



Reviewed Financial Statements

for Islamic Bank of Afghanistan

(For the period ended June 30, 2020)

Confidential

MGI ILYAS SAEED CHARTERED ACCOUNTANTS

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Date: August 12, 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 June 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 half year ended 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 June 30, 2020, and of its profit and loss account its cash flows for the half year 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

mgisaeed
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Engagement Partner
Ilyas Saeed Chartered Accountants
Kabul, Afghanistan
Date:



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

		Un-Audited 30-Jun-20	Audited 31-Dec-19
	Note	-----	Afn -----
ASSETS			
Cash and Cash Equivalents	5	11,355,729	14,146,937
Islamic Financings and Related Assets	6	733,822	793,399
Investments:			
Investments in Securities	7	5,913,275	3,895,957
Other investments		100,701	119,175
Property and equipment		449,651	473,692
Intangible assets		279,493	296,395
Investment in Real Estate	8	95,537	96,283
Deferred tax asset		69,442	73,521
Other assets	9	1,847,802	1,717,510
Total assets		20,845,452	21,612,869
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Current Account from customers	10	8,714,353	9,595,984
Short-term Placement from Financial Institutions	11	1,161,600	1,418,040
Other liabilities	12	377,537	488,161
Total liabilities		10,253,490	11,502,185
Equity of Unrestricted Investment Account Holders	10	9,198,711	8,729,230
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(381,749)	(393,546)
Total Owner's equity		1,393,251	1,381,454
Total Liabilities, Equity of Investment Accountholders and Owners' Equity		20,845,452	21,612,869
CONTINGENCIES AND COMMITMENTS			
	14		

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 COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Quarter ended June 30, 2020	Half year ended June 30, 2020	Quarter ended June 30, 2019	Half year ended June 30, 2019
	----- AFN 000 -----			
Note				
15	24,434	60,839	45,668	83,065
16	52,010	100,695	45,126	81,912
17	(47,222)	(81,841)	(57,891)	(95,554)
Bank share as Mudarib	29,222	79,693	32,903	69,423
18	27,739	52,769	53,564	93,961
19	(6,272)	(8,917)	(3,750)	(6,333)
Net fee and commission income	21,467	43,852	49,814	87,628
Foreign exchange gain / (loss)	203,874	295,913	166,797	308,006
Capital Gain / (Loss) on (AFS) Investments	10,339	10,339	-	-
Other non-operating Income	(31,564)	69,836	32,026	57,563
Total Bank Revenue / Operating income	233,338	499,633	281,540	522,620
20	(201,382)	(446,643)	(214,616)	(407,961)
Administrative and general expenses	(16,505)	(32,842)	(14,306)	(28,389)
Depreciation	(6,439)	(19,854)	(9,931)	(19,858)
Amortization				
Total Operating Expenses	(224,326)	(499,339)	(238,853)	(456,208)
6	12,004	(14,452)	123	(10,223)
Provision for impairment - net	(2,992)	14,746	42,810	56,189
Profit before taxation				
Provision for taxation				
Deferred	598	(2,949)	(8,562)	(11,238)
Profit for the period	(2,394)	11,797	34,248	44,951
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(2,394)	11,797	34,248	44,951

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


Chief Executive Officer

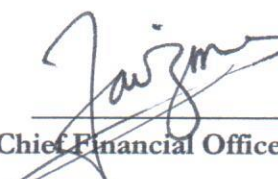

Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Share Capital	Retained Earnings	Total
 Afn '000'		
Balance as at July 01, 2018	1,725,000	(745,067)	979,933
Comprehensive income:			
Net loss for the period	-	279,513	279,513
Transactions with owners:			
Ordinary shares Issued	50,000	-	50,000
Balance as at June 30, 2019 - Unaudited	<u>1,775,000</u>	<u>(465,554)</u>	<u>1,309,446</u>
Balance as at July 01, 2019	1,775,000	(465,554)	1,309,446
Comprehensive income:			
Net profit for the period	-	72,009	72,009
Transactions with owners:			
Balance as at December 31, 2019 - Audited	<u>1,775,000</u>	<u>(393,546)</u>	<u>1,381,454</u>
Balance as at January 01, 2020	1,775,000	(393,546)	1,381,454
Comprehensive income:			
Net profit for the period	-	11,797	11,797
Transactions with owners:			
Balance as at June 30, 2020 - Unaudited	<u>1,775,000</u>	<u>(381,749)</u>	<u>1,393,251</u>

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 CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	30-Jun-20 Afn '000'	30-Jun-19
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		14,746	56,189
Adjustments for:			
Depreciation		32,842	28,389
Amortization		19,854	19,858
Accrued profit on cash and cash equivalents		(13,513)	9,978
Impairment (gain)/ loss on Financings		(14,452)	(10,223)
		<u>39,477</u>	<u>104,191</u>
Increase / decrease in operating assets and liabilities:			
Murabaha receivables		59,577	59,145
Required Reserve with Da Afghanistan Bank		(250,397)	-
Other assets		(130,292)	(779,320)
Current Accounts from customers and unrestricted funds		(881,631)	(3,863,454)
Unrestricted Investment Account Holders		469,481	2,564,040
Short term financing - Shuaa Capital		(256,440)	27,100
Other liabilities		(110,624)	259,870
		<u>(1,060,849)</u>	<u>(1,628,428)</u>
Net cash generated from operating activities			
Tax adjustment		4,079	-
Net cash generated from operating activities		<u>(1,056,770)</u>	<u>(1,628,428)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - Net of Profits	7	(1,998,844)	(758,553)
Investment in Real Estate / Non-current assets exchange fluctuation		746	-
Acquisition of property and equipment - net of adjustment		13,263	(19,850)
Net cash used in investing activities		<u>(1,984,835)</u>	<u>(778,403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital	13	-	-
Net cash used in / generated from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>(3,041,605)</u>	<u>(2,406,831)</u>
Cash and cash equivalents at beginning of the period		12,781,912	12,480,342
Cash and cash equivalents at the end of the period	5	<u>9,740,307</u>	<u>10,073,511</u>

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 NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

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 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 HALF YEAR ENDED JUNE 30, 2020

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 HALF YEAR ENDED JUNE 30, 2020

	Note	30-Jun-20 Afn '000'	31-Dec-19
5. CASH AND CASH EQUIVALENTS			
Cash in hand			
Local currency		1,437,156	1,364,732
Foreign currency		1,436,934	1,686,376
		<u>2,874,090</u>	<u>3,051,108</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	4,394,986	7,331,911
Balances with other banks	5.2	4,086,653	3,763,918
		<u>8,481,639</u>	<u>11,095,829</u>
		<u>11,355,729</u>	<u>14,146,937</u>
5.1 Balances with Da Afghanistan Bank			
Required reserve with Da Afghanistan Bank		1,615,422	1,365,025
Current account			
Local currency		2,074,770	4,866,140
Foreign currency		704,794	1,100,746
		<u>2,779,564</u>	<u>5,966,886</u>
		<u>4,394,986</u>	<u>7,331,911</u>
5.2 Balances with Other Banks			
Al Salam Bank Bahrain B.S.C		441,407	393,300
CSC Bank - Lebanon		7,748	4
Reyl Bank		198,901	265,612
Aktif Bank		167,589	408,031
Yinzhou Bank		1	1
Development Credit Bank Ltd		9,293	9,776
BMCE Bank		517,573	856,800
Yes Bank		5,528	2,222
Pashtany Bank		350,001	350,001
Nurol Bank		420,116	421,855
Transkapital Bank		724,331	317,500
Daman Investments		29,184	12,548
Shuaa Capital		133,838	597,548
Western Union International Bank		702,765	128,720
Vakif Katilim Bankasi		16,136	-
Abu Dhabi Islamic Bank		107,242	-
First Microfinance Bank - Afghanistan		255,000	-
		<u>4,086,653</u>	<u>3,763,918</u>
5.3 Reconciliation of Cash And Cash Equivalent			
Cash and bank balances		11,355,729	14,146,937
Required reserve with Da Afghanistan Bank		(1,615,422)	(1,365,025)
		<u>9,740,307</u>	<u>12,781,912</u>
5.3.1	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.		

BANK OF AFGHANISTAN
UNSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
THE HALF YEAR ENDED JUNE 30, 2020

ISLAMIC FINANCINGS AND RELATED ASSETS

Financing - at amortized cost

ISLAMIC FINANCINGS AND RELATED ASSETS					
	Note		30-June-2020	31-Dec-2019	
		 Afn '000'	
	6.1		733,822	793,399	
	Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount
			30 June 2020		
		 Afn '000'		
Islamic Financing					
Shari'ah receivables	681,781	681,781	-	11,893	669,888
Financing musharaka	63,934	63,934	-	-	63,934
	745,715	745,715	-	11,893	733,822
			31 Dec 2019		
		 Afn '000'		
Islamic Financing					
Shari'ah receivables	675,795	675,795	-	26,345	649,450
Financing musharaka	143,949	143,949	-	-	143,949
	819,744	819,744	-	26,345	793,399
Measurement in Impaired Islamic Financing and Related Assets					
				30-June-2020	31-Dec-2019
			 Afn '000'
Opening balance				26,345	15,670
Charged for the period/year				28,826	10,675
Reversal during the period/year				(31,371)	-
Prior Period Adjustment				(11,907)	-
Closing balance				11,893	26,345

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

7. INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	30-June-2020	31-Dec-2019	30-June-2020	31-Dec-2019	30-June-2020	31-Dec-2019
 Afn '000'					
Available for Sale						
Quasi Sovereign Sukuk	1,397,715	-	-	-	1,397,715	-
Surplus / (Deficit)	10,339	-	-	-	10,339	-
	1,408,054	-	-	-	1,408,054	-
Held to Maturity						
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
	5,913,275	3,895,957	-	-	5,913,275	3,895,957
Other investments						
Investment is equity instrument -	-	-	-	16,888	-	16,888
Afghanistan Payment System	100,701	102,287	-	-	100,701	102,287
Money Market Fund	100,701	102,287	-	16,888	100,701	119,175
	6,013,976	3,998,244	-	16,888	6,013,976	4,015,132

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 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 of Da Afghanistan Bank vide Letter No. 6786/6808 Dated 26-10-1396, whereby the bank is allowed to invest in real estate upto 20% of its regulatory capital.

9 OTHER ASSETS

Prepayments
 Security deposit
 Advance income tax
 Money Gram Inc.
 Murabaha profit receivable / Accrued Profit
 Others

30-Jun-20	31-Dec-19
..... Afn '000' Afn '000'
97,906	99,060
928	904
149,731	149,732
91,386	-
127,249	113,736
1,380,602	1,354,078
<u>1,847,802</u>	<u>1,717,510</u>

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

CURRENT AND SAVING ACCOUNTS FROM CUSTOMERS:

Demand / Current account
 Deposits against financial commitments

30-Jun-20	31-Dec-19
..... Afn '000' Afn '000'
7,256,403	7,793,412
1,457,950	1,802,572
<u>8,714,353</u>	<u>9,595,984</u>

EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS

Mudarabah saving deposits

9,198,711	8,729,230
<u>9,198,711</u>	<u>8,729,230</u>

TOTAL DEPOSITS FROM CUSTOMERS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS

<u>17,913,064</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).

12 OTHER LIABILITIES

Withholding tax payable
 Creditors and accruals
 Profit payable
 Deferred income
 Others

30-Jun-20	31-Dec-19
..... Afn '000' Afn '000'
42,518	34,885
261,264	308,607
10	9,420
-	28,071
73,745	107,178
<u>377,537</u>	<u>488,161</u>

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

13 SHARE CAPITAL

<i>Authorized</i>	<u>2,500,000</u>	<u>2,500,000</u>
250,000 ordinary shares of Afn 10,000 each		
<i>Issued and paid up</i>	<u>1,775,000</u>	<u>1,775,000</u>
1,775,000 ordinary shares (2019: 1,775,000) of Afn 10,000 each		

Number of shares	
30-Jun-20	31-Dec-19

10.1 Following is the reconciliation of number of shares:

Number of shares at beginning of the period/year	<u>1,775,000</u>	<u>1,775,000</u>
Shares issued during the period/year	<u>-</u>	<u>-</u>
Number of shares at end of the period/year	<u>1,775,000</u>	<u>1,775,000</u>

30-Jun-20	31-Dec-19
..... Afn '000'	

10.2 Following is the reconciliation of amount of share capital:

Share capital at beginning of the period / year	<u>1,775,000</u>	<u>1,775,000</u>
Shares issued during the period / year	<u>-</u>	<u>-</u>
Share capital at end of the period / year	<u>1,775,000</u>	<u>1,775,000</u>

14 CONTINGENCIES AND COMMITMENTS

Guarantees and Letter of credit issued on behalf of customers	<u>5,613,533</u>	<u>6,309,450</u>
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- 14.1** 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 HALF YEAR ENDED JUNE 30, 2020

	30-Jun-20	30-Jun-19
 Afn '000'
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Unearned murabaha income	58,178	70,679
Diminishing musharaka rentals	2,661	12,386
	<u>60,839</u>	<u>83,065</u>
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	59,457	14,418
Return on Sukuk - Corporate	41,238	28,917
Return on Placements and ICD Money Market fund	-	12,657
Return on Placements (Commodity Murabaha & Wakalah)	-	25,920
	<u>100,695</u>	<u>81,912</u>
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	64,611	86,935
Return on Shuaa Capital borrowing	17,230	8,619
	<u>81,841</u>	<u>95,554</u>
18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME		
Commission income	52,201	40,371
Account servicing fee	568	26
	<u>52,769</u>	<u>40,397</u>
19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE		
Inter-bank transaction fees	8,917	2,583
	<u>8,917</u>	<u>2,583</u>

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

	<u>30-Jun-20</u>	<u>30-Jun-19</u>
 Afn '000'	
20 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	162,851	135,923
Staff welfare	14,182	17,242
Repair and maintenance	14,694	16,195
Travelling expense	5,107	5,529
Advertising and publicity	31,431	40,491
Operating Lease	49,540	45,244
Printing and stationery	7,869	9,955
Communication	1,913	1,948
Internet and connectivity	15,725	9,410
Electricity and power	17,761	17,984
Office supplies	1,752	2,392
Security expenses	78,295	66,932
Audit fee	5,563	1,199
Legal and professional charges	1,490	5,630
Postage and courier	17	47
Software maintenance fee	4,944	2,452
Deposit insurance premium	20,604	10,477
Others	12,905	18,911
	<u>446,643</u>	<u>407,961</u>

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 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 June 2020 and 31 December 2019 was as follows:

	30 June 2020	31 December 2019
Afn '000'.....	
Tier 1 capital		
Total equity capital	1,393,251	1,381,454
Less: Intangible assets	(279,493)	(296,395)
Less: Deferred tax assets	(69,442)	(73,521)
Less: Profit during the period/year	(11,797)	(116,959)
Total tier 1 (core) capital	<u>1,032,519</u>	<u>894,580</u>
Tier 2 capital		
Add: Profit for the period/year	11,797	116,959
	<u>11,797</u>	<u>116,959</u>
Less: Equity Investment	-	16,888
Total regulatory capital (Tier 1 and Tier 2)	<u>1,044,316</u>	<u>994,651</u>

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 June 2020	31 December 2019
Western Union International Bank	Other Assets	Cash and Cash Equivalents	702,765	128,720

25. AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Shareholders on 12 Aug 20 2020.


 Chief Executive Officer


 Chief Financial Officer