Supreme Council and executive board and decrees of Governor's office are being regularly tracked by comptroller's office.

Figure (48) indicates audited, followed-up and un-followed offices by percentage



Additionally, 40 approvals of Supreme Council and 400 approvals of executive board of DAB have been followed up by quality assurance section and report on nature of its implementation has been submitted to internal audit committee and Supreme Council on quarterly basis.

Inspection of Special Cases

The special cases referred to audit team in FY 1398 reaches to 22 instances. The early findings and audit results have been submitted in individual reports in administrative format to executive board and in operational format to internal audit committee.

Capacity Building of Comptroller Staff

In FY 1398, 15 members including team leader, deputy team leaders and auditors have been introduced to various training programs in India, USA, UAE and Pakistan. On the return, the trainees have shared their knowledge and experience with rest of coworkers by presenting separate seminars.

Governor's Office Department

Access to information on the performances of institutions of Islamic Republic of Afghanistan is the right of every citizen. Taking this principle as well as transparency and accountability as one of the core values of the bank into account, the Governor's Office department has regularly strived to publish and reflect accurate, effective and timely data and keep the public mindful of the performances of DAB and the financial and banking sector of Afghanistan.

Da Afghanistan Bank's communications and public awareness plan for FY 1398 is developed and implemented according to the four core principles discussed in 4-years Strategic Plan (1396-1399) including strengthening of policy credibility for enhancing public trust on bank policies, consolidation and regulation of relations with authorities and national and international institutions for information sharing and coordination in drafting policies, boosting efforts on institutionalization

and encouragement of people into using Afghani and improvement of financial knowledge of people, which is explained in points below:

Strengthening the policy credibility for enhancing public trust on bank policies:

The launch of training workshop on objectives and policies of Da Afghanistan Bank for 60 officials from economic divisions of mass media in DAB's conference hall was the groundbreaking awareness event for strengthening of bank policies and raising public trust on DAB's performances.

Da Afghanistan Bank expanded the events through universities in the capital and provinces covering four in Kabul and at least six others across the provinces.

Each event was attended by 50 students that benefited a total of 500 students.

The conduct of at least 10 press conferences on senior management's performances, achievements and decisions encircling the financial and banking sector is another part of DAB's information-delivery efforts realized in FY 1398.

For the awareness-rising of FX dealers and MSPs, the bank has conducted specific training programs in the capital and provinces, to name some like training workshop and attended meetings in Khost, Herat and Kabul provinces.

For enlightening public minds on the performances of PCR system and registration system of mortgage rights on movable properties, DAB launched awareness events for representatives from commercial banks, ministry of commerce and industry, labor unions and merchants that are embarked in Kabul, Kandahar, Nangarhar, Herat, Mazar-e Sharif and Bamyan provinces.

Alongside the abovementioned matters, Da Af-

ghanistan Bank has effectively used the publishing equipments which can be exemplified in the design and print of annual report of performances and achievements in FY 1397 reflected in Dari, Pashtu and English versions. Other instances are the design and print of quarterly and annual bulletins 1397 in Dari, Pashtu and English versions; 12 issues of bank's monthly magazine containing reports on bank and financial and banking sector activities; analytical and research pieces and providing them to stakeholders.

In FY 1398, Da Afghanistan Bank has efficiently leveraged social media sites (facebook, twitter, youtube and the bank website) by publishing the bank reports and events like worn banknote destruction process, leadership's press conferences, workshops, seminars and other official ceremonies in Dari and Pashtu languages and meanwhile designed and distributed written notices and pictorial messages for strengthening of bank policies.

 Consolidation and regulation of relations with authorities and national and international organizations on information-sharing and coordination of policy development:

Under this principle, Da Afghanistan Bank has launched several debates, conferences and bilateral and multilateral meetings such as two debates with the lecturers of academic society on the implementation of monetary policy in particular on Afghani exchange rate against other currencies and the supervision of banking sector performance.

The conduct of the first national conference on expansion of Islamic banking operations, its opportunities and challenges is another program implemented by Da Afghanistan Bank.

 Da Afghanistan Bank has developed and implemented cost-based and free schemes for boosting efforts on institutionalization and encouragement of people into using Afghani in daily deals.

Afghani promotion campaign was launched in planned zones where the foreign currencies were in circulation. These campaigns were conducted through visits with provincial officials, provincial councils and local influential accompanied by some practical measures which is obvious to countrymen.

Broadcasting of televised and radio messages is another effort that is carried out through 22 television and 23 radio outlets in various provinces.

Given the schools' significant role in shaping up the thoughts of juvenile and future builders, Da Afghanistan Bank has also targeted educational domain and promoted Afghani as national values by holding particular descriptive events for school students and teachers. Amid visits to schools, education-related advertising stuff have been distributed to school students and administration officials including school bag, pen, notebook, learning booklets, multiplication table, Afghanistan map, glass and wall clock bearing the message on promotion of Afghani.

It has to be mentioned that it covered 167 schools in the capital and provinces. Also, approximately 160 billboards carrying the message on promotion of Afghani have been put up across the capital, provinces and on highways.

Da Afghanistan Bank has conducted effective awareness drives on raising public financial knowledge, for example, it has published booklets about financial and banking terms and meanings and savings, promoting banking products in schools in capital and provinces; published brief written and pictorial messages through DAB magazine, website and social media outlets.

Meanwhile, the conduct of a three-day training workshop on principles and regulation of financial consumer protection for commercial banks' and emoney institutions' personnel; training workshop on principles, meanings and regulation of financial consumer protection for AIB staffers; three-day workshop for the trainers of rural development and rehabilitation ministry and a training on financial knowledge and financial consumer protection for insurance department employees make up part of DAB efforts towards building the financial knowledge of people in FY 1398.

Legal Counsel

Legal counsel's office hasworked to formulate and process legislative documents, legal affairs and express legal opinion on various bank issues in accordance with requirements and proposed action plan for 1398.

Activities and achievements' report of legal counsel and SC secretariat of Da Afghanistan Bank for FY 1398 will be discussed in the coming parts.

1- Processing of Laws and Regulations

- Amendments to law of Da Afghanistan Bank that currently lies in the National Assembly.
- Amendments to regulation governing the reporting and control of physical transfers of Afghani, currency and bearer negotiable in-

- strument in border customs that is currently on cabinet table.
- Amendments to negotiable instruments law are processed with the cooperation of banking operation department and considered for ministry of justice's legislative plan of 1399.
- Amendments to law on mortgage of immovable properties are processed with the cooperation of relevant offices and considered for the ministry's legislative plan of 1399.
- 2. Following regulations, procedures and descriptions of bank departments are outlined and amended:
 - Dari translation of ATS (Automated Transfer System) and securities settlement procedure
 - Amendment to regulation of FX auction on both design and substanceaspects
 - Amendment to regulation of FX Dealers and MSPs' Performances
 - Takeover/handover procedure as per approval no.3 dated 30/6/1398, Supreme Council, DAB
 - Financial Consumer Protection Regulation revised for both design and substance as per approval no.3 dated 1/4/1398, Supreme Council of DAB
 - Digital tools procedure for Governor's office department
 - Public awareness procedure for Governor's office department
 - DAB press conferences' procedure for Governor's office department
 - Communications procedure for Governor's office department
 - Publications procedure for Governor's office

- department
- Branchless banking regulation
- Comptroller office's charter developed as per approval no.2 dated 1/4/1398, Supreme Council of DAB
- Review of Pashto translation of 8 regulations by Governor's office department in FY 1398
- Risk Management Charter and Framework
- Risk management committee procedure
- Amendments to credits regulation for bank employees
- Amendments to FX auction regulation
- 3. Ensuring compliance and extension of legal advises on 40 procurement contracts (national and international), agreements, understandings and policies of DAB, some of which will be exemplified below:
 - Expression of opinion on ICT service delivery contract for installation, configuration and personalization; training and support of UNODC's GO AML application in DAB
 - Expression of opinion on IMF contracts
- 4. Expression of legal opinion on 80 cases referred by Attorney General's office and other authorities, some of which are as follow:
 - Expression of opinion on usurpation of parallel of 2668 square meter land of DAB in third macroryan
 - Expression of opinion on embezzlement of AF 1864500 in New Kabul Bank branch at 203rd corps (Tandar)
 - Expression of opinion on DAB's expansionary land under claim in Badakhshan province.
- 5. Expression of Opinion and Legal Advice on 130 Miscellaneous Cases
 - Expression of legal opinion to inquiry letters

- of Attorney General Office on various commercial bank cases
- Expression of opinion and legal advises on implementation of loss recovery regulation and health injuries at work

6. Participation of Legal Counsel Representative at Meetings:

- Participation at High Council meetings of Supreme Court in particular for taking defensive stancefor DAB's immovable properties
- Participation at credits commission and Kabul Bank clearance department's property selling committee
- Regular participation at all offer assessment meetings of procurement department of DAB
- Participation at past (three year) documents segregation and obliteration commission
- Taking part with credits delegation in observation of residence purchase for DAB employees
- Regular participation at national and international workshops.

Human Resources Department

To improve HR management and provide the ground for increased proficiency and working capacity of employees, H.R department works to mechanize work processes, put in place comprehensive and transparent legal frameworks, build standard and accountable structures, create training, professional and higher educational opportunities and organize incentive plans for staff members.

Hence, as per DAB's Strategic Plan pillar 7, HRD is required to focus on three principal activities: for-

mulate plans and policies, build the employee capacity and communications with other bank staff and thirdly ensure the staff health and safety.

To achieve the aforesaid, HRD devised an annual action plan that will be briefly explained under the title of HRD action plan.

Given the action plan 1398, HRD has worked widely to enhance the HR management for improved employee proficiency and working capacity.

HR Structures and Planning

As for designing and implementation of structural reforms and work processes in FY 1398, a number of actions are taken that further facilitate the workflows of HRD and other offices.

- In FY 1398, HRD established the organizational structure reform committee within HR committees that was later approved by executive board and Supreme Council. The department has convened seven meetings with relevant committee on structure reform. The organizational structures of administrative sections have been developed in harmony with respective divisions. As a result, the cumulative number of posts reached to 2340 at the end of 1398 that increased to 2395 posts after the final meeting of the year on approval of new structures including 1008 posts related to seven zones and 1387 positions in headquarter office.
- Considering the significance of agreements between Afghanistan and neighboring countries on 24-hour mutual trade relations, HRD

has added a second working shift to better serve merchants and collect revenues.

- As per annual action plan 1398, HRD has updated the employee database and others for entry of posts, grades and job description of bank staff in order to ensure transparency and functional order.
- DAB has formulated the job description for 1002 posts related to seven regional zones in coordination with respective divisions according to new organizational structure and action plan and worked for the job description of other offices as well.

HRD has begun working on three planning (workforce, substitution and work creativity table) which is currently being further enriched.

Formulation of Legislative and Administrative Documents

HRD has previously drafted the HR Management regulation concisely pursuant to the direction of Governor's office and conflated the general principles into it. After considered by legal counsel, the document was composed in 14 chapters and 161 articles.

Simultaneously with the proper implementation of the provisions of HR management regulation, the relevant procedures' final drafts are developed which was referred to executive board's meeting following approval by Supreme Council.

For the better regulation of HR affairs, HRD drafted the HR committees' procedures which was finalized after required processing and has come into effect now.

To attain major DAB objectives on HR by means of appropriate mandate and strategies, HRD has provided the early draft of HR strategic plan.

To set fair remuneration with the existing market demand in mind, HRD works to renew salary scale with previous flawsresolved considering the annual salary increase to all 13 grades and 30 steps, in order to attract, hire, retain and encourage qualified employees in DAB and build a coordinated, aligned and transparent remuneration and rewards framework.

Handover/takeover form is an essential order in the organizations that transfer the charge of office tools, responsibilities and exact work data from one employee to another on temporary or permanent basis. Therefore, the procedure was developed and later approved by Supreme Council which is now in force.

To protect and support informers of official corruption cases and handle the complaints, HRD with the cooperation of legal counsel's office has drafted a procedure on official corruption informer protection and complaints handling under the paragraph 1, article 22 of official corruption informer's protection law which is approved by SC and put into effect now.

Employee Training and Development

As a prominent duty of HRD, employee training and development has largely been in the focus of the department which has organized and led important events over the FY 1398.

Table (27) highlights educational opportunities provided inside and outside the country

No	Program Level	No. of Participants	Female	Male	Location
1	Bachelors	136	11	125	Headquarter, zones and provinces
2	Masters	122	10	112	Headquarter
	Higher education so	cholarships abro	ad at maste	er's and d	octoral level with employees receiving monthly salary from DAB
1	Doctorate	1		1	Russia
2	Masters	27	1	26	India, Japan, China and USA
			line certific		grams under World Bank Project
1	Masters	2		2	England and Australia
2	CFA & CFT	5	1 .1	5	
1			de the coun		orted by the World Bank Project and central bank'sinternal resources
1 2	CIA ACCA (F3)	14	1	14	DAB training center, supported by AIBF
3	FIA	17	4		DAB training center, supported by AIBF DAB training center, supported by finance department's team leader
4	PMP	20	5	15	Supported by IT department
7	IT Certifications	11	3	11	India, one person funded by DAB
	11 certifications	11	National		national Training Programs
	Various		Hadional	and meer	Washington, South Korea, Uzbekistan, Germany, Singapore, India,
1	international	175	5	170	Kazakhstan, Pakistan, Turkey, Jordan, Vietnam, Malaysia, Swiss, Dubai,
1	educational	1,5		170	New York, Italy, Kuwait, Armenia, Bahmaz, Egypt, Georgia, Cambodia,
	programs				Kenya, London, China and Morocco
	Various national				Tienya, Ishida ina marasasa
		450		207	DAR to delice and the DAR's internal and the
2	educational	452	55	397	DAB training center, supported by DAB's internal resources
	programs				
	Safety and security				DAB training center, funded by bank and led by Social Awareness for
3		52		52	
	training for drivers				Humanitarian and Environmental Resource Organization (SAHERO)
4	Research	13		13	DAB training center, supported by Herat University lecturer for financial
4	Methodology	13		13	supervision dept. staff
5	Adobe Premier	3		3	AIBF, for staff members of Governor's office department
					Employees who return from educational programs abroad share their
6	Knowledge sharing	649	71	578	newly learned knowledge with colleagues that have benefited 649
	sessions	047	/ 1	376	
					employees so far.
				Libr	ary Activities
1	Creating e-library	32 books			For the ease of employees to use books on internet
	Purchase of new	20.1			
2	books	20 books			Purchase of PMP books for classroom teaching and general use
	3001.0	Collab	orative Eve	ents for C	apacity Building of Young Students
					One month internship at various divisions, distribution of certificates
1	Internship	84	45	39	
					and financial assistance Conduct of presentations and providing of the touring opportunities of
2	Scientific Tour	88	41	47	work divisions for the students of Murra, Ibn-e Sina and Ashna
					Universities
	Compilation of Data				Introduction of students to various offices for the preparation of
3		71	14	57	
	and Figures				monograph and thesis

Mechanization of HR Processes

According to HRD's action plan 1398, certain modules including employee satisfaction survey, recruitment, retirement and performance appraisal modules were planned to bring about transparency, efficiency and accountability. Among the modules, performance appraisal and employee satisfaction survey were launched following trial use. It is important to say that due to technical problems and poor cooperation of Vermati Company, the activation of recruitment and retirement modules is delayed to coming year.

HRD has completed the design of a complaint platform at DAB website with the cooperation of ITD that allows visitors and employees to register complaint online and HRD responds on time to address them.

Remuneration and Rewards

The performance appraisal of FY 1397 began in line with relevant policy and as a result 2138 bank employees received annual salary increment for their performance.

In addition, the performance appraisal's revision committee addressed 25 employee requests who are discontent with their performance assessment result and 27 instances of corrections from line managers and directors.

Taking the significance of punishments and rewards principle into account, HRD appreciated 64 employees with the bestowment of gratitude and appreciation letters in FY 1398 in order to persuade and retain employees and ensure order and discipline.

To exercise discipline and prevent disorder, HRD has concluded to punish 59 cases of offense at headquarter and provincial level with 55 instances in regional offices and 4 in the capital covering 50 instances of

counseling, 1 understanding and 8 warnings.

Employee Communications, Health and Safety

HRD extended the health insurance scheme for one year inked on 10/07/1397 with Insurance Corporation of Afghanistan for its employees under newly proposed conditions.

On behalf of Da Afghanistan Bank, HRD launched a blood donation campaign at the main office with the cooperation of central blood bank directorate of Afghan health ministry to appreciate the dedications of Afghan Security and Defensive Forces.

Pension Plan

The followings have been done by HRD on computation and payment of pension for retired employees in FY 1398:

The pension for 86 retired employees is processed and the pension. The record files for 1694 other retired employees from earlier years are entered into system.

In FY 1398, there have also been executions for calculation and payment of pension of current employees.

The processing of pension of 24 current employees recruited after 3 April 2016 is completed. Updating of current employees' database at the main office is in the process as per new structure and positions. Transfer of pension to claims account of 32 borrowing employees that are dismissed for absence according to resolution no. 14 of Supreme Council.

Recruitment

To implement administrative corruption strategy and renew commitment for an organized and standard structure for structural and staff reform, HRD took a stock of DAB structures.

According to the strategy, thirteen employees are

in "waiting with salary" status for higher education being in progress. As many as 34 employees were retired for not holding higher education degree and at last, 34 employees with no positions, waiting with salary or on the brink of retirement were directed to participate in open competition for occupation of new position.

To achieve a competent structure, HRD has involved with following activities to identify and hire qualified and appropriate individuals to vacancies.

- Overall, 147 individuals have been recruited in DAB in the year under review, from which 131 are male and 16 female.
- Generally, 152 employees have been transferred between bank offices, out of which 143 are male and 9 female.
- On cumulative basis, 521 employees have received promotion, from which 31 are female and 490 male.

Information Technology Department

IT department of Da Afghanistan Bank is providing state-of-the-art technology facilities to bring various bank systems in line with the international standards.

ITD is run by 8 sections with their respective duties and responsibilities. The department has worked towards network infrastructure, information security, software development and others with each of them briefly explained below.

Network Infrastructure Section

The network infrastructure section serves to provide internet services, network and network infrastructure in the main office and all branches across provinces to address network's technical issues.

The major achievements attained in the year under review are followings:

- Advanced network systems are installed in the main office and branches for the facilitation, safety and timely resolution of networkrelated issues;
- The bank's systems are connected with branches via Site to Site VPN for security purposes;
- A new system is deployed to collect report on the status of network and internet in the capital and provinces;
- The Site to Site VPN is established between DAB and some private banks to make DAB systems available and connect it with ATS;
- Internet network, IT equipments and internal and regional E1 links are supervised;
- ATS system tested and connected with commercial bank, ministry of finance and APS systems.

Information Security Section

Besides daily monitoring of systems, the information security section conducts policies on all systems and users and formulates standard policies and procedures for each section of the department. Moreover, it is responsible for the design and management of ACSS users and Swift system, conduct of security assessment and penetration testing on all DAB systems.

This unit has worked in theory on seven systems, out of which three systems have been put into practice, further highlighted in the following table:

Objective	Timeline	Status
Deploying standard policy to ACSS and SWIFT for user securities	Completed	Completed
Configured and Deployed domain to all DAB Branches	Completed	Completed
Create Admin users for each Commercial bank and managing all those users	Completed	Completed

Software Development Section

The software development unit's activities contribute to the existing software's viability and creation of new software for all the bank departments.

Some of the significant achievements are as follow:

- The document registration system of Governor's Office Department is developed and a new system is set up which is capable of connecting all executive offices to the system. Currently, the executive offices of all departments may have access to their documents with confidentiality observed.
- HR's complaint filing system is developed which is available online. Every person may file complaint using the platform which is then received by relevant office for further actions.
- 3. ATS/CSD systems are prepared for testing for the connection of external systems;
- 4. The Auction and ACSS programs are further secured with accepted practices.

Database Section

The database section is responsible for the basic structures of databases in DAB and regulates all information related to database.

The followings are some of the achievements in 1398:

- ATS testing service provided to private banks;
- Support provided in advancement of existing software development systems for database.

Swift Section

The technical maintenance of payment depart-

ment's Swift operation is an essential order which is undertaken by ITD's Swift section.

The section has gone ahead with the following gains in the year under review:

- Upgrading SAE Migration into latest version
 7.4 for the better security of Swift;
- Application of SAE Migration from version
 7.2 to latest version 7.4 in all Swift servers;
- Application of recommended Customer Security Program for further protection to potential risks;
- Activation of Disaster Recovery site for data protection of Swift;
- Activation of new Juniper Box delivered by East Nets for further safety of Swift network;
- Customization of Swift system with Two Factor Authentication by smart phone for the security purpose;
- Development of web platform with latest Security Patch version recommended by Swift

Service Desk Section

The ITD's service desk deals with all technical issues related to IT equipments of main office's employees. The issues of provincial and city branches are mostly resolved via telephone conversation and if the problem is beyond that, a technician is dispatched to area for resolution.

Earlier, DAB employees would share their technical issues with the department on telephone, but now ITD has developed Manage-Engine application to lodge and receive the technical problems from bank employees.

 Activation of Manage-Engine for collection and resolution of technical issues of bank employees;

- 2. Installation of standard and official software in all computers of main office, city branches and Kabul-zone branches;
- Fixing problems of new windows in computers of city branches and Kabul-zone branches;
- 4. Setting up projector in the conference hall for presentations and official meetings.

Hardware Section

This section is established to repair all IT-related equipment's of Da Afghanistan Bank with hardware problems, with the following tasks performed in the year under review:

- Collection of data and consultation for the projection of budget 1399 for all provincial and capital branches;
- Internal repairs by technicians and listing of IT equipment specifications for purchase from market;
- 3. Registration and opining on need for colors and toners for various documents.

DAB Official Email Section

ITD's official email unit is established to bring in conveniences in exchange of documents between DAB employees.

The duties of this unit include creation, handling and maintenance of DAB's official email address for employees, as well as setting up share-folders used for the exchange of documents between bank employees. Followings are some of activities performed in this year:

- New official emails are created and related issues are resolved in the main office and provinces;
- 2. Addressing the employee problems on share-folders and designing new ones for

- the ease of document correspondence;
- 3. Preparation of email address in Outlook application.

Risk Management Department

As it is obvious that every organization especially financial institutions are prone to risks due to the type of their activities. Considering the consequences of risks from noncompliance of law in the banking sector coupled with recommendations of international partners and stakeholders, the leadership of DAB has brought essential structural and functional changes to the department.

According to exercised changes, besides the annual appraisal of other bank departments, the risk management, and compliance department has assessed three departments consisting of market operation, banking operations, and payments for risk management and compliance, which is highlighted below.

The risk management and compliance department evaluate the three key areas of the market operations department including international transfers, the quantity of currency auction participants, and letter of credits for compliance with law and conformance to AML and CFT laws, detailed in the following part.

International Transfers: compliance unit watches and controls the international transfers of corresponding banks streaming through Da Afghanistan Bank, for alignment with AML/CFT laws and regulations according to sanction list(s). The names of involved persons (director, deputy director, and firm) included in the World-Check database covering UN Sanction Lists, a list of Office of Foreign Assets Control, EU Sanction Lists, and FinTRACA-

distributed sanction list are watched and controlled accordingly.

Currency Auction Participants: Compliance unit watches and controls the list of FX auction participants (corporate and individual money exchanges, money service providers, companies, and commercial banks) to check if the stakeholder names (director, deputy director, and company) are included in the World-Check database and Fin-TRACA's list once in a week before the launch of the auction process.

The participants of the FX auction have been controlled for 2880 times as per the sanction list and actions are taken accordingly.

Letter of credit and bank guarantees: Compliance unit watches, controls, and acts accordingly when opening bank guarantees and letters of credit in light of AML and CFT law to identify and evaluate the beneficiaries of facilities.

In FY 1398, seventeen letters of credit have been opened, amounting to USD 152,105,284.14 and Euro 16,084,370.20.

The compliance unit watches and controls the transfer checks at the banking operation department that amount over 500,000, as well as foreign currency checks regardless of the amount from both legal and natural persons from the sanction lists as per compliance department work procedure and guidelines. If the name of a person matches that in the sanction list(s), the unit will ask for required evidence and documents from commercial banks for the client's Enhanced Due Diligence (EDD).

The compliance unit watches and controls the sanction list for beneficiaries of international inward transactions of SWIFT at the payments de-

partment in accordance with AML and CFT law. If there was no match in the World-Check system, the transaction is verified and processed normally. If a transaction has a match, it will come under check for EDD after necessary documents are received.

Financial Inclusion Department

To establishm of a comprehensive financial system in which individuals and enterprises get access to proper, quality and affordable finance and utilize it sustainably, financial inclusion department has performed a range of activities in FY 1398.

The coming section will briefly explain the achievements of the department in the year under review.

Drafting and finalizing the first National Financial Inclusion Strategy (NFIS) for Afghanistan in harmony and consultation with involved state and non-state entities is a major achievement that provided a roadmap for development of a comprehensive financial system to Da Afghanistan Bank. With the successful implementation of five year national strategy, public access to finance will increase. The strategy identifies the key opportunities, challenges and hurdles to access to finance and by implementing the comprehensive action plan framework, the intensity of obstacles and identified challenges will relieve and the opportunity for increased access to finance will be expanded systematically.

Drafting of branchless banking and financial consumer protection regulations in harmony with financial supervision department is the other prominent task performed by FID in the period under review. With the introduction of financial consumer protection regulation to banks and its

conduct in the financial sector, the delivery of service and products by financial institutions has taken place responsibly that has in turn strengthened public confidence on the sector. Also, the branchless banking regulation allows banks to deliver part of its service through other businesses such as post offices, universities, hospitals, pharmacies and so others in order to cut the operational costs while expanding the coverage of service.

In the context of financial consumer protection regulation, a number of financial institutions have established financial consumer protection unit. It will provide the clients with opportunity to file their complaint to an institution's financial consumer protection unit using various channels and

methods. This unit is required to address complaints and problems arising between client and financial institution in accordance with laws, regulations, applicable circulars and inked contracts and ensure the fulfillment of their rights.

To the raise financial knowledge especially of women, cooperation agreements on financial knowledge have been signed with the ministry of rural rehabilitation and development and cultural, educational and social organization of women, under which the training staff of the two entities have received short-term financial knowledge training. According to the agreements, some financial knowledge trainings are expected to take place for women and rural residents in various regions.