



# Reviewed Financial Statements

*for Islamic Bank of Afghanistan*

*(For the period ended September 30, 2020)*

**Confidential**

**MGI ILYAS SAEED CHARTERED ACCOUNTANTS**

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Date: November 03, 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED  
INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF  
ISLAMIC BANK OF AFGHANISTAN**

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Islamic Bank of Afghanistan ("the bank") as at September 30, 2020, and the related condensed interim statement of profit and loss account, condensed interim statement of changes in equity and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the nine months period then ended (here-in-after referred to as the "interim financial statements").

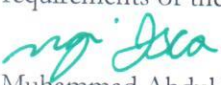
Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and in conformity with the Law of Islamic Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB). Our responsibility is to express a conclusion on these interim financial statements based on our review.

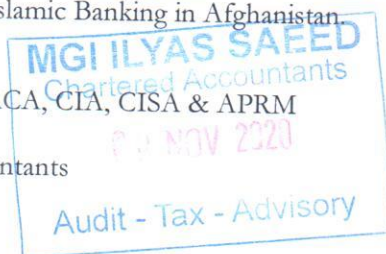
**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standard for Islamic Financial Institution's issued by AAOIFI and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the bank as at September 30, 2020, and of its profit and loss account its cash flows for the nine months period then ended in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the requirements of the law of Islamic Banking in Afghanistan.

  
Muhammad Abdul Basit – ACA, CIA, CISA & APRM  
Engagement Partner  
Ilyas Saeed Chartered Accountants  
Kabul, Afghanistan  
Dated:





**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

	Note	Un-Audited 30-Sep-20 ----- Afn '000' -----	Audited 31-Dec-19 -----
<b>ASSETS</b>			
Cash and Cash Equivalents	5	11,890,512	14,146,937
Islamic Financings and Related Assets	6	620,696	793,399
Investments:			
Investments in Securities	7	6,874,951	3,895,957
Other investments		100,324	119,175
Property and Equipment		439,735	473,692
Intangible Assets		270,284	296,395
Investment in Real Estate	8	95,360	96,283
Deferred Tax Asset		67,690	73,521
Other Assets	9	1,914,570	1,717,510
<b>Total Assets</b>		<b>22,274,122</b>	<b>21,612,869</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current Account from Customers	10	8,737,116	9,595,984
Current Account from Financial Institutions	10	231,450	-
Short-term Placement from Financial Institutions	11	1,157,250	1,418,040
Other liabilities	12	551,622	488,161
<b>Total Liabilities</b>		<b>10,677,438</b>	<b>11,502,185</b>
<b>Equity of Unrestricted Investment Account Holders</b>	10	<b>10,191,905</b>	<b>8,729,230</b>
<b>Owner's Equity</b>			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(370,221)	(393,546)
<b>Total Owner's equity</b>		<b>1,404,779</b>	<b>1,381,454</b>
<b>Total Liabilities, Equity of Investment Accountholders and Owners' Equity</b>		<b>22,274,122</b>	<b>21,612,869</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

*The annexed notes from 1-25 form an integral part of these condensed interim financial statements.*

Chief Executive Officer

for Chief Financial Officer

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
	----- Afn '000' -----			
Deferred Sales and Diminishing Musharaka rentals	22,673	83,512	23,747	106,812
Profit on investment	58,887	159,582	45,117	127,029
Return on unrestricted investment accounts	(47,618)	(129,459)	(55,978)	(151,532)
<b>Bank share as Mudarib</b>	<b>33,942</b>	<b>113,635</b>	<b>12,886</b>	<b>82,309</b>
Revenue from banking services	39,243	92,012	29,573	123,534
Expense on banking services	(10,452)	(19,369)	(4,939)	(11,272)
<b>Net fee and commission income</b>	<b>28,791</b>	<b>72,643</b>	<b>24,634</b>	<b>112,262</b>
Foreign exchange gain / (loss)	115,465	411,378	183,477	491,483
Capital Gain / (Loss) on (AFS) Investments	120,587	130,926	-	-
Other non-operating Income	38,369	108,205	32,244	89,807
<b>Total Bank Revenue / Operating income</b>	<b>337,154</b>	<b>836,787</b>	<b>253,241</b>	<b>775,861</b>
Administrative and general expenses	(203,020)	(649,663)	(228,410)	(636,371)
Depreciation	(15,104)	(47,946)	(14,219)	(42,608)
Amortization	(9,927)	(29,781)	(9,923)	(29,781)
<b>Total Operating Expenses</b>	<b>(228,051)</b>	<b>(727,390)</b>	<b>(252,552)</b>	<b>(708,760)</b>
Provision for impairment - net	94,692	80,240	(6,255)	(16,478)
<b>Profit before taxation</b>	<b>14,411</b>	<b>29,157</b>	<b>(5,566)</b>	<b>50,623</b>
Provision for taxation				
Deferred				
<b>Profit for the period</b>	<b>(2,883)</b>	<b>(5,832)</b>	<b>-</b>	<b>(11,238)</b>
Other Comprehensive Income	11,528	23,325	(5,566)	39,385
<b>Total comprehensive income for the period</b>	<b>11,528</b>	<b>23,325</b>	<b>(5,566)</b>	<b>39,385</b>
<b>Earning/ (loss) per share (AFN)</b>	<b>6.49</b>	<b>13.14</b>	<b>(3.14)</b>	<b>22.19</b>

The annexed notes from 1-25 form an integral part of these condensed interim financial statements.

Chief Executive Officer

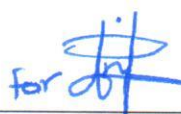
Chief Financial Officer

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Share Capital	Retained Earnings	Total
	..... Afn '000' .....		
Balance as at January 01, 2019	1,775,000	(510,505)	1,264,495
Comprehensive income:			
Net loss for the period	-	39,385	39,385
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at September 30, 2019 - Unaudited	<u>1,775,000</u>	<u>(471,120)</u>	<u>1,303,880</u>
Balance as at October 01, 2019	1,775,000	(471,120)	1,303,880
Comprehensive income:			
Net profit for the period	-	63,552	63,552
Transactions with owners:			
Other comprehensive Income	-	14,022	14,022
Balance as at December 31, 2019 - Audited	<u>1,775,000</u>	<u>(393,546)</u>	<u>1,381,454</u>
<b>Balance as at January 01, 2020</b>	<b>1,775,000</b>	<b>(393,546)</b>	<b>1,381,454</b>
Comprehensive income:			
Net profit for the period	-	23,325	23,325
Transactions with owners:			
Ordinary shares Issued	-	-	-
<b>Balance as at September 30, 2020 - Unaudited</b>	<b><u>1,775,000</u></b>	<b><u>(370,221)</u></b>	<b><u>1,404,779</u></b>

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 Chief Executive Officer

  
 Chief Financial Officer



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Note	30-Sep-20 ..... Afn '000'	30-Sep-19 .....
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		29,157	50,623
Adjustments for:			
Depreciation		47,946	42,608
Amortization		29,781	29,781
Accrued profit on cash and cash equivalents		(111,660)	-
Impairment (gain)/ loss on Financings		80,240	24,902
		<u>75,464</u>	<u>147,914</u>
Increase / decrease in operating assets and liabilities:			
Islamic Financings and Related Assets		172,703	(44,384)
Required Reserve with Da Afghanistan Bank		(366,577)	-
Other assets		(85,400)	(743,189)
Current Accounts from Customers		(858,868)	(4,523,115)
Current Accounts from Banks		231,450	-
Unrestricted Investment Account Holders		1,462,675	3,465,780
Short term financing - Shuaa Capital		(260,790)	14,750
Other liabilities		63,461	259,245
		<u>434,118</u>	<u>(1,422,999)</u>
Tax adjustment		5,831	-
<b>Net cash generated from operating activities</b>		<u>439,949</u>	<u>(1,422,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments - Net of Profits	7	(3,013,521)	(1,257,248)
Investment in Real Estate / Non-current assets exchange fluctuation		923	13,470
Acquisition of property and equipment - net of adjustment		(50,353)	(33,061)
<b>Net cash used in investing activities</b>		<u>(3,062,951)</u>	<u>(1,276,839)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital	13	-	-
<b>Net cash used in / generated from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>(2,623,002)</u>	<u>(2,699,838)</u>
Cash and cash equivalents at beginning of the period		12,781,912	12,480,342
<b>Cash and cash equivalents at the end of the period</b>	5	<u>10,158,910</u>	<u>9,780,504</u>

*The annexed notes from 1-25 form an integral part of these condensed interim financial statements.*

  
Chief Executive Officer

  
for  
Chief Financial Officer

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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**1. STATUS AND NATURE OF OPERATIONS**

Islamic Bank of Afghanistan (formerly Bakhtar Bank) ("the Bank") is wholly owned subsidiary of Azizi Bank, Kabul Afghanistan. The Bank has been licensed for Islamic Banking activities by Da Afghanistan Bank (DAB) ("the Central Bank of Afghanistan"). The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The principal activities of the Bank are taking demand, saving and investment accounts, providing Murabaha, Ijara, Diminishing Musharaka and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The registered office of the Bank is located at Malalai Zezhantoon Square Square, Quway – E – Markaz, Shahr – E – Naw, District 10, Kabul, Afghanistan.

Da Afghanistan Bank (DAB) had granted in principle approval for Islamic Banking business to the bank in January 2016. After in principle approval the bank initiated the process of procurement of Core banking system for Islamic banking, appointment of experienced Islamic banking management and development of Islamic banking policies and procedures to comply with DAB's requirements. From April 1, 2018 till April 8, 2018 the Bank was in conversion process and upon completion of conversion process, the DAB had granted full fledge Islamic Banking License to the Bank on April 9, 2018. Currently bank is operating 59 Branches and 02 cash counters.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Bank has adopted the Financial Accounting Framework of AAOIFI after conversion in to Islamic Banking. The financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and in conformity with the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) takes precedence. In accordance with the requirements of AAOIFI, for matters, which are not covered by the AAOIFI standards, the Bank uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

Financial Statements are in conformity with Shari'ah rules and regulations after obtaining License from DAB.

**2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

**2.3 Functional and presentation currency**

These financial statements are presented in Afghani ("AFN") which is the bank's functional & National currency. Except or otherwise indicated, the financial information presented in AFN has been rounded to nearest thousand.

**2.4** Da Afghanistan Bank had granted in principle approval for Islamic Banking business to the bank in January 2016. After in principle the bank initiated the process of procurement of Core banking system for Islamic banking, appointment of experienced Islamic banking management and development of Islamic banking policies and procedures to comply with DAB's requirements. In addition to the above to strengthen the equity due to accumulated losses in conversion process, shareholders confirmed their support to the bank due to conversion process.



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

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**3. 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 years. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgment will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of following assets and liabilities have been taken into consideration:

- a) Provision for Financing losses
- b) Provision for income taxes
- c) Useful life of property and equipment and intangible assets
- d) Held to maturity investments

**4. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are to be read with latest annual audited financial statements.



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Note	30-Sep-2020	31-Dec-19
		..... Afn '000' .....	
<b>5. CASH AND CASH EQUIVALENTS</b>			
<b>Cash in hand</b>			
Local currency		1,402,367	1,364,732
Foreign currency		1,237,850	1,686,376
		<u>2,640,217</u>	<u>3,051,108</u>
<b>Balances with banks:</b>			
Balances with Da Afghanistan Bank	5.1	5,146,675	7,331,911
Balances with other banks	5.2	4,103,622	3,763,918
		<u>9,250,297</u>	<u>11,095,829</u>
		<u>11,890,514</u>	<u>14,146,937</u>
<b>5.1 Balances with Da Afghanistan Bank</b>			
Required reserve with Da Afghanistan Bank		1,731,602	1,365,025
<b>Current account</b>			
Local currency		2,191,849	4,866,140
Foreign currency		1,223,224	1,100,746
		<u>3,415,073</u>	<u>5,966,886</u>
		<u>5,146,675</u>	<u>7,331,911</u>
<b>5.2 Balances with Other Banks</b>			
Al Salam Bank Bahrain B.S.C		54,004	393,300
CSC Bank - Lebanon		19,771	4
Reyl Bank		3,837	265,612
Aktif Bank		170,947	408,031
Yinzhou Bank		1	1
Development Credit Bank Ltd		-	9,776
BMCE Bank		435,534	856,800
Yes Bank		3,125	2,222
Pashtany Bank		350,001	350,001
Nurol Bank		423,011	421,855
Transkapital Bank		700,955	317,500
Daman Investments		73,963	12,548
Shuaa Capital		102,598	597,548
Western Union International Bank		670,692	128,720
Vakif Katilim Bankasi		16,557	-
Abu Dhabi Islamic Bank		148,506	-
First Microfinance Bank - Afghanistan		255,000	-
HDFC Bank		25,440	-
Wakala Deposit		649,680	-
		<u>4,103,622</u>	<u>3,763,918</u>
<b>5.3 Reconciliation of Cash And Cash Equivalent</b>			
Cash and bank balances		11,890,514	14,146,937
Required reserve with Da Afghanistan Bank		(1,731,602)	(1,365,025)
		<u>10,158,912</u>	<u>12,781,912</u>
<b>5.3.1</b>	Deposits with DAB under required reserve are not available to finance the Bank's day to day operations and are therefore not part of cash and cash equivalents.		

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**6. ISLAMIC FINANCINGS AND RELATED ASSETS**

Financing - at amortized cost

6.1	Islamic Financing	Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount
				30 September 2020		
				..... Afn '000'		
	Murahaba receivables	622,461	622,461	-	80,240	542,221
	Diminishing musharaka	78,475	78,475	-	-	78,475
		700,936	700,936	-	80,240	620,696

	Note	30-Sep-2020	31-Dec-2019
		..... Afn '000'	.....
6.1		620,696	793,399

31 December 2019

**Islamic Financing**

Murahaba receivables  
Diminishing musharaka

675,795	675,795	-	26,345	649,450
143,949	143,949	-	-	143,949
819,744	819,744	-	26,345	793,399

**6.2 Movement in Impaired Islamic Financing and Related Assets**

Opening balance

Charged for the period/year

Reversal during the period/year

Prior Period Adjustment

Closing balance

	30-Sep-2020	31-Dec-2019
	..... Afn '000'	.....
	26,345	15,670
	97,173	10,675
	(31,371)	-
	(11,907)	-
	80,240	26,345



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**7. INVESTMENTS**

	Jointly Financed		Self Financed		Gross Amount	
	30-Sep-2020	31-Dec-2019	30-Sep-2020	31-Dec-2019	30-Sep-2020	31-Dec-2019
	..... Afn '000' .....					
<b>Available for Sale</b>						
Quasi Sovereign Sukuk	779,822	-	-	-	779,822	-
Sovereign Sukuk	1,555,381	-	-	-	1,555,381	-
Surplus / (Deficit)	34,527	-	-	-	34,527	-
	2,369,730	-	-	-	2,369,730	-
<b>Held to Maturity</b>						
Quasi Sovereign Sukuk	1,601,264	1,708,234	-	-	1,601,264	1,708,234
Sovereign Sukuk	2,903,957	2,187,723	-	-	2,903,957	2,187,723
	4,505,221	3,895,957	-	-	4,505,221	3,895,957
	6,874,951	3,895,957	-	-	6,874,951	3,895,957
<b>Other investments</b>						
Investment is equity instrument -	-	-	-	16,888	-	16,888
Afghanistan Payment System	100,324	102,287	-	-	100,324	102,287
Money Market Fund	100,324	102,287	-	16,888	100,324	119,175
	6,975,275	3,998,244	-	16,888	6,975,275	4,015,132

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**8 INVESTMENT IN REAL ESTATE**

During the year 2019 management has re-classified the Non-Current Asset Held for Sale to Investment in Real Estate on the basis of approval letter for full-fledge conversion to Islamic Bank, via Da Afghanistan Bank Letter No. 6786/6808 Dated 26-10-1396, whereby the bank is allowed to invest in real estate upto 20% of its regulatory capital.

	30-Sep-20	31-Dec-19
	..... Afn '000'	.....
Prepayments	114,084	99,060
Security deposit	928	904
Advance income tax	149,731	149,732
Money Gram Inc.	504	-
Murabaha profit receivable / Accrued Profit	225,396	113,736
Others	1,423,924	1,354,078
	<u>1,914,567</u>	<u>1,717,510</u>

**9 OTHER ASSETS**

**10 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS**

**CURRENT ACCOUNTS FROM CUSTOMERS:**

	30-Sep-20	31-Dec-19
	..... Afn '000'	.....
Demand / Current account	7,272,551	7,793,412
Deposits against Financial Commitments	1,464,565	1,802,572
	<u>8,737,116</u>	<u>9,595,984</u>

**CURRENT FROM FINANCIAL INSTITUTIONS:**

	231,450	-
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**EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS**

Mudarabah Saving Deposits - Customers	9,434,176	8,729,230
Wakala Deposits - Customers	603,429	-
Wakala Deposits - Financial Institutions	154,300	-
	<u>10,191,905</u>	<u>8,729,230</u>

**TOTAL DEPOSITS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS**

	<u>18,929,021</u>	<u>18,325,214</u>
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**11 SHORT TERM FINANCING - SHUAA CAPITAL**

The Bank obtained placement from Shuaa capital for short term basis at the rate of one month LIBOR + 0.90% p.a. This placement is based on commodity Murabaha (2019: one year @ 4.5% p.a).



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	30-Sep-20	31-Dec-19
	..... Afn '000' .....	
<b>12 OTHER LIABILITIES</b>		
Withholding tax payable	46,992	34,885
Creditors and accruals	351,830	308,607
Profit payable	10	9,420
Deferred income	-	28,071
Others	152,790	107,178
	<u>551,622</u>	<u>488,161</u>
<b>13 SHARE CAPITAL</b>		
<i>Authorized</i>		
250,000 ordinary shares of Afn 10,000 each	<u>2,500,000</u>	<u>2,500,000</u>
<i>Issued and paid up</i>		
1,775,000 ordinary shares (2019: 1,775,000) of Afn 10,000 each	<u>1,775,000</u>	<u>1,775,000</u>
	<b>Number of shares</b>	
	<b>30-Sep-20</b>	<b>31-Dec-19</b>
<b>10.1</b> Following is the reconciliation of number of shares:		
Number of shares at beginning of the period/year	1,775,000	1,775,000
Shares issued during the period/year	-	-
Number of shares at end of the period/year	<u>1,775,000</u>	<u>1,775,000</u>
	..... Afn '000' .....	
<b>10.2</b> Following is the reconciliation of amount of share capital:		
Share capital at beginning of the period / year	1,775,000	1,775,000
Shares issued during the period / year	-	-
Share capital at end of the period / year	<u>1,775,000</u>	<u>1,775,000</u>
<b>14 CONTINGENCIES AND COMMITMENTS</b>		
Guarantees and Letter of credit issued on behalf of customers	<u>6,086,852</u>	<u>6,309,450</u>
<b>14.1</b> On March 25, 2017 Da Afghanistan Bank had lined the amount of \$5 Million from account of the bank on the basis of letter dated March 15, 2017 having reference no. 0628 as lien against the bank guarantee issued to Haji Khalil and Investment for the Ministry of Power and Energy. Claim was launched at April 19, 2016 vide letter no 1164/82, against the bank guarantee whereas, the expiry date of the bank guarantee was 30 April 2015. Management had taken written representation from the shareholders that incase of lodgment of the claim through court of law they will be liable to settle the liability, as Da Afghanistan Bank had marked the lien on the balance. However, management is showing the said amount as reconciling amount in the related US Dollar Bank Account 3000205027306 with DAB. Management had also communicated the matter to Presidential office and had informed them about the whole scenario of the matter vide letter no. 14/10/17/01075. However at conversion stage parent bank has given representation as counter guarantee incase of any unwarranted event.		

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
		..... Afn '000' .....		
<b>15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS</b>				
Unearned murabaha income	21,830	80,008	21,988	92,667
Diminishing musharaka rentals	843	3,504	1,759	14,145
	<u>22,673</u>	<u>83,512</u>	<u>23,747</u>	<u>106,812</u>
<b>16 PROFIT ON INVESTMENT</b>				
Return on Sukuk - Sovereign Guaranteed	33,920	93,377	10,408	24,826
Return on Sukuk - Corporate	24,967	66,205	16,443	45,360
Return on Placements and ICD Money Market fund	-	-	3,862	16,519
Return on Placements (Commodity Murabaha & Wakalah)	-	-	14,404	40,324
	<u>58,887</u>	<u>159,582</u>	<u>45,117</u>	<u>127,029</u>
<b>17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT</b>				
Profit payment on saving accounts	40,122	104,733	51,536	138,471
Return on Shuaa Capital Borrowing	7,496	24,726	4,442	13,061
	<u>47,618</u>	<u>129,459</u>	<u>55,978</u>	<u>151,532</u>
<b>18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME</b>				
Commission income	38,862	91,063	28,921	122,856
Account servicing fee	381	949	652	678
	<u>39,243</u>	<u>92,012</u>	<u>29,573</u>	<u>123,534</u>
<b>19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE</b>				
Inter-bank transaction fees	10,452	19,369	4,939	11,272
	<u>10,452</u>	<u>19,369</u>	<u>4,939</u>	<u>11,272</u>



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**20 ADMINISTRATIVE AND GENERAL EXPENSE**

	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
	..... Afn '000' .....			
Salaries and wages	73,989	236,840	67,126	203,049
Staff welfare	7,988	22,170	11,679	28,921
Repair and maintenance	5,219	26,313	9,613	25,808
Travelling expense	1,850	6,957	3,033	8,562
Advertising and publicity	24,527	55,958	25,932	66,423
Operating Lease	24,130	73,670	23,756	69,000
Printing and stationery	4,366	12,235	5,473	15,428
Communication	788	2,701	990	2,938
Internet and connectivity	4,389	20,114	6,739	16,149
Electricity and power	4,471	22,232	7,857	25,841
Office supplies	833	2,585	1,285	3,677
Security expenses	34,020	112,315	36,274	103,206
Audit fee	667	6,230	2,508	4,487
Legal and professional charges	1,730	3,220	7	4,857
Postage and courier	23	40	6	53
Software maintenance fee	5,929	10,873	2,543	4,995
Deposit insurance premium	12,000	32,604	9,369	19,846
Others	(3,899)	2,606	14,220	33,131
	<u>203,020</u>	<u>649,663</u>	<u>228,410</u>	<u>636,371</u>

**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**23. Capital management**

**Regulatory capital**

The Bank's regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be minimum 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.

The Bank's regulatory capital position at 30 September 2020 and 31 December 2019 was as follows:

	30 September 2020	31 December 2019
	.....Afn '000'.....	
<b>Tier 1 capital</b>		
Total equity capital	1,404,779	1,381,454
Less: Intangible assets	(270,284)	(296,395)
Less: Deferred tax assets	(67,690)	(73,521)
Less: Profit during the period/year	(23,325)	(116,959)
<b>Total tier 1 (core) capital</b>	<b>1,043,480</b>	<b>894,580</b>
<b>Tier 2 capital</b>		
Add: Profit for the period/year	23,325	116,959
	<b>23,325</b>	<b>116,959</b>
Less: Equity Investment	-	16,888
<b>Total regulatory capital (Tier 1 and Tier 2)</b>	<b>1,066,805</b>	<b>994,651</b>

**24. CORRESPONDING FIGURES**

The corresponding figures in condensed interim financial information have been re-classified for better presentation in the following manner;

Description	Presented		Amount "AFN"	Amount "AFN"
	From	To	30 September 2020	31 December 2019
Western Union International Bank	Other Assets	Cash and Cash Equivalents	670,690	128,720

**25. AUTHORIZATION**

These condensed interim financial statements were authorized for issue by the Shareholders on Nov 09,  
2020.

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer