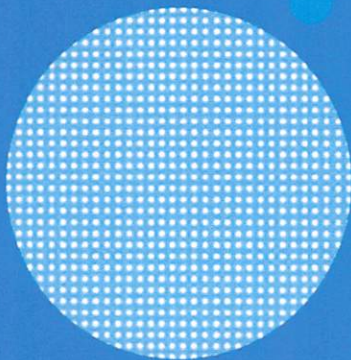


DA AFGHANISTAN BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED HOOT 29, 1401
(MARCH 20, 2023)

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**INDEPENDENT AUDITOR'S REPORT TO THE SUPREME COUNCIL OF
DA AFGHANISTAN BANK**

Qualified Opinion

We have audited the financial statements of Da Afghanistan Bank (the Bank), which comprise the statement of financial position as at 29 Hoot 1401 (20 March 2023), and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement cash flows of for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material aspects, the financial position of the Bank as at 29 Hoot 1401 (20 March 2023), and its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting framework as stated in note 2 to the financial statements.

Basis for Qualified Opinion

Due from banks and financial institutions includes Afs 332,986.993 million held with Federal Reserve Bank of New York as disclosed in note 9.4 to the financial statements. The Federal Reserve Bank has not confirmed Afs 304,699.850 million out of this balance. We have not been provided reconciliation for the difference. As a result, we were unable to obtain sufficient appropriate audit evidence about the unconfirmed balance amounting to Afs 304,699.850 million. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

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

Emphasis of Matter

- (i) We draw attention to the notes 1.5, 1.6 and 10.3 to the financial statements, which explain post balance sheet status of the assets of the Bank lying in the United States of America, ambassadorial relation with international community, International Monetary Fund (IMF) & World Bank, non-compliance of article 15.2 of Da Afghanistan Bank Law 'Meetings of the Supreme Council' and measurement of fair value of the Investments.
- (ii) We also draw attention to Note 19.4 to the financial statements which states that the Bank is not in compliance with Article 74 of DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs 121,289.168 million as at 29 Hoot 1401 (20 March 2023). Foreign currency liabilities of the Bank as at the said date stand at Afs 126,362.585 million, including liabilities towards Government of Afghanistan amounting to Afs 76,182.854 million, resulting in foreign currency liabilities exceeding over prescribed limit by Afs 5,073.417 million at the year end.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
<p>Accuracy of the Liability for "Currency in Circulation"</p> <p>As disclosed in notes 16 and 16.1 to the accompanying financial statements, currency in circulation represent the liability of the Bank towards bank notes issued as a legal tender under the Chapter IV Part 1 "Currency" of The Afghanistan Bank Law" (the DAB Law) which comprise of 55% of the total liabilities of the Bank.</p> <p>In view of the significance of liability in relation to the financial statements of the Bank and complexities in the underlying processes relating to issuance of new notes, expansion and contraction of bank notes in circulation and cancellation of bank notes, we have considered the existence and completeness of liability as a key audit matter.</p> <p>Note: 16</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to process for new notes, expansion and contraction of bank notes in circulation and cancellation of bank notes.</p> <p>We analyzed the changes in the liability for bank notes in circulation during the year together with the underlying reports of banking and issue department.</p> <p>We considered the completeness of the liability by inspecting the year-end statement of affairs of the Issue Circles. Further, we performed cut-off procedures on expansion and contraction of bank notes to assess the completeness of the year-end balances of the liability.</p> <p>We considered the requirements of the DAB Law with regard to underlying assets backing the bank notes in circulation and tested its compliance with the relevant information provided by the Bank.</p>
<p>Balances with International Monetary Fund (IMF)</p> <p>Liabilities with IMF represents around 0.63% of the total liabilities of the Bank. The valuation of liabilities with International Monetary Fund (IMF) was considered significant to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals.</p> <p>Note: 20, 20.1, 20.2 & 20.3.</p>	<p>Our audit procedures to address the risks of material misstatement relating to liability with International Monetary Fund, included sending direct confirmation to IMF, checking the SDR amount from IMF website, and subsequently testing the exchange rates used to translate this amount at the closing date. In addition, our procedures included examination of relevant documents of IMF on SDR allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing conversion rate as per IAS 21.</p>

Key Audit Matter	How the matter was addressed in our audit										
<p>Valuation of Gold Reserves</p> <p>The Bank maintains gold reserves equivalent to Afs. 120,374.311 million, which is one of the asset backing for Notes in Circulation. The valuation of the gold is carried out in line with the international market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant to our audit.</p> <p>Note: 6.7 & 7</p>	<p>Our audit procedures included reviewing the valuation methodology adopted and received conformation letter from Federal Reserve Bank, New York (FRB) as the Bank's international reserve of gold. Our procedures also included recalculation of gold value in line with prevailing market rate and management's assessment of asset backing for Currency in Circulation.</p>										
<p>Foreign Investments</p> <p>The Bank's assets held in foreign investments amount to Afs 204,141.207 million (1400: 534,123.550 million), equivalent to 25% (1400: 55%) of the Bank's total assets as summarized below as per note 9 to the Financial Statements:</p> <table border="1"> <thead> <tr> <th>Type of security and mode of investment</th><th>Amount in million Afs</th></tr> </thead> <tbody> <tr> <td>US treasury bonds and other securities – through International Bank for Reconstruction and Development (IBRD)</td><td>97,931</td></tr> <tr> <td>US treasury bonds – direct Investment</td><td>71,500</td></tr> <tr> <td>USD denominated Government Bonds, foreign currency swaps and other interest bearing securities – through Bank for International Settlements Investment Pool – A</td><td>33,276</td></tr> <tr> <td>Shares in ECOTDB</td><td>1,434</td></tr> </tbody> </table> <p>The valuation and presentation of the foreign investments in the financial statements pose significant audit risk.</p> <p>In view of the significance of these investments in relation to the total assets, the variation in type of investments and their management (involvement of Fund Managers, Custodian and in-house team) we have considered "foreign investments" as key audit matter.</p> <p>Note: 10.</p>	Type of security and mode of investment	Amount in million Afs	US treasury bonds and other securities – through International Bank for Reconstruction and Development (IBRD)	97,931	US treasury bonds – direct Investment	71,500	USD denominated Government Bonds, foreign currency swaps and other interest bearing securities – through Bank for International Settlements Investment Pool – A	33,276	Shares in ECOTDB	1,434	<p>Our key procedures included the following: For direct investments we obtained understanding of the processes, assessed the design and implementation and tested effectiveness of key controls throughout the year over recognition, de-recognition and valuation of investments and related revenue.</p> <p>For all investments, we sent direct confirmations to counter-parties to confirm the balances of investment holdings and where relevant, performed physical verification of other investments.</p> <p>For investment in US treasury Bonds, where valuation techniques with inputs based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions, and verifying the inputs to independent sources.</p> <p>For investments through RAMP and BIS, where valuation techniques with inputs not based on observable market data were used, evaluating the appropriateness of the valuation methodologies and the reasonableness of the assumptions and inputs. We received and reviewed the valuations report for these securities.</p> <p>For ECOTDB investments we verified the payments to the investee and reconciled the confirmations with the books of accounts.</p>
Type of security and mode of investment	Amount in million Afs										
US treasury bonds and other securities – through International Bank for Reconstruction and Development (IBRD)	97,931										
US treasury bonds – direct Investment	71,500										
USD denominated Government Bonds, foreign currency swaps and other interest bearing securities – through Bank for International Settlements Investment Pool – A	33,276										
Shares in ECOTDB	1,434										



Key Audit Matter	How the matter was addressed in our audit
<p>IT systems and controls over financial reporting</p> <p>We identified IT systems and IT general controls over financial reporting as a key audit matter because of the pervasive nature and complexity of the IT environment, the extensive volume of transactions processed daily and the reliance of the Bank's financial accounting and reporting process on IT systems and controls.</p>	<p>Our audit approach relies on automated controls and therefore procedures were designed to test access and control over IT systems and changes to such systems. Given the specialized nature of this area of audit, we involved our specialist IT team to assist with our audit procedures. We:</p> <ul style="list-style-type: none"> • Obtained an understanding of the IT governance over the Bank's IT organization; • Identified the key IT Systems and application controls which were integral to the Bank's financial reporting; • Evaluated the design, implementation and operating effectiveness of IT general controls covering change management, access management and IT operations over in-scope systems and significant accounts-related IT automated controls which were critical to financial reporting; and • We tested the accuracy and completeness of key computer generated reports used in our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality How we determined it

Rational for benchmark applied

The Bank financial statements

For Statements of Financial Position 1% of total assets, For Statements of Profit or Loss 5% of average Net Profit of last 3 years. Rational for benchmark applied DAB is the Central Bank of Afghanistan, mainly relies on its assets to operate and all of its procedures and policies revolve around maintaining assets in order to have higher returns from them. So, total assets selected as benchmark for materiality of statement of financial position and average net profit for statement of profit or loss as the net profit has significantly declined during the year.

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Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 75% of our planning materiality namely for Bank financial statements and for the separate financial statements of the Bank are;

- For statement of financial position Afs. 8,264.121 million; and
- For statement of profit or loss Afs. 661.482 million.

Other Information

In connection with our audit of the financial statements, we have been informed by the management that there is no other information that is attached by them along-with the financial statements and our auditor's report thereon.

Responsibilities of Management and Those Charged with Governance for Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Umar Daraz.

UHY Shafiq Umar Daraz & Co.

Chartered Accountants

Date: February 10, 2024

Kabul, Afghanistan



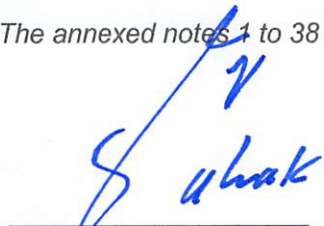
DA AFGHANISTAN BANK
STATEMENT OF FINANCIAL POSITION
AS AT 29 HOOT 1401 (20 MARCH 2023)

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
ASSETS			
Gold reserves	7	120,374,311	130,692,933
Foreign currency cash reserves	8	15,395,413	8,127,940
Due from banks and financial institutions	9	465,887,837	277,758,666
Investments	10	204,141,207	534,123,550
Assistance as lender of last resort	11	14,283	170,154
Advances and other receivables	12	2,809,839	1,690,260
Operating fixed assets	13	5,198,296	5,200,099
Intangible assets	14	1,895	1,729
Other assets	15	12,589,096	13,168,985
Total assets		826,412,177	970,934,316
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in circulation	16	318,989,957	311,550,097
Capital notes	17	-	18,179,036
Due to banks and financial institutions	18	81,232,025	79,901,953
Due to customers	19	172,320,956	177,206,041
IMF related liabilities	20	3,659,560	4,786,946
Defined contribution obligation	21	1,952,923	2,341,296
Deferred grants	22	21,512	38,588
Provisions and other liabilities	23	5,656,908	1,556,424
Total liabilities		583,833,841	595,560,381
CAPITAL AND RESERVES			
Capital	24	29,771,779	29,771,779
Revaluation reserve	24	120,399,065	133,984,525
Other components of equity	24	65,920,397	184,073,144
General reserve	24	26,487,095	27,544,487
Accumulated profits	24	-	-
Total equity		242,578,336	375,373,935
Total capital and reserves		826,412,177	970,934,316

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 38 form an integral part of these financial statements.


Abdul Nasser Sahak
Chief Financial Officer

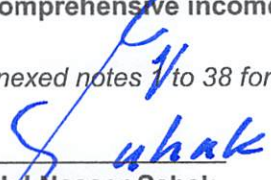

Noor Ahmad Agha
First Deputy Governor


Hedayatullah Badri
Acting Governor

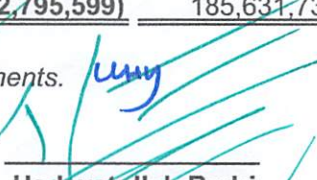
DA AFGHANISTAN BANK
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

		Fifteen month period ended 29 Hoot 1401 (20 Mar 2023)	Year ended 30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
Interest income	26	2,424,692	4,600,419
Interest expense	27	(1,641,593)	(637,786)
Net interest income		783,099	3,962,633
Fee and commission income		7,817	111,836
Fee and commission expense		(28,448)	(97,061)
Net fee and commission (expense) / income		(20,631)	14,775
Net gain from dealings in foreign currencies	28	7,538,509	2,010,631
Net loss on financial assets measured at FVOCI		(6,388,599)	(1,690,849)
Reversal of accrued interest on investments measured at FVOCI		(486,683)	-
Other income	29	469,328	104,073
		1,132,555	423,855
Operating income		1,895,023	4,401,263
Operating expenses			
Personnel expenses	30	(2,000,984)	(2,159,620)
Printing cost of bank notes	12.3	(143,058)	(343,633)
Other operating expenses	31	(679,454)	(764,214)
Depreciation and amortisation	13.2 & 14	(128,919)	(163,139)
Loss on merger of APS		-	(67,347)
Net operating (loss) / income		(1,057,392)	903,310
Non-operating income and expenses:			
Deferred grants recognised as income	22	23,954	23,893
Expenditure against grants	32	(23,954)	(23,893)
		-	-
Net unrealised foreign exchange (loss) / gain	24.3	(118,152,747)	154,171,073
(Loss) / profit for the period / year		(119,210,139)	155,074,383
Other comprehensive income			
Items that will be reclassified subsequently to the profit and loss account:			
Revaluation (loss) / gain on gold reserve	7	(10,318,622)	28,922,677
Net (loss) / gain from changes in fair value of debt instruments at FVOCI		(3,266,838)	1,641,876
Changes in allowances for expected credit loss of debt instruments at FVOCI		-	(7,206)
Other comprehensive income for the period / year		(13,585,460)	30,557,347
Total comprehensive income for the period / year		(132,795,599)	185,631,730

The annexed notes 1 to 38 form an integral part of these financial statements.


Abdul Nasser Sahak
Chief Financial Officer


Noor Ahmad Agha
First Deputy Governor


Hedayatullah Badri
Acting Governor

DA AFGHANISTAN BANK
STATEMENT OF CHANGES IN EQUITY
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

	Revaluation reserve									
	Capital	Net unrealised gain on financial assets measured at	Freehold land	Gold	Total revaluation reserve	Residual undistributed net unrealised valuation gains	Total other components of equity	General reserve	Accumulated profits	Grand total
	(Afs in '000')									
Balance at 01 Jadi 1399 (21 December 2020)	28,910,526	3,952,154	936,477	98,538,547	103,427,178	29,902,071	29,902,071	27,502,430	-	189,742,205
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	155,074,383	155,074,383
Other comprehensive income:										
Net gains from changes in fair value of debt instruments at FVOCI	-	1,641,876	-	-	1,641,876	-	-	-	-	1,641,876
Change in allowances for expected credit loss of debt instruments at FVOCI	-	(7,206)	-	-	(7,206)	-	-	-	-	(7,206)
Revaluation gain on gold reserve	-	-	-	28,922,677	28,922,677	-	-	-	-	28,922,677
Total other comprehensive income	-	1,634,670	-	28,922,677	30,557,347	-	-	-	-	30,557,347
Total comprehensive income for the year	-	1,634,670	-	28,922,677	30,557,347	-	-	-	155,074,383	185,631,730
Transactions recorded directly in equity:										
Transferred to capital	861,253	-	-	-	-	-	-	-	(861,253)	-
Transferred to general reserve	-	-	-	-	-	-	-	42,057	(42,057)	-
Transferred to residual net unrealised valuation gains	-	-	-	-	-	154,171,073	154,171,073	-	(154,171,073)	-
Balance at 30 Qaws 1400 (21 December 2021)	29,771,779	5,586,824	936,477	127,461,224	133,984,525	184,073,144	184,073,144	27,544,487	-	375,373,935

DA AFGHANISTAN BANK
STATEMENT OF CHANGES IN EQUITY
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

	Revaluation reserve									
	Capital	Net unrealised gain on financial assets measured at fair value	Freehold land	Gold	Total revaluation reserve	Residual undistributed net unrealised valuation gains	Total other components of equity	General reserve	Accumulated profits	Grand total
	(Afs in '000')									
Balance at 01 JADI 1400 (22 December 2021)	29,771,779	5,586,824	936,477	127,461,224	133,984,525	184,073,144	184,073,144	27,544,487	-	375,373,935
Total comprehensive income for the period:										
Loss for the period	-	-	-	-	-	-	-	-	(119,210,139)	(119,210,139)
Other comprehensive income:										
Net loss from changes in fair value of debt instruments at FVOCI	-	(3,266,838)	-	-	(3,266,838)	-	-	-	-	(3,266,838)
Change in allowances for expected credit loss of debt instruments at FVOCI	-	-	-	-	-	-	-	-	-	-
Revaluation loss on gold reserve	-	-	-	(10,318,622)	(10,318,622)	-	-	-	-	(10,318,622)
Total other comprehensive income	-	(3,266,838)	-	(10,318,622)	(13,585,460)	-	-	-	-	(13,585,460)
Total comprehensive income for the year	-	(3,266,838)	-	(10,318,622)	(13,585,460)	-	-	-	(119,210,139)	(132,795,599)
Transactions recorded directly in equity:										
Transferred to capital	-	-	-	-	-	-	-	-	-	-
Transferred to general reserve	-	-	-	-	-	-	-	(1,057,392)	1,057,392	-
Transferred to residual net unrealised valuation gains	-	-	-	-	-	(118,152,747)	(118,152,747)	-	118,152,747	-
Balance at 29 Hoot 1401 (20 March 2023)	29,771,779	2,319,986	936,477	117,142,602	120,399,065	65,920,397	65,920,397	26,487,095	-	242,578,336

The annexed notes 1 to 38 form an integral part of these financial statements.

Abdul Nasser Sahak
Chief Financial Officer

Noor Ahmad Agha
First Deputy Governor

Hedayatullah Badri
Acting Governor

DA AFGHANISTAN BANK

STATEMENT OF CASH FLOWS

FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

		Fifteen month period ended 29 Hoot 1401 (20 Mar 2023)	Year ended 30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
Cash flows from operating activities			
(Loss) / profit for the period / year		(119,210,139)	155,074,383
Adjustments:			
Depreciation and amortisation	13.2	128,919	163,139
Interest income	26	(2,424,692)	(4,600,419)
Interest expense	27	1,641,593	637,786
Deferred grants recognised as income	22	(23,954)	(23,893)
Expenditure against grants	32	23,954	23,893
Recovery of ECL	29	(29,219)	(10,404)
Loss on disposal of property and equipment	13.2	3,763	5,539
Loss on merger of APS		-	67,347
		(119,889,775)	151,337,371
Working capital adjustments:			
Due from banks and financial institutions	9	6,643,167	15,656,086
Assistance as lender of last resort	11	155,871	-
Advances and other receivables	12	(1,112,874)	481,777
Other assets	15	(313)	530
Currency in circulation	16	7,439,860	18,208,717
Banks and financial institutions	18	1,330,072	(20,177,245)
Due to customers	19	(4,885,085)	32,867,356
IMF related liabilities	20	(1,127,386)	1,094,820
Defined contribution obligation	21	(388,373)	431,453
Provisions and other liabilities	23	4,100,484	(40,961)
		12,155,423	48,522,533
		(107,734,352)	199,859,904
Interest received		3,004,894	4,960,951
Interest paid		(1,641,593)	(728,611)
Grant received	22	6,878	1,813
Net cash (used in) / generated from operating activities		(106,364,173)	204,094,057
Cash flows from investing activities			
Investments matured / (made) during the year		326,715,505	(163,656,266)
Purchase of property and equipment	13.2	(153,494)	(94,306)
Purchase of intangible assets	14	(1,505)	(1,443)
Net cash generated from / (used in) investing activities		326,560,506	(163,752,015)
Cash flows from financing activities			
Repayments against capital notes		(18,179,036)	(27,670,348)
Net cash flows used in financing activities		(18,179,036)	(27,670,348)
Net increase in cash and cash equivalents		202,017,297	12,671,694
Cash and cash equivalents at beginning of the year		247,320,768	234,649,074
Cash and cash equivalents at end of the year	33	449,338,065	247,320,768

The annexed notes 1 to 38 form an integral part of these financial statements.

Abdul Nasser Sahak
Chief Financial Officer

Noor Ahmad Agha
First Deputy Governor

Hedayatullah Badri
Acting Governor

DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

1. STATUS AND NATURE OF OPERATIONS

- 1.1 Da Afghanistan Bank ("the Bank") is the Central Bank of Afghanistan and was originally established in 1318 (1939) in accordance with Article 12 of the 1311 (1932) Constitution of Afghanistan. The Bank was operating under the supervision of the Ministry of Finance (MoF), Government of Islamic Republic of Afghanistan. Subsequently, during the transitional government on 27 Sunbula 1382 (18 September 2003), Da Afghanistan Bank Law ("the DAB Law") of the Islamic Republic of Afghanistan was enacted and the Bank was re-established as an independent legal entity. This law and the change in the Bank's status were ratified by an amendment to Article 12 of the Constitution of the Islamic Republic of Afghanistan in Jaddi 1382 (January 2004).
- 1.2 As per the DAB Law, the Bank's main objective is to achieve and maintain domestic price stability with other objectives to foster the liquidity, solvency and effective functioning of a stable market based financial system. The Bank also controls monetary and exchange policy, manages reserves and acts as a bank, advisor and fiscal agent to the Government of Islamic Republic of Afghanistan and other state governed bodies.
- 1.3 Registered office (Head Office) of the Bank is situated in Kabul. As at 29 Hoot 1401 (20 March 2023), the Bank operates with 48 (30 Qaws 1400: 48) branches.
- 1.4 The Bank's wholly owned subsidiary "Afghanistan Payments Systems" has been merged into the Bank during the year as a department of the Bank w.e.f 01 January 2021 vide Official Letter no. 34/16 dated 11 January 2021.
- 1.5 In August 2021, the Islamic Republic of Afghanistan witnessed a huge turmoil on the political front of the country resulting in a new government regime. The new Government, to date, has not been recognized by international community, International Monetary Fund (IMF), and World Bank. The President of the United States of America passed an executive order vide Executive Order no.14064 dated February 11, 2022, in which he ordered that "All property and interests in property of DAB that are held, as of the date of the order, in the United States by any United States financial institution, including the Federal Reserve Bank of New York, are blocked and may not be transferred, paid, exported, withdrawn, or otherwise dealt in, except to the extent provided by statutes, or in regulations, orders, directives, or licenses that may be issued pursuant to this order, and notwithstanding any contract entered into or any license or permit granted before the date of this order". The total balance of the Blocked Assets was Afs 643,562.302 millions as on 29 Hoot 1401. The Bank has not maintained any provision against these balances as the management is of the view that it would be able to recover these assets by reaching a political settlement with the USA. For more details, refer to the Note no. 7.2, 9.4 and 10.6 to the financial statements.
- 1.6 The Supreme Council of the Bank has not held quarterly meetings as required under article 15.2 of Da Afghanistan Bank Law since change in the regime in the Country.
- 1.7 The financial year end of the Bank has been changed from end of Qaws to the end of Hoot because the Government of Afghanistan has changed the financial year from the West's Gregorian calendar to the Hijri Shamsi. Accordingly, the current financial statements are prepared for 15 months from 01 Jaddi 1400 to 29 Hoot 1401. As a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the DAB Law and accounting policies for gold and silver, bank notes and coins as stated in notes 6.7 and 6.13 respectively. Where the requirements of the DAB Law and accounting policies adopted by the Bank differ with requirements of IFRSs, the requirements of DAB Law and accounting policies adopted by the Bank take precedence.

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. BASIS OF PREPARATION AND MEASUREMENT

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

5. New and amended standards and interpretations that are not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 20 March 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Definition of accounting estimates (Amendment to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the period ended 29 Hoot 1401 (20 March 2023).

6.1 Foreign currency

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

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

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

Note 6.1 - continued

For the purpose of retranslation as at 20 March 2023, the Afghani exchange rates used for the major currencies were:

	29 Hoot 1401	30 Qaws 1400
	(20 Mar 2023)	(21 Dec 2021)
	----- Afs -----	
USD	87.06	103.79
EUR	92.17	112.91
GBP	104.44	128.85
PKR	0.30	0.54
SAR	23.12	26.12
AED	23.68	27.13
CAD	43.35	43.35
SDR	116.19	144.86

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

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

6.2 Interest income and expense

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

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

With effect from 01 August 2021, the management has decided not to deal in any interest based instruments. Since the aforementioned date, no interest has been paid to any counterparties and no interest bearing investments have been made.

6.3 Fees and commission income and expense

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

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

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

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6.4 Taxation

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

6.5 Financial assets and financial liabilities

Financial instruments carried on the statement of financial statement include foreign currency cash reserves, due from banks and financial institutions, Investments, assistance as lender of last resort, advances and other receivables, other assets, currency in circulation, capital notes, due to banks and financial institutions, due to customers, IMF related liabilities, defined contribution obligation and accounts and provisions and other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each financial instrument.

6.5.1 Financial instruments – initial recognition

All financial assets are initially recognised on the trade date, i.e. the date at which the Bank becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the profit and loss account. Any difference between the fair value of consideration given and the amount determined using the valuation techniques detailed in note 6.5.14 is recognised in the statement of profit or loss.

6.5.2 Classification and subsequent measurement of financial assets and liabilities

The Bank classifies all of its financial assets based on two criteria:

- i) The Bank's business model for managing the assets; and
- ii) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (the 'SPPI test') on the principal amount outstanding, measured at either:
 - Amortised cost, as explained in Note 6.5.3
 - FVOCI, as explained in Notes 6.5.4 and 6.5.5
 - FVPL as explained in Note 6.5.6

i) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

Note 6.5.2 (i) - continued

- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, managing the financial assets is achieved and how cash flows are realised; and
- financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, The Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

ii) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical interest rates.

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 6.5.6 and 6.5.8. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 6.5.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Notes 6.5.6 and 6.5.8.

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6.5.3 Financial assets at amortised cost

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial instruments are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment (if any).

6.5.4 Debt instruments at FVOCI

The Bank classifies its financial assets as debt instruments measured at FVOCI when both of:

- i) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss statement in the same manner as for financial assets measured at amortised cost as explained in Note 6.5.3.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

6.5.5 Equity instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

6.5.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- i) The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- ii) The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- iii) The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

6.5.7 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include currency in circulation, capital notes, due to banks and financial institutions, due to customers, IMF related liabilities, defined contribution obligation and provisions and other liabilities.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

6.5.8 Derivative financial instruments

The Bank uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are re-measured to fair value on subsequent reporting dates. The resultant gains or losses from derivatives are included in the statement of profit or loss.

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6.5.9 Derecognition of financial assets and financial liabilities

i) *Financial assets*

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

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

ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the statement of profit or loss.

6.5.10 Impairment of financial assets

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origin, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 36.1.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the financial assets are grouped into Stage 1, Stage 2 and Stage 3 as described below:

- i) Stage 1: When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

Note 6.5.10 - continued

- ii) Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 assets also include facilities, where the credit risk has improved and the asset has been reclassified from Stage 3.
- iii) Stage 3: Financial assets considered credit-impaired (as outlined in Note 36.1.1). The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial assets.

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 36.1.2.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 36.1.2.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 36.1.2.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

Note 6.5.10 - continued

Stage 2

When a financial assets has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial assets considered credit-impaired (as defined in Note 36.1.1), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs the shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

6.5.11 Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent a range of scenarios linked to GDP growth and CPI.

6.5.12 Credit Enhancements: Collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees and demand promissory notes. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral.

6.5.13 Offsetting

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

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

6.5.14 Amortised cost measurement

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

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
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6.5.15 Fair value measurement

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

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

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

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

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

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

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

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

6.6 Cash and cash equivalents

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

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

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DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
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6.7 Gold

6.7.1 Gold held as reserve

Refined gold held as foreign reserve is recorded at fair value at the statement of financial position date. Fair price is determined by reference to the London Bullion Market Association (LBMA) fixings at a discount of USD 2.50 per troy ounce (21 December 2021: USD 2.50 per troy ounce). Fair value and foreign exchange changes in gold are taken to revaluation reserve account.

6.7.2 Gold at Bank vault

Non-refined gold and silver held at the Bank's vault are stated at cost less impairment (if any), and are included in other assets.

6.8 Property and equipment

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

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

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

	1401	1400
	(2023)	(2021)
Buildings	40 years	40 years
Furniture and fixtures	5 years	5 years
Motor vehicles	5 years	5 years
IT and office equipment	3 years	3 years

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

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

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

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6.9 Intangible assets

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

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

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

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

6.10 Provisions

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

6.11 Financial guarantees

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

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

6.12 Bank notes and coins

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

6.13 Employee benefits

6.13.1 Defined contribution obligation

In 2016, the Bank has introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Bank and the employees at 8% of employees' basic salary.

6.13.2 Termination benefits

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

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6.13.3 Short-term employee benefits

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

6.14 Grants

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

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

6.15 Deferred cost

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

6.16 Allocation of net profit

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

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

6.17 Use of estimates and judgments

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

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Note 6.17 - continued

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

- Useful lives and valuation of property and equipment; and Note 6.8
- Provision for impairment. Note 6.10

		<u>29 Hoot 1401</u> <u>(20 Mar 2023)</u>	<u>30 Qaws 1400</u> <u>(21 Dec 2021)</u>
		----- (Afs in '000') -----	
7. GOLD RESERVES	Note		
Balance at beginning of the period / year		130,692,933	101,770,256
Gain / (loss) on revaluation		12,812,103	(4,675,198)
Exchange (loss) / gain		(23,130,725)	33,597,875
Balance at end of the period / year	7.1	<u>120,374,311</u>	<u>130,692,933</u>

7.1 This represents 703,004.944 fine troy ounces (21 December 2021: 703,004.944 fine troy ounces) of gold in bar form held at Federal Reserve Bank (FRB), New York as the Bank's international reserve.

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

Accordingly, the Bank has obtained an advice for the estimate of discount to the LBMA rate of USD 1,969.35 per troy ounce (21 December 2021: USD 1,793.75 per troy ounce) from the Bank for International Settlements (BIS), Switzerland, which has suggested a discount of USD 2.50 per troy ounce (21 December 2021: USD 2.5 per troy ounce) to the LBMA rate. Accordingly, the Bank has valued the gold reserves at USD 1,969.35 per troy ounce (21 December 2021: USD 1,793.75 per troy ounce) using a discount of USD 2.50 per troy ounce (21 December 2021: USD 2.50 per troy ounce) to LBMA rate as at the reporting date.

7.2 These reserves of the Bank have been blocked under an executive order by the President of the United States of America as disclosed in note 1.5 to the financial statements. The Bank has not maintained any provision against these balances as the management is of the view that it would be able to recover these assets.

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		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
8. FOREIGN CURRENCY CASH RESERVES	Note	----- (Afs in '000') -----	
Cash at head office		14,794,562	7,963,213
Cash at branches		600,851	164,727
	8.1	<u>15,395,413</u>	<u>8,127,940</u>
8.1 Foreign currency profile			
USD		14,880,132	7,219,980
EUR		382,812	750,128
SAR		130,063	146,944
AED		2,375	2,721
INR		31	37
GBP		-	7,969
PKR		-	161
		<u>15,395,413</u>	<u>8,127,940</u>

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

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
9. DUE FROM BANKS AND FINANCIAL INSTITUTIONS	Note	----- (Afs in '000') -----	
At amortised cost			
Term deposits with foreign banks	9.1	81,436,978	98,801,858
Current accounts with foreign banks		356,241,899	61,738,035
Overnight deposits with foreign banks	9.2	28,287,028	117,319,355
		<u>465,965,905</u>	<u>277,859,248</u>
Expected credit losses	9.3	(78,068)	(100,582)
	9.4	<u>465,887,837</u>	<u>277,758,666</u>

9.1 These carry interest rates ranging between 0.15% to 4.21% per annum (21 December 2021: -0.08% to 0.56% per annum) having maturity ranging from March 2023 to February 2024 (21 December 2021: December 2021 to December 2022).

9.2 Overnight deposits do not carry interest.

9.3 An analysis of changes in the ECL allowances in relation to foreign currency accounts of the Bank measured at amortized cost is as follows:

	(Afs in '000')
Level 2	
Opening balance as at 21 December 2020 (30 Qaws 1399)	127,165
Impact during the year	(26,583)
Balance as at 21 December 2021 (30 Qaws 1400)	<u>100,582</u>
Expected credit losses as at 22 December 2021 (1 Jodi 1400)	100,582
Impact during the year	(22,514)
Balance as at 20 March 2023 (29 Hoot 1401)	<u>78,068</u>

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9.4 These balances include Afs 353,756.696 million (21 December 2021: Afs 139,713.243 million) which have been blocked under an executive order by the President of the United States of America as disclosed in note 1.5 to the financial statements including Afs 332,986.993 million held with Federal Reserve Bank of New York and Afs 20,769.702 million with Citi Bank. The Bank has not maintained any provision against these balances as the management is of the view that it would be able to recover these assets by reaching a political settlement with the USA.

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
10. INVESTMENTS			
Investments measured at FVOCI			
US treasury bonds and other securities	10.1	97,931,299	254,494,580
US treasury bonds		71,499,996	223,052,339
US Treasury Bills		-	14,529,147
Bank for International Settlements Investment Pool	10.2		
- A		33,275,984	40,613,556
	10.3	202,707,279	532,689,622
Equity instruments at FVOCI			
Shares in ECOTDB	10.4	1,433,928	1,433,928
	10.6	204,141,207	534,123,550

10.1 The Bank had entered into an investment management and consulting agreement with the International Bank for Reconstruction and Development (IBRD), an organisation of the World Bank Group, for Reserves Advisory Management Program (RAMP). The IBRD placed the funds in government securities, European federal agency securities and deposit accounts maintained with the Federal Reserve Bank of New York (FRB).

10.2 The Bank holds units of Bank for International Settlements Investment Pool A" (BISIP-A) through an asset management agreement, which has investments in USD denominated Government Bonds, foreign currency swaps and other interest bearing securities. The total units held by the Bank at the reporting date were 2,637,453 (21 December 2021: 2,637,453) having market value of USD 144.92 (21 December 2021: 148.37) per unit.

10.3 Fair value of the investments measured at FVOCI except investment in BIS are not available as World Bank / FRB has not shared any information about the market values of these investments since August when the government was changed. Therefore these have been stated at the values confirmed by FRB via balance confirmation. Moreover unrealised income from investment has not been accounted for as no such details were available. Management is of the view that this may not have material impact on the carrying amounts of these investments in the financial statements.

10.4 The Bank holds shares in the Economic Cooperation Organization Trade and Development Bank (ECOTDB), Istanbul, Turkey. As per the agreement, the Bank is required to subscribe 500 shares, out of which 350 shares are callable. As of the year end, the Bank has subscribed 150 (21 December 2021: 150) shares.

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- 10.5** An analysis of changes in the ECL allowances in relation to investments of the Bank is as follows:

	Investment in Debt instruments measured at FVOCI (Afs in '000')
Level 1	
Opening balance as at 21 December 2020 (01 JADI 1399)	7,206
Expected credit losses	(7,206)
Balance as at 21 December 2021 (30 Qaws 1400)	-
Opening balance as at 22 December 2021 (01 JADI 1400)	-
Expected credit losses	-
Balance as at 20 March 2023 (29 Hoot 1401)	-

- 10.6** These include investments amounting to Afs 169,431.295 million (21 December 2021: Afs 492,076.066 million) which have been blocked under an executive order by the President of the United States of America as disclosed in note 1.5 to the financial statements. The Bank has not maintained any provision against these balances as the management is of the view that it would be able to recover these assets by reaching a political settlement.

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
		----- (Afs in '000') -----	
11. ASSISTANCE AS LENDER OF LAST RESORT	Note		
Assistance as lender of last resort to Kabul Bank	11.1	14,283	170,154

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

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

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
		----- (Afs in '000') -----	
Opening balance		170,154	170,154
Receipts during the period / year		(155,871)	-
Closing balance		14,283	170,154

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		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
		----- (Afs in '000') -----	
12. ADVANCES AND OTHER RECEIVABLES	Note		
Advances to suppliers		1,055,629	18,450
Loans to staff	12.1	596,139	909,874
Afghanistan Deposit Protection Fund	12.2	500,000	500,000
Deferred cost on unissued currency	12.3	553,291	197,570
Other receivables from employees	12.4	288,672	218,458
Others		961	37,466
		2,994,692	1,881,818
Expected credit losses	12.5	(184,853)	(191,558)
		2,809,839	1,690,260

12.1 This represent loans provided to employees of the Bank for housing, marriage and general purposes. These loans are interest free and are repayable on monthly basis over a period ranging from 1 to 15 years (21 December 2021: 1 to 15 years). These loans are secured against staff defined contribution obligation and personal guarantee of the employees of the Bank.

12.2 This represents contribution of the Bank for Afghanistan Deposit Protection Fund (ADPF). The Bank contributed a sum of Afs. 500 million being its share in the initial capital of ADPF in the year 2009. Since then, the Bank, on behalf of ADPF, has been collecting insurance premium from commercial banks at a certain rate based on their customer deposits (other than inter-bank deposits) and the same is deposited into ADPF's bank account held with the Bank. The salaries of staff and rent expense pertaining to ADPF are also currently being borne by the Bank. ADPF has not been incorporated yet as a separate legal entity, as the relevant amendment in the DAB Law has not yet been approved by the Government.

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

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	----- (Afs in '000') -----	
	Note	
Balance as at beginning of the period / year		197,570
Cost of printing notes during the period / year		498,779
Amortisation of cost during the period / year		(143,058)
Balance as at end of the period / year		553,291

12.4 These include advances and receivables amounting to Afs 184.843 million (21 December 2021: Afs 191.558 million) on account of misappropriation of cash by the Bank's employees in prior years which have been fully provided.

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12.5 Expected credit losses

An analysis of changes in the ECL allowances in relation to trade receivables of the Bank measured at amortized cost is as follows:

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
Note	----- (Afs in '000') -----	
Balance as at the beginning of the period / year	191,558	168,173
(Recovery of ECL) / impairment	(6,705)	23,385
Balance as at the end of the period / year	184,853	191,558

13. OPERATING FIXED ASSETS

Capital work in progress	13.1	53,220	36,644
Property and equipment	13.2	5,145,076	5,163,455
		5,198,296	5,200,099

13.1 Capital work in progress

	Civil Works (Afs in '000')
Balance as at 21 December 2020 (01 JADI 1399)	24,072
Capital expenditure incurred / advances made during the year	12,572
Balance as at 21 December 2021 (30 Qaws 1400)	36,644
Capital expenditure incurred / advances made during the period	57,493
Transfer to operating fixed assets	(40,917)
Balance as at 20 March 2023 (29 Hoot 1401)	53,220

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13.2 Property and equipment

	Land	Buildings	Furniture and fixtures	Motor vehicles	IT and office equipment	Total
Note	(Afs in '000')					
Balance as at 01 Jadi 1399 (21 December 2020)	4,305,185	910,749	71,979	241,123	777,655	6,306,691
Assets acquired from APS	-	-	860	-	179,077	179,937
Additions	-	21,180	4,851	-	55,703	81,734
Adjustments / write offs	-	-	449	(102)	(3,211)	(2,864)
Disposals	-	-	(615)	-	(11,123)	(11,738)
Balance as at 30 Qaws 1400 (21 December 2021)	4,305,185	931,929	77,524	241,021	998,101	6,553,760
Balance as at 01 Jadi 1400 (22 December 2021)	4,305,185	931,929	77,524	241,021	998,101	6,553,760
Additions	-	40,917	2,394	6,992	86,615	136,918
Adjustments / write offs	-	-	2,073	-	(3,589)	(1,516)
Disposals	-	-	(171)	(38)	(14,657)	(14,866)
Balance as at 29 Hoot 1401 (20 March 2023)	4,305,185	972,846	81,820	247,975	1,066,470	6,674,296
Depreciation						
Balance as at 01 Jadi 1399 (21 December 2020)	-	155,861	51,762	182,242	668,409	1,058,274
Depreciation on assets acquired from APS	-	-	449	-	158,242	158,691
Charge for the year	-	22,923	10,836	48,626	100,018	182,403
Disposals	-	-	(542)	-	(8,521)	(9,063)
Balance as at 30 Qaws 1400 (21 December 2021)	-	178,784	62,505	230,868	918,148	1,390,305
Balance as at 01 Jadi 1400 (22 December 2021)	-	178,784	62,505	230,868	918,148	1,390,305
Charge for the period	-	30,071	7,580	10,614	103,270	151,535
Adjustments / write offs	-	-	(50)	-	(91)	(141)
Disposals	-	-	(167)	(27)	(12,285)	(12,479)
Balance as at 29 Hoot 1401 (20 March 2023)	-	208,855	69,868	241,455	1,009,042	1,529,220
NBV as at 30 Qaws 1400 (21 December 2021)	4,305,185	753,145	15,019	10,153	79,953	5,163,455
NBV as at 29 Hoot 1401 (20 March 2023)	4,305,185	763,991	11,952	6,520	57,428	5,145,076

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- 13.2.1** Land and buildings were revalued as at 30 Hoot 1389 by independent property dealer, M/S Pamir Property Dealer, a valuation expert having knowledge and experience in the location and category of property, on the basis of market values. The resulting impact from the revaluation exercise was recorded under revaluation reserve in the statement of changes in equity. The management is of the view that there are no significant changes in the value of land and building from last revaluation.
- 13.2.2** Land and buildings include properties having cost of Afs 53.232 million (21 December 2021: Afs 106.557 million) which have been transferred to the Bank by different ministries, however, the title to these properties has not yet been transferred in the name of the Bank. Further, properties having cost of Afs 11.766 million (21 December 2021: Afs 51.864 million) are disputed, mainly due to title / possession issues and are under review by the court of law.
- 13.2.3** Had no revaluation been carried out, the carrying amount of the land and buildings that would have been recognised in these financial statements is as under:

	29 Hoot 1401		30 Qaws 1400
	(20 March 2023)		(21 December 2021)
	----- (Afs in '000') -----		
	Land	Buildings	Land
			Buildings
Cost	3,368,708	1,210,479	3,368,708
Accumulated depreciation	-	(274,416)	-
Carrying amount	<u>3,368,708</u>	<u>936,063</u>	<u>3,368,708</u>
			<u>924,385</u>

13.2.4 Allocation of depreciation

Depreciation charged during the period / year	29 Hoot 1401	30 Qaws 1400
	20-Mar-23	21-Dec-21
	----- (Afs in '000') -----	
Less: Amount classified under grant expense	151,535	182,403
	<u>(23,880)</u>	<u>(22,457)</u>
	<u>127,655</u>	<u>159,946</u>

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		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
14. INTANGIBLE ASSETS			
Cost			
Balance as at beginning of the period / year		339,837	185,209
Intangible assets acquired from APS		-	153,185
Additions		1,505	1,443
		341,342	339,837
Amortisation			
Balance as at beginning of the period / year		338,108	182,526
Acquired from APS		-	150,953
Charge for the year		1,339	4,629
		339,447	338,108
NBV as at end of the period / year		1,895	1,729

15. OTHER ASSETS

Non-monetary gold bullion and bars		5,861,728	5,861,728
Non-monetary silver		6,711,255	6,711,255
	15.1	12,572,983	12,572,983
Accrued interest on investments measured at FVOCI		-	580,202
Inter-branch accounts		2,548	1,319
Others		13,565	14,481
		12,589,096	13,168,985

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

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
16. CURRENCY IN CIRCULATION			
Coins		663,900	663,900
Bank notes		326,133,730	324,479,998
		326,797,630	325,143,898
Bank notes and coins held by the Bank		(7,807,673)	(13,593,801)
	16.1	318,989,957	311,550,097

16.1 The liability for coins & bank notes issued by the Da Afghanistan Bank is recorded at its face value.

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
17. CAPITAL NOTES			
Face value		-	19,125,000
Un-amortised discount		-	(945,964)
	17.1	-	18,179,036

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17.1 These represent debt instruments issued by the Bank to the licensed commercial banks and licensed money changers.

		29 Hoot 1401	30 Qaws 1400
		(20 Mar 2023)	(21 Dec 2021)
		----- (Afs in '000') -----	-----
18.	DUE TO BANKS AND FINANCIAL INSTITUTIONS	Note	
	Foreign currency:		
	Current accounts	26,973,064	43,603,803
	Required reserve balance	18.1 11,314,101	13,289,440
	Frozen account	18.2 435,286	518,929
		38,722,451	57,412,172
	Local currency:		
	Current accounts	37,680,913	17,097,285
	Required reserve balance	18.1 4,111,733	3,950,135
	Overnight deposits	18.3 716,928	1,442,361
		42,509,574	22,489,781
		81,232,025	79,901,953

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

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

18.3 These are placed by local banks and do not carry interest.

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
		----- (Afs in '000') -----	-----
19.	DUE TO CUSTOMERS	Note	
	Foreign currency:		
	Current accounts		79,345,967 91,319,998
	Dormant accounts	19.2	140,533 132,055
	Margin against letters of credit	19.3	4,287,420 7,723,518
			83,773,920 99,175,571
	Local currency:		
	Current accounts		88,465,707 77,943,472
	Dormant accounts	19.2	78,857 70,270
	Margin against letters of credit	19.3	2,472 16,728
			88,547,036 78,030,470
			172,320,956 177,206,041

19.1 Due to customers consist of:

Government accounts	157,889,319	160,014,945
Others	14,431,637	17,191,096
	<u>172,320,956</u>	<u>177,206,041</u>

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

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

19.4 The Bank is not in compliance with Article 74 of DAB law which requires the Bank to limit its foreign currency liabilities up to 50% of its unimpaired capital and reserves, which works out to be Afs 121,289,168 thousand as at 29 Hoot 1401 (20 March 2023). Foreign currency liabilities of the Bank as at the said date stand at Afs 126,362,585 thousand, including liabilities towards Government of Afghanistan amounting to Afs 76,182,854 thousand, resulting in foreign currency liabilities exceeding over prescribed limit by Afs 5,073,417 thousand at the year end.

19.5 All these deposits are interest-free.

		29 Hoot 1401	30 Qaws 1400
		(20 Mar 2023)	(21 Dec 2021)
20. IMF RELATED LIABILITIES	Note	----- (Afs in '000') -----	
Account 1	20.1	92,751	92,751
Account 2	20.1	37	37
Extended Credit Facility Loan 2016-19	20.2	3,566,772	4,694,158
		<u>3,659,560</u>	<u>4,786,946</u>

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

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

Account 1 (Afghani)
Account 2 (Afghani)

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

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20.2 As per arrangement between the Bank, IMF and MoF in 2016, IMF approved Special Drawing Rights (SDRs) amounting to 32.38 million concessional financial assistance under Extended Credit Facility (ECF) program, in support of a three-year macroeconomic and structural adjustment program. The Bank has withdrawn equivalent to SDR 30.58 million (21 December 2021: SDR 32.38 million). The ECF loans have 10 years maturity and are repayable in 10 equal semiannual installments starting after the 5th year of disbursement.

		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
20.3 Off-balance sheet balances			
Afghanistan's Quota in IMF	20.3.1	37,767,190	46,941,570
SDR Holdings	20.3.1	39,685,390	50,200,056
		77,452,580	97,141,626
Liabilities			
Securities issued to IMF	20.3.1	35,930,070	35,930,070
SDR Allocations	20.3.2	54,313,605	67,507,428
Extended Credit Facility Loan 2011-14	20.3.3	-	347,930
Extended Credit Facility Loan 2020-24	20.3.3	21,527,298	26,756,695
Rapid Credit Facility Loan 2020	20.3.4	18,883,595	23,470,785
		130,654,568	154,012,908

20.3.1 Government of Islamic Republic of Afghanistan has quota of SDR 323.8 million in the IMF. This quota reflects the subscription in the IMF of respective members. The quota in the IMF is secured by the Ministry of Finance promissory note issued to the IMF and denominated in SDR. The Bank is the custodian of the promissory note. The differences are due to the evaluation of these positions at the SDR exchange rate.

The Ministry of Finance maintains an SDR-denominated current account with the IMF used for processing and settling all transactions with the IMF. This current account bears interest in the amount of the so-called IMF basic rate. In 1401, the basic rate ranged from 0.05% to 3.575% p.a. (1400: 0.05% to 0.12% p.a.). The SDR Holding balance amounted to SDR 340.246 million (21 December 2021: SDR 346.277 million).

20.3.2 Total liability of the Islamic Republic of Afghanistan for the SDR allocation amounts to SDR 465.662 million (21 December 2021: SDR 465.662 million). According to the IMF's Articles of Agreement, the liability for the SDR allocation falls due only in the case and in the amount of the cancelled SDR allocation, which requires a decision of the Council of IMF Governors, with 85% majority of votes, or in the case of canceling the participation in the IMF's SDR Department.

20.3.3 In 2021, As per the new arrangement between the IMF and MoF (the program), IMF approved SDR 259.04 million ECF to Government of Islamic Republic of Afghanistan under the program. The MoF has withdrawn equivalent to SDR 184.57 million (21 December 2021: SDR 184.57 million), in addition to outstanding ECF 2011-14 equivalent to SDR Zero (21 December 2021: SDR 2.4 million). The repayment of ECF loans to IMF has been made using SDR Holdings account with the IMF.

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20.3.4 The IMF approved an emergency assistance to Government of Islamic Republic of Afghanistan-MoF equivalent to SDR 161.90 million under Rapid Credit Facility (RCF) during the year, to mitigate the impact of Covid-19 pandemic on Afghanistan's economy and to boost critical health spending and rolling out social assistance to households hit hard by the pandemic. The RCF has 10 years maturity and are repayable in 10 equal semiannual installments starting after 5th year of disbursement i.e. 30 April 2025.

20.3.5 Allocations from the IMF have been blocked as the new Afghan government has not been recognised by the International community yet. As a result, the Bank is unable to access Special Drawing Rights (SDRs) and other IMF resources. The management is of the view that the matter would be resolved by reaching a political settlement with the USA and international community.

		<u>29 Hoot 1401</u> <u>(20 Mar 2023)</u>	<u>30 Qaws 1400</u> <u>(21 Dec 2021)</u>
	<i>Note</i>	----- (Afs in '000') -----	
21. DEFINED CONTRIBUTION OBLIGATION			
Defined contribution obligation	21.1	<u>1,952,923</u>	<u>2,341,296</u>

21.1 In 1395, the Bank introduced an unfunded contribution scheme and operates it for all of its permanent employees. Monthly contributions are made both by the Bank and the employees at 8% of employees' basic salary. Employee is paid benefit after completion of their service by multiplying the total number of months they served with average salary for last three years.

22. DEFERRED GRANTS

This represents grants received in kind from various donors in the form of information technology and power equipments for the purpose of supporting the government owned entities.

		<u>29 Hoot 1401</u> <u>(20 Mar 2023)</u>	<u>30 Qaws 1400</u> <u>(21 Dec 2021)</u>
	<i>Note</i>	----- (Afs in '000') -----	
Balance at the beginning of the year		38,588	60,668
Grants received during the year		<u>6,878</u>	<u>1,813</u>
		45,466	62,481
Less: Deferred grants recognised as income		<u>(23,954)</u>	<u>(23,893)</u>
Balance at the end of the year		<u>21,512</u>	<u>38,588</u>

23. PROVISIONS AND OTHER LIABILITIES

Provision against MOU adjustments	23.1	29,467	29,467
Payable in respect of defined contribution obligation	23.2	480,614	223,462
Security deposits	23.3	2,871,503	421,737
Interest payable on capital notes	27.1	1,364,000	-
Sundry payables	23.4	787,932	780,195
Auditor's remuneration	23.5	3,287	3,460
Others		<u>120,105</u>	<u>98,103</u>
		<u>5,656,908</u>	<u>1,556,424</u>

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

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

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

23.4 This represents miscellaneous payables to various parties on account of day to day business of the Bank.

	<u>29 Hoot 1401</u> <u>(20 Mar 2023)</u>	<u>30 Qaws 1400</u> <u>(21 Dec 2021)</u>
<i>Note</i>	----- (Afs in '000') -----	
23.5 Movement of Auditor's remuneration		
Opening balance as at beginning of the year	3,460	3,460
Add: Accrual for current year	3,287	3,460
Less: Payment during the year	<u>(3,460)</u>	<u>(3,460)</u>
Balance as at end of the year	<u>3,287</u>	<u>3,460</u>

24. CAPITAL AND RESERVES

24.1 Capital

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

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

- a) To capital account of Da Afghanistan Bank (DAB) in such amount as shall be required to increase the authorized capital of the Bank to a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the statement of financial position of the Bank for the end of that financial year;
- b) To redeem the securities issued by the State to the Bank pursuant to Article 31 and held by the Bank;
- c) To the General Reserve maintained by the Bank in such amount as shall be required to increase the amount of the General Reserve to a level equivalent to the amount of the authorized capital of the Bank; and
- d) To any other reserve for specific purposes established by the Bank subject to the approval of Minister of Finance.

24.2 Revaluation reserve

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

24.3 Residual undistributed net unrealised valuation gains

The Bank's residual undistributed net unrealised revaluation reserve is created under article 29 of the DAB Law. This represents the cumulative unrealised gains on the valuation of financial assets and liabilities at the closing exchange rate at the reporting date.

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25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

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

25.2 Commitments

Outstanding letter of credits

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
Note	----- (Afs in '000') -----	
	4,289,892	7,740,246

26. INTEREST INCOME

Interest income on:

Due from banks and financial institutions

918,567 146,119

Investments measured at FVOCI

1,396,619 4,441,509

Repurchase agreements with local banks

109,506 12,791

2,424,692 **4,600,419**

27. INTEREST EXPENSE

Interest expense on:

Capital notes

17.1 **1,316,761** 287,384

Overnight deposits

18.3 **95,298** 79,907

Required reserves

4,693 34,391

Al-wadiah sohola expense

- 16,558

Negative interest on current accounts

224,841 219,546

1,641,593 **637,786**

27.1 The Bank stopped paying interest on capital notes, required reserves and overnight deposits since change in the regime in 1400. Above amounts of interest expense relate to the period prior to the regime change.

28. NET GAIN FROM DEALINGS IN FOREIGN CURRENCIES

Net gain from dealings in foreign currencies

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	----- (Afs in '000') -----	

7,538,509 **2,010,631**

28.1 During the year, Afghani depreciated against foreign currencies including US dollars. As a result, the Bank incurred gain on sale of those foreign currencies which were purchased at lower rates in previous years.

29. OTHER INCOME

Regulatory income

405,510 83,012

Recovery of ECL during the period / year

36.1.2 **29,219** 10,404

Others

34,599 10,657

469,328 **104,073**

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		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
30. PERSONNEL EXPENSES			
Salaries		1,883,684	1,597,129
Charge against retirement benefits		117,300	562,491
		<u>2,000,984</u>	<u>2,159,620</u>
31. OTHER OPERATING EXPENSES			
Security services		268,468	56,726
Utilities		84,991	45,642
Transportation	31.1	78,669	83,969
Repairs and maintenance		71,594	74,861
Printing and stationery		37,530	21,208
Staff training		35,027	96
Communication		34,054	30,530
Office supplies and maintenance		15,920	11,795
Travelling		12,108	11,460
Rent		6,183	4,072
Consultancy fee		-	34,822
Publications for public awareness		1,909	1,973
Cash lost written off	31.2	244	343,950
Auditor's remuneration		3,287	3,460
Fee and subscription		-	1,375
Others		29,470	38,275
		<u>679,454</u>	<u>764,214</u>
31.1 This includes foreign currency transportation cost amounting to Afs 45.274 million (21 December 2021: Afs 66.659 million) incurred during the year.			
31.2 This includes cash stolen from branches of the Bank during period of the regime change.			
		29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	Note	----- (Afs in '000') -----	
32. EXPENDITURE AGAINST GRANTS			
Depreciation	13.2.4	23,880	22,457
Amortisation		74	1,436
		<u>23,954</u>	<u>23,893</u>
33. CASH AND CASH EQUIVALENTS			
Foreign currency cash reserves	8.1	15,395,413	8,127,940
Deposits (having maturity of less than three months)		49,413,725	60,135,438
Current accounts with foreign banks	9	356,241,899	61,738,035
Overnight balances with foreign banks	9	28,287,028	117,319,355
		<u>449,338,065</u>	<u>247,320,768</u>

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34. RELATED PARTIES

Transactions with related parties

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

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

Members of the Supreme Council

H.E Mr. Hedayatullah Badri, Acting Governor & Chairman of the Supreme Council
H.E Mr. Noor Ahmad Agha, First Deputy Governor & Deputy Chairman of the Supreme Council
H.E Dr. Shah Mohammad Mehrabi, member of the Supreme Council and Chairman of the Audit Committee
H.E Dr. Muhammad Naim Azimi, member of the Supreme Council
H.E Dr. Abdul Wakil Muntazer, member of the Supreme Council
H.E Ms. Katrin Faqiri, member of the Supreme Council

Members of the Executive Board

H.E Mr. Hedayatullah Badri, Acting Governor & Chairman of Executive
H.E Mr. Noor Ahmad Agha, First Deputy Governor
H.E Mr. Haji Mola Mohammad Akhund, Second Deputy Governor

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	----- (Afs in '000') -----	-----
Transactions with key management personnel		
Key management personnel compensation		
Salary and other employee benefits	<u>6,024</u>	<u>8,967</u>

Compensation of the Bank's key management personnel includes salaries and benefits.

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

	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
	----- (Afs in '000') -----	-----
Loans to key management personnel		
Loans outstanding as at beginning of the year	-	15,604
Loan repayments during the year	-	(15,604)
Loans outstanding as at end of the year	<u>-</u>	<u>-</u>

Other related party transactions

Assistance as lender of last resort

Balance outstanding as at the year end 11.1 14,283 170,154

Advance for Afghanistan Deposit Protection Fund

Balance outstanding as at the year end 12.2 500,000 500,000

Government accounts

Opening outstanding balance	160,014,945	126,719,679
Deposits during the year	849,894,167	830,819,156
Payments during the year	<u>(852,019,793)</u>	<u>(797,523,890)</u>
Closing outstanding balance	<u>157,889,319</u>	<u>160,014,945</u>

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35. FINANCIAL ASSETS AND LIABILITIES

Classification of financial instrument and fair values

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

		Assets at fair value through profit or loss	Assets at Fair Value through OCI	Amortised cost	Total
29 Hoot 1401 (20 March 2023)	Note	(Afs in '000')			
Financial Assets					
Foreign currency cash reserves	8	-	-	15,395,413	15,395,413
Due from banks and financial institutions	9	-	-	465,887,837	465,887,837
Investments	10	-	204,141,207	-	204,141,207
Assistance as lender of last resort	11	-	-	14,283	14,283
Advances and other receivables	12	-	-	2,256,548	2,256,548
		-	204,141,207	483,554,081	687,695,288
Financial Liabilities					
Currency in circulation	16	-	-	318,989,957	318,989,957
Capital notes	17	-	-	-	-
Due to banks and financial institutions	18	-	-	81,232,025	81,232,025
Due to customers	19	-	-	172,320,956	172,320,956
IMF related liabilities	20	-	-	3,659,560	3,659,560
Defined contribution obligation	21	-	-	1,952,923	1,952,923
Provisions and other liabilities	23	-	-	5,627,441	5,627,441
		-	-	583,782,862	583,782,862

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Note 35 - continued

		Assets at fair value through profit or loss	Assets at Fair Value through OCI	Amortised cost	Total
30 Qaws 1400 (21 December 2021)	Note	(Afs in '000')			
Financial Assets					
Foreign currency cash reserves	8	-	-	8,127,940	8,127,940
Due from banks and financial institutions	9	-	-	277,758,666	277,758,666
Investments	10	-	534,123,550	-	534,123,550
Assistance as lender of last resort	11	-	-	170,154	170,154
Advances and other receivables	12	-	-	1,492,690	1,492,690
		-	534,123,550	287,549,450	821,673,000
Financial Liabilities					
Currency in circulation	16	-	-	311,550,097	311,550,097
Capital notes	17	-	-	18,179,036	18,179,036
Due to banks and financial institutions	18	-	-	79,901,953	79,901,953
Due to customers	19	-	-	177,206,041	177,206,041
IMF related liabilities	20	-	-	4,786,946	4,786,946
Defined contribution obligation	21	-	-	2,341,296	2,341,296
Provisions and other liabilities	23	-	-	1,526,957	1,526,957
		-	-	595,492,326	595,492,326

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

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

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Note 35 - continued

The table below sets out fair values of the Bank's financial assets and liabilities.

	Note	20 March 2023 29 Hoot 1401		21 December 2021 30 Qaws 1400	
		Carrying amount	Fair value	Carrying amount	Fair value
		(Afs in '000')			
Financial Assets					
Foreign currency cash reserves	8	15,395,413	15,395,413	8,127,940	8,127,940
Due from banks and financial institutions	9	465,965,905	465,965,905	277,758,666	277,859,248
Investments	10	204,141,207	204,141,207	534,123,550	534,123,550
Assistance as lender of last resort	11	14,283	14,283	170,154	170,154
Advances and other receivables	12	2,441,401	2,256,548	1,684,248	1,492,690
		<u>687,958,209</u>	<u>687,773,356</u>	<u>821,864,558</u>	<u>821,773,582</u>
Financial Liabilities					
Currency in circulation	16	318,989,957	318,989,957	311,550,097	311,550,097
Capital notes	17	-	-	18,179,036	18,179,036
Due from banks and financial institutions	18	81,232,025	81,232,025	79,901,953	79,901,953
Due to customers	19	172,320,956	172,320,956	177,206,041	177,206,041
IMF related liabilities	20	3,659,560	3,659,560	4,786,946	4,786,946
Defined contribution obligation	21	1,952,923	1,952,923	2,341,296	2,341,296
Provisions and other liabilities	23	5,627,441	5,627,441	1,526,957	1,526,957
		<u>583,782,862</u>	<u>583,782,862</u>	<u>595,492,326</u>	<u>595,492,326</u>

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Note	(Afs in '000')			
29 Hoot 1401 (20 March 2023)				
Due from banks and financial institutions	-	465,965,905	-	465,965,905
US treasury bonds and other securities	97,931,299	-	-	97,931,299
US treasury bonds	71,499,996	-	-	71,499,996
US Treasury Bills	-	-	-	-
Bank for International Settlements Investment Pool - A	33,275,984	-	-	33,275,984
Shares in ECOTDB	1,433,928	-	-	1,433,928
Assistance as lender of last resort	-	-	14,283	14,283
Advances and other receivables	-	-	2,441,401	2,441,401
	<u>204,141,207</u>	<u>465,965,905</u>	<u>2,455,684</u>	<u>672,562,796</u>
30 Qaws 1400 (21 December 2021)				
Due from banks and financial institutions	-	277,859,248	-	277,859,248
US treasury bonds and other securities	254,494,580	-	-	254,494,580
US treasury bonds	223,052,339	-	-	223,052,339
US Treasury Bills	14,529,147	-	-	14,529,147
Bank for International Settlements Investment Pool - A	40,613,556	-	-	40,613,556
Shares in ECOTDB	1,433,928	-	-	1,433,928
Assistance as lender of last resort	-	-	170,154	170,154
Advances and other receivables	-	-	1,492,690	1,492,690
	<u>534,123,550</u>	<u>277,859,248</u>	<u>1,662,844</u>	<u>813,645,642</u>

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36. RISK MANAGEMENT POLICIES

The Supreme Council of the Bank, chaired by the Governor, has the overall responsibility and oversight of the Bank's risk management framework. The Bank is primarily subject to credit, liquidity, market (interest and currency) risks and operational risk. The policies and procedures for managing these risks are outlined in notes 36.1 to 36.5. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and managing of these risks.

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

36.1 Credit risk management

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

Concentration of credit risk

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

		29 Hoot 1401	30 Qaws 1400
		(20 Mar 2023)	(21 Dec 2021)
	Note	----- (Afs in '000') -----	
Gold reserves	7	120,374,311	130,692,933
Due from banks and financial institutions	9	465,965,905	277,859,248
Investments	10	204,141,207	534,123,550
Assistance as lender of last resort	11	14,283	170,154
Advances and other receivables	12	1,096,139	1,409,874
		<u>791,591,845</u>	<u>944,255,759</u>

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

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Note 36.1 - continued

The analysis below summarises the credit quality of the Bank's liquid portfolio:

Due from banks and term deposits rating by Rating Category

Short Term	Note	29 Hoot 1401 (20 Mar 2023)	30 Qaws 1400 (21 Dec 2021)
		----- (Afs in '000') -----	----- (Afs in '000') -----
A-1+		81.72%	62.27%
A-1		4.43%	8.92%
A-2		7.48%	15.72%
A-3		6.18%	12.73%
B		0.13%	0.35%
Unrated		0.06%	0.01%
		<u>100.00%</u>	<u>100.00%</u>

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

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

	Due from banks and financial institutions	Investments	Advances and other receivables	Assistance as a LoLR	Total
	(Afs in '000')				
29 Hoot 1401 (20 March 2023)					
Afghanistan	-	-	2,994,692	14,283	3,008,975
Asia	31,847,104	-	-	-	31,847,104
Europe	92,530,497	34,709,912	-	-	127,240,409
America	341,588,304	169,431,295	-	-	511,019,599
	<u>465,965,905</u>	<u>204,141,207</u>	<u>2,994,692</u>	<u>14,283</u>	<u>673,116,087</u>
30 Qaws 1400 (21 December 2021)					
Afghanistan	-	-	1,881,818	170,154	2,051,972
Asia	38,431,278	-	-	-	38,431,278
Europe	114,140,738	42,047,484	-	-	156,188,222
America	125,287,232	492,076,066	-	-	617,363,298
	<u>277,859,248</u>	<u>534,123,550</u>	<u>1,881,818</u>	<u>170,154</u>	<u>814,034,770</u>

36.1.1 Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. For risk management reporting purposes, the Bank considers and consolidates loan size as an element of credit risk exposure. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

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Note 36.1.1 - continued

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial assets that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial assets is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial assets is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Assets in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses following criteria for determining whether there has been significant increase in credit risk:

- Quantitative test based on movement in PD; and
- Forbearance status.

"Forbearance" occurs upon restructuring, i.e. prolongation in payment terms of payment of interest or principal arising from a deterioration of a borrower's financial condition such that it is not the same as it was at the time of loan origination and a borrower has applied for a change in the payment scheme of the loan. Restructuring only occurs when the appropriate division of the Bank is reasonably confident that a borrower is able to service the renewed payment schedule.

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Note 36.1.1 - continued

Multiple economic scenarios form the basis of determining the PD at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different PD. It is the weighting of these different scenarios that forms the basis of a weighted average PD that is used to determine whether credit risk has significantly increased. Forward-looking information includes the future prospects of Afghanistan economy obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

The contract is past due more than 30 days; or

The credit obligations reflected in the contract is unlikely to be paid to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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36.1.2 Movement in Expected Credit Losses

The following table reconciles the expected credit losses allowance for the period ended 20 March 2023 by classes of financial instruments:

	Due from Banks and Financial Institutions Note 9.3	Investments Note 10.5	Advances and other receivables Note 12.5	Total
	(Afs in '000')			
Opening balance as at 21 December 2020	127,165	7,206	168,173	302,544
Expected credit (recovery) / loss	(26,583)	(7,206)	23,385	(10,404)
Balance as at 21 December 2021	100,582	-	191,558	292,140
Expected credit recovery	(22,514)	-	(6,705)	(29,219)
Balance as at 20 March 2023	78,068	-	184,853	262,921

36.1.2 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data.

Probability of default (PD)

The Bank defines a financial instrument as in default when the financial asset is credit - impaired and meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments are considered default by the Bank.

Qualitative criteria

- a breach of contract, such as default or past due event;
- the lenders of the counterparty have granted a concession to the counterparty for economic or contractual reasons;
- relating to the counterparty's financial difficulty that the lender would not otherwise consider the likelihood or probability that the counterparty will enter bankruptcy or other financial reorganization; or
- the dissolution of an active market for that financial asset due to financial difficulties.

Credit rating and PD estimation process

The Bank's PD estimation process is based on the probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information.

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Note 36.1.2 - continued

<u>Internal rating description</u>	<u>12 month PD</u>	<u>External Rating</u>
High grade	0%	Sovereign
High grade	0.01%	AAA
High grade	0.02% to 0.03%	AA+ to AA-
High grade	0.05% to 0.1%	A+ to A-
Standard grade	0.11% to 0.27%	BBB+ to BBB-
Standard grade	7.55%	B+ to B-
Non performing	100%	

Exposure at default (EAD)

Exposure at default represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default (LGD)

Loss given default represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

Significant increase in credit risk

The Bank considers a financial asset to have experienced a significant increase in credit risk when:

- credit rating falls below investment grade in case of investments made in financial assets, or
- the contractual payments are 30 days past due.

Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees and demand promissory notes. The collaterals held against financials assets of the Bank have been disclosed in their respective notes, where applicable.

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36.2 Liquidity risk

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

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

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

		Gross nominal inflow / (outflow)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying amount
Note		(Afs in '000')						
29 Hoot 1401 (20 March 2023)								
Financial assets								
Foreign currency cash reserves	8	15,395,413	15,395,413	-	-	-	-	15,395,413
Due from banks and financial institutions	9	465,965,905	434,199,928	-	31,765,977	-	-	465,887,837
Investments	10	204,141,207	135,610,405	3,166,763	12,533,129	50,176,889	2,654,021	204,141,207
Assistance as lender of last resort	11	14,283	14,283	-	-	-	-	14,283
Advances and other receivables	12	2,441,401	1,385,877	25,804	106,871	276,295	646,554	2,256,548
		687,958,209	586,605,906	3,192,567	44,405,977	50,453,184	3,300,575	687,695,288
Liabilities								
Currency in circulation	16	318,989,957	-	-	-	-	318,989,957	318,989,957
Capital notes	17	-	-	-	-	-	-	-
Due to banks and financial institutions	18	81,232,025	65,370,905	-	15,425,834	435,286	-	81,232,025
Due to customers	19	172,320,956	168,031,063	2,958,776	1,114,331	-	216,786	172,320,956
IMF related liabilities	20	3,659,560	3,659,560	-	-	-	-	3,659,560
Defined contribution obligation	21	1,952,923	1,952,923	-	-	-	-	1,952,923
Provisions and other liabilities	23	5,627,441	5,627,441	-	-	-	-	5,627,441
		583,782,862	244,641,892	2,958,776	16,540,165	435,286	319,206,743	583,782,862
Net liquidity gap		104,175,347	341,964,014	233,791	27,865,812	50,017,898	(315,906,168)	103,912,426

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Note 36.2 - continued

		Gross nominal inflow / (outflow)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying amount
Note		(Afs in '000')						
30 Qaws 1400 (21 December 2021)								
Financial assets								
Foreign currency cash reserves	8	8,127,940	8,127,940	-	-	-	-	8,127,940
Due from banks and financial institutions	9	277,859,248	239,195,790	-	38,663,458	-	-	277,758,666
Investments	10	534,123,550	306,487,805	-	31,782,002	125,899,046	69,954,697	534,123,550
Assistance as lender of last resort	11	170,154	170,154	-	-	-	-	170,154
Advances and other receivables	12	1,684,248	292,009	35,310	143,156	501,046	712,727	1,684,248
		821,965,140	554,273,698	35,310	70,588,616	126,400,092	70,667,424	821,864,558
Liabilities								
Currency in circulation	16	311,550,097	-	-	-	-	311,550,097	311,550,097
Capital notes	17	18,179,036	3,577,182	2,208,923	12,392,931	-	-	18,179,036
Due to banks and financial institutions	18	79,901,953	62,143,449	-	17,239,575	518,929	-	79,901,953
Due to customers	19	177,206,041	165,771,722	7,723,518	2,115,531	1,336,827	258,443	177,206,041
IMF related liabilities	20	4,786,946	4,786,946	-	-	-	-	4,786,946
Defined contribution obligation	21	2,341,296	2,341,296	-	-	-	-	2,341,296
Provisions and other liabilities	23	1,526,957	1,526,957	-	-	-	-	1,526,957
		595,492,326	240,147,552	9,932,441	31,748,037	1,855,756	311,808,540	595,492,326
Net liquidity gap								
		226,472,814	314,126,146	(9,897,131)	38,840,579	124,544,336	(241,141,116)	226,372,232

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36.3 Market risk

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

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

36.4 Interest rate risk exposure

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

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

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

	Note	Interest rates (p.a)	Interest bearing					Non-interest bearing	Total	
			Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years and above	Total			
			(Afs in '000')							
29 Hoot 1401 (20 March 2023)										
Financial assets										
Foreign currency cash reserves	8	-	-	-	-	-	-	15,395,413	15,395,413	
Due from banks and financial institutions	9	0.15% to 4.21%	77,958,029	-	31,765,977	-	109,724,006	356,241,899	465,965,905	
Investments	10	0.125% - 2.25%	100,900,493	3,166,763	12,533,129	52,830,910	169,431,295	34,709,912	204,141,207	
Assistance as lender of last resort	11	-	-	-	-	-	-	14,283	14,283	
Advances and other receivables	12	-	-	-	-	-	-	2,256,548	2,256,548	
			178,858,522	3,166,763	44,299,106	52,830,910	279,155,301	408,618,055	687,773,356	

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Note 36.4 - continued

		Interest bearing					Non-interest bearing	Total
		Interest rates (p.a)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years and above		
			(Afs in '000')					
29 Hoot 1401 (20 March 2023)		Note						
Financial liabilities								
Currency in circulation	16	-	-	-	-	-	318,989,957	318,989,957
Capital notes	17	0.00%	-	-	-	-	-	-
Due to banks and financial institutions	18	0.00%	-	-	-	-	81,232,025	81,232,025
Due to customers	19	-	-	-	-	-	172,320,956	172,320,956
IMF related liabilities	20	-	-	-	-	-	3,659,560	3,659,560
Defined contribution obligation	21	-	-	-	-	-	1,952,923	1,952,923
Provisions and other liabilities	23	-	-	-	-	-	5,627,441	5,627,441
			-	-	-	-	583,782,862	583,782,862
On balance sheet interest sensitivity gap			178,858,522	3,166,763	44,299,106	52,830,910	279,155,301	(175,164,807)
								103,990,494
		Interest bearing					Non-interest bearing	Total
		Interest rates (p.a)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years and above		
			(Afs in '000')					
30 Qaws 1400 (21 December 2021)		Note						
Financial assets								
Foreign currency cash reserves	8	-	-	-	-	-	8,127,940	8,127,940
Due from banks and financial institutions	9	-0.08% to 0.56%	177,457,755	-	38,663,458	-	61,738,035	277,859,248
Investments	10	0.03% - 2.25%	264,440,321	-	31,782,002	195,853,743	42,047,484	534,123,550
Assistance as lender of last resort	11	-	-	-	-	-	170,154	170,154
Advances and other receivables	12	-	-	-	-	-	1,492,690	1,492,690
			441,898,076	-	70,445,460	195,853,743	113,576,303	821,773,582
Financial liabilities								
Currency in circulation	16	-	-	-	-	-	311,550,097	311,550,097
Capital notes	17	0.00%	3,577,182	2,208,923	12,392,931	-	-	18,179,036
Due to banks and financial institutions	18	0.00%	1,442,361	-	-	-	78,459,592	79,901,953
Due to customers	19	-	-	-	-	-	177,206,041	177,206,041
IMF related liabilities	20	-	-	-	-	-	4,786,946	4,786,946
Defined contribution obligation	21	-	-	-	-	-	2,341,296	2,341,296
Provisions and other liabilities	23	-	-	-	-	-	1,526,957	1,526,957
			5,019,543	2,208,923	12,392,931	-	575,870,929	595,492,326
On balance sheet interest sensitivity gap			436,878,533	(2,208,923)	58,052,529	195,853,743	688,575,882	(462,294,626)
								226,281,256

If the interest rate increase / decrease by 100 bps, the effect on profit for the year would have been Afs. 279,155.301 million (21 December 2021: Afs. 6,885.759 million) higher / lower respectively.

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36.5 Currency risk

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

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

		USD	EUR	GBP	PKR	AED	Others	Afs	Total
Note		(Afs in '000')							
29 Hoot 1401 (20 March 2023)									
Financial assets									
Foreign currency cash reserves	8	14,880,132	382,812	-	-	2,375	130,094	-	15,395,413
Due from banks and financial institutions	9	358,227,435	49,071,175	55,845,990	609,371	2,211,934	-	-	465,965,905
Investments	10	202,707,279	-	-	-	-	1,433,928	-	204,141,207
Assistance as lender of last resort	11	-	-	-	-	-	-	14,283	14,283
Advances and other receivables	12	-	-	-	-	-	-	2,256,548	2,256,548
		<u>575,814,846</u>	<u>49,453,987</u>	<u>55,845,990</u>	<u>609,371</u>	<u>2,214,309</u>	<u>1,564,022</u>	<u>2,270,831</u>	<u>687,773,356</u>
Financial liabilities									
Currency in circulation	16	-	-	-	-	-	-	318,989,957	318,989,957
Capital notes	17	-	-	-	-	-	-	-	-
Due to banks and financial institutions	18	33,417,963	5,277,534	26,573	381	-	-	42,509,574	81,232,025
Due to customers	19	80,756,777	3,003,555	1,658	6,547	-	5,382	88,547,037	172,320,956
IMF related liabilities	20	-	-	-	-	-	3,566,772	92,788	3,659,560
Defined contribution obligation	21	-	-	-	-	-	-	1,952,923	1,952,923
Provisions and other liabilities	23	203,074	-	-	1,679	-	1,901	5,420,787	5,627,441
		<u>114,377,814</u>	<u>8,281,089</u>	<u>28,231</u>	<u>8,607</u>	<u>-</u>	<u>3,574,055</u>	<u>457,513,066</u>	<u>583,782,862</u>
Net foreign currency exposure		<u>461,437,032</u>	<u>41,172,898</u>	<u>55,817,759</u>	<u>600,764</u>	<u>2,214,309</u>	<u>(2,010,033)</u>	<u>(455,242,235)</u>	<u>103,990,494</u>
30 Qaws 1400 (21 December 2021)									
Financial assets									
Foreign currency cash reserves	8	7,219,980	750,128	7,969	161	2,721	146,981	-	8,127,940
Due from banks and financial institutions	9	145,322,497	60,839,604	68,224,515	984,112	2,488,520	-	-	277,859,248
Investments	10	532,689,622	-	-	-	-	1,433,928	-	534,123,550
Assistance as lender of last resort	11	-	-	-	-	-	-	170,154	170,154
Advances and other receivables	12	-	-	-	-	-	-	1,492,690	1,492,690
		<u>685,232,099</u>	<u>61,589,732</u>	<u>68,232,484</u>	<u>984,273</u>	<u>2,491,241</u>	<u>1,580,909</u>	<u>1,662,844</u>	<u>821,773,582</u>

DA AFGHANISTAN BANK
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Note 36.5 - continued

		USD	Euro	GBP	PKR	AED	Others	Afs	Total
	Note	(Afs in '000')							
Financial liabilities									
Currency in circulation	16	-	-	-	-	-	-	311,550,097	311,550,097
Capital notes	17	-	-	-	-	-	-	18,179,036	18,179,036
Due to banks and financial institutions	18	49,699,094	7,490,516	221,721	842	-	-	22,489,780	79,901,953
Due to customers	19	94,231,016	4,925,539	1,906	11,728	-	5,382	78,030,470	177,206,041
IMF related liabilities	20	-	-	-	-	-	4,694,158	92,788	4,786,946
Defined contribution obligation	21	-	-	-	-	-	-	2,341,296	2,341,296
Provisions and other liabilities	23	242,986	9,574	-	2,999	-	-	1,271,398	1,526,957
		<u>144,173,096</u>	<u>12,425,629</u>	<u>223,627</u>	<u>15,569</u>	<u>-</u>	<u>4,699,540</u>	<u>433,954,865</u>	<u>595,492,326</u>
Net foreign currency exposure		<u>541,059,003</u>	<u>49,164,103</u>	<u>68,008,857</u>	<u>968,704</u>	<u>2,491,241</u>	<u>(3,118,631)</u>	<u>(432,292,021)</u>	<u>226,281,256</u>

36.5.1 Sensitivity analysis on foreign currency financial assets and liabilities

A 1% increase in the exchange rates of USD, Euro, GBP, PKR and AED at 20 March 2023 would have increased / (decreased) equity and profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

		USD	Euro	GBP	PKR	AED	Others	Afs	Total
	Note	(Afs in '000')							
29 Hoot 1401 (20 March 2023)									
Effect of 1% increase in exchange rate									
Financial assets									
Foreign currency cash reserves		148,801	3,828	-	-	24	1,301	-	153,954
Due from banks and financial institutions		3,582,274	490,712	558,460	6,094	22,119	-	-	4,659,659
Investments		2,027,073	-	-	-	-	14,339	-	2,041,412
Assistance as lender of last resort		-	-	-	-	-	-	-	-
Advances and other receivables		-	-	-	-	-	-	-	-
		<u>5,758,148</u>	<u>494,540</u>	<u>558,460</u>	<u>6,094</u>	<u>22,143</u>	<u>15,640</u>	<u>-</u>	<u>6,855,025</u>
Financial liabilities									
Due to banks and financial institutions		(334,180)	(52,775)	(266)	(4)	-	-	-	(387,225)
Due to customers		(807,568)	(30,036)	(17)	(65)	-	(54)	-	(837,740)
IMF related liabilities		-	-	-	-	-	(35,668)	-	(35,668)
Provisions and other liabilities		(2,031)	-	-	(17)	-	(19)	-	(2,067)
		<u>(1,143,779)</u>	<u>(82,811)</u>	<u>(283)</u>	<u>(86)</u>	<u>-</u>	<u>(35,741)</u>	<u>-</u>	<u>(1,262,700)</u>
Effect on Equity / Profit		<u>4,614,369</u>	<u>411,729</u>	<u>558,177</u>	<u>6,008</u>	<u>22,143</u>	<u>(20,101)</u>	<u>-</u>	<u>5,592,325</u>

DA AFGHANISTAN BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR FIFTEEN MONTH PERIOD ENDED 29 HOOT 1401 (20 MARCH 2023)

	USD	Euro	GBP	PKR	AED	Others	Afs	Total
Note	(Afs in '000')							
30 Qaws 1400 (21 December 2021)								
Effect of 1% increase in exchange rate								
Financial assets								
Foreign currency cash reserves	72,200	7,501	80	2	27	1,470	-	81,280
Due from banks and financial institutions	1,476,847	608,396	682,245	9,841	24,885	-	-	2,802,214
Investments	5,326,896	-	-	-	-	14,339	-	5,341,235
Assistance as lender of last resort	-	-	-	-	-	-	-	-
Advances and other receivables	-	-	-	-	-	-	-	-
	<u>6,875,943</u>	<u>615,897</u>	<u>682,325</u>	<u>9,843</u>	<u>24,912</u>	<u>15,809</u>	<u>-</u>	<u>8,224,729</u>
Financial liabilities								
Due to banks and financial institutions	(496,991)	(74,905)	(2,217)	(8)	-	-	-	(574,121)
Due to customers	(911,373)	(49,255)	(19)	(117)	-	(54)	-	(960,818)
IMF related liabilities	-	-	-	-	-	(46,942)	-	(46,942)
Provisions and other liabilities	(2,543)	(96)	-	(30)	-	-	-	(2,669)
	<u>(1,410,907)</u>	<u>(124,256)</u>	<u>(2,236)</u>	<u>(155)</u>	<u>-</u>	<u>(46,996)</u>	<u>-</u>	<u>(1,584,550)</u>
Effect on Equity / Profit	<u>5,465,036</u>	<u>491,641</u>	<u>680,089</u>	<u>9,688</u>	<u>24,912</u>	<u>(31,187)</u>	<u>-</u>	<u>6,640,179</u>

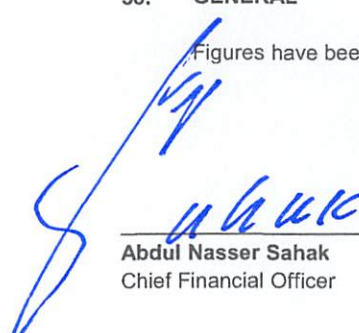
36.5.2 Effect of 1% decrease in exchange rates will have same effect on net unrealised gains / (losses) for both years but in opposite direction.

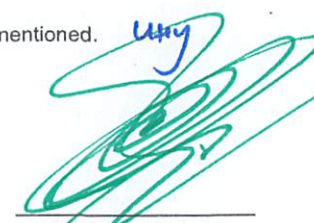
37. DATE OF AUTHORISATION FOR ISSUE

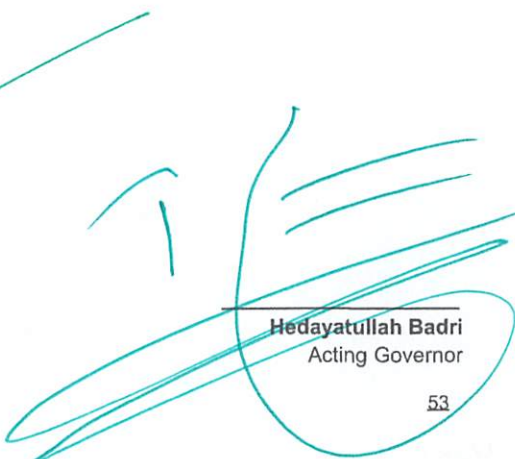
These financial statements were authorised for issue by the Supreme Council of the Bank on _____.

38. GENERAL

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


Abdul Nasser Sahak
Chief Financial Officer


Noor Ahmad Agha
First Deputy Governor


Hedayatullah Badri
Acting Governor