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INDEPENDENT AUDITOR'S REPORT

AFGHANISTAN INTERNATIONAL BANK
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2021

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF AFGHANISTAN INTERNATIONAL BANK**

Introduction

We have audited the financial statements of Afghanistan International Bank (the Bank), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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 the audit.

Other Matters

The financial statements for the year ended 31 December 2020 were audited by another auditor who has expressed unmodified audit opinion dated on 25 March 2021.

Mazars Afghanistan Limited

MAZARS AFGHANISTAN KABUL LIMITED

Chartered Accountants
Engagement Partner: Muhammad Saqlain Siddiqui
Date: 17 March 2022
Place: Kabul, Afghanistan

AFGHANISTAN INTERNATIONAL BANK
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021	2020
		---------- AFN in '000 ----------	
ASSETS			
Cash and balances with Da Afghanistan Bank	5	**22,457,198**	12,508,824
Balances with other banks	6	**18,316,295**	11,958,104
Placements - net	7	**10,685,045**	17,463,070
Investments - net	8	**15,589,938**	17,066,969
Loan and advances to customers - net	9	**1,819,527**	2,670,139
Receivables from financial institutions	10	**1,074,826**	266,315
Operating fixed assets	11	**3,392,964**	3,583,391
Intangible assets	12	**291,697**	364,323
Deferred tax assets	13	**267,333**	87,543
Other assets	14	**558,385**	636,036
Total assets		**74,453,208**	66,604,716
LIABILITIES			
Customers' deposits	15	**70,359,122**	62,211,331
Deferred income		**29,896**	26,192
Lease liabilities	16	**323,255**	469,641
Other liabilities	17	**162,400**	155,857
Total liabilities		**70,874,673**	62,863,021
EQUITY			
Share capital	18	**1,465,071**	1,465,071
Capital reserves	19	**318,624**	306,319
Retained earnings		**1,821,712**	1,827,914
Revaluation (loss) / surplus on debt instruments at FVOCI		**(26,871)**	142,391
Total equity		**3,578,536**	3,741,695
Total liabilities and equity		**74,453,208**	66,604,716
Contingencies and commitments	20		

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chairman **Chief Executive Officer** **Chief Financial Officer**

AFGHANISTAN INTERNATIONAL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		---------- AFN in '000 ----------	
Interest income - calculated using the effective interest method	21	**628,848**	1,031,898
Interest expense	22	**(6,389)**	(19,402)
Net interest income		**622,459**	1,012,497
Fee and commission income	23	**948,327**	997,168
Fee and commission expense	24	**(7,710)**	(7,508)
Net fee and commission income		**940,617**	989,660
Income from dealing in foreign currencies		**373,707**	319,774
		1,936,783	2,321,930
Other income	25	**22,757**	331,151
Gain on sale of securities		**232,665**	168,827
Credit losses expense	26	**(322,233)**	(620,221)
Finance cost on lease liability		**(4,404)**	(9,479)
General and administrative expenses	27	**(1,765,403)**	(2,023,522)
Profit before taxation		**100,165**	168,686
Taxation	28	**145,938**	141,443
Profit for the year		**246,103**	310,129
Other comprehensive income			
Items that may be classified to profit or loss subsequently			
(Deficit) / Surplus on debt instruments at FVOCI		**(203,114)**	98,003
Related deferred tax		**33,852**	(19,601)
Other comprehensive loss, net of tax		**(169,262)**	78,402
Total comprehensive income for the year		**76,842**	388,531
Earnings per share - Basic and diluted (AFN)		**8.20**	10.34

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Chief Financial Officer**

AFGHANISTAN INTERNATIONAL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		---------- AFN in '000	----------
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Income tax		**100,165**	168,686
Adjustments for:			
Depreciation		**281,712**	246,586
Amortization		**88,743**	87,201
Finance cost on lease liability		**4,404**	9,479
Adjustments for the movement in lease liability		**52,558**	-
Credit losses expense		**322,233**	620,221
Property and equipment written-off		**(95,003)**	20,562
		754,812	1,152,735
Changes in operating assets and liabilities			
Receivable from financial institutions		**(808,511)**	236,303
Required reserve maintained with DAB		**1,461,082**	(141,696)
Cash margin held with other banks		**20,236**	(26,542)
Loans and advances to customers - net		**540,318**	75,411
Other assets		**95,526**	201,456
Deferred income on commercial letter of credit and guarantees		**(5,827)**	(8,679)
Customers' deposits		**8,147,790**	3,368,225
Deposits from banks		**-**	(500,000)
Other liabilities		**6,543**	(177,724)
		10,211,969	4,179,489
Income tax paid		**(19,550)**	19,601
Net cash flow from operating activities		**10,192,419**	4,199,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital work-in-progress		**(138,424)**	(123,997)
Acquisition of operating fixed assets		**(10,011)**	(6,291)
Acquisition of intangible assets		**(7,573)**	-
Placements (with maturity more than three months)		**6,859,087**	(4,975,536)
Investments		**1,266,362**	1,923,420
Net cash flow from/ (used in) investing activities		**7,969,440**	(3,182,404)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability repaid		**(55,331)**	(90,504)
Finance cost paid		**(4,404)**	(9,479)
Dividend paid		**(240,000)**	(326,000)
Net cash used in financing activities		**(299,735)**	(425,983)
Net increase in cash and cash equivalents		**17,862,125**	590,703
Cash and cash equivalents at 1 January		**28,965,121**	28,374,418
Cash and cash equivalents at 31 December	30	**46,827,246**	28,965,121

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Chief Financial Officer**

AFGHANISTAN INTERNATIONAL BANK
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Share capital	Revaluation surplus on debt instruments at FVOCI	Capital reserves	Retained earnings	Total
	AFN '000'				
Balance at 01 January 2020	1,465,071	63,989	290,813	1,859,291	3,679,164
Total comprehensive income					
Profit for the year				310,129	310,129
Other comprehensive income, net of tax:					
Debt instruments at FVOCI					
Net change in fair value		98,003			98,003
Related tax		(19,601)			(19,601)
Total comprehensive income	-	78,402	-	310,129	388,531
Transferred to capital reserve			15,506	(15,506)	
Transactions with owners of the bank					
Dividend paid				(326,000)	(326,000)
Balance at 31 December 2020	1,465,071	142,391	306,319	1,827,914	3,741,695

	Share capital	Revaluation (loss) / surplus on debt instruments at FVOCI	Capital reserve	Retained earnings	Total
	AFN '000'				
Balance at 01 January 2020	**1,465,071**	**142,391**	**306,319**	**1,827,914**	**3,741,695**
Total comprehensive income					
Profit for the year				**246,103**	**246,103**
Other comprehensive income, net of tax:					**-**
Fair value reserve (debt instruments at FVOCI					**-**
Net change in fair value		**(203,114)**			**(203,114)**
Related tax		**33,852**			**33,852**
Total comprehensive income	**-**	**(169,262)**	**-**	**246,103**	**76,842**
Transferred to capital reserve			**12,305**	**(12,305)**	**-**
Transactions with owners of the bank					
Dividend paid	**-**	**-**	**-**	**(240,000)**	**(240,000)**
Balance at 31 December 2021	**1,465,071**	**(26,871)**	**318,624**	**1,821,712**	**3,578,537**

The annexed notes 1 to 35 form an integral part of these financial statements.

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Chairman **Chief Executive Officer** **Chief Financial Officer**

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. Status and nature of business

Afghanistan International Bank (the Bank) was registered with Afghan Investment Support Agency (AISA) on 27 December 2003 and received formal commercial banking license on 22 March 2004 from Da Afghanistan Bank (DAB), the central bank of Afghanistan, to operate nationwide. The Bank obtained Islamic banking license from DAB via letter no. 1863/1890 dated 21 July 2014.

The Bank initially was incorporated as a limited liability company and domiciled in Afghanistan, however, on the

The Bank has been operating as one of the leading commercial banking service providers in Afghanistan. The Bank

2. Basis of preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards

These financial statements have been prepared under the historical cost convention except investments are stated

These financial statements comprise statement of financial position, statement of comprehensive income as a single statement, statement of changes in equity, statement of cash flows and the accompanying notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1 A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements:

Standard or Interpretation

- IFRS 16 - Covid-19 Related rent concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The above standards and interpretations did not have a material impact on the financial statements.

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

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

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	Standard or Interpretation	**Effective date (annual periods beginning)**
-	IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Available for optional adoption/ effective date
-	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
-	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 April 2021
-	Annual Improvements to IFRS Standards 2018–2020	1 April 2021
-	IAS 16 - Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
-	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
-	Classification of Liabilities as Current or Non-current (Amendments to IAS 1	1 January 2022
-	IFRS 17 Insurance Contractsb and amendments to IFRS 17 Insurance Contracts	1 January 2022
-	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
-	Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
-	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

3. Summary of significant accounting policies

The accounting policies adopted in preparation of this financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2021.

3.1 IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Bank has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Bank has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for prepaid/ accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Bank has applied the optional exemptions to not recognize right-of- use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The Bank did not had any finance lease. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 1.9% per annum. The Bank has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Following accounting policy change has been adopted by the Bank pursuant to IFRS 16:

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3.2 Leased assets

The Bank as a Lessee

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Ban assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment within operating fixed assets and lease liabilities have been disclosed on the face of the statement of financial position.

Extension options for leases

When the Bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

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3 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity including cash in hand and at ATM, unrestricted balances with the DAB, balances with banks and placements.

4 Financial instruments

3.3.1 Financial instruments – initial recognition

3.3.1.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognize balances due to customers when funds are transferred to the Bank.

3.3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3.3.1.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

3.3.1.4 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in note 3.3.2.1
- FVOCI, as explained in notes 3.3.2.3 and 3.3.2.4
- FVPL

The Bank classifies and measures its trading portfolio at FVPL as explained in Notes 3.3.2.2. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 3.3.2.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 3.3.2.6.

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3.3.2 Financial assets and liabilities

3.3.2.1 Due from banks, Loans and advances to Customers, Financial investments at amortized cost

The Bank measures Due from banks, Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

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:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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 realized 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.

The SPPI test

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 (for example, if there are repayments of principal or amortization of the premium/discount).

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 judgment 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.

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In contrast, contractual terms that introduce a more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.3.2.2 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.3.2.3 Debt instruments at FVOCI

The Bank classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost as explained in note. The ECL calculation for Debt instruments at FVOCI is explained in Note 33.2.3. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first– out basis. On de recognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

3.3.2.4 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 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 recognized 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.

3.3.2.5 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

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3.3.2.6 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:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; Or

- 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 with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or 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 as explained in Note 2.1.2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

The bank did not have any financial insturments that requires to be classified under FVPL as at 31 December 2021. (31 December 2020: Nil)

3.3.3 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2021.

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3.3.4 Impairment of financial assets

3.3.4.1 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 or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 3.3.4.2). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3.3.5.

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.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

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. This is further explained in note 33.2.2

Based on the above process, the Bank groups its loans into Stage 1, Stage 2,Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs.Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as noted below). The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit- adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

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) de recognition of the financial asset.

3.3.4.2 The calculation of ECLs

The Bank calculates ECLs based on a four 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.

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

- PD — The Probability of Default 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 de recognized and is still in the portfolio. The concept of PDs is further explained in note 33.2.2.

- EAD — The Exposure at Default 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 33.2.2.

- LGD — The Loss Given Default 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 realization of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 33.2.2.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, downside ('average base')). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 2.6.5, 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 summarized 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 four scenarios, as explained above.

- Stage 2: When a loan 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 loans considered credit-impaired (as defined in note 33.2.2), the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI — POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit- adjusted EIR.

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Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within provisions, as disclosed in note 18.2 to the financial statements.

Financial guarantee contracts

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 recognized within provisions, as disclosed in note 18.2 to the financial statements.

3.3.4.3 Debt instruments measured at fair value through OCI

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 amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon de recognition of the assets.

3.3.4.4 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year for corporate and 3 years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 33.2.2 but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

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3.3.4.5 Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Consumer price indices

3.3.5 Impairment provision under local regulations

Loans and advances to customers
The outstanding principal of the advances are classified in accordance with the Asset Classification and Provisioning Regulation issued by DAB as follows:

i) **Standard:** These are loans and advances, which are paying in a current manner or at most past due for the period of 1-30 days, fully secured and is supported by sound net worth, profitability, liquidity and cash flow of the obligor. Standard assets are sufficiently secured with respect to the repayment of both the principal amount and interest. An overdraft would be regarded as Standard if monthly interest payments and other charges are past due for 1-30 days, and there was regular activity on the account with no sign of a hard core of debt developing. A standard provision is maintained in the books of account @1% (31 December 2019: 1%) of value of such loans and advances.

ii) **Watch:** These are loans and advances which are adequately protected, but are potentially weak. Such an asset constitutes an unwarranted credit risk, but not to the point of requiring a classification of Substandard. The credit risk may be minor, and most instances, bank management can correct the noted deficiencies with increased attention. Further, all loans and advances which are past due by 31 to 60 days for principal or interest payments are classified as Watch. A provision is maintained in the books of account not less than 5% of value of such loans and advances.

iii) **Substandard:** These are loans and advances which show clear manifestations of credit weaknesses that jeopardize the liquidation of the debt. Substandard loans and advances include loans to borrowers whose cash flows are not sufficient to meet currently maturing debts, loans to borrowers which are significantly undercapitalized, and loans to borrowers lacking sufficient working capital to meet their operating needs.

Further, all loans and advances which are past due by 61 to 120 days for principal or interest payments are also classified as Substandard. A provision is maintained in the books of account not less than 25% of value of such loans and advances.

iv) **Doubtful:** These are loans and advances which display all the weaknesses inherent in loans and advances classified as Substandard but with the added characteristics that they are not well secured and the weaknesses make collection or liquidation in full, on the basis of currently available information, highly questionable and improbable. The possibility of loss is extremely high, but because of certain mitigating circumstances, which may work to the advantage and strengthening of the facility, its classification as an estimated loss is postponed until its more defined status is ascertained. Further all loans and advances which are past due by 121 to 480 days for principal or interest payments are also classified as Doubtful. A provision is maintained in the books of account not less than 50% of value of such loans and advances.

v) **Loss:** These are loans and advances which are considered uncollectible and of such little value that their continuation as recoverable facilities is not defensible. This classification does not imply that the facility has absolutely no recoverable value, but rather it is not practical or desirable to defer making full provisions for the facility even though partial recover in future may not be entirely ruled out. Loans and advances classified as Loss include those to bankrupt companies and insolvent firms with negative working capital and cash flow or those to judgment debtors with no means or foreclosable collateral to settle the debts. Further, all loans and advances which are past due over 481 days for principal and interest payments are classified as Loss. This category of loans shall be retained in bank balance sheet for the period of 6 month for recovery purposes and 100% loan loss provisioning should be made. After 6 months, they shall be immediately written off with the provisioning made.

The bank has also determine provision for expected credit losses under IFRS 9 which results higher than provision under Asset Classification Provisioning Regulation, accordingly higher provisions were in cooperated in the financial statements as disclosed in note 9.5 to the financial statements.

Investments, placements and other assets

The bank has policy of maintaining general provision on placements and investments based on the credit rating, falling in category A (0%), B (0.50%) and C (1%), entity also determine provision for expected credit losses under IFRS 9, the financial statements are in cooperated with higher provision impact resulting from the mentioned methods, as disclosed in notes 7.2 & 8.3 to the financial statements.

Off-balance sheet item

General provision of 1% is maintained on bank guarantees and letter of credits on unsecured portion by cash margin as required in Asset Classification and Provisioning Regulation issued by DAB, however, entity also determine provision for expected credit losses on off-balance sheet items under IFRS 9, the financial statements are in cooperated with higher provision impact resulting from the mentioned methods, as disclosed in note 17 & 26 to the financial statements.

However, during the year due to recent changes in the country, the DAB has issued the circular where banks were instructed for deferring the implementation of ACPR regulation from 1 June 2021 to 30 May 2022 (12 Months). Accordingly, Bank has complied with requirement of the said circular in preparing the financial statements for the year ended on 31 December 2021.

3.4 Financial liabilities

The Bank classifies its financial liabilities in following categories.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if incurred principally for the purpose of trading or payment in the short term. Derivatives (if any) are also categorized as held for trading unless they are designated as hedges

b) Other financial liabilities measured at amortized cost

These are non-derivatives financial liabilities with fixed or determinable payments that are not quoted in an active market. These are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement.

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3.5 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 the date. The fair value of a liability reflects its non-performance risk.

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 maximizes the use of relevant observable inputs and minimize the use of unobservable all of the factors that market participants 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, 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 recognized in profit and loss in an appropriate basis over the life of the instrument but no later than when valuation is wholly supported by observable market data or transaction is closed out.

If an asset or a 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 position 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 of the net exposure to either market risk or credit risk or measured on the basis of a price that would be received to sell 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 Bank recognizes transfer between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.6 Operating fixed assets

These are stated at historical cost less accumulated depreciation and impairment, if any, except for land and capital work in progress which is stated at cost less impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent cost are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the depreciable amount of the assets over their estimated useful life as follows:

Building	20 years
Right of Use Asset	1 to 8 years
Leasehold improvements	3 to 10 years
Computers	3 to 5 years
Office equipment	3 to 5 years
Furniture and fittir	3 to 10 years
ATMs	5 years
Vehicles	5 years

Depreciation is charged on additions during the year from the month they become available for their intended use while no depreciation is charged in the month of disposal of assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are included in other income in the statement of comprehensive income.

3.7 Intangible assets

Intangible assets are capitalized only to the extent that the future economic benefits can be derived by the Bank having useful life of more than one year. Intangible assets are stated at cost less accumulated amortization. Amortization is charged to income applying the straight line method.

i) Core banking system

The core banking system is capitalized resulting from the acquisition of deposit base of Standard Chartered Bank (SCB) Afghanistan operations during 2012 which is amortized over the useful life of 15 years.

ii) Computer software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 3 to 10 years.

iii) License fee

Acquired trademarks and licenses are initially recognized at historical cost and subsequently recognized at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful life.

The useful lives of intangibles are reviewed and adjusted, if appropriate, at each statement of financial position date.

3.8 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Non-financial assets that are subject to depreciation/ amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss or reversal of impairment loss is recognized in the statement of comprehensive income. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Reversal of the impairment losses is restricted to the original cost of the assets.

3.9 Taxation

Current

The current income tax charge is calculated in accordance with Income Tax Law, 2009. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3.10 Revenue recognition

a) Interest income and expenses for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within `interest income' and `interest expense' in the statement of comprehensive income using the effective interest rate

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

b) Due but unpaid interest income is accrued on overdue advances for periods up to 90 days in compliance with the Banking regulations issued by DAB. After 90 days, overdue advances are classified as non-performing and further accrual of unpaid interest income ceases.

c) Gains and losses on disposal of property and equipment are recognized in the period in which disposal is made.

d) Fees and commission income and expense are recognized on an accrual basis when the service has been provided/received.

e) Fee and commission income that are integral part to the effective interest rate on financial assets and liability are included in the measurement of effective interest rate. Other fee and commission expenses related mainly to the transactions are services fee, which are expensed as the services are received.

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3.11 Foreign currency transactions and translation

a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is Afghani (AFN). All amounts have been rounded to the nearest thousands, except when otherwise indicated

3.12 Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency assets and liabilities are translated using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of assets and liabilities denominated in foreign currencies are recognized in income currently.

The exchange rate for following currencies against AFN were:

	1 USD	**1 Euro**
As at 31 December 2021	103.73	113.36
As at 31 December 2020	77.10	94.03

3.13 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events; it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

3.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognized amounts and the Bank intends to settle either on a net basis or realize the assets and settle the liabilities simultaneously.

3.15 Dividend Distribution

Final dividend distributions to the bank's shareholders are recognized as a liability in the financial statements in the period in which the dividends are approved by the Bank's shareholders at the Annual General Meeting while interim dividend are recognized in the period in which the dividends are declared by the Board of Supervisors.

3.16 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to shareholders of the Bank by the weighted- average number of shares outstanding during the year.

3.17 Employee benefits

Defined contribution plan
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognized as personnel expenses (salaries and benefits) in profit or loss. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

4. Use of critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgments will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of assets and liabilities are outlined below:

a) Impairment losses on financial assets

The banks accounting framework considers both the provision prescribed under local regulations in Afghanistan and IFRS 9. Therefore, the Bank's level of provision for impairment against financial asset considers the requirements of both regimes.

The measurement of impairment losses under IFRS 9across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The Bank's internal credit grading model
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs to such models.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The Bank reviews loans to customer balances quarterly for possible impairment and records the provision for possible loan losses as per the Bank's policy and in accordance with DAB regulations.

b) Provision of income taxes

The Bank recognizes tax liability in accordance with the provisions of Income Tax Law 2009. The final tax liability is dependent on assessment by Ministry of Finance, Government of Islamic Republic of Afghanistan.

c) Useful life of property and equipment and intangible assets

The Bank reviews the useful life, depreciation method and residual value of property and equipment and intangible assets at each statement of financial position date. Any change in estimates may affect the carrying amounts of the respective items of property and equipment and intangible assets with a corresponding effect on the depreciation / amortization charge.

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AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

			2021	2020
5	**Cash and balances with Da Afghanistan Bank**	**Note**	---------- **AFN in '000**	----------
	Cash in hand		**9,676,731**	2,690,150
	Cash in hand - Islamic banking division		**44,789**	271,234
	Cash at Automated Teller Machines (ATMs)		**53,134**	633,057
			9,774,654	3,594,441
	Balances with Da Afghanistan Bank:			
	Local currency:			
	- Deposit facility accounts	5.1	**597**	374,657
	- Required reserve accounts	5.2	**228,640**	637,031
	- Current accounts		**1,314,413**	922,316
			1,543,650	1,934,004
	Foreign currency:			
	- Required reserve accounts	5.2	**4,378,265**	5,430,956
	- Current accounts		**6,760,629**	1,549,423
			11,138,894	6,980,379
			22,457,198	12,508,824

5.1 This represents interest bearing account carrying interest @ 0.00% (31 December 2020: 0.10%) per annum.

5.2 Required reserves are maintained with DAB, denominated in respective currencies, to meet minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB. Theses balances are interest free.

			2021	2020
6	**Balances with other banks**	Note	---------- **AFN in '000**	----------
	With Crown Agents Bank:			
	- in nostro accounts		**13,482,891**	7,422,008
	With other banks	6.1	**4,833,404**	4,536,096
			18,316,295	11,958,104

6.1 These represent non-interesting bearing balances available on demand basis.

			2021	2020
7	**Placements - net**	Note	---------- **AFN in '000**	----------
	Placements with banks	7.1	**10,685,546**	17,470,395
	Impairment allowances for losses	7.2	**(501)**	(7,325)
			10,685,045	17,463,070

7.1 These represent USD denominated fixed term placements with financial institutions outside Afghanistan up to a maximum period of one year (2020: one year) and carry interest at rates ranging from 0.12% to 1.60% (31 December 2020: 0.15% to 1.80%) per annum.

7.2 The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2021 and 2020, respectively. The amounts presented are gross of impairment allowances. Details of the Bank's rating grades are explained in note 32.2.2.

	31 December 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total	31 December 2020
	AFN '000'	AFN '000'	AFN '000'	AFN '000'	AFN '000'
Rating					
Performing					
Investment Grade	**10,685,546**	-	-	**10,685,546**	17,470,395
Non-Investment Grade	-	-	-	-	-
Total	**10,685,546**	-	-	**10,685,546**	17,470,395
Provision for expected credit losses (note 7.3)	**(501)**	-	-	**(501)**	(982)
Provision for impairment losses as per ACPR - (note 7.3)	-	-	-	-	(6,343)
Total	**(501)**	-	-	**(501)**	(7,325)
Net balance	**10,685,045**	-	-	**10,685,045**	17,463,070

7.3 The provision for expected credit losses on placements as per IFRS 9 amounted to AFN 501 thousands (31 December 2020: AFN 982 thousands) which is higher from the one resulting from Assets Classification and Provisioning Regulation requirements (ACPR). Accordingly, the Bank has maintained higher provision as required under IFRS 9.

8	**Investments - net**	Note	2021	2020
			---------- AFN in '000	----------
	Debt instruments at fair value through OCI:			
	- Investment bonds	8.1	**6,345,755**	9,331,990
	Debt instruments at amortised cost:			
	- Capital notes with DAB		-	1,784,443
	- Investment bonds	8.2	**9,269,967**	5,968,764
			9,269,967	7,753,207
			15,615,722	17,085,197
	Allowance for ECL / impairment losses	8.3	**(25,784)**	(18,228)
			15,589,938	17,066,969

8.1 These represent investments in sovereign bonds having maturity ranging from January 2022 to July 2040 (31 December 2020: January 2021 to July 2030) and carrying interest rates ranging from 0.10% to 7.90% (31 December 2020: 0.13% to 8.75%) per annum. These investments are managed by Julius Baer, Credit Suisse and Emirates NBD on behalf of the Bank.

8.2 These represent investments in sovereign bonds carrying interest rates ranging from 1.00% to 6.60% (31 December 2020: 1.25% to 6.88%) per annum. These investments have maturity ranging from January 2022 to October 2030 (31 December 2020: January 2021 to April 2025). These investments are managed by Julius Baer, Credit Suisse and Emirates NBD on behalf of the Bank.

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8.3 Impairment allowance for investments

The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2021 and 2020, respectively. The amounts presented are gross of impairment allowances. Details of the Bank's rating grades are explained in note 32.2.2.

	31 December 2021				
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total	31 December 2020
	AFN '000'				
Rating					
Performing					
Investment Grade	**10,629,274**	**3,944,451**	-	**14,573,726**	14,771,253
Non-Investment Grade	-	**1,068,867**	-	**1,068,867**	2,171,552
Total	**10,629,274**	**5,013,318**	-	**15,642,593**	16,942,805
Provision for expected credit losses (note 8.3.1)	-	**(25,784)**	-	**(25,784)**	(18,228)
Provision for Impairment losses as per ACPR (note 8.3.1)	-	-	-	-	-
Total	-	**(25,784)**	-	**(25,784)**	(18,228)
Mark to market adjustment on debt instruments at fair value through OCI	**(26,871)**	-	-	**(26,871)**	142,391
Net balance	**10,602,404**	**4,987,534**	-	**15,589,939**	17,066,969

8.3.1 The provision for expected credit losses on investments as per IFRS 9 amount to AFN 25,784 thousands (31 December 2020: AFN 18,228 thousands) which is higher than the Asset Classification and Provisioning Regulation (ACPR). Accordingly, the Bank has maintained higher provision as required as per IFRS 9.

9 Loan and advances to customers - net	**Note**	**2021**	**2020**
		AFN in '000	
Overdrafts	9.1	**2,231,308**	2,283,417
Term loans	9.2	**724,915**	1,189,781
Consumer loans	9.3	**29,184**	40,588
		2,985,407	3,513,786
General provision	9.4	**(155,595)**	(154,200)
Allowance for ECL / impairment losses	9.5	**(1,010,285)**	(689,447)
		1,819,527	2,670,139

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Particulars of loans and advances - (gross)

Short term (for up to one year)	**2,665,982**	1,190,499
Non-current (for over one year)	**319,381**	2,323,287
	2,985,363	3,513,786

9.1 These represent balances due from customers at various interest rates ranging from 7.00% to 14.50% p.a. (31 December 2020: 7.00% to 14.50%) per annum and are secured against mortgage of properties, personal guarantees and pledge of stocks. These include loans and advances to Small Medium Size Enterprises (SMEs) amounting to 11,804 (31 December 2020: AFN 2,283,414 thousand) which are also partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

9.2 Term loans carry interest at various rates ranging from 5.50% to 18.00% p.a. (31 December 2020: 5.50% to 18.00% p.a.) and are secured against mortgage of properties, personal guarantees, lien on equipment, pledge of stocks and/or assignment of receivables of the borrowers. These include loans and advances to SMEs amounting to 608,610 thousands (31 December 2020: AFN 210,862 thousand) which are also partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

9.3 These include payroll loans provided to individual payroll account holders and employees of corporate customers having payroll account with the Bank carrying interest rate of 18% to 22% (31 December 2020: 13% to 18%) p.a., loans provided to university and school teachers carrying interest rate of 13% to 15% (31 December 2020: 13% to 15%) and credit card loans carrying interest of 36% (31 December 2020: 36%) on annual basis on outstanding

9.4 This represent additional general provision maintained by the bank which is duly approved by DAB.

9.5 Allowance for ECL / Impairment allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2021 and 2020, respectively. The amounts presented are gross of impairment allowances. Details of the Bank's rating grades are explained in note 32.2.2.

	31 December 2021				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	
	AFN '000'				
Gross loan portfolio					
Internal Rating Grade					
Performing					
High Grade	**26,587**	**9,499**	-	**36,087**	175,196
Standard Grade	**549,475**	**215,867**	-	**765,342**	2,318,438
Sub Standard Grade	**346,676**	**800,298**	-	**1,146,975**	29,518
Non-performing	-	-	**1,037,004**	**1,037,004**	990,633
Total	**922,738**	**1,025,664**	**1,037,004**	**2,985,408**	3,513,786
Allowance for ECL / impairment losses					
Opening balance	**45,089**	**19,554**	**624,804**	**689,447**	218,602
Allowances for impairment made during the year	**(30,990)**	**10,736**	**330,571**	**310,317**	722,814
Amounts written off during the	-	-	**(1,096)**	**(1,096)**	(236,892)
Exchange rate differences and other adjustments	-	-	**11,617**	**11,617**	(15,077)
Provision held for expected credit losses	**14,099**	**30,290**	**965,896**	**1,010,285**	689,447
Net balance	**908,639**	**995,375**	**71,108**	**1,975,123**	2,824,339

The Bank has filed suits for the recovery of loans and advances (principal due) against the defaulted borrowers amounting to AFN 1,072,403 thousands (31 December 2020: AFN 1,072,403 thousands) as at the year end. These suits are pending decisions at various courts. The Bank's management is of the view that the aforementioned suits will be decided in its favor due to sound legal footings.

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IFRS 9 expected credit loss amounts to AFN 1,010,285 thousands as at 31 December 2021. The provision of AFN 1,010,285 thousand (General provision: AFN 24,859 and Specific provision: AFN 664,588 thousands) (31 December 2020: provision of AFN 689,447 comprising of General provision of AFN 24,859 and Specific provision of AFN 664,588 thousands) made under IFRS 9 is higher than ECL Assets Classification and Provisioning Regulation (ACPR) , therefore, the Bank has maintained the higher provision under the requirements of IFRS 9.

10 Receivable from financial institutions

This represents non-interest bearing net receivable balance due from CSCBank SAL (CSC). The Bank under the agreement with CSC provides the enablement platform for credit/ debit card transactions, under fee sharing arrangement, and transfers the cash in ATMs to CSC. Usage charges are payable by the Bank to CSC.

	Note	2021	2020
		---------- AFN in '000 ----------	
11 Operating fixed assets			
Capital work-in-progress	11.1	**169,043**	48,078
Property and equipment	11.2	**3,223,921**	3,535,313
		3,392,964	3,583,391
11.1 Capital work-in-progress			
Advances to suppliers and contractors		**169,043**	48,078
Advances to related party		**-**	-
		169,043	48,078
Movement in capital work in progress			
Opening		**48,078**	339,623
Additions during the year		**138,424**	123,997
Transferred to operating fixed assets		**(8,915)**	(372,523)
Transferred to intangible assets		**(8,544)**	(25,195)
Adjustments/write-offs		**-**	(17,824)
Closing		**169,043**	48,078

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11.2 Property and equipment

	Land	Building	Leased buildings - Right of Use Assets	Leasehold improvements	Computers	Office equipment	Furniture & fittings	ATMs	Vehicles	Total
	AFN '000									
Cost										
Balance at 01 January 2020	177,568	2,569,994	328,681	96,500	204,592	210,856	70,460	209,600	98,448	3,966,699
Adjustment on transition to IFRS 16	-	-	-	-	-	-	-	-	-	-
Transfers from CWIP	-	266,762	-	-	40,488	27,928	7,229	28,766	1,351	372,523
Additions	-	-	306,076	688	2,290	2,909	404	-	-	312,367
Derecognized	-	-	(10,972)	-	-	-	-	-	-	(10,972)
Adjustments/ written-off	-	-	-	(46,473)	(33,259)	(58,889)	(10,098)	(4,771)	(446)	(153,936)
Balance at 31 December 2020	177,568	2,836,756	623,786	50,715	214,111	182,804	67,995	233,595	99,352	4,486,681
Balance at 01 January 2021	**177,568**	**2,836,756**	**623,786**	**50,715**	**214,111**	**182,804**	**67,995**	**233,595**	**99,352**	**4,486,682**
Transfers from CWIP	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Additions	-	-	-	**3,608**	**1,057**	**4,942**	**404**	-	-	**10,011**
Derecognized	-	-	(143,612)	-	-	-	-	-	-	**(143,612)**
Adjustments/ written-off	-	-	(44,398)	-	-	-	-	-	-	**(44,398)**
Balance at 31 December 2021	**177,568**	**2,836,756**	435,776	**57,670**	**215,620**	**192,688**	**68,573**	**233,595**	**99,352**	**4,317,599**
Depreciation										
Balance at 01 January 2020	-	139,488	63,916	81,067	133,713	194,724	21,394	127,240	94,438	855,980
Charge for the year	-	129,307	70,644	9,863	12,595	5,857	2,057	16,225	37	246,586
Adjustments/ written-off	-	-	-	(58,432)	(34,851)	(54,901)	(2,071)	1,229	(2,172)	(151,198)
Balance at 31 December 2020	-	268,795	134,560	32,497	111,457	145,680	21,380	144,694	92,303	951,368
Balance at 01 January 2021	-	**268,795**	134,560	**32,497**	**111,457**	**145,680**	**21,380**	**144,694**	**92,303**	**951,366**
Charge for the year	-	**155,654**	57,457	**13,121**	**9,997**	**3,094**	**7,243**	**35,012**	**135**	**281,713**
Adjustments/ written-off	-	-	(139,401)	-	-	-	-	-	-	**(139,401)**
Balance at 31 December 2021	-	**424,448**	52,616	**45,618**	**121,454**	**148,774**	**28,623**	**179,707**	**92,438**	**1,093,678**
	-									
Carrying amounts										
Balance at 01 January 2020	**177,568**	**2,430,506**	264,765	**15,433**	**70,879**	**16,132**	**49,066**	**82,360**	**4,010**	**3,110,719**
Balance at 31 December 2020	177,568	2,567,961	489,225	18,217	102,653	37,124	46,615	88,900	7,049	3,535,313
Balance at 31 December 2021	**177,568**	**2,412,307**	383,159	**12,051**	**94,166**	**43,914**	**39,950**	**53,888**	**6,914**	**3,223,921**
Useful life		**20 years**	**1 to 8 years**	**3 to 10 years**	**3 to 5 years**	**3 to 5 years**	**3 to 10 years**	**5 years**	**5 years**	

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	2021	2020
	---------- AFN in '000 ----------	
12 Intangible assets		
Computer software, licenses and core banking system	**291,697**	364,323

	Computer software	License fee	Core Banking System	Total
	---------- AFN '000 ----------			
Cost				
Balance at 01 January 2020	468,760	73,231	542,677	1,084,668
Transfers from CWIP	7,662	17,534	-	25,196
Additions	-	-	-	-
Balance at 31 December 2020	**476,422**	**90,765**	**542,677**	**1,109,864**
Balance at 01 January 2021	476,422	90,765	542,677	1,109,864
Transfers from CWIP	8,544	-	-	8,544
Additions	7,573	-	-	7,573
Balance at 31 December 2021	**492,539**	**90,765**	**542,677**	**1,125,981**
Amortization				
Balance at 01 January 2020	321,133	71,766	265,441	658,340
Charge for the year	35,385	15,619	36,197	87,201
Balance at 31 December 2020	**356,518**	**87,385**	**301,638**	**745,541**
Balance at 01 January 2021	356,518	87,385	301,638	745,541
Charge for the year	51,835	711	36,197	88,743
Balance at 31 December 2021	**408,353**	**88,096**	**337,835**	**834,284**
Carrying amounts				
Balance at 01 January 2020	147,627	1,465	277,236	426,328
Balance at 31 December 2020	119,904	3,380	241,039	364,323
Balance at 31 December 2021	**84,186**	**2,669**	**204,842**	**291,697**
	3 to 10 years	**3 to 10 years**	**15 years**	

	Note	2021	2020
		---------- AFN in '000 ----------	
13 Deferred tax			
Deferred tax assets / (liabilities) arising in respect of:			
Provision on investments, placements, loans and advances and other assets		**5,659**	5,177
Provision on guarantees and commercial letter of credits		**7,794**	5,888
Surplus on revaluation of investments		**(2,859)**	(36,711)
Carry forward taxable losses		**501,461**	414,339
Accelerated tax depreciation and amortization		**(244,722)**	(301,150)
	13.1	**267,333**	87,543

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13.1 Movement in temporary differences during the year

	Balance at 01 January 2020	Recognized in profit or loss	Recognized in equity	Balance at 31 December 2020	Recognized in profit or loss	Recognized in equity	Balance at 31 December 2021
	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000
Deferred tax assets arising in respect of:							
Provision on investments placements and other assets	7,096	(1,919)	-	5,177	**482**	-	**5,659**
Provision on guarantees and commercial letter of credits	14,376	(8,488)	-	5,888	**1,906**	-	**7,794**
Carry forward taxable losses	189,383	224,956	-	414,339	**87,122**	-	**501,461**
	210,855	214,549	-	425,404	**89,510**	-	**514,914**
Deferred tax liabilities arising in respect of:							
Revaluation reserve on investments	(17,110)	-	(19,601)	(36,711)	-	**33,852**	**(2,859)**
Accelerated tax depreciation and amortization	(228,044)	(73,106)	-	(301,150)	**56,428**	-	**(244,722)**
	(245,154)	(73,106)	(19,601)	(337,861)	**56,428**	**33,852**	**(247,581)**
	(34,299)	141,443	(19,601)	87,543	**145,938**	**33,852**	**267,334**

14 Other assets

	Note	2021	2020
		-------- AFN in '000	--------
Advances to employees		**63,357**	62,380
Security deposits		**1,444**	9,494
Prepayments		**202,380**	262,115
Interest receivable		**207,087**	208,024
Advance income tax - net		**40,564**	21,014
Other receivable and advances		**45,561**	73,341
		560,393	636,368
Allowance for ECL / impairment losses	14.1	**(2,008)**	(332)
		558,385	636,036

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14.1 This represents expected credited losses provided under the requirment of IFRS 9 (Higher than the amount of provision required under ACPR regulation issued by DAB) (31 December 2020: provision for expected credit losses on advances to staff).

		Note	2021	2020
			---------- AFN in '000 ----------	
15	**Customers' deposits**			
	Current deposits		**67,351,630**	59,380,041
	Saving deposits	15.1	**132,109**	249,460
	Islamic deposits	15.2	**1,686,969**	1,771,814
	Cash margin held against bank guarantees and letters of credit		**1,188,414**	810,016
			70,359,122	62,211,331

15.1 Saving deposits carry interest @ 0% p.a. (31 December 2020: 3% p.a.)

15.2 Islamic deposits can be further analyzed as follows:

	2021	2020
Current deposits	**193,892**	223,103
Saving deposits	**1,482,041**	1,523,139
Term deposits	**11,036**	25,572
	1,686,969	1,771,814

		Note	2021	2020
			---------- AFN in '000 ----------	
16	**Lease liabilities**			
	Opening balance		**469,641**	265,040
	Additions during the year		**-**	306,076
	Derecognized during the year		**(143,612)**	(10,972)
	Lease rentals paid		**(59,736)**	(95,549)
	Finance cost for the year		**4,404**	9,479
	Exchange (gain)/ loss		**52,558**	(4,434)
		16.1	**323,255**	469,641

16.1 Lease liabilities represent the amounts payable relating to the right-of-use assets recognized on account of branches under operating leases. The maturity analysis of lease liabilities are presented in note 33.3.2.

		Note	2021	2020
			---------- AFN in '000 ----------	
17	**Other liabilities**			
	Accruals and other payables		**7,699**	12,671
	Amounts pending transfers to customers' accounts	17.1	**5,738**	50,324
	Retention money payable		**1,317**	979
	Payable from sale of collateral against loans and advances written off		**1,248**	4,028
	Others		**107,427**	58,415
	Provision on			
	Financial guarantees	17.2	**38,971**	28,753
	Commercial letter of credits	17.2	**-**	687
			38,971	29,440
			162,400	155,857

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17.1 This represents amounts received on behalf of the customers, however, not credited in the respective customer accounts due to incomplete identification data.

17.2 This represents 1% provision on unsecured portion of bank guarantees, not backed by cash margin, as required in Asset Classification and Provisioning Regulation issued by DAB, however, IFRS 9 provision for expected credit loss computed on unfunded financing facilities amounts to AFN 0 thousand (31 December 2020: AFN 29,440 thousand). The provision under regulations issued by DAB is lower than IFRS 9 ECL, therefore, the Bank has maintained the IFRS 9 ECL provision.

	2021	2020
	---------- AFN in '000 ----------	
18 Share capital		
Authorized 30,000,000 (2020: 30,000,000) ordinary shares of USD 1 each	**1,465,071**	1,465,071
Issued, subscribed and paid-up - 30,000,000 (31 December 2020: 30,000,000) ordinary shares of AFN 48.84 each fully paid in cash	**1,465,071**	1,465,071

18.1 Pursuant to letter no.918/703 dated 17 May 2010 issued by Da Afghanistan Bank (DAB), the Bank complies with the minimum paid-up capital requirement for commercial banks in Afghanistan amounting to AFN 1

18.2 Horizon Associates LLC and Wilton Holding Limited each holds 46.25% of issued, subscribed and paid up capital while remaining 7.5% is held by International Finance Corporation which is same as per previous year.

18.3 During the year, the Bank has paid cash dividend of AFN 8.00 per share (31 December 2020: AFN 10.87 per share) amounting to AFN 240 million (31 December 2020: AFN 326 million).

19 Capital reserves

Article 93 Reserve Capital of Corporations and Limited Liability Companies Law of Afghanistan, requires that Bank should transfer 5% of its profit to Capital Reserve to compensate for future possible losses to the extent such capital reserves reach up to 25% of the Bank's capital. The Bank's capital reserves as at 31 December 2021, stood at AFN 318,624 thousands (31 December 2020: 306,319) thousands.

	Note	2021	2020
		---------- AFN in '000 ----------	
20 Contingencies and commitments			
Contingencies			
Financial guarantees	20.1	**8,354,500**	7,158,183

20.1 These represent bid bonds and performance guarantees issued by the Bank in the normal course of business. These are 100% secured against the cash margin and counter guarantees.

20.2 The Bank is also facing certain litigations on which no provision is required as per the opinion of legal advisor.

Commitments	2021	2020
(a) Undrawn loan and overdraft facilities	**942,955**	1,071,813
(b) Commercial letters of credit	**553,918**	662,409
	1,496,873	1,734,222

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		Note	2021	2020
21	**Interest income - calculated using the effective interest method**		---------- AFN in '000	----------
	Interest income on:			
	Balances with DAB and other banks		**21,556**	16,119
	Placements		**102,202**	217,490
	Debt instruments at FVOCI		**173,256**	181,831
	Debt instruments at amortized cost		**141,591**	291,330
	Loans and advances to customers		**190,242**	325,129
			628,848	1,031,898
22	**Interest expense**			
	Interest expense on:			
	Customers' deposits		**6,389**	15,246
	Deposits from bank		**-**	4,156
			6,389	**19,402**
23	**Fee and commission income**			
	Loans and advances to customers		**10,499**	45,498
	Trade finance products		**12,825**	37,375
	Cash withdrawals / Cash transfers		**402,806**	494,465
	Customers' account service charges		**102,374**	104,101
	Income from ATMs		**137,039**	93,043
	Income from guarantee arrangements		**68,245**	120,473
	Payroll services		**48,218**	72,809
	Cash management income		**135,462**	-
	Others		**30,859**	29,404
			948,327	997,168
24	**Fee and commission expense**			
	Guarantee / letter of credit commission		**943**	5,828
	Bank charges		**6,767**	1,681
			7,710	7,508
25	**Other income**			
	Loans and advances recovered previously written off		**22,757**	5,702
	Amounts received from DoJ		**-**	322,166
	Others		**-**	3,282
			22,757	331,151

26 Credit losses expense

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

		31 December, 2021					
	Note	**Stage 1 Collective AFN '000'**	**Stage 2 Collective AFN '000'**	**Stage 3 Collective AFN '000'**	**Regulatory AFN '000'**	**Total AFN '000'**	**31 December, 2020 AFN '000'**
Placements	7.2	**(481)**	**-**	**-**	**(6,342)**	**(6,824)**	(13,687)
Investments	8.3	**(14,523)**	**22,080**	**-**	**-**	**7,556**	3,763
Loans and advances	9.5	**(30,931)**	**24,852**	**119,913**	**195,066**	**308,899**	672,980
General Provision	9.4	**-**	**-**	**-**	**1,395**	**1,395**	(720)
Other assets	14.1	**3**	**-**	**-**	**1,673**	**1,676**	326
Financial guarantees	17.2	**(6,447)**	**(2,964)**	**-**	**19,628**	**10,218**	(42,829)
Letter of credit	17.2	**(687)**	**-**	**-**	**-**	**(687)**	388
Total (reversal) on impairment/ loss for the year		**(53,067)**	**43,968**	**119,913**	**211,420**	**322,233**	**620,221**

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27 General and administrative expenses	Note	2021	2020
		---------- AFN in '000 ----------	
Salaries and benefits		**493,425**	624,958
Rental, rates and taxes		**56,259**	30,352
Electricity, generator and fuel		**76,383**	72,396
Repairs and maintenance		**26,729**	16,126
Information technology cost		**107,884**	148,756
Security cost		**74,603**	124,351
Depreciation	11.2	**281,712**	246,586
Amortization	12	**88,743**	87,201
Directors fee and their meeting expenses		**25,593**	27,101
Travelling and accommodation		**25,776**	36,926
Communication, swift and internet		**43,335**	58,505
Stationery and printing		**33,257**	34,302
Legal and professional charges		**85,697**	77,889
Asset management fee to investment advisors		**57,196**	67,643
Auditors' remuneration		**9,313**	14,553
Marketing and promotion		**9,249**	11,984
Money service providers charges		**1,661**	2,444
Insurance		**142,391**	173,658
Subscriptions and memberships		**983**	7,148
Other charges		**108,431**	115,981
Taxes and penalties		**1,059**	620
Corporate social responsibility		**2,775**	12,116
Corona virus costs		**1,545**	12,926
Others		**11,403**	19,001
		1,765,403	2,023,522

28 Taxation	Note	2021	2020
		---------- AFN in '000 ----------	
Current:			
For the year	28.1	-	-
Prior periods		-	-
Deferred:			
For the year		**(145,938)**	(141,443)
		(145,938)	(141,443)

28.1 Owing to carry forward tax losses, no provision for taxation has been made during the period.

28 Relationship between tax expense and accounting profit

	2021	2020
Accounting profit for the year	**100,165**	168,686
Tax at the applicable rate of 20%	**20,033**	33,737
Deductible expenses	**(200,761)**	(140,937)
Non-deductible expenses	**95,040**	167
Effect of temporary differences	**145,938**	71,421
Effect of carry forward taxable losses	**85,688**	177,055
Adjustment in respect of income tax of prior years	-	-
	145,938	141,443

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29 Related party transactions

The Bank has a related party relationship with its shareholders, their related entities, directors and key management personnel. The Bank had transactions with following related parties at mutually agreed terms during the year:

	Directors and other key		Shareholders and its	
	2021	**2020**	**2021**	**2020**
Nature of transactions	AFN '000			
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the year	**2,678**	1,908	**172,935**	174,781
Loans issued during the year	**-**	1,540	**159,997**	167,338
Loans repayments during the year	**(2,678)**	(770)	**(172,935)**	(169,184)
Exchange gain	**-**	-	**-**	-
Loans outstanding at the end of the year	**-**	2,678	**159,997**	172,935
Interest income earned	**-**	964	**181,217**	11,918

During the year, an amount of AFN 75,349 thousand (31 December 2020: AFN 112,825 thousand) was paid to MADCC (related party) against certain construction and other works remaining after completion of head office and renovation work at Herat branch.

Provision for expected credit losses on outstanding balances of loans and advances to related parties amounts to AFN 7,705 thousand (31 December 2020: AFN 8,647 thousand).

The facilities provided to related parties carry mark-up of 7% p.a. (31 December 2020: 7% p.a.) payable on monthly basis and are secured against mortgage of residential property and personal guarantees of directors and representative of shareholders of the Bank.

	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2021	**2020**	**2021**	**2020**
Nature of transactions	AFN '000			
(b) Deposits from related parties				
Deposits at the beginning of the year	**56,741**	57,309	**64,474**	67,414
Deposits received during the year	**275,318**	338,400	**1,585,446**	2,764,480
Deposits repaid during the year	**(187,079)**	(338,694)	**(1,651,968)**	(2,767,738)
Exchange rate difference	**13,192**	(274)	**6,887**	319
Deposits at the end of the year	**158,172**	56,741	**4,839**	64,474
Interest expense on deposits	**-**	-	**-**	-

These represent current account of related parties, which do not carry interest (31 December 2020: Nil).

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2021	**2020**	**2021**	**2020**
	AFN '000			
(c) Other related party transactions				
Fee and commission income	**-**	-	**3,795**	5,962
Directors' fee	**25,593**	27,101	**-**	-
Rental expenses	**-**	-	**58,523**	24,939
Travelling expense	**-**	6,486	**-**	-

	2021	**2020**
	AFN in '000	
(d) Key Management compensation		
Salaries and other short-term benefits	**75,930**	74,911
	75,930	74,911

Key Management personnel of the Bank include the Chief Executive Officer,Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

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	2021	2020
	---------- AFN in '000 ----------	

30 Cash and cash equivalents

	2021	2020
Cash in hand and at ATM	9,774,654	3,594,441
Balances with DAB (other than minimum reserve requirement)	8,075,638	2,846,397
Balances with other banks (other than held as a cash margin)	18,291,403	11,912,973
Placements (with maturity less than three months)	10,685,551	10,611,310
	46,827,246	28,965,121

31 Earnings per share - Basic and diluted

	2021	2020
Profit after taxation (AFN '000)	246,103	310,129
Weighted average number of ordinary shares - (number in thousand)	30,000	30,000
Earnings per share - Basic and diluted (AFN)	8.20	10.34

31.1 There is no dilutive effect on basic earnings per share of the Bank.

32 Financial risk management

32.1 Financial Assets and Liabilities

31 December 2021	Financial assets (other than investments)- At amortized cost	Debt investments at amortized cost	Debt investments at fair value through OCI	Financial liabilities at amortized cost	Total
	----------	----------	AFN '000	----------	----------
Financial assets					
Cash and balances with Da Afghanistan Bank	22,457,198	-	-	-	22,457,198
Balances with other banks	18,316,295	-	-	-	18,316,295
Placements - net	-	10,685,045	-	-	10,685,045
Investments - net	-	9,244,184	6,345,755	-	15,589,938
Loans and advances to customers - net	1,819,527	-	-	-	1,819,527
Receivables from financial institutions	1,074,826	-	-	-	1,074,826
Other assets	-	252,084	-	-	252,084
	43,667,846	20,181,313	6,345,755	-	70,194,914
Financial liabilities					
Customers' deposits	-	-	-	70,359,122	70,359,122
Lease liabilities	-	-	-	323,255	323,255
Other liabilities	-	-	-	123,429	123,429
	-	-	-	70,805,806	70,805,806

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31 December 2020	Financial assets (other than investments)- At amortized cost	Debt investments at amortized cost	Debt investments at fair value through OCI	Financial liabilities at amortized cost	Total
	AFN '000				
Financial assets					
Cash and balances with Da Afghanistan Bank	12,508,824	-	-	-	12,508,824
Balances with other banks	11,958,104	-	-	-	11,958,104
Placements - net	-	17,463,070	-	-	17,463,070
Investments - net	-	7,734,979	9,331,990	-	17,066,969
Loans and advances to customers - net	2,670,139	-	-	-	2,670,139
Receivables from financial institutions	266,315	-	-	-	266,315
Other assets	-	290,527	-	-	290,527
	27,403,382	25,488,577	9,331,990	-	62,223,949
Financial liabilities					
Customers' deposits	-	-	-	62,211,331	62,211,331
Deposit from banks	-	-	-	-	-
Lease liabilities	-	-	-	469,641	469,641
Other liabilities	-	-	-	126,417	126,417
	-	-	-	62,807,389	62,807,389

32.2 Financial Risk factors

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a Risk Management Department (RMD) under policies approved by the Management Board. RMD identifies, evaluates and manages financial risks in close co-operation with the Bank's operating units. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The internal audit is responsible for the independent review of risk management and control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

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32.2.1 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, balances with banks and receivable from financial institution and placements with other banks. Credit risk also arises in off-balance sheet financial instruments, such as Bank's contingencies and commitments. The credit risk management and control are centralized in credit risk management team of Bank and reported to the management team and head of each business unit regularly. Balances with DAB are not exposed to credit risk.

32.2.2 Credit risk measurement

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 3 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

Credit ratings and PD estimation process

The exposure at default (EAD) 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.

The EADs are determined based on the expected payment profile, which varies by product type. For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the borrower. For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

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, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

Bank calculates LGD rates and these LGD rates take into account the EAD for historical pool of non-performing loans in comparison to the amount recovered or realized against such loans. In determine LGDs, the Bank considers all eligible collateral provided the collateral can be legally enforced. Due to the complexities involved in the Afghanistan regarding collateral realization and lack of historical experience to demonstrate recoveries through realization of collaterals, the Bank restricts the expected recoveries (to be considered in LGD computations) based on its historical recovery experiences.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. 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. Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Measuring expected credit losses - ECL

PD, EAD and LGD are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective interest rate or an approximation thereof.

Forward looking economic information is also included in determining the 12 month and lifetime ECL. The bank has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base economic scenario") are obtained from external sources on a quarterly basis.

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In addition to the base economic scenario, the management also estimate other possible scenarios along with scenarios weighting. The scenario weighting are determined by an expert credit judgement. As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The bank considers these estimates of the possible outcomes. The bank has used base, upside and downside scenarios for its ECL estimation.

Impairment under local regulations

(i) Over due balances on loans to customers are segmented into four categories as described in note 4.4(b). The percentage of provision created on such over due balances are as per guidelines issued by DAB and reflects the range of default probabilities defined for each category. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

(ii) Exposure at default is based on the amounts, the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Other than loans and advances

Other than loans and advances includes balances with other banks and financial institutions and placements with other banks, investments in bonds and held with DAB and other assets. Judgments and instructions from the Bank's treasury are being used by the Bank's management in placing funds with other banks and are viewed as a way to gain better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time when required.

Further, the Bank has banking relationships with financial institutions which have good international reputation and strong financial standing and therefore, probability of default by such financial institutions is low.

32.2.3 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Management Board.

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations at the time of loan appraisal for initial and subsequent loans.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable

In addition, in order to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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32.2.4 Analysis of maximum exposure to credit risk and collateral and other credit enhancements

	Maximum exposure	
	2021	2020
	AFN '000	AFN '000
Credit risk exposures relating to on-balance sheet items are as follows:		
Balances with other banks	**18,316,295**	11,958,104
Placements - net	**10,685,045**	17,463,070
Investments - net (excluding capital notes with DAB)	**15,589,938**	15,282,525
Loans and advances to customers - net	**1,819,527**	2,670,139
Receivable from other financial institutions	**1,074,826**	266,315
Other assets	**252,084**	290,527
	47,737,715	47,930,682
Credit risk exposures relating to off-balance sheet items are as follows:		
Guarantees	**8,354,500**	7,158,183
Undrawn loan and overdraft facilities	**942,955**	1,071,813
Commercial letters of credit	**553,918**	662,409
	9,851,374	8,892,405

The above table represents credit risk exposure to the Bank at 31 December 2021 and 31 December 2020 taking account of any collateral held or other enhancements attached. For on-balance-sheet assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

The percentage of the maximum credit exposure in balances with other banks, placements, investments and loans and advances are as follows (in percentage of the total credit exposure):

	31 December 2021	31 December 2020
Balances with other banks	**38.37%**	24.95%
Placements - net	**22.38%**	36.43%
Investments - net (excluding capital notes with DAB)	**32.66%**	31.88%
Loans and advances to customers - net	**3.81%**	5.57%

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32.2.5 Credit quality of financial assets

The credit qualities of Bank's financial assets have been assessed below by the reference to external credit ratings of counter parties determined by various international credit rating agencies. The counterparties for which external credit ratings were not available, and have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

Balances with other bank:	Credit rating	Credit rating	2021	2020
			---------- AFN in '000 ----------	
Counter parties with external credit ratings:				
Standard Chartered Bank	A1	Moody's	-	-
Commerzbank Germany	A1	Moody's	**1,276,755**	392,873
Crown agents	BBB	Fitch	**13,482,891**	7,422,009
Emirates NBD	A3	Moody's	[illegible]	[illegible]
AkBank, Turkey	B3	Moody's	**143,044**	134,614
State commercial bank of Turkmenistan	Baa1	Moody's	**335,474**	218,271
Julius Baer International	Aa2	Moody's	**1,859,257**	1,371,970
Asaka Bank	B3	Moody's	**5,587**	214,845
Credit Suisse Singapore	A1	Moody's	**26,547**	22,331
Bank Centre Credit	Caa1	Moody's	**49,999**	409,237
Yes Bank, India	B2	Moody's	**12**	10
Transkapitalbank	B3	Moody's	**327,043**	780,045
Others			**96,687**	941

Placements	Credit rating	Credit rating agency	2021	2020
			---------- AFN in '000 ----------	
Bank of Baroda Dubai	Baa3	Moody's	-	-
Commercial Bank International	A3	Moody's	**1,037,300**	-
Commercial Bank of Dubai PSC	A-	Moody's	**1,037,300**	231,300
Dubai Islamic Bank	A3	Moody's	-	1,244,625
CSC Bank SAL	Ba3	Moody's	-	-
Emirates NBD	A3	Moody's	**4,399,791**	3,777,900
National Bank of Fujairah	Baa1	Moody's	-	1,927,500
Julius Baer	Aa2	Moody's	-	2,621,400
United Arab Bank	Baa1	Moody's	-	-
Crown Agents Bank	BBB	Fitch	-	3,846,987
Citibank	A3	Moody's	**3,173,855**	2,355,783
Noor Bank	A3	Moody's	-	-
Ajman Bank	BBB+	Fitch	-	308,400
National Bank Of Ras Al Khaimah	A3	Moody's	-	1,156,500

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	2021	2020
	---------- AFN in '000 ----------	
Investments - net	**15,615,722**	15,986,320

Investments held carries various credit rating including AAA, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2 and B3. These investments are managed by the bank through Emirates NBD, Julius Baer and Credit Suisse under investment criteria defined by the Bank. The credit quality and the maximum exposure to credit risk for under expected credit losses model is based on the Bank's credit rating grades and year-end stage classification as at 31 December 2021 and 2020 as disclosed in note 8.5.1 to the financial statements.

	2021	2020
	---------- AFN in '000 ----------	
Loans and advances to customers- net	**1,819,527**	2,670,139

The credit quality and the maximum exposure to credit risk for IFRS 9 stage categories based on the Bank's credit rating grades and year-end stage classification as at 31 December 2021 and 31 December 2020 are disclosed in note 9.5.1 to the financial statements.

	2021	2020
Receivables from financial institutions	---------- AFN in '000 ----------	
Counter parties	**1,074,826**	266,315
Other assets		
Counter parties	**252,084**	290,527

32.2.6 Loans and advances - net

	Note	2021	2020
		---------- AFN in '000 ----------	
Loans and advances are summarized as follows:			
Neither past due nor impaired		**1,933,014**	1,722,505
Past due but not impaired		**15,389**	800,392
Non-performing- Stage 3		**1,037,004**	990,889
Gross outstanding		**2,985,408**	3,513,786
Less: Allowance for impairment			
General provision	9.4	**(155,595)**	(154,200)
Provision held for expected credit losses - note		**(1,010,285)**	(689,447)
		(1,165,880)	(843,647)
		1,819,528	2,670,139

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(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the IFRS 9.

	Commercial loans		SME loans	Consumer loans	
	Overdraft AFN '000	Term loans AFN '000	Term loans AFN '000	Term loans AFN '000	Total AFN '000
31 December 2021					
Regular loans	**1,319,416**	**548,020**	**40,071**	**25,507**	1,933,014
31 December 2020					
Regular loans	608,597	85,216	988,502	40,190	1,722,505
(b) Loans and advances past due but not impaired					
31 December 2021					
Past due up to 30 days	-	-	**13,786**	**1,603**	**15,389**
Fair value of collateral	-	-	**9,926**	-	**9,926**
31 December 2020					
Past due up to 30 days	512,983	-	287,330	80	800,392
Fair value of collateral	243,926	-	7,581	-	251,507

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is AFN 6,641 thousands (31 December 2020: AFN 217,535 thousands).

	Commercial loans		SME loans	Consumer loans	
	Overdraft AFN '000	Term loans AFN '000	Term loans AFN '000	Term loans AFN '000	Total AFN '000
31 December 2021					
Non-performing - Stage 3	**911,492**	-	**123,037**	**2,474**	**1,037,004**
Fair value of collateral	**276,245**	-	**244,445**	-	**520,690**
31 December 2020					
Non-performing - Stage 3	874,174	56,004	60,058	398	990,633
Fair value of collateral	2,180,529	107,990	240,498	-	2,529,017

(d) Loans and advances restructured / rescheduled

Restructuring activities include extended payment arrangements and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired at 31 December 2021 were AFN 0 thousands (31 December 2020: AFN 236,456 thousands).

	31 December 2021		31 December 2020	
	Loan amount at the time of rescheduling AFN '000	At year-end AFN '000	Loan amount at the time of rescheduling AFN '000	At year-end AFN '000
Commercial loans and advances:				
Term loans	-	-	77,735	34,578
Overdraft	-	-	243,756	201,878
Total	-	-	321,491	236,456

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32.2.7 Concentration of risk of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2021. For this table, the Bank

2021	On balance sheet:						Off balance sheet:	
	Balances with other banks AFN '000	Placements (Note 7.1) AFN '000	Investments (excluding capital notes) Note 8.1,8.3,8.4 AFN '000	Loans and advances to customers - net AFN '000	Receivable from financial institutions AFN '000	Other assets AFN '000	Contingencies and commitments AFN '000	Total AFN '000
Afghanistan	-	-	-	1,819,527	-	843,044	9,851,374	12,513,944
Lebanon	-	-	-	-	1,074,826	-	-	1,074,826
Singapore	26,547	-	-	-	-	-	-	26,547
[illegible]	[illegible]							[illegible]
UAE	712,998	10,685,546	1,814,535	-	-	-	-	13,213,079
USA	-	-	-	-	-	-	-	-
UK	13,625,722	-	-	-	-	-	-	13,625,722
Switzerland	1,859,257	-	-	-	-	-	-	1,859,257
Turkey	181,572	-	-	-	-	-	-	181,572
Russia	384,859	-	919,186	-	-	-	-	1,304,045
Uzbekistan	5,587	-	-	-	-	-	-	5,587
Kazakhstan	49,999	-	-	-	-	-	-	49,999
Turkmenistan	335,474	-	-	-	-	-	-	335,474
India	356	-	-	-	-	-	-	356
Korea	-	-	345,771	-	-	-	-	345,771
Italy	-	-	725,221	-	-	-	-	725,221
Mexico	-	-	908,936	-	-	-	-	908,936
Portugal	-	-	63,667	-	-	-	-	63,667
Poland	-	-	46,696	-	-	-	-	46,696
Hungary	-	-	768,561	-	-	-	-	768,561
Slovak Republic	-	-	1,078,998	-	-	-	-	1,078,998
Malaysia	-	-	191,476	-	-	-	-	191,476
Belgium	-	-	1,147,651	-	-	-	-	1,147,651
Oman	-	-	115,732	-	-	-	-	115,732
Saudi Arabia	-	-	782,339	-	-	-	-	782,339
Qatar	-	-	1,311,625	-	-	-	-	1,311,625
Sweden	-	-	-	-	-	-	-	-
Slovenia	-	-	445,106	-	-	-	-	445,106
Indonesia	-	-	1,126,435	-	-	-	-	1,126,435
China	-	-	-	-	-	-	-	-
Namibia	-	-	51,486	-	-	-	-	51,486
South Africa	-	-	-	-	-	-	-	-
Others	-	-	3,772,301	-	-	-	-	3,772,301
	18,316,294	10,685,546	15,615,722	1,819,527	1,074,826	843,044	9,851,374	58,206,332

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(b) Industry sectors

2021	On balance sheet:						Off balance sheet:	
	Balances with other banks AFN '000	Placements (Note 7.1) AFN '000	Investments (excluding capital notes) Note 8.1,8.3,8.4 AFN '000	Loans and advances to customers - net AFN '000	Receivable from financial institutions AFN '000	Other assets AFN '000	Contingencies and commitments AFN '000	Total AFN '000
Government / Public sector	-	-	15,615,722	-	-	-	-	15,615,722
Manufacturing	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-
Telecommunication	-	-	-	-	-	-	-	-
Banks and financial institutions	18,316,294	10,685,546	-	-	1,074,826	-	-	30,076,666
Traders	-	-	-	-	-	-	-	-
Fuel suppliers	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
	18,316,294	10,685,546	15,615,722	-	1,074,826	-	-	45,692,388

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The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2020. For this table, the Bank has

2020	**On balance sheet:**						**Off balance sheet:**	
	Balances with other banks AFN '000	**Placements - net AFN '000**	**Investments - net (excluding capital notes) AFN '000**	**Loans and advances to customers - net AFN '000**	**Receivable from financial institutions AFN '000**	**Other assets AFN '000**	**Contingencies and commitments AFN '000**	**Total AFN '000**
Afghanistan	-	-	-	2,670,139	-	639,648	8,892,405	12,202,192
Lebanon	-	-	-	-	266,315	-	-	266,315
Singapore	22,331	-	-	-	-	-	-	22,331
[illegible]	[illegible]							[illegible]
UAE	309,953	8,646,225	1,438,042	-	-	-	-	10,394,219
USA	-	2,355,783	380,279	-	-	-	-	2,736,062
UK	7,514,969	-	-	-	-	-	-	7,514,969
Switzerland	1,371,969	6,468,387	-	-	-	-	-	7,840,356
Turkey	134,614	-	240,412	-	-	-	-	375,026
Russia	780,044	-	111,277	-	-	-	-	891,321
Uzbekistan	214,845	-	-	-	-	-	-	214,845
Kazakhstan	409,237	-	-	-	-	-	-	409,237
Turkmenistan	218,271	-	-	-	-	-	-	218,271
India	951	-	-	-	-	-	-	951
Korea	-	-	1,048,270	-	-	-	-	1,048,270
Italy	-	-	608,693	-	-	-	-	608,693
Mexico	-	-	662,681	-	-	-	-	662,681
Portugal	-	-	48,017	-	-	-	-	48,017
Poland	-	-	1,257,454	-	-	-	-	1,257,454
Hungary	-	-	1,254,477	-	-	-	-	1,254,477
Slovak Republic	-	-	818,913	-	-	-	-	818,913
Malaysia	-	-	714,029	-	-	-	-	714,029
Belgium	-	-	1,405,904	-	-	-	-	1,405,904
Oman	-	-	598,404	-	-	-	-	598,404
Saudi Arabia	-	-	1,056,206	-	-	-	-	1,056,206
Qatar	-	-	836,110	-	-	-	-	836,110
Sweden	-	-	394,961	-	-	-	-	394,961
Slovenia	-	-	339,201	-	-	-	-	339,201
Indonesia	-	-	259,556	-	-	-	-	259,556
China	-	-	-	-	-	-	-	-
Namibia	-	-	271,970	-	-	-	-	271,970
South Africa	-	-	-	-	-	-	-	-
Others	-	-	1,555,899	-	-	-	-	1,555,899
	11,277,097	17,470,395	15,300,753	2,670,139	266,315	639,648	8,892,405	56,516,752

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2020	On balance sheet:						Off balance sheet:	
	Balances with other banks AFN '000	Placements - net AFN '000	Investments - net (excluding capital notes) AFN '000	Loans and advances to customers - net AFN '000	Receivable from financial institutions AFN '000	Other assets AFN '000	Contingencies and commitments AFN '000	Total AFN '000
Government / Public sector	-	-	15,300,753	-	-	-	-	15,300,753
Manufacturing	-	-	-	556,170	-	-	36,297	592,466
Agriculture	-	-	-	-	-	-	-	-
Construction	-	-	-	6,551	-	-	5,581,652	5,588,204
Power	-	-	-	-	-	-	88,581	88,581
Telecommunication	-	-	-	380,015	-	-	22,359	402,374
Banks and financial institutions	11,277,097	17,470,395	-	-	266,315	-	-	29,013,807
Traders	-	-	-	219,641	-	-	243,508	463,150
Fuel suppliers	-	-	-	1,090,049	-	-	1,079,473	2,169,522
Others	-	-	-	417,712	-	639,648	1,840,535	2,897,895
	11,277,097	17,470,395	15,300,753	2,670,139	266,315	639,648	8,892,405	56,516,752

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32 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange.

32.3. Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management committee sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2021 and 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

	AED	USD	EUR	GBP	INR	AFN '000	Total AFN '000
	Converted to AFN '000						
As at 31 December 2021							
Assets							
Cash and balances with Da Afghanistar	-	18,559,212	164,377	-	-	3,733,609	22,457,198
Balances with other banks	8,930	16,859,578	1,194,372	253,059	356	-	18,316,294
Placements	-	10,685,546	-	-	-	-	10,685,546
Investments	-	13,805,494	-	-	-	1,784,443	15,589,938
Loans and advances to customers	-	805,050	-	-	-	2,180,357	2,985,408
Receivables from financial institutions	-	1,057,735.28	16,511	-	-	580	1,074,826
Other assets	-	405,816	1,334	-	-	433,885	841,036
Total financial assets	8,930	62,178,432	1,376,595	253,059	356	8,132,875	71,950,247
Liabilities							
Customers' deposits	-	64,545,974	1,302,078	251,806	-	4,259,264	70,359,122
Deposits from bank	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	323,255	323,255
Other liabilities	-	-	-	-	-	112,054	112,054
Total financial liabilities	-	64,545,974	1,302,078	251,806	-	4,694,573	70,794,430
On-balance sheet financial position - net	8,930	(2,367,542)	74,517	1,253	356	3,438,302	1,155,816
As at 31 December 2020							
Total financial assets	199,521	53,191,225	1,200,567	248,146	951	7,291,491	62,131,902
Total financial liabilities	-	53,459,571	1,134,537	235,881	-	7,965,402	62,795,391
On-balance sheet financial position - net	199,521	(268,345)	66,030	12,265	951	(673,912)	(663,489)

Sensitivity analysis:
If the functional currency, at the year end date, strengthens/weakens by 5% against the other currencies, as disclosed above, with all other variables held constant, the impact on profit or loss for the period would be as given below mainly as a result of exchange gains/losses on translation of foreign exchange denominated receivables and payables.

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	AED	USD	EUR	GBP	INR
2021					
5% increase (AFN'000) - profit/ (loss)	**(446)**	**118,377**	**(3,726)**	**(63)**	**(18)**
5% decrease (AFN'000) - profit/ (loss)	**446**	**(118,377)**	**3,726**	**63**	**18**
2020					
5% increase (AFN'000) - profit/ (loss)	(9,976)	13,417	(3,301)	(613)	(48)
5% decrease (AFN'000) - profit/ (loss)	9,976	(13,417)	3,301	613	48

32.3. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Bank's investments, loans and advances carry fixed coupon/ interest rates.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amount, categorized by the earlier of contractual reprising or maturity dates.

	Interest bearing					Total interest bearing	Non- interest bearing	Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years			
	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000
As at 31 December 2021								
Assets								
Cash and balances with Da Afghanistar	**22,457,198**	**-**	**-**	**-**	**-**		**22,457,198**	**22,457,198**
Balances with other banks	**18,316,294**	**-**	**-**	**-**	**-**		**18,316,294**	**18,316,294**
Placements	**4,211,155**	**416,771**	**6,057,619**	**-**	**-**	**10,685,546**	**-**	**10,685,546**
Investments	**858,714**	**438,235**	**2,324,716**	**9,174,839**	**2,819,219**	**15,615,722**	**-**	**15,615,722**
Loans and advances to customers	**2,663,190**	**487**	**2,340**	**319,390**	**-**	**2,985,408**	**-**	**2,985,408**
Receivables from financial institutions	**1,074,826**	**-**	**-**	**-**	**-**		**1,074,826**	**1,074,826**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**841,036**	**841,036**
Total financial assets	**49,581,379**	**855,493**	**8,384,675**	**9,494,228**	**2,819,219**	**29,286,675**	**42,689,355**	**71,976,030**
Liabilities								
Customers' deposits	**-**	**-**	**11,036**	**-**	**-**	**11,036**	**70,359,122**	**70,370,158**
Deposits from bank	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**12,096**	**120,958**	**24,192**	**60,479**	**105,530**	**323,255**	**-**	**323,255**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**162,400**	**162,400**
Total financial liabilities	**12,096**	**120,958**	**35,228**	**60,479**	**105,530**	**334,291**	**70,521,522**	**70,855,812**
Total interest reprising gap	**49,569,283**	**734,535**	**8,349,448**	**9,433,749**	**2,713,689**	**28,952,384**	**(27,832,166)**	**1,120,217**
As at 31 December 2020								
Total financial assets	7,007,024	7,584,572	11,230,583	10,295,616	2,592,555	38,710,350	12,774,148	51,484,497
Total financial liabilities	2,829,201	234,820	72,536	117,410	46,964	3,300,932	60,539,577	63,840,508
Total interest reprising gap	4,177,823	7,349,752	11,158,048	10,178,205	2,545,591	35,409,418	(47,765,429)	(12,356,011)

If the interest increase / (decrease) by 100 bps, the profit or loss for the year would have been AFN 289,524 thousands (31 December 2020: AFN 354,447 thousands) higher/ lower respectively

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32.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

32.4.1 Liquidity risk management process

The Bank's liquidity management process, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods

Bank Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

32.4.2 Funding approach

Sources of liquidity are regularly reviewed by the Asset Liability Committee (ALCO) to maintain a wide diversification by currency, geography, provider,

Liquidity ratios
Advances to deposit ratios

	2021	2020
Year-end	**2.59%**	4.56%
Maximum	**6.74%**	6.74%
Minimum	**4.50%**	4.50%
Average	**5.44%**	5.44%

32.4.3 Non-derivative financial liabilities and assets held for managing

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held to manage liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000	AFN '000
As at 31 December 2021						
Liabilities						
Customers' deposits	**70,359,122**	**-**	**11,036**	**-**	**-**	**70,370,158**
Deposits from bank	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**12,096**	**120,958**	**24,192**	**60,479**	**105,530**	**323,255**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities (contractual maturity dates)	**70,371,218**	**120,958**	**35,228**	**60,479**	**105,530**	**70,693,413**
Total financial assets (contractual maturity dates)	**92,270,733**	**855,493**	**8,384,675**	**9,494,228**	**2,819,219**	**113,824,349**
As at 31 December 2020						
Liabilities						
Customers' deposits	63,218,879	-	25,572	-	-	63,244,451
Deposits from bank	-	-	-	-	-	-
Lease liabilities	23,482	234,820	46,964	117,410	46,964	469,641
Other liabilities	-	-	-	-	-	-
Total financial liabilities (contractual maturity dates)	63,242,361	234,820	72,536	117,410	46,964	63,714,092
Total financial assets (contractual maturity dates)	19,781,171	######	11,230,583	10,295,616	2,592,555	51,484,497

Assets available to meet all of the liabilities and to cover outstanding loans commitment include cash and balances with Da Afghanistan Bank, balances with other banks and receivable from financial institutions, placements, loans and advances to customers and security deposits and other receivables.

32.4.4 Off-balance sheet items

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities are summarized in the table below:

	Not later than 1 year AFN '000	1 to 5 years AFN '000	Over 5 years AFN '000	Total AFN '000
As at 31 December 2021				
Guarantees	**5,575,005**	**2,779,495**	**-**	**8,354,500**
Undrawn loans and overdraft facilities	**892,508**	**50,447**	**-**	**942,955**
Commercial letters of credit	**35,268**	**518,650**	**-**	**553,918**
Total	**6,502,782**	**3,348,592**	**-**	**9,851,374**
As at 31 December 2020				
Guarantees	2,574,751	4,583,431	-	7,158,183
Undrawn loans and overdraft facilities	1,039,161	32,652	-	1,071,813
Commercial letters of credit	87,243	575,166	-	662,409
Total	3,701,155	5,191,249	-	8,892,405

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32.5 Fair value of financial assets and financial liabilities

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

(a) Financial instruments measured at fair value using a valuation technique

The table below analyses financial instruments carried at fair value, by valuation method. The various fair value levels have been defined as

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

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AFN '000	Level 2 AFN '000	Level 3 AFN '000
Investments in bonds - Fair value through OCI			
As at 31 December 2021	-	**6,345,755**	-
As at 31 December 2020	-	9,331,990	-

Valuation technique and key inputs used for investments in bonds were quoted market bid price in active market.

There were no transfers made among various levels of fair value hierarchy during the year.

(b) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities which are presented on the Bank's statement of financial position at value other than fair value.

	Carrying Value		Fair Value	
	2021 AFN '000	2020 AFN '000	2021	2020
Financial assets				
Cash and balances with Da Afghanistan Bank	**22,457,198**	12,508,824	**22,457,198**	12,508,824
Balances with other banks	**18,316,295**	11,958,104	**18,316,295**	11,958,104
Placements - net	**10,685,045**	17,463,070	**10,685,045**	17,463,070
Investments - net	**9,244,184**	7,734,979	**9,244,184**	7,734,979
Loans and advances to customers - net	**1,819,527**	2,670,139	**1,819,527**	2,670,139
Receivables from financial institutions	**1,074,826**	266,315	**1,074,826**	266,315
Security deposits and other receivables - net	**841,036**	639,981	**841,036**	639,981
Financial liabilities				
Customers' deposits	**70,359,122**	62,211,331	**70,359,122**	62,211,331
Deposits from bank	-	-	-	-
Other liabilities	-	-	-	-
Off-balance sheet financial instruments				
Bank's guarantees	**8,354,500**	7,158,183	**8,354,500**	7,158,183
Bank's commitments	**1,496,873**	1,734,222	**1,496,873**	1,734,222

The carrying values of these financial assets and liabilities approximates their fair values as at the date of statement of financial position.

(i) Investments:

These include investment bonds classified as held-to-maturity which are measured at amortised cost. The fair value of these investments is equal to the carrying amount.

(ii) Loans and advances, other assets and other financial liabilities

Fair value of loans and advances, security deposits and other receivables and all the financial liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments, so its carrying amount is its fair value. The provision for loans and advances has been calculated in accordance with the Bank's policy and regulations issued by DAB.

(iii) Off-balance sheet financial instruments

The fair value of the off-balance sheet financial instruments is equal to the carrying amounts.

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32.6 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

(i) to comply with the capital requirements set by the DAB;
(ii) to safeguard the Bank's ability to continue as a going concern so that it can continue to be self-sustainable; and
(iii) to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management. DAB requires each bank to maintain its Tier 1 Capital ratio and Regulatory Capital ratio to be at least 6 % and 12 % respectively. The Bank is maintaining this ratio well above the required level.

The table below summarizes the composition of the regulatory capital and ratio of the Bank:

	2021	2020
	---------- AFN in '000	----------
Tier 1 (Core) Capital:		
Total equity capital	**3,578,536**	3,741,695
Less:		
Intangible assets	**(291,697)**	(364,323)
Net deferred tax assets	**(267,333)**	(87,543)
Revaluation reserve on debt instruments at OCI	**26,871**	(142,391)
Profit for the year	**(246,103)**	(310,129)
	2,800,274	2,837,308
Tier 2 (Supplementary) Capital:		
General reserves as per DAB's regulation, but restricted to 1.25% of total risk-weighted exposure	**170,251**	168,224
Profit for the year	**246,103**	310,129
Revaluation reserve on bonds (45%)	**-**	64,076
	416,354	542,429
Tier 2 (Supplementary) Capital (restricted 100% of Tier 1 (Core) Capital)	**416,354**	542,429
	3,216,628	3,379,737
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	**9,774,654**	3,594,441
Direct claims on DAB	**12,682,544**	10,698,827
Others	**2,845,474**	4,511,613
Total	**25,302,673**	18,804,881
0% risk-weight total (above total x 0%)	**-**	-
20% risk weight:		
Balances with other banks	**30,076,667**	18,876,281
Others	**323,698**	943,063
20% risk-weight total (above total x 20%)	**6,080,073**	3,963,869
50% risk weight:		
Others	**1,424,769**	664,147
50% risk-weight total (above total x 50%)	**712,384**	332,074

100% risk weight:		
All other assets	**17,523,944**	16,691,920
Less: intangible assets	**(291,697)**	(364,323)
Less: Deferred tax assets	**(267,333)**	(87,543)
All other assets - net	**16,964,915**	16,240,053
100% risk-weight total (above total x 100%)	**16,964,914.86**	16,240,053
Credit conversion factor		
0% risk weight:		
Undrawn loan and overdraft facilities	**942,955**	1,071,813
Guarantees	**415,522**	482,583
0% credit conversion factor total (risk-weighted total x 0%)	**-**	-
0% risk-weight total (above total x 0%)	**-**	-
20% risk weight:		
Commercial letters of credit	**553,918**	662,409
Guarantees	**7,938,978**	6,671,745
20% credit conversion factor total (risk-weighted total x 20%)	**110,784**	132,482
20% credit conversion factor total (risk-weighted total x 20%)	**1,609,953**	1,360,845
100% risk weight:		
Guarantees	**-**	3,855
100% credit conversion factor total (risk-weighted total x 100%)	**-**	3,855
100% risk-weight total (above total x 100%)	**-**	3,855
Total risk-weighted assets	**25,367,325**	21,900,696
Tier 1 Capital Ratio		
(Tier 1 capital as % of total risk-weighted assets)	**11.04%**	12.96%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	**12.68%**	15.43%

33 Islamic banking

The Bank started Islamic banking operation in November 2015 with following Islamic deposit products.

Qardul Hasana Current Account

This account is profit-free account specifically designed to meet the requirements of the Bank's customers. Account holders will have easy access to account at any time to meet their personal or business expenses.

Mudarabah Savings Account

This account is designed specifically to meet the requirements of customers who authorize the Bank to invest their cash deposits. Customers can deposit or withdraw money at any time they wish, and can earn profits on their savings.

Mudarabah Term Investment Deposit

These funds are accepted with different investment periods. The Bank manages and invests the funds aiming at realizing the best profit for the mutual interest of the parties.

Below are the figures relating to Islamic banking as at 31 December 2021

	2021	2020
	AFN '000	**AFN '000**
ASSETS		
Cash and balances with Da Afghanistan Bank	**909,689**	945,854
Investments in sukuk securities	**727,961**	771,000
Loans and advances to customers	**28,370**	46,850
Operating fixed assets	**1,307**	1,313
Other assets	**5,206**	8,095
Total assets	**1,672,532**	1,773,112
LIABILITIES		
Deposit - current	**193,892**	223,103
Deposit - saving	**1,482,041**	1,523,139
Deposit - term deposit	**11,036**	25,572
Other liabilities	**3,695**	18,691
	1,690,664	1,790,506
EQUITY		
Share Capital	**5,809**	5,809
Accumulated losses reserve	**(23,203)**	(23,203)
Total equity	**(17,394)**	(17,394)
Total liabilities and equity	**1,673,270**	1,773,112
Total profit income	**6,961**	16,476
Total profit expense	**(2,255)**	(6,583)
Net Profit Income	**4,706**	9,893
Other non profit income	**11,253**	2,855
Other non profit expense	**(15,189)**	(14,655)
Net non profit expense	**(3,936)**	(11,800)
Income from dealing in foreign currencies	**(2,078)**	(607)
TOTAL INCOME	**(1,308)**	(2,514)
Net provision for expected credit losses	**570**	(6,926)
NET PROFIT/ (LOSS) FOR THE YEAR	**(738)**	(9,439)

34 General

34.1 Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current year. However, there are no material reclassification / re-arrangement to report.

34.2 The figures in these financial statements have been rounded off to the nearest in thousands in AFN.

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35 Date of authorization for issue

These financial statements were authorized for issue by the Board of Supervisors of the Bank on 17/03/2022

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Chairman	Chief Executive Officer	Chief Financial Officer