



Islamic Bank of Afghanistan

**Condensed Interim financial statements
For the six months period ended
30 June 2021**

Review report issued by

Crowe Horwath - Afghanistan

Address: 6th floor, Kabul Business
Center, Shahr-e-Naw, Haji Yaqoob Square
Kabul-Afghanistan

Report on Review of 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 30 June 2021 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the six months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with the basis of preparation disclosed in note 2.

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 International Standards on Auditing 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 30 June 2021, and of its financial performance and its cash flows for the six months period then ended in accordance with the basis of preparation disclosed in note 2.

Other Matters

The condensed interim financial statements for the six months period ended 30 June 2020 and the financial statements for the year ended 31 December 2020 were reviewed and audited, respectively, by another auditor who expressed unqualified review conclusion on the condensed interim financial statements for the six months period ended 30 June 2020 on 12 August 2020 and unqualified audit opinion on the financial statements for the year ended 31 December 2020 on 1 March 2021.

Crowe Horwath



Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaqib Shah - FCA

Location: Kabul, Afghanistan

Date:

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ISLAMIC BANK OF AFGHANISTAN

Condensed Interim Statement of Financial Position (Un-Audited)

As at 30 June 2021

		Un-Audited 30 June 2021	Audited 31 December 2020
	Note	----- AFN 000-----	
ASSETS			
Cash and cash equivalents	3	12,784,585	11,720,429
Due from financial institutions	4	3,652,920	2,460,144
Islamic financings and related assets	5	650,181	499,180
Investments	6	9,876,043	9,238,877
Investment in real estate		97,077	95,543
Property and equipment	7	435,166	452,886
Intangible assets	8	219,900	261,554
Deferred tax asset		44,663	65,198
Other assets	9	5,318,576	5,072,817
Total assets		33,079,111	29,866,628
LIABILITIES, EQUITY OF INVESTMENT ACCONTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Current account from customers	10	12,548,151	14,681,504
Short-term placement from financial institutions	11	5,713,456	1,161,750
Other liabilities	12	616,431	569,749
Total liabilities		18,878,038	16,413,003
Equity of Unrestricted Investment Account Holders	13	12,588,884	11,919,962
Owner's Equity			
Share capital	14	1,775,000	1,775,000
Retained earnings		(162,811)	(241,337)
Total Owner's equity		1,612,189	1,533,663
Total Liabilities, Equity of Investment Accountholders and Owners' Equity		33,079,111	29,866,628
Contingencies and Commitments	15		

The annexed notes from 1-24 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 six months period ended 30 June 2021

		Three months ended Quarter ended 30 June 2021	Six months ended Half year ended 30 June 2021	Three months ended Quarter ended 30 June 2020	Six months ended Half year ended 30 June 2020
	Note	----- AFN 000 -----			
Deferred Sales and diminishing musharaka rentals	16	10,857	22,574	24,434	60,839
Profit on investment	17	102,208	199,122	52,010	100,695
Return on unrestricted investment accounts	18	(55,432)	(117,987)	(47,222)	(81,841)
Bank share as Mudarib		57,633	103,709	29,222	79,693
Revenue from banking services	19	40,000	68,027	27,739	52,769
Expense on banking services	20	(10,047)	(18,776)	(6,272)	(8,917)
Net fee and commission income		29,953	49,251	21,467	43,852
Foreign exchange gain		182,077	330,030	203,874	295,913
Capital gain on AFS investments		-	-	10,339	10,339
Other Income		79,403	169,456	(31,564)	69,836
Total Bank Revenue / Operating income		349,066	652,446	233,338	499,633
Administrative and general expenses	21	(236,679)	(478,256)	(201,382)	(446,643)
Depreciation		(14,906)	(29,590)	(16,505)	(32,842)
Amortization		(21,259)	(42,518)	(6,439)	(19,854)
Total Operating Expenses		(272,844)	(550,364)	(224,326)	(499,339)
Provision for impairment - net		(18,345)	3,920	12,004	(14,452)
Profit before taxation		94,567	98,162	(2,992)	14,746
Provision for taxation					
Deferred		(18,737)	(19,636)	598	(2,949)
Profit for the period		75,830	78,526	(2,394)	11,797
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		75,830	78,526	(2,394)	11,797

The annexed notes from 1-24 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

for 
Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN

Condensed Interim Statement of Changes in Equity (Un-Audited)
For the six months period ended 30 June 2021

	Share Capital	Retained Earnings	Total
	..... AFN '000'		
Balance as at 01 January 2020 - Audited	1,775,000	(465,554)	1,309,446
Net profit for the period	-	72,009	72,009
Ordinary shares Issued	-	-	-
Balance as at 30 June 2020 - Unaudited	<u>1,775,000</u>	<u>(393,545)</u>	<u>1,381,455</u>
Balance as at 01 January 2021 - Audited	1,775,000	(241,337)	1,533,663
Net profit for the period	-	78,526	78,526
Ordinary shares Issued	-	-	-
Balance as at 30 June 2021 - Unaudited	<u>1,775,000</u>	<u>(162,811)</u>	<u>1,612,189</u>

The annexed notes from 1-24 form an integral part of these condensed interim financial statements.

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Chief Executive Officer


Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN

Condensed Interim Statement of Cash Flow (Un-Audited)
For the six months period ended 30 June 2021

	Un-Audited Half year ended 30 June 2021	Audited Half year ended 30 June 2020
	..... AFN '000'	
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	98,162	14,751
Adjustments for:		
Depreciation	29,590	32,842
Amortization	42,518	19,854
Accrued profit on cash and cash equivalents	-	(13,513)
Provision for impairment - net	3,920	(14,452)
	174,190	39,482
Increase / decrease in operating assets and liabilities:		
Murabaha receivables	(154,921)	59,592
Due from financial institutions	(1,192,776)	-
Other assets	(228,192)	(130,292)
Current Accounts from customers and unrestricted funds	(1,464,431)	(881,631)
Short term placements from financial institutions	4,551,706	(256,440)
Required reserve with Da Afghanistan Bank	(17,567)	
Other liabilities	46,682	(110,624)
	1,714,691	(1,279,913)
Net cash generated from/(used in) operating activities		
Tax adjustment	-	4,079
Net cash generated from/(used in) operating activities	1,714,691	(1,275,834)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of profits	(637,166)	(1,998,844)
Investment in Real Estate / Non-current assets exchange fluctuation	(1,534)	-
Acquisition of property and equipment - net of adjustment	(10,971)	13,263
Acquisition of Intangible Assets	(864)	-
Net cash used in investing activities	(650,535)	(1,985,581)
Net increase in cash and cash equivalents	1,064,156	(3,041,605)
Cash and cash equivalents at beginning of the period	11,720,429	12,781,912
Cash and cash equivalents at the end of the period	12,784,585	9,740,307

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The annexed notes from 1-24 form an integral part of these condensed interim financial statements.



Chief Executive Officer



Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

1. STATUS AND NATURE OF OPERATIONS

Islamic Bank of Afghanistan ("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.

DAB had granted full fledged 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 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.

The condensed interim financial statements of the Bank for the six months period ended 30 June 2021 have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting", the Law of Banking in Afghanistan, and other laws and regulations issued by DAB. In case where requirements differ, the requirement of the Law of Banking in Afghanistan, and other laws and regulations issued by DAB take precedence.

The disclosures made in this condensed interim financial statements have been limited based on the format prescribed by the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2020.

Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2020 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the six months period ended 30 June 2020.

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

		Un-Audited 30 June 2021	Audited 31 December 2020
	Note	..... AFN '000'	
3 CASH AND CASH EQUIVALENTS			
Cash in hand			
Local currency		1,262,038	1,364,329
Foreign currency		1,826,639	2,229,224
		3,088,677	3,593,553
Balances with banks:			
Balances with Da Afghanistan Bank	3.1	8,263,418	5,108,982
Balances with other banks	3.2	1,432,490	3,017,894
		9,695,908	8,126,876
		12,784,585	11,720,429
3.1 Current accounts with Da Afghanistan Bank			
Local currency		611,053	2,892,945
Foreign currency		7,652,365	2,216,037
		8,263,418	5,108,982
3.2 Balances with Other Banks			
Nostro accounts		1,239,387	3,017,894
Wakala deposit		193,103	-
		1,432,490	3,017,894
4 DUE FROM FINANCIAL INSTITUTIONS			
Local		3,290,001	2,305,001
Foreign		362,919	155,143
		3,652,920	2,460,144

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

		Un-Audited 30 June 2021		Audited 31 December 2020	
		..... AFN '000'			
5 ISLAMIC FINANCINGS AND RELATED ASSETS		Note			
Financing - at amortized cost		5.1		650,181	
				499,180	
5.1					
		Gross amount		Jointly Financed	
				Self Financed	
				Impairment allowance	
				Carrying amount	
		..... AFN '000'			
30 June 2021					
Murahaba receivables	562,338	562,338	-	45,100	517,238
Diminishing musharaka	132,943	132,943	-	-	132,943
	695,281	695,281	-	45,100	650,181
31 December 2020					
Murahaba receivables	487,667	487,667	-	43,487	444,180
Diminishing musharaka	55,000	55,000	-	-	55,000
	542,667	542,667	-	43,487	499,180
		30 June 2021		31 December 2020	
		..... AFN '000'			
Movement in Impaired Islamic Financing and Related Assets					
Opening balance		43,487		26,345	
Charged for the period/year		1,613		17,142	
Closing balance		45,100		43,487	

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

6 INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	..... AFN '000'					
Available for Sale						
Sovereign Sukuk		4,033,697	-	-	-	4,033,697
Quasi Sovereign Sukuk	-	3,775,234	-	-	-	3,775,234
Surplus / (Deficit)	-	140,116	-	-	-	140,116
	-	7,949,047	-	-	-	7,949,047
Held to Maturity						
Quasi Sovereign Sukuk	3,698,696	407,913	-	-	3,698,696	407,913
Sovereign Sukuk	4,573,369	781,203	-	-	4,573,369	781,203
	8,272,065	1,189,116	-	-	8,272,065	1,189,116
	8,272,065	9,138,163	-	-	8,272,065	9,138,163
Other investments						
Wadia 'ah with DAB	1,500,000	-	-	-	1,500,000	-
Money Market Fund	103,978	100,714	-	-	103,978	100,714
	1,603,978	100,714	-	-	1,603,978	100,714
	9,876,043	9,238,877	-	-	9,876,043	9,238,877

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

Note	Un-audited 30 June 2021	Audited 31 December 2020
	.....AFN	'000'.....
7 PROPERTY AND EQUIPMENT		
Cost		
Opening balance	876,895	840,666
Additions during the period/year	10,949	36,229
Closing balance	887,844	876,895
Less: Accumulated depreciation		
Opening balance	424,009	407,672
Depreciation charged during the period/year	29,590	16,337
Reversal / Adjustments	(921)	-
Closing balance	452,678	424,009
Written down value as of	435,166	452,886
8 INTANGIBLE ASSETS		
Cost		
Opening balance	353,367	350,950
Additions during the period/year	864	2,417
Closing balance	354,231	353,367
Less: Accumulated amortization		
Opening balance	91,813	54,555
Charged for the period / year	42,518	37,258
Closing balance	134,331	91,813
Written down value as of	219,900	261,554

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)
For the six months period ended 30 June 2021

	Un-audited 30 June 2021	Audited 31 December 2020
	..... AFN '000'	
9 OTHER ASSETS		
Required reserve with Da Afghanistan Bank	1,960,642	1,943,075
Prepayments	105,916	101,560
Security deposit	8,639	8,639
Advance tax	150,189	149,731
Western Union	510,665	67,324
Murabaha profit receivable / Accrued Profit	158,596	235,186
Others	2,521,006	2,567,302
	5,415,653	5,072,817
10 CUSTOMER DEPOSITS - CURRENT ACCOUNTS		
Demand / Current account	11,238,294	13,253,881
Deposits against financial commitments	1,309,857	1,427,623
	12,548,151	14,681,504

11 SHORT TERM PLACEMENTS FROM FINANCIAL INSTITUTIONS

The Bank obtained placement from Daman Investments capital for short term basis at the rate of one month LIBOR + 0.90% p.a. This placement is based on commodity Murabaha (2020: one year @ 4.5% p.a).

	Un-audited 30 June 2021	Audited 31 December 2020
	..... AFN '000'	
12 OTHER LIABILITIES		
Withholding tax payable	66,113	52,361
Creditors and accruals	348,606	336,748
Profit payable	1,761	1,059
Deferred income	41,797	18,377
Others	158,153	161,204
	616,431	569,749

13 EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS

Mudarabah saving deposits	12,588,884	11,919,962
Customer deposits - current account	12,548,151	14,681,504
Mudarabah saving deposits	12,588,884	11,919,962
	25,137,035	26,601,466

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

Un-Audited 30 June 2021	Audited 31 December 2020
..... AFN '000'.....	

14 SHARE CAPITAL*Authorized*

250,000 ordinary shares of Afn 10,000 each

2,500,000	2,500,000
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Issued and paid up

1,775,000 ordinary shares (2020: 1,775,000) of Afn 10,000 each

1,775,000	1,775,000
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15 CONTINGENCIES AND COMMITMENTS

Guarantees and Letter of credit issued on behalf of customers

6,688,341	6,199,231
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- 15.1** Da Afghanistan Bank has marked lien on the amount of USD 5 million from account of the bank against the bank guarantee issued to Haji Khalil in favour of the Ministry of Power and Energy. The claim was lodged on April 19, 2016 by the Ministry, however, the bank guarantee was expired on April 30, 2015. Shareholders have undertaken that incase matter is upheld by the court of law, they will settle the liability. Management has also communicated the matter to Presidential office.

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)

For the six months period ended 30 June 2021

	Un-audited Half year ended 30 June 2021 AFN	Un-audited Half year ended 30 June 2020 '000'
16 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Unearned murabaha income	21,738	58,178
Diminishing musharaka rentals	836	2,661
	<u>22,574</u>	<u>60,839</u>
17 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	91,986	59,457
Return on Sukuk - Corporate	98,180	41,238
Return on Placements (Commodity Murabaha & Wakalah)	8,956	-
	<u>199,122</u>	<u>100,695</u>
18 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	100,823	64,611
Return on borrowing	17,164	17,230
	<u>117,987</u>	<u>81,841</u>
19 REVENUE FROM BANKING SERVICES		
Commission income	67,204	52,201
Account servicing fee	823	568
	<u>68,027</u>	<u>52,769</u>
20 EXPENSE ON BANKING SERVICES		
Inter-bank transaction fees	<u>18,776</u>	<u>8,917</u>
21 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	180,282	162,851
Staff welfare	20,698	14,182
Repair and maintenance	16,902	14,694
Travelling expense	6,162	5,107
Advertising and publicity	38,807	31,431
Operating Lease	45,734	49,540
Printing and stationery	9,054	7,869
Communication	1,462	1,913
Internet and connectivity	10,922	15,725
Electricity and power	15,244	17,761
Office supplies	1,643	1,752
Security expenses	83,285	78,295
Audit fee	3,225	5,563
Legal and professional charges	5,559	1,490
Postage and courier	15	17
Software maintenance fee	10,829	4,944
Deposit insurance premium	14,786	20,604
Others	13,647	12,905
	<u>478,256</u>	<u>446,643</u>

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)
For the six months period ended 30 June 2021

22 Related party disclosure

Parent and ultimate controlling party

The Bank is a 100% owned subsidiary of Azizi bank, therefore all subsidiaries and associated entities are related parties of the Bank. The related entities also comprises entities in which directors are able to exercise significant influence and key management. At the stage of conversion process on standing instructions of Da Afghanistan Bank (DAB) bank has ensured the zero balance of counter deposits and onward there are no transactions occurred.

Key management personnel

Key management personnel includes the following:

Chief Executive Officer
Deputy Chief executive Officer
Chief Credit Officer
Chief Financial Officer
Chief Operations Officer
Chief Risk Officer
Chief Compliance Officer
Chief Internal Auditor

Key management personnel compensation for the period comprised:

	Un-Audited 30 June 2021	Un-Audited 30 June 2020
	..... AFN '000' .....	..... AFN '000'
Short term employee benefits	<u>24,593</u>	<u>17,776</u>

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

	Un-Audited 30 June 2021	Audited 31 December 2020
	..... AFN '000' .....	..... AFN '000'
Performance guarantee - Azizi Bank	<u>40,000</u>	<u>40,000</u>

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.

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ISLAMIC BANK OF AFGHANISTAN

Notes to the Condensed Interim Financial Statements (Un-Audited)
For the six months period ended 30 June 2021

The Bank's regulatory capital position at 30 June 2021 and 31 Decemeber 2020 was as follows:

	30 June 2021	31 December 2020
	.....AFN '000'.....	
Tier 1 capital		
Total equity capital	1,612,189	1,533,663
Less: Intangible assets	(219,900)	(261,554)
Less: Deferred tax assets	(44,663)	(65,198)
Less: Profit during the period/year	(78,526)	(152,209)
Total tier 1 (core) capital	1,269,100	1,054,703
Tier 2 capital		
Add: Profit for the period/year	78,526	152,209
Less: Equity Investment	-	-
Total regulatory capital (Tier 1 and Tier 2)	1,347,626	1,206,912

24 AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Shareholders on _____ 2021.



Chief Executive Officer



Chief Financial Officer