

MAIWAND BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 21, 2021

Amounts in AFN '000'

		21-Dec-21	20-Dec-20
	Note		
ASSETS			
Cash and bank balances	5	2,728,831	16,521,485
Investment in DAB Capital Notes	6	-	199,814
Loans and advances to customers	7	6,570,714	5,398,865
Operating fixed assets	8	758,039	788,454
Investment property	9	99,376	99,376
Intangible assets	10	13,879	7,200
Other assets	11	717,408	567,732
Non-currents assets held-for-sale	12	1,647,927	1,472,962
Deferred tax assets - net	13	457,390	174,194
Total assets		12,993,564	25,230,082
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	14	10,200,729	23,454,566
Other liabilities	15	591,250	283,265
Total liabilities		10,791,979	23,737,831
EQUITY			
Authorised share capital		5,000,000	5,000,000
Paid-up capital	16	3,783,860	3,783,860
Accumulated losses		(1,582,275)	(2,291,609)
Total equity		2,201,585	1,492,251
Total liabilities and equity		12,993,564	25,230,082
CONTINGENCIES AND COMMITMENTS	17	-	-

The annexed notes 1 to 31 form an integral part of these financial statements

Chief Financial Officer

Chief Executive Officer

Chairman



MAIWAND BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 21, 2021

Amounts in AFN '000'

	Note	21-Dec-21	20-Dec-20
Interest income	18	94,097	133,232
Interest expense	18	(35,998)	(57,597)
Net interest income		58,099	75,635
Profit / return on Islamic financing	19	-	-
Return on Islamic deposits	19	1,916	(4)
Net spread earned		1,916	(4)
Fee and commission income	20	339,811	328,398
Fee and commission expense	20	12,324	(35,560)
Net fee and commission income		352,135	292,838
Foreign exchange (loss) / gain		610,324	8,281
Other income	21	941	7,784
		611,265	16,065
Operating income		1,023,415	384,534
Personnel expenses	22	(197,309)	(232,327)
Allowance for impairment loss	7	(44,284)	(64,670)
Depreciation and amortisation	8 & 10	(67,558)	(73,572)
Other operating expenses	23	(286,058)	(324,960)
		(595,209)	(695,529)
Profit/(Loss) before taxation		428,206	(310,995)
Taxation - net	24	281,127	-
Profit / (Loss) after taxation		709,333	(310,995)
Other comprehensive income		-	-
Total comprehensive income for the year		709,334	(310,995)
Profit / (loss) per share		1.87	(0.82)

The annexed notes 1 to 31 form an integral part of these financial statements

Chief Financial Officer

Chief Executive Officer

Chairman



MAIWAND BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 21, 2021

Amounts in AFN '000'

	<u>Paid-up capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at December 22, 2019	3,783,860	(1,980,614)	1,803,246
Profit after taxation	-	(310,995)	(310,995)
Other comprehensive income	-	-	-
Balance as at December 20, 2020	<u>3,783,860</u>	<u>(2,291,609)</u>	<u>1,492,251</u>
Balance as at December 20, 2020	3,783,860	(2,291,609)	1,492,251
Profit after taxation	-	709,334	709,334
Other comprehensive income	-	-	-
Balance as at December 21, 2021	<u>3,783,860</u>	<u>(1,582,275)</u>	<u>2,201,585</u>

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The annexed notes 1 to 31 form an integral part of these financial statements

[Handwritten signatures of Chief Financial Officer, Chief Executive Officer, and Chairman]

Chief Financial Officer

Chief Executive Officer

Chairman



MAIWAND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 21, 2021

Amounts in AFN '000'

	Note	21-Dec-21	20-Dec-20
Cash flows from operating activities			
Loss/ Profit before taxation		428,206	(310,995)
Adjustments:			
Depreciation and amortisation	8 & 10	67,558	73,572
Net interest income	18	(58,099)	(75,635)
Unwinding of discount	15	-	2,170
Net spread earned		(1,916)	4
Loss / (gain) on disposal of assets		(820)	-
Allowance for impairment loss/(gain)	7	44,284	64,670
		51,007	64,781
		479,213	(246,214)
Working capital adjustments:			
Increase in deposits with DAB		903,884	(309,293)
Increase/(Decrease) in loans and advances to customers	7	(1,216,133)	482,318
Right of use assets	8	-	-
Increase in other assets	11	(149,676)	15,841
Increase in non-currents assets held-for-sale	12	(174,965)	28,049
Increase in deposits from customers	14	(13,253,837)	3,894,134
Increase / (decrease) in other liabilities	15	307,985	(31,142)
		(13,103,529)	3,833,693
Income tax paid		(2,069)	-
Interest / profit received		94,097	133,232
Interest / profit paid		(34,082)	(57,601)
		57,946	75,631
Net cash used in / generated from operating activities		(13,045,583)	3,909,324
Cash flows from investing activities			
(Investment made in) / proceeds from capital notes		199,814	(199,814)
Purchase of property and equipment	8	(29,317)	(23,480)
Proceeds from investment property	9	-	(15,412)
Proceeds from sale of property and equipment		-	-
Purchase of intangible assets	10	(13,685)	(4,335)
Net cash flows (used in) / from investing activities		156,812	(243,041)
Cash flows from financing activities			
Lease liability	15	-	51,769
Payment against lease liability	15	-	(26,717)
Net cash flows from financing activities		-	25,052
Net increase in cash and cash equivalents		(12,888,771)	3,691,335
Cash and cash equivalents at beginning of the year		14,685,687	10,994,351
Cash and cash equivalents at end of the year	25	1,796,916	14,685,686

The annexed notes 1 to 31 form an integral part of these financial statements

Chief Financial Officer

Chief Executive Officer

Chairman



MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

1 STATUS AND NATURE OF BUSINESS

- 1.1 Maiwand Bank (the Bank) is a commercial bank registered and operating in Afghanistan. The Bank is primarily involved in commercial banking in Afghanistan. The Bank has obtained business license from Afghanistan Investment Support Agency (AISA) to operate as a limited liability company. The Bank obtained its banking license from Da Afghanistan Bank ("DAB") under the Law of Banking in Afghanistan on December 31, 2008 and commenced its operations on January 01, 2009. Currently, the Bank is being operated **with 24 branches and 24 extension counters** in different parts of Afghanistan.
- 1.2 The registered office of the Bank is situated at Charrahi Torabaz Khan, Shar-e-Naw, Kabul, Afghanistan.
- 1.3 Owing to sectorial unprivileged circumstances which has affected bank's operations and CAMEL rating, DAB has imposed restrictions on the Bank for issuance of new bank loans. However DAB has relaxed bank for issuance of bid guarantees with 30% cash margin from 100% cash margin and issuance of performance/advance payment guarantees with 50% from 100% of guarantees and cash margin plus of 70% IPs from 100%. Due to which incomes from interest, fee and commission are adversely affected. The accumulated losses have reached AFN 1,582 million (2020: 2,292 AFN million). This indicates that material uncertainties exists that may cast significant doubts on the Bank's ability to continue as going concern.

DAB has conducted full scope audit and highlighted violations in compliances of laws, regulations, circulars, DAB guidelines and Banks's internal policies and issued enforcement action order along with guidelines and a corrective action plan was required to be submitted by the Bank. Consequently bank has prepared and submitted a detailed corrective action plan for DAB's appraisal, after which its implementation will be commenced. The plan was scheduled from November 2020 to April 2020, focusing on capital injection, recovery of NPLs and repossessed assets, reduction in expenses, improvement in income, and strengthening the internal controls and corporate governance.

Owing to losses, the Bank's repossessed assets, comprise of "non-current assets held for sale" and "investment property", have reached 13.45% of the Bank's total assets. The guidelines issued by DAB require the Bank to not exceed repossessed assets by 5%.

Since the scope of raising interest income (the sole major source) is limited, the bank has initiated various measures to reduce the expenditure as a result of which, the operational expense of the bank were reduced by 13%, for the year ended December 21, 2021 from December 21, 2020. However as disclosed in the statement of cashflows, the Bank used net cash of AFN 13,046 Million in operating activities during the year.

Furthermore, the Bank is in the process of recovering loans by all means including filing cases against defaulters. This is an ongoing process, and the exact outcome of legal cases is yet to be determined.

Key management positions (i.e., Chief Executive Officer, Chief Credit Officer, Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor) of the bank are lying vacant. However, the Bank is in the process to recruit suitably qualified and experienced professionals.

In view of above, these financial statements have been prepared on going concern basis as management believes that they will be able to address the anomalies and significant doubts about the going concern assumption in due course of time in line with corrective action plan and bank will be able to continue as going concern for at least next foreseeable future (i.e. 12 months from the end of the reporting period).

2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

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MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

3 BASIS OF MEASUREMENT

3.1 These financial statements have been prepared on the historical cost basis under accrual basis of accounting, except as otherwise disclosed in accounting policies.

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

3.3 Mandatory Departure

Mandatory departure of International Financial reporting Standards (IFRS 9 - "Financial Instruments" as per the directives issued by the Da Afghanistan Bank through email dated 12 January 2021, where they stated that no bank is allowed to implement IFRS 9 - 'Financial Instruments' until further notice". Further deliberations of financial decisions would be communicated in the respective years.

3.4 Use of estimates and judgments

The preparation of these financial statements in conformity with the IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that year, or in the year of the revision and any future year affected.

In the process of applying the Bank's accounting policies, the management has made the estimates, assumptions and judgments about following heads which are significant to these financial statements:

Useful lives of tangible and intangible fixed assets
Provision against financial assets
Provision for taxation
Impairment of assets

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MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

3.4 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Effective from accounting period beginning on or after

Amendments to IAS 37 - "Provisions, Contingent liabilities and Contingent assets": Onerous Contracts, Cost of Fulfilling a Contract	01-January-2022
Annual improvements to IFRS Standards 2018-2020	01-January-2022
Amendments to IAS 16 - "Property, Plant and Equipment": Proceeds before intended use	01-January-2022
Amendments to IFRS 3 - "Business Combinations": Reference to the conceptual IFRS 17 - "Insurance Contracts"	01-January-2022
Amendments to IFRS 17 - "Insurance Contracts"	01-January-2023
Amendments to IAS 1 - "Presentation of Financial Statements": Classification of liabilities as current or non-current	01-January-2023
Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies	01-January-2023
Amendment to IAS 8: Definition of Accounting Estimates	01-January-2023
Amendments to IAS 12 - "Income Taxes": Deferred tax Related to Assets and Liabilities arising from a single transaction	01-January-2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an investor and its Associate or Joint Venture.	Optional

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except stated below in notes 4.1 and 4.2.

4.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank, balances in Nostro accounts and highly liquid financial assets with maturities of three months or less from acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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4.2 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation on Property and Equipments is charged to Statement of Comprehensive income by applying the reducing balance method. The useful lives, residual value and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date. Depreciation on additions is charged for the full month in which the asset is put to use and on deletions up to the month immediately preceding the deletion. The rates of depreciation used are disclosed in relevant note:

4.3 Investment Property:

Investment Property is initially measured at cost/carrying value and thereafter measured using fair value model. Accordingly no depreciation is charged on the same. The revaluation of such property shall be done once in a three year & is subject to impairment testing. Any impairment gain or loss is booked through Other Comprehensive Income. Rental Income generated through Investment Property is booked as income in Statement of Comprehensive Income.

4.4 Intangible assets

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

Subsequent expenditure on the software is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss using reducing balance method at 33%, from the date it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortization method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

4.5 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment loss is taken to the Statement of Comprehensive Income. For items like Suspense General, Cash shortages etc. (which are not self reconciling), 100% provision is made, if such items remain outstanding in books for more than six months.

4.6 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the entity and the current tax liabilities and assets are intended to be settled on a net basis and are expected to be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.7 Non-current assets held for sale

When Bank takes over properties of defaulter borrowers then such "repossessed" properties are classified as "Non-current Assets held for Sale" under IFRS 5 in the books of accounts.

Initially, the Repossessed Assets so classified shall be recognised in books of accounts at the lower of carrying amount or at Final Mazahar Value (or Quabala Value) less costs to sell namely legal fees, brokerages, documentation charges etc as decided between Bank & the borrower.

Subsequent measurements are based on revaluation of such repossessed assets, which is required to be done by Bank after the interval of 3 years. If the carrying value at that period end is less than that of Revalued amount, such gain is recognised as fair value through profit & loss account, to the extent of accumulated impairment loss that has been recognised in past. If the carrying value at that period is more than the Revalued amount, such loss is booked as "impairment loss" in the Statement of Comprehensive Income.

The Gain or losses on impairment on such assets are disclosed as separate item in Statement of Comprehensive Income. No depreciation is charged on such assets; Such assets are presented separately in the Statement of Financial position.

4.10 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities and is charged to the Statement of Comprehensive Income on a time proportion basis.

4.11 Provisions

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

4.12 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable.

4.13 Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation is recognized in the Statement of Comprehensive Income.

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4.14 Revenue recognition

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

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

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

In Murabaha Account, when the installments are due, the profits are recognised and subsequently realisation is considered, when actually installments are received.

In Musharika Account, the profits are recognised based on estimation / projection. Subsequently realisation is considered, when actually installments are received.

In Diminishing Musharika, the profits are based on specific rental income. The same is recognised as & when due. And realised subsequently, when it is actually received.

4.15 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of effective interest rate.

Other fees and commission income, including account servicing fee, funds transfer fee and placement fee, are recognized as the related services are performed. When a loan commitment fee is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

4.16 Financial instruments

(i) Classifications

Financial assets

The Bank classifies its financial assets in four categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial asset is either held-for-trading or it is designated as at fair value through profit or loss. A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives (if any) are also categorized as held for trading unless they are designated as hedges.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

c) Held-to-maturity (HTM) financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity financial assets before its maturity, the entire category would be reclassified as available for sale. L&M

d) Available-for-sale (AFS) financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets (AFS) are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to maturity investments or (c) financial assets at fair value through profit or loss.

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.

(ii) Recognition and initial measurement

The Bank initially recognizes loans and advances to customers and deposits from customers on the date, they are originated. All other financial assets and liabilities (including financial assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the other comprehensive income, is recognized in profit or loss.

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

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

4.17 Impairment provisions under local regulations

Loans and advances to costumers

As per Asset Classification and Provisioning Regulations (ACPR) issued by DAB, the outstanding principal of loans and

advances to customers is classified 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. Bank has not made any provision on standard advances as it is optional.

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.

ii) **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.

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MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

	Note	December 21, 2021	December 20, 2020
----- (AFN in '000) -----			
5 CASH AND BANK BALANCES			
Cash in hand:			
Local currency		58,831	1,456,610
Foreign currency	5.1	87,839	2,452,833
		146,670	3,909,443
Balances with Da Afghanistan Bank (DAB)	5.2	1,897,219	11,635,863
Balances with other banks and financial institutions	5.3	684,942	976,179
		2,582,161	12,612,042
		2,728,831	16,521,485
5.1 Foreign currency profile			
US Dollar		41,246	2,083,895
Euro		16,646	335,285
GB Pound		29,947	33,653
		87,839	2,452,833
5.2 Balances with Da Afghanistan Bank (DAB)			
Current accounts:			
Local currency		634,367	3,821,665
Foreign currency	5.2.1	330,937	5,975,632
		965,304	9,797,297
Saving accounts - local currency:			
Overnight deposits	5.2.2	-	2,767
		-	2,767
Required reserve with DAB	5.2.3	931,915	1,835,799
		931,915	1,835,799
		1,897,219	11,635,863
5.2.1 Foreign currency profile:			
US Dollar	5.2.1.1	323,782	5,726,003
Euro		7,155	249,629
		330,937	5,975,632

5.2.1.1 This includes an amount of \$7,011,769 (2020: \$7,011,769) withheld by the Da Afghanistan Bank due to delay in settlement of litigated bank guarantees.

5.2.2 This represents overnight deposit facility provided by DAB. These deposits earn interest at 3% (2020: 0.099%) per annum and have maximum maturity of 7 days.

5.2.3 This represents the required reserve account maintained with Da Afghanistan Bank in local and foreign currencies to meet minimum reserve requirement in accordance with Article 64 "Required reserve for banks" of Da Afghanistan Bank Law. Furthermore, Da Afghanistan Bank (DAB) made it mandatory vide their circular no. 9072 dated 10/10/1399, that all Banks have to maintain required reserve on all customer deposits' accepted in local and foreign currencies in accordance with the Bank's CAMEL rating. As the Maiwand Bank's CAMEL rating is 5, so according to those instructions the Bank is required to maintain required reserves of @ 12% and 14% for local and foreign currencies respectively. These balances are interest free and are not available for use in the Bank's day-to-day operations.

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	Note	December 21, 2021	December 20, 2020
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5.2.4 Currency profile of required reserve with DAB

Local currency		339,616	615,510
US Dollar		574,999	1,198,133
Euro		17,300	22,156
		931,915	1,835,799

5.3 Balances with other banks and financial institutions

	Note	December 21, 2021	December 20, 2020
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5.3.1 Currency profile of balances with other banks and financial institutions is as follows:

Current accounts:

Local currency		54,536	215,524
Foreign currency	5.3.1.1	630,406	760,655
		684,942	976,179

5.3.1.1 Foreign currency profile:

US Dollar		574,800	587,499
Euro		55,592	173,090
GBP		13	66
		630,406	760,655

5.3.2 Geographic profile of balances with other banks and financial institutions is as follows:

Europe		230,618	654,482
America		28	17,963
Asia		281,826	7,769
Middle East		141,518	100,247
Afghanistan		30,953	195,720
		684,942	976,181

	Note	December 21, 2021	December 20, 2020
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6 INVESTMENT IN DAB CAPITAL NOTES

DAB Capital Notes		-	199,814
		-	199,814

6.1 The capital notes carry interest Nil (2020: 1.2%) per annum but the Bank has receivable 3.18 Million from DAB.

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	Note	December 21, 2021	December 20, 2020
----- (AFN in '000) -----			
7 LOANS AND ADVANCES TO CUSTOMERS			
Conventional	7.1	5,433,520	4,349,665
Islamic	7.2	1,111,654	1,024,878
Legal fees and direct cost on acquisition of defaulters' property		25,540	24,322
		6,570,714	5,398,865

	Note	December 21, 2021			December 20, 2020		
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- (AFN in '000) -----			----- (AFN in '000) -----		
7.1 Conventional							
Running finances - Overdrafts	7.1.1	5,404,742	(706,935)	4,697,807	5,911,022	(1,564,674)	4,346,348
Term loans	7.1.3	732,977	-	732,977	-	-	-
Short term loans to employees	7.1.5	2,736	-	2,736	3,317	-	3,317
		6,140,455	(706,935)	5,433,520	5,914,339	(1,564,674)	4,349,665

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- 7.1.1** Running finance facilities are extended to borrowers for a period of one year renewable every year with proper sanction on satisfactory conduct of account. These facilities carry interest ranging from 15% to 20% (2020: 15% to 20%) per annum. The facilities are secured against immovable properties, stocks and receivables of the borrowers and personal guarantees. All these loans are subject to mandatory cleanup for 5 days in terms of DAB guidelines and most of them are non-performing where we have stopped charging interest on the overdue balances.
- 7.1.2** DAB has carried out a comprehensive assessment of running finances in 2018 and communicated the assessment results via letter no. FSD F 5851 dated 30.08.1397. Accordingly, all the running finances which may fall in doubtful or loss categories based on their overdue days but are backed with at least 100% collateral value, are classified as standard but without accruing any interest there against. However, had all the running finances been classified and provisioned purely based on the DAB Assets Classification and Provisioning Regulation (ACPR), based on their statements seen from December 2019, the total provision against overdrafts and term loans would have been AFN 5,488.98 million which would have further increased accumulated losses.
- 7.1.3** Directives issued to commercial banks by Da Afghanistan Bank via letter no. 9074 dated 10-10-1399, that the overdraft loans portfolio shall not be greater than 50% of all loans and advances issued by the bank. In light of that letter, the bank has restructured five overdraft accounts to term loans.

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	December 21, 2021	December 20, 2020
	----- (AFN in '000) -----	
7.14 Impairment Allowance		
Balance at beginning of year	1,564,674	1,456,593
Loans written off during the year	(684,118)	-
Reversal	(90,098)	-
Exchange rate difference	(127,807)	-
Impairment charge for the year	44,284	108,081
	<u>(173,621)</u>	<u>108,081</u>
Balance at end of year	<u>706,935</u>	<u>1,564,674</u>

7.1.5 Short term loans to employees were repayable within twelve months. These loans carry interest at the rate 6% (2020: 10%) per annum.

	December 21, 2021	December 20, 2020
	----- (AFN in '000) -----	
7.1.6 Currency profile of loans and advances - conventional is as follows:		
Local currency	848,555	912,546
Foreign currency - US Dollar	5,291,901	5,001,794
	<u>6,140,455</u>	<u>5,914,340</u>

	Note	December 21, 2021			December 20, 2020		
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- (AFN in '000) -----			----- (AFN in '000) -----		
7.2 Islamic							
Musharaka financing	7.2.1	67,643	-	67,643	51,878	-	51,878
Diminishing Musharaka	7.2.1	144,910	-	144,910	111,288	(13,980)	97,308
Murahaba finance	7.2.2	1,234,024	(334,923)	899,101	1,074,161	(198,469)	875,692
		<u>1,446,577</u>	<u>(334,923)</u>	<u>1,111,654</u>	<u>1,237,327</u>	<u>(212,449)</u>	<u>1,024,878</u>

7.2.1 Musharaka and Diminishing Musharaka facilities are extended to customers on profit / loss sharing basis. These carry profit sharing ratio of 10% to 16% (2020: 10% to 16%) on annual basis. These are secured against immovable properties and stocks.

7.2.2 Murabaha facilities are extended to customers for purchase of immovable properties. These are secured against the underlying properties.

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7.2.3 Further as reasoned in 7.1.2 above for conventional finances, Islamic finances have also been classified as standard assets based on the "at least 100% collateral value" subject to non-accrual status, which other wise would have classified as doubtful or loss depending on their overdue days as per ACPR. Had these assets been classified purely as per DAB's ACPR, based on their statements seen from December 2019, the total provision against Islamic finances would have been AFN 1,364.17 million which would have further increased accumulated losses.

7.2.4 Impairment Allowance

Balance at beginning of year
 Loans written off during the year
 Reversal
 Exchange rate difference
 Charge for the year
 Effect of changes in accounting policy

 Balance at end of year

	December 21, 2021	December 20, 2020
	----- (AFN in '000) -----	
	212,449	283,984
	-	-
	-	(71,535)
	43,001	-
	79,473	-
	-	-
	<u>122,474</u>	<u>(71,535)</u>
	<u>334,923</u>	<u>212,449</u>

7.2.5 Currency profile of loans and advances - Islamic is as follows:

Local currency
 Foreign currency - US Dollar

	December 21, 2021	December 20, 2020
	----- (AFN in '000) -----	
	96,740	102,228
	1,349,837	1,135,098
	<u>1,446,577</u>	<u>1,237,326</u>

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 21, 2021

8 OPERATING FIXED ASSETS

	Land	Buildings	Leasehold improvements	Office equipment	Furniture and fittings	IT equipment	Motor vehicles	ATM	Right of Use Assets (Note 8.1)	Total
----- (AFN in '000) -----										
COST										
Balance as at December 21, 2019	71,316	537,740	92,685	130,236	20,826	156,689	72,450	29,003	101,402	1,212,347
Additions	-	-	3,889	4,755	425	6,331	6,772	1,308	-	23,480
Balance as at December 20, 2020	71,316	537,740	96,574	134,991	21,251	163,020	79,222	30,311	101,402	1,235,827
Balance as at December 20, 2020	71,316	537,740	96,574	134,991	21,251	163,020	79,222	30,311	101,402	1,235,827
Additions / Reclassification	-	-	955	4,842	527	4,881	4,901	13,212	-	29,317
Balance as at December 21, 2021	71,316	537,740	97,529	139,833	21,778	167,901	84,123	43,523	101,402	1,265,144
ACCUMULATED DEPRECIATION										
Balance as at December 21, 2019	-	25,067	33,896	69,746	12,279	111,415	55,993	17,098	52,815	378,309
Charges for the Year	-	14,903	2,955	6,038	840	13,972	3,471	1,445	25,440	69,064
Balance as at December 20, 2020	-	39,970	36,851	75,784	13,119	125,387	59,464	18,543	78,255	447,373
Reclassification										
Balance as at December 20, 2020	-	39,970	36,851	75,784	13,119	125,387	59,464	18,543	78,255	447,373
Charge for the year	-	24,773	2,951	6,255	814	11,873	4,177	1,999	7,711	60,552
Reversal / Adjustments	-	-	-	(769)	-	(51)	-	-	-	(820)
Balance as at December 21, 2021	-	64,743	39,802	81,270	13,933	137,209	63,641	20,542	85,966	507,105
CARRYING AMOUNTS										
As at December 20, 2020	71,316	497,770	59,723	59,207	8,132	37,633	19,758	11,768	23,147	788,454
As at December 21, 2021	71,316	472,997	57,727	58,563	7,845	30,692	20,482	22,981	15,436	758,039
Depreciation Rate	0%	5%	5%	10% - 33%	10%	33%	20%	10%		

8.1 RoU is computed on the basis of discounted value of outstanding lease agreements for Branches, Guest Houses and Extension Counters. The discounting of outstanding lease quantum is taken at 5%. The depreciation is computed at Straight Line Method.

8.2 The Bank's shareholders have introduced bank's head office building as capital injection to increase the bank's equity and to improve the regulatory capital of the bank. The process for required approval from Da Afghanistan Bank was initiated on July 03, 2019 via letter number 543, and at reporting date it was in the final stages of approval from Da Afghanistan Bank. However, subsequently the Bank has received the Da Afghanistan Bank's approval to include/inject main office building at forced sale value of USD 5,751,200 as the capital injection via letter ref: FSD-E 368.

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		December 21, 2021	December 20, 2020
	Note	----- (AFN in '000) -----	
9 INVESTMENT PROPERTY			
	9.1	<u>99,376</u>	<u>99,376</u>
9.1 Movement in Investment Property			
Opening balance		99,376	83,964
Disposal during the year		-	15,412
Closing balance		<u>99,376</u>	<u>99,376</u>
9.2	During the year no valuation is carried out as the Bank has policy of valuing its investment properties every three years.		
10 INTANGIBLE ASSETS			
Cost			
Balance at beginning of year		21,410	17,075
Acquisitions		13,685	4,335
Balance at end of year		35,095	21,410
Amortization			
Balance at beginning of year		14,210	9,702
Charge for the year		7,006	4,508
Balance at end of year		21,216	14,210
Carrying amounts		<u>13,879</u>	<u>7,200</u>
11 OTHER ASSETS			
Prepayments		19,624	17,712
APS Settelement		2,962	-
Advances to employees		1,190	1,577
Security deposit - Western Union		20,080	15,400
Security deposit - others		802	802
Advance and withholding tax receivable		54,333	48,979
Markup receivable on Musharka investment		59,130	45,348
Receivable on Sale of Other Banking Assets		10,040	7,700
Interest receivable on capital notes	6.1	1,035	180
Margin money with Bank-e-Millie Afghan, Kabul	11.1	507,299	388,695
Margin money with Afghan United Bank	11.2	40,000	40,000
Others	11.3	912	1,339
		<u>717,408</u>	<u>567,732</u>

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- 11.1** This represents margin money of AFN 507.299 million (2020: 388.695 million) paid to the Bank-e-Millie Afghan against performance guarantee for securing a contract in respect of collection of utility bills on behalf of Da Afghanistan Breshna Sherkat.
- 11.2** This represents margin money paid to the Afghan United Bank against bid guarantee for securing Government business of Salary disbursements to employees of various ministries.

	December 21, 2021	December 20, 2020
Note	----- (AFN in '000) -----	
11.3 Others		
Carrying value	3,312	1,482
Less: provision	(2,400)	(143)
	912	1,339
11.4 Currency profile of other assets is as follows:		
Local currency	94,000	94,000
Foreign currency - US Dollar	473,732	473,732
	567,732	567,732

12 NON-CURRENT ASSETS - HELD FOR SALE

Other banking assets - Acquired through out of court settlement	12.1	897,224	897,224
Acquired through court settlement	12.2	750,703	575,738
		1,647,927	1,472,962

12.1 This represents the value of collateral recovered from customers, acquired through out of court settlement for 08 loans and advances. These are USD dominated properties of those defaulted borrowers and were initially converted into AFN at transaction date, however, then DAB through their correspondence dated 06 February 2019 has allowed banks to consider non-current assets held for sale as monetary assets and to retransalte repossessed assets at each reporting date resulting increased value in reporting currency and foreign exchange gain. Moreover, the repossessed assets acquired out of court settlement were required to be disposed-off within five years as per the DAB's latest instructions via letter no 3279/4394 dated 10/5/1397.

12.2 During the year, the Bank has acquired nil. properties (2020: Nil properties) of defaulted borrowers (NPA accounts) in satisfaction of claims.

12.3 Da Afghanistan Bank issued standing instructions to the Bank through their letter no. 5517/4589 dated 16/04/1400 to write-off both Other Banking Assets and Repossessed Assets within one month after the issue of that letter and inform the Financial Supervision Department in writing. However, management has approached Da Afghanistan Bank (DAB) to allow for the cushion period of two years, however the DAB has allowed the Bank until June 2022 vide letter no. 11068/9581 dated 30/9/1400. However, until the date of issuance of these financial statemetns, none of these assets have been disposed off.

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13 DEFERRED TAX ASSETS - NET

Recognised deferred tax assets and (liabilities)

Deferred tax assets and (liabilities) are attributable to the following:

	December 21, 2021		
	Assets	Liabilities	Net
	----- (AFN in '000) -----		
Property and equipment and intangible assets	-	(55,918)	(55,918)
Unused tax losses	230,112	-	230,112
	<u>230,112</u>	<u>(55,918)</u>	<u>174,194</u>
	December 20, 2020		
	Assets	Liabilities	Net
	----- (AFN in '000) -----		
Property and equipment and intangible assets	-	(55,918)	(55,918)
Unused tax losses	230,112	-	230,112
	<u>230,112</u>	<u>(55,918)</u>	<u>174,194</u>

13.1 In view of the uncertainty about timings of taxable profits in the foreseeable future against which the tax loss/provisions as carried forward may be utilized, the Bank has not recognized additional deferred tax asset on unused tax losses.

Movements in temporary differences during the year

	Opening balance	Profit / (loss) for the year	Closing balance
	----- (AFN in '000) -----		
December 21, 2021			
Property and equipment and intangible assets	(55,918)	-	(55,918)
Unused tax losses	230,112	283,196	513,308
Deferred tax asset	<u>174,194</u>	<u>283,196</u>	<u>457,390</u>
December 20, 2020			
Property and equipment and intangible assets	(55,918)	-	(55,918)
Accumulated tax losses	230,112	-	230,112
Deferred tax asset	<u>174,194</u>	<u>-</u>	<u>174,194</u>

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	Note	December 21, 2021 ----- (AFN in '000) -----	December 20, 2020
14 DEPOSITS FROM CUSTOMERS			
Conventional deposits	14.1	6,380,209	18,756,199
Islamic deposits	14.2	1,492,840	2,552,307
Margin money against letter of guarantees		2,205,830	2,027,273
Deposits under lien	14.3	121,850	118,787
		<u>10,200,729</u>	<u>23,454,566</u>

14.1 Conventional deposits

Term deposits	14.1.1	237,350	309,613
Current deposits	14.1.2	3,960,387	14,074,819
Saving deposits	14.1.3	2,182,472	4,371,767
		<u>6,380,209</u>	<u>18,756,199</u>

14.1.1 Term deposits carry interest ranging from 0.25% to 4% (2020: 0.25% to 4%) per annum.

14.1.2 Current deposits are interest free.

14.1.3 Saving deposits carry interest ranging from 0.25% to 2.5% (2020: 0.25% to 2.5%) per annum.

14.1.4 Currency profile of customer deposits - Conventional is as follows:

	Note	December 21, 2021 ----- (AFN in '000) -----	December 20, 2020
Local currency:			
Term deposits		27,783	31,273
Current deposits		1,732,899	5,631,507
Saving deposits		1,924,996	3,400,907
		3,685,678	9,063,687
Foreign currency:			
Term deposits		209,566	278,341
Current deposits		2,227,488	8,443,312
Saving deposits		257,476	970,860
	14.1.5	2,694,530	9,692,513
		<u>6,380,209</u>	<u>18,756,201</u>
14.1.5 Foreign currency profile			
US Dollar		2,525,406	9,466,923
Euro		165,101	211,694
GB Pound		4,023	13,895
		<u>2,694,530</u>	<u>9,692,512</u>

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		December 21, 2021	December 20, 2020
	Note	----- (AFN in '000) -----	
14.2 Islamic deposits			
Term deposits	14.2.1	6,073	7,195
Current deposits	14.2.2	149,446	337,153
Saving deposits	14.2.3	1,337,321	2,207,959
		1,492,840	2,552,307

14.2.1 Term deposits include Meaadi Certificates carrying profit at 1% (2020: 1%) per annum.

14.2.2 Current deposits (Al-Wadiah accounts) are being operated at no profit or loss basis.

14.2.3 Saving deposits include the following:

1. Musharka Saving
2. Mutalim Musharaka
3. Khas Musharaka

These deposits carry profit @0.25% (2020: 0.25%) per annum.

14.2.4 Currency profile of customer deposits - Islamic is as follows:

		December 21, 2021	December 20, 2020
	Note	----- (AFN in '000) -----	
Local currency:			
Term deposits		1,048	1,048
Current deposits		46,329	95,237
Saving deposits		313,489	772,624
		360,866	868,909
Foreign currency:			
Term deposits		5,025	6,147
Current deposits		103,117	241,916
Saving deposits		1,023,832	1,435,335
	14.2.5	1,131,974	1,683,398
		1,492,840	2,552,307
14.2.5 Foreign currency profile			
US Dollar		1,127,744	1,674,291
Euro		4,229	9,107
		1,131,974	1,683,398

14.3 This represents deposits of customers which are "Lien Marked" against certificate of account balance issued to the customer and addressed to a third party. This certificate is a security for that third party. This balance can only be withdrawn by the customer upon returning the original certificate issued by the bank.

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	December 21, 2021	December 20, 2020	
Note	----- (AFN in '000) -----		
15 OTHER LIABILITIES			
Afghan Deposit Insurance Corporation (ADIC) premium payable	15.1	2,964	15,477
Interest / Markup payable to customer deposit accounts		335	2,929
Accrued expenses and other payables		80,263	96,838
Amount payable to Da Afghanistan Breshna Shirkat	15.2	465,459	127,018
Provision on Bank Guarantees	15.3	25,000	13,781
Lease Liability	15.4	17,229	27,222
		<u>591,250</u>	<u>283,265</u>

15.1 This represents premium paid to ADIC, at 0.35% (2020: 0.35%) per annum on Quarterly average deposits, in respect of deposit insurance to protect depositors within a certain coverage amount against the loss of their deposits placed at the Bank in the unlikely events of the Bank's failure.

15.2 Amount payable to Da Afghanistan Breshna Shirkat against collection of utility bills.

15.3 Provision for Bank Guarantees has been recognized at 1% (2020: 1%) on relevant class of assets as defined in Article 20 of Asset classification and provisioning regulations.

15.4 As disclosed in note 4.1 to the financial statements, the Bank applied IFRS 16 using the modified retrospective approach, under which the Bank has recognized right of use assets and lease liabilities at the date of initial recognition for leases previously classified as operating leases under IAS 17 at the present value of the remaining lease payments using the Bank's incremental borrowing rate at the initial application date. The Bank has chosen to measure the right of use assets at an amount equal to the lease liabilities adjusted by the amount of prepaid lease payments relating to the operating leases recognized in the statement of financial position as at January 01, 2019.

	December 21, 2021	December 20, 2020
Note	----- (AFN in '000) -----	
15.5 Lease liability		
Lease liability (Right of use)		
Opening balance	27,222	51,769
Unwinding of discount	2,170	2,170
Payments during the year	(26,717)	(26,717)
Closing balance	<u>2,675</u>	<u>27,222</u>
Current portion of lease liabilities	<u>16,014</u>	16,014
Non-current portion of lease liabilities	<u>11,208</u>	11,208
	<u>27,222</u>	<u>27,222</u>
Maturity analysis at the reporting data is as follows:		
Less than one year	16,014	16,014
One to two years	5,316	5,316
Two to three years	3,756	3,756
Three to four years	2,136	2,136
	<u>27,222</u>	<u>27,222</u>

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16	AUTHORISED AND PAID-UP CAPITAL	Note	December 21, 2021	December 20, 2020
			----- (AFN in '000) -----	
	Authorised capital			
	500,000 shares (2020: 300,000) of AFN 10,000 each		<u>5,000,000</u>	<u>5,000,000</u>
	Paid-up capital			
	378,386 shares (2020: 279,630) of AFN 10,000 each		<u>3,783,860</u>	<u>3,783,860</u>
16.1	The shareholding pattern of the Bank is as follows:			
		Note	December 21, 2021	December 20, 2020
			----- % -----	
	Dr. Fraidoon Noorzad		50	50
	Haji Naseer Ahmed		20	20
	Haji Abdul Qayoom Pardis		10	10
	Enginer Allauddin		10	10
	Haji Abdul Samad		10	10
			<u>100</u>	<u>100</u>
		Note	December 21, 2021	December 20, 2020
			----- (AFN in '000) -----	
16.2	Movement in share capital during the year is as follows:			
	Opening balance		<u>3,783,860</u>	<u>3,783,860</u>
	Capital injected during the year		-	-
	Closing balance		<u>3,783,860</u>	<u>3,783,860</u>

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MAIWAND BANK
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	Note	December 21, 2021	December 20, 2020
		----- (AFN in '000) -----	
17 CONTINGENCIES AND COMMITMENTS			
17.1 Contingencies			
Letters of guarantees	17.1.1	<u>1,585,720</u>	<u>2,600,869</u>
17.1.1 These are guarantees extended to corporate entities against performance of contracts and bids.			
17.2 Commitments			
There were no outstanding commitments as at 21 December 2021 (2020: nil)			
		December 21, 2021	December 20, 2020
		----- (AFN in '000) -----	
18 NET INTEREST INCOME			
Interest income			
Cash and cash equivalents		17,784	228
Loans and advances to customers	18.1	76,313	133,004
		<u>94,097</u>	<u>133,232</u>
Interest expense			
Deposits from customers	18.2	35,998	57,597
		<u>35,998</u>	<u>57,597</u>
		<u>58,099</u>	<u>75,635</u>
18.1 Interest income - loans and advances to customers			
Retail customers - running finances		59,916	132,759
Short term loan to employees		206	245
Term loan		16,191	-
		<u>76,313</u>	<u>133,004</u>
18.2 Interest expense - deposits from customers			
Term deposits		3,780	3,542
Saving deposits		32,218	54,056
		<u>35,998</u>	<u>57,598</u>
19 NET SPREAD EARNED			
Profit / Return on Islamic financing			
Profit on Murabaha financing		-	-
Rental of Diminishing Musharika		-	-
		-	-
Return on Islamic deposits			
Profit on Murabaha Khas		-	3
Profit on Mutaleem account		-	1
Profit on Meeadi Murdaraba		(1,251)	-
Profit on Murabaha Saving		(665)	-
		<u>(1,916)</u>	<u>4</u>
Net spread earned		<u>1,916</u>	<u>(4)</u>

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		December 21, 2021	December 20, 2020
	Note	----- (AFN in '000) -----	
20 NET FEE AND COMMISSION INCOME			
Fee and commission income			
Commission on guarantees issued		8,109	16,674
Commission on remittances		126,870	167,550
Loan processing fee		2,769	2,718
Account servicing fee		167,308	99,065
Others		34,755	42,391
Total fee and commission income		339,811	328,398
Fee and commission expense			
Commission on remittances		(25,318)	23,773
Inter-bank transaction fees		12,994	11,787
Total fee and commission expense		(12,324)	35,560
Net fee and commission income		<u>352,135</u>	<u>292,838</u>
21 OTHER INCOME			
Bad debt recovery		10,009	1,870
Reversal of provision		(13,702)	2,063
Rental income		4,122	3,851
Gain on disposal of property and equipment		512	-
		<u>941</u>	<u>7,784</u>
22 PERSONNEL EXPENSES			
Salaries and wages	22.1	186,288	215,940
Staff welfare		11,021	16,387
		<u>197,309</u>	<u>232,327</u>
22.1	It includes an amount of AFN 14.04 million (2019: AFN 18.99 million) in respect of short-term employee benefits paid to Key Management Personnel.		

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23 OTHER OPERATING EXPENSES

Rent		35,121	5,048
Internet and connectivity		24,391	28,859
Electricity and power		30,280	33,903
Legal and professional charges		13,724	9,859
Advertisement expenses		4,323	8,667
Travel		2,131	2,654
ADIC insurance charges	23.1	55,783	71,159
Repair and maintenance		7,799	10,675
Printing and stationery		5,041	7,054
Software maintenance fee		8,206	10,241
Security expenses		81,581	96,321
Subscription		1,755	768
Communication		2,630	3,053
Directors' remuneration		1,800	1,252
Office expenses		8,905	9,052
Lease liability interest expense		2,574	2,170
Others		13	24,225
		286,058	324,960

23.1 These charges are paid to Afghan Deposit Insurance Corporation (ADIC) at 0.35% (2020: 0.3%) per annum of total deposits.

24 TAXATION - NET

Current charge
for the year
Deferred tax income

Note

December 21, 2021
December 20, 2020
----- (AFN in '000) -----

-	-
281,127	-
281,127	-

24.1 Reconciliation of accounting loss

Profit/(Loss) before taxation

428,206	(310,995)
---------	-----------

Tax on above profit/(loss) at 20%
Effect of accumulated losses
Impact of deductible temporary differences
Impact of taxable temporary differences
Prior period tax impact
Tax expense for the year

85,641	(62,199)
(85,641)	62,199
-	-
-	-
-	-
-	-

25 CASH AND CASH EQUIVALENTS

Cash and bank balances
Required reserve with DAB

5

5.2.3

2,728,831	16,521,485
(931,915)	(1,835,799)
1,796,916	14,685,686

25.1 The deposits under required reserve with DAB are not available to finance the Bank's day-to-day operations and, therefore, are not part of cash and cash equivalents.

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26 RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Bank is owned by individual persons, who own the Bank's shares in different proportions (Refer note 16.1).

Transactions with key management personnel

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

	Key management personnel (and close family members)		Directors and Shareholders	
	December 21, 2021	December 20, 2020	December 21, 2021	December 20, 2020
	----- (AFN in '000) -----		----- (AFN in '000) -----	
(a) Deposits from related parties				
At beginning of the year	56	282	1,873	135
Received during the year	14,851	10,202	47,874	27,023
Withdrawn during the year	(15,030)	(10,422)	(50,133)	(25,282)
Exchange rate difference	127	(6)	553	(3)
At end of the year	4	56	167	1,873
(b) Other transactions with related parties				
Sitting fee paid to members of Board of Supervisors	-	-	1,800	1,252
(c) Key management compensation				
Employee benefits paid	19,391	14,045	-	-

Key management personnel of the Bank include the Chief Executive Officer, Dy. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Credit Officer and Chief of Compliance.

In addition to their salaries, the Bank also provides non-cash benefits to executives which includes furnished accommodation, meals and travel.

There were no related party transactions and outstanding balances other than those disclosed above.

MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
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27 FINANCIAL ASSETS AND LIABILITIES

	Note	Financial assets at amortized cost	Debt instruments at amortized cost	Debt instruments at fair value through OCI	Financial liabilities at amortized cost	Total
December 21, 2021						
Financial assets not measured at fair value						
Cash and bank balances	5	2,728,831	-	-	-	2,728,831
Investment in DAB Capital Notes	6	-	-	-	-	-
Loans and advances to customers	7	6,570,714	-	-	-	6,570,714
Other assets	11	643,451	-	-	-	643,451
		<u>9,942,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,942,996</u>
Financial liabilities not measured at fair value						
Deposits from customers	14	-	-	-	10,200,729	10,200,729
Other liabilities	15	-	-	-	566,250	566,250
		<u>-</u>	<u>-</u>	<u>-</u>	<u>10,766,979</u>	<u>10,766,979</u>
December 20, 2020						
Financial assets not measured at fair value						
Cash and bank balances	5	16,521,485	-	-	-	16,521,485
Investment in DAB Capital Notes	6	-	199,814	-	-	199,814
Loans and advances to customers	7	5,398,865	-	-	-	5,398,865
Other assets	11	501,041	-	-	-	501,041
		<u>22,421,391</u>	<u>199,814</u>	<u>-</u>	<u>-</u>	<u>22,621,205</u>
Financial liabilities not measured at fair value						
Deposits from customers	14	-	-	-	23,454,566	23,454,566
Other liabilities	15	-	-	-	269,484	269,484
		<u>-</u>	<u>-</u>	<u>-</u>	<u>23,724,050</u>	<u>23,724,050</u>

The carrying amounts approximate fair values as most of the assets and liabilities have short maturities and are expected to be recovered / settled at their carrying amounts.

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28 FINANCIAL RISK MANAGEMENT

28.1 Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risks
- d) operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital.

Risk management framework

The Board of Supervisors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Management Board and a Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, new regulatory requirements, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

28.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Bank's Credit Committee which is responsible for oversight of the Bank's credit risk.

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which reports to the Credit Committee. The Credit department is headed by Chief Credit Officer (CCO). CCO along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained loan portfolio in line with the Bank's credit policy. The credit evaluation system comprises of credit appraisal, sanctioning and review procedures for the purposes of emphasising prudence in lending activities and ensuring the high quality of asset portfolio.

Exposure to credit risk managed through regular analysis of the borrowers to meet their respective interest and capital repayment obligations, by reviewing their lending limits and rationalising where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immovable property duly registered with the court of law and hypothecation over stock.

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Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, **when the Bank's Credit Committee determines that the loans or advances are uncollectible.** This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and in accordance with the regulations of Da Afghanistan Bank. For smaller balance standardized loans, write off decisions generally are based on a product specific past due status. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

The Bank holds collateral against loans and advances in the form of mortgage interest over property which is subsequently transferred in the name of the Bank, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing by one of the five external valuers of the Bank.

An estimate of the fair value of the collateral and other security enhancements held against loans and advances to customers is shown below:

	December 21, 2021	December 20, 2020
Note	----- (AFN in '000) -----	
Against impaired:		
Property	1,362,299	1,806,749
	1,362,299	1,806,749
Against neither past due nor impaired	10,918,552	8,306,071
	12,280,851	10,112,820

Concentration of credit risks by sector

All the loans have been disbursed in geographical territory of Afghanistan. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

Carrying amount	7	6,545,174	5,374,543
Concentration by sector			
Manufacturing		193,867	193,867
Trade		1,952,187	1,952,187
Construction		980,727	980,727
Services		1,431,087	1,431,087
Others		816,675	816,675
		5,374,543	5,374,543
Concentration by location			
Afghanistan		6,545,174	5,374,543

Cash and bank balances

As of the reporting date, the Bank held bank balances amounting to AFN 2,582 million (2020: AFN 12,612 million), which represents its maximum credit exposure on these assets. The bank balances are held with central bank and other banks and financial institutions. Management believes that bank balances are not exposed to significant credit risk. The geographical profile of bank balances with other banks has been disclosed in note 5.3.2 to these financial statements.

In addition to the above, the Bank has issued financial guarantees / contracts for which the maximum amount payable by the Bank, assuming all guarantees are called upon is AFN 1,585.72 Million (2020: AFN 2,600 million). (Refer note 17).

28.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Board ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. Management Board is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flows to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally has shorter maturities and large proportion of them are repayable on demand.

MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
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Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered including cash and cash equivalent. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Details of the Bank's reported ratio of net liquid assets to a sum of attracted funds and designated off balance sheet items, at the reporting date and during the reporting period are as follow:

	2021	2020
At December	24.00%	60%
Maximum for the year	64.00%	66%
Minimum for the year	23.00%	44%

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

	Note	Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount
December 21, 2021								
Financial assets:								
Cash and bank balances	5	2,728,831	1,796,916	-	-	-	931,915	2,728,831
Investment in DAB Capital Notes	6	-	-	-	-	-	-	-
Loans and advances to customers (gross)	7	7,587,032	6,733,042	120,087	926	732,977	-	7,587,032
Other assets	11	643,450	3,137	132,212	-	-	508,101	643,450
		10,959,313	8,533,095	252,299	926	732,977	1,440,016	10,959,313
Financial liabilities:								
Deposits from customers	14	(10,200,729)	(6,457,630)	(79,926)	(3,202,425)	(460,748)	-	(10,200,729)
Other liabilities	15	(591,250)	(465,794)	(83,227)	(17,229)	-	-	(566,250)
		(10,791,979)	(6,923,424)	(163,153)	(3,219,654)	(460,748)	-	(10,766,979)
Net assets		167,334	1,609,671	89,146	(3,218,728)	272,229	1,440,016	192,334

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MAIWAND BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021**

December 20, 2020

Financial assets:

Cash and bank balances	5	16,521,485	14,685,686	-	-	-	1,835,799	16,521,485
Investment in DAB Capital Notes	6	199,814	199,814	-	-	-	-	199,814
Loans and advances to customers (gross)	7	7,151,666	165,717	123,789	-	6,110,488	751,672	7,151,666
Other assets	11	501,041	3,096	108,448	-	-	389,497	501,041
		<u>24,374,006</u>	<u>15,054,313</u>	<u>232,237</u>	<u>-</u>	<u>6,110,488</u>	<u>2,976,968</u>	<u>24,374,006</u>
Financial liabilities:								
Deposits from customers	14	(23,454,566)	(16,648,083)	(6,117,492)	(30,157)	(658,834)	-	(23,454,566)
Other liabilities	15	(283,265)	(129,947)	(126,096)	(16,014)	(11,208)	-	(283,265)
		<u>(23,737,831)</u>	<u>(16,778,030)</u>	<u>(6,243,588)</u>	<u>(46,171)</u>	<u>(670,042)</u>	<u>-</u>	<u>(23,737,831)</u>
Net assets		<u>636,175</u>	<u>(1,723,717)</u>	<u>(6,011,351)</u>	<u>(46,171)</u>	<u>5,440,446</u>	<u>2,976,968</u>	<u>636,175</u>

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow / (out flow) disclosed in the above table is the contractual undiscounted cash flow on the financial liability.

Maturity analysis for off balance sheet items

Note	Gross nominal inflow / (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Carrying amount	
								(AFN in '000)
December 21, 2021								
Issued financial guarantees contracts	17	1,585,720	72,568	62,283	1,431,525	19,344	-	1,585,720
		<u>1,585,720</u>	<u>72,568</u>	<u>62,283</u>	<u>1,431,525</u>	<u>19,344</u>	<u>-</u>	<u>1,585,720</u>
December 20, 2020								
Issued financial guarantees contracts	17	2,600,869	190,110	355,055	997,155	1,058,549	-	2,600,869
		<u>2,600,869</u>	<u>190,110</u>	<u>355,055</u>	<u>997,155</u>	<u>1,058,549</u>	<u>-</u>	<u>2,600,869</u>

Note: Bank Guarantees under 1 to 30 days also include Bank Guarantees of AFN nil (2020: Nil), that are expired at year end.

MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

28.4 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

Management of market risks

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in Management Board of the Bank. The Management Board is responsible for the development of detailed risk management policies and day to day review of their implementation.

Exposure to interest rate risk

The Bank's risk to which not-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Management Board is the monitoring body for compliance with these limits and is assisted by risk management in its monthly monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

Interest rates (p.a)	Interest bearing				Total	Non-interest bearing	Total	
	Less than 3 months	3-6 months	6-12 months	1-5 years				
----- (AFN in '000) -----								
December 21, 2021								
Financial assets:								
Cash and bank balances	0.099%-0.5%	931,915	-	-	-	931,915	1,796,916	2,728,831
Investment in DAB Capital Notes	1.200%	-	-	-	-	-	-	-
Loans and advances to customers (gross)	6% to 20%	6,139,530	619	307	-	6,140,456	1,446,576	7,587,032
Other assets	-	1,035	-	-	-	1,035	642,415	643,450
		7,072,480	619	307	-	7,073,406	3,885,907	10,959,313
Financial liabilities:								
Deposits from customers	0.25% to 4%	171,447	6,036,097	30,157	658,834	6,896,535	16,558,031	10,200,729
Other liabilities	-	-	-	335	-	335	590,915	591,250
		171,447	6,036,097	30,492	658,834	6,896,870	17,148,946	10,791,979
On balance sheet interest sensitivity gap		6,901,033	(6,035,478)	(30,185)	(658,834)	176,536	(13,263,039)	167,334

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MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
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December 20, 2020

Financial assets:

Cash and bank balances	0.099%-0.15%	2,767	-	-	-	2,767	16,518,718	16,521,485
Investment in DAB Capital Notes		199,814	-	-	-	199,814	-	199,814
Loans and advances to customers (gross)	10% to 20%	268,796	20,711	-	5,624,833	5,914,340	1,237,326	7,151,666
Other assets	-	-	-	45,348	-	-	455,693	501,041
		<u>471,377</u>	<u>20,711</u>	<u>45,348</u>	<u>5,624,833</u>	<u>6,116,921</u>	<u>18,211,737</u>	<u>24,374,006</u>

Financial liabilities:

Deposits from customers	0.25% to 4%	171,447	6,036,097	30,157	658,834	6,896,535	16,558,031	23,454,566
Other liabilities	-	-	-	2,929	-	2,929	280,336	283,265
		<u>171,447</u>	<u>6,036,097</u>	<u>33,086</u>	<u>658,834</u>	<u>6,899,464</u>	<u>16,838,367</u>	<u>23,737,831</u>

On balance sheet interest sensitivity gap

		<u>299,930</u>	<u>(6,015,386)</u>	<u>12,262</u>	<u>4,965,999</u>	<u>(782,543)</u>	<u>1,373,370</u>	<u>636,175</u>
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MAIWAND BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 21, 2021

Exposure to currency risk

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

The Bank's exposure to foreign currency risk based on notional amounts is as follow:

	USD	Euro	GBP	Others	Total
----- (AFN in '000) -----					
December 21, 2021					
Financial assets:					
Cash and bank balances	1,514,827	96,693	29,947	1,087,364	2,728,831
Investment in DAB Capital Notes	-	-	-	-	-
Loans and advances to customers (gross)	6,641,738	-	-	945,295	7,587,033
Other assets	610,731	-	-	32,719	643,450
	<u>8,767,296</u>	<u>96,693</u>	<u>29,947</u>	<u>2,065,378</u>	<u>10,959,314</u>
Financial liabilities:					
Deposits from customers	5,365,124	170,446	4,023	4,661,135	10,200,729
Other liabilities	51,083	1,068	-	539,099	591,250
	<u>5,416,207</u>	<u>171,514</u>	<u>4,023</u>	<u>5,200,234</u>	<u>10,791,979</u>
Net exposure currency wise	<u>3,351,089</u>	<u>(74,821)</u>	<u>25,924</u>	<u>(3,134,856)</u>	<u>167,335</u>
December 20, 2020					
Financial assets:					
Cash and bank balances	9,595,530	780,160	33,653	6,112,142	16,521,485
Investment in DAB Capital Notes	-	-	-	199,814	199,814
Loans and advances to customers (gross)	6,136,892	-	-	1,014,774	7,151,666
Other assets	473,733	-	-	27,308	501,041
	<u>16,206,155</u>	<u>780,160</u>	<u>33,653</u>	<u>7,354,038</u>	<u>24,374,006</u>
Financial liabilities:					
Deposits from customers	12,614,408	221,719	13,895	10,604,544	23,454,566
Other liabilities	25,394	81	-	257,790	283,265
	<u>12,639,802</u>	<u>221,800</u>	<u>13,895</u>	<u>10,862,334</u>	<u>23,737,831</u>
Net exposure currency wise	<u>3,566,353</u>	<u>558,360</u>	<u>19,758</u>	<u>(3,508,296)</u>	<u>636,175</u>

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The following significant exchange rates applied during the period.

	December 21, 2021		December 20, 2020	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
	----- (AFN) -----		----- (AFN) -----	
USD	88.76	100.40	77	77.11
Euro	102.65	111.57	91.76	93.73
GBP	115.42	127.95	101.35	102.89

Sensitivity analysis

A 10% strengthening of the Afghani currency, as indicated below, against the USD, Euro and GBP at year end would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 21, 2021		December 20, 2020	
	Equity	Profit & (loss)	Equity	Profit & (loss)
	----- (AFN in '000) -----		----- (AFN in '000) -----	
USD	335,109	335,109	356,635	356,635
Euro	(7,482)	(7,482)	55,836	55,836
GBP	2,592	2,592	1,976	1,976

A 10% weakening of the Afghani against the above currencies at year end would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

28.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to avoid the financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

28.6 Capital management

Regulatory capital

The Bank's regulator DAB sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB. As of reporting date, DAB requires the Bank to maintain financial capital of not less than AFN 1 billion and regulatory capital to risk-weighted asset ratio of not less than 12 percent and a core (Tier 1) capital to risk-weighted asset ratio of not less than 6 percent.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

- Regulatory capital is the sum of Tier 1 and Tier 2 capital and Tier 2 capital cannot exceed the amount of Tier 1 capital. *LECT*

The Bank's regulatory capital position at year end is as follows:

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		December 21, 2021	December 20, 2020
	Note	----- (AFN in '000) -----	
Tier 1 capital			
Total equity capital		2,201,585	1,492,251
Less: Profit for the year		(709,333)	-
Less: Intangible assets	10	(13,879)	(7,200)
Less: Deferred tax assets	13	(457,390)	(174,194)
Total tier 1 (core) capital		<u>1,020,983</u>	<u>1,310,857</u>
General loss reserves on Credits		-	118,578
Add: Profit for the year		709,333	-
Total tier 2 (supplementary) capital		<u>709,333</u>	<u>118,578</u>
Total Regulatory capital = Tier 1 + Tier 2		<u>1,730,316</u>	<u>1,429,435</u>
Risk-weight categories			
0% risk weight:			
Cash in Afghani and fully-convertible foreign currencies		146,670	3,909,443
Direct claims on DAB		1,897,219	11,835,676
Others		523,469	398,657
Total		<u>2,567,358</u>	<u>16,143,776</u>
0% risk-weight total (above total x 0%)		<u>-</u>	<u>-</u>
20% risk weight:			
Balances with other banks		684,942	976,179
Others		59,044	53,884
20% risk-weight total (above total x 20%)		<u>148,797</u>	<u>206,013</u>
50% risk weight:			
Loans supported by collateral		-	-
Loans to builders		-	-
50% risk-weight total (above total x 50%)		<u>-</u>	<u>-</u>
100% risk weight:			
All other assets		9,684,620	8,258,385
Less: intangible assets		(13,879)	(7,200)
Less: Deferred tax assets		(457,390)	(174,194)
All other assets - net		<u>9,213,351</u>	<u>8,076,991</u>
100% risk-weight total (above total x 100%)		<u>9,213,351</u>	<u>8,076,991</u>
Credit conversion factor			
0% risk weight:			
Undrawn loan and overdraft facilities		-	-
Guarantees		729,850	1,397,670
0% credit conversion factor total (risk-weighted total x 0%) *		<u>729,850</u>	<u>1,397,670</u>
0% risk-weight total (above total x 0%)		<u>-</u>	<u>-</u>
* Includes expired bank guarantees of AFN Nil (2019: AFN 874.45 Million).			
20% risk weight:			
Commercial letters of credit		-	-

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20% credit conversion factor total (risk-weighted total x 20%)	-	-
20% risk-weight total (above total x 20%)	-	-
100% risk weight:		
Guarantees	855,869	1,203,200
100% credit conversion factor total (risk-weighted total x 100%)	855,869	1,203,200
100% risk-weight total (above total x 100%)	855,869	1,203,200
Total risk-weighted assets	10,218,017	9,486,204
Tier 1 Capital Ratio		
(Tier 1 capital as % of total risk weighted assets)	9.99%	13.82%
Regulatory Capital Ratio		
(Regulatory capital as % of total risk-weighted assets)	16.93%	15.07%

29 ISLAMIC BANKING

The statement of financial position of Islamic branch are as follows:

December 21, 2021 December 20, 2020
 ----- (AFN in '000) -----

Islamic statement of financial position

ASSETS

Cash and bank balances	152,585	1,690,658
Loans and advances to customers	1,111,654	1,024,877
Operating fixed assets	2,787	2,572
Investment Property	99,376	99,376
Other assets	69,422	53,251
Non-current assets held for sale	409,305	359,668
Total assets	1,845,129	3,230,402

LIABILITIES

Deposits and other accounts		
- Demand deposits	149,098	336,878
- Time deposits	6,073	7,196
- Saving deposits	1,337,321	2,207,959
Other liabilities	868,714	1,022,047
Total liabilities	2,361,206	3,574,080

EQUITY

Accumulated losses	(516,077)	(343,678)
Total equity	(516,077)	(343,678)

Total liabilities and equity

1,845,129	3,230,402
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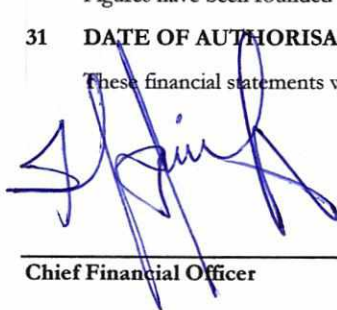
30 GENERAL

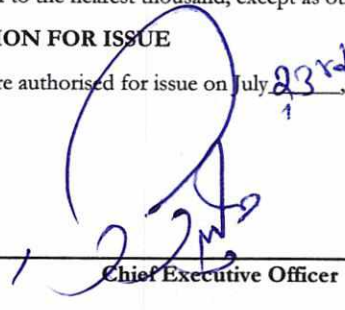
Figures have been re-arranged and re-classified, wherever necessary, for the purpose of better presentation.

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

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 23rd, 2022 by the Board of Supervisors of the Bank.







Chief Financial Officer

Chief Executive Officer

Chairman