

Islamic Bank of Afghanistan

Kabul, Afghanistan

**Condensed Interim Financial Statements along
with Accompanying Information**

For the Quarter ended June 30, 2023

Report on Review of Condensed Interim Financial Statements to the Shareholders of Islamic Bank of Afghanistan

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **Islamic Bank of Afghanistan** ("the Islamic bank") **as of June 30, 2023**, and the related Statement of Condensed Interim Comprehensive Income, Statement of Condensed Interim Changes in Equity and Statement of Condensed Interim Cash Flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after referred to as the "Interim financial statements"). The financial statements and Financial Institution's undertaking to operate in accordance with Shari'a are the responsibility of the Financial Institution's management. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Financial Accounting Standards (FAS) and specifically Financial Accounting Standard 41 - "Interim Financial Reporting" 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, the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) where matters are not covered by the AAOIFI standards and in conformity with the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 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.

Emphasis of Matters

1. We draw attention to the note no. 4.3 and 5.2 of the financial statements, which describes the effects of suspension of "Asset Classifications and Provisioning Regulations" by the Da Afghanistan Bank. Our conclusion is not modified in respect of this matter.



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, 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with Financial Accounting Standards (FAS) and specifically Financial Accounting Standard 41 "Interim Financial Reporting" issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) where matters are not covered by the AAOIFI standards, 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).

Other Matter

The condensed interim financial statements for the six-month period ended 30 June 2022 were reviewed by another auditor who expressed unmodified review conclusion on the condensed interim financial statements for the six-month period ended 30 June 2022 on 24 September 2022.

Lynx Eyed Chartered Accountants
An independent member firm of Morison Global
Kabul, Afghanistan


Lynx Eyed Chartered Accountants.



ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

		Un-Audited 30 June 2023	Audited 31 December 2022
	Note	----- AFN 000-----	
ASSETS			
Cash and Cash Equivalents	3	2,975,195	3,055,032
Islamic Financings and Related Assets	4	378,537	434,977
Investments	5	163,664	169,478
Property and equipment	6	361,497	374,224
Intangible assets	7	46,818	90,111
Investment in Real Estate	8	100,861	102,731
Deferred tax asset	9	65,198	65,198
Other assets	10	4,223,404	4,258,229
Total assets		8,315,174	8,549,980
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Current Account from customers	11	2,584,229	2,912,692
Provision for taxation		29,867	29,867
Other liabilities	12	664,362	636,646
Total liabilities		3,278,458	3,579,205
Equity of Unrestricted Investment Account Holders	11	3,554,426	3,498,131
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(292,710)	(302,356)
Total Owner's equity		1,482,290	1,472,644
Total Liabilities, Equity of Investment Account holders and Owners' Equity		8,315,174	8,549,980
Contingencies and Commitments	14		

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive Officer


Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

		Quarter ended 30 June 2023	Half year ended 30 June 2023	Quarter ended 30 June 2022	Half year ended 30 June 2022
Note		AFN 000			
Deferred Sales and Diminishing Musharaka rentals	15	551	1,112	4,178	11,744
Profit on investment	16	622	1,258	1	34,939
Return on unrestricted investment accounts	17	(4,182)	(4,182)	19,999	(44,598)
Bank share as Mudarib		(3,009)	(1,812)	24,178	2,085
Revenue from banking services	18	32,976	69,212	290	535
Expense on banking services	19	(989)	(1,178)	(1,240)	(14,848)
Net fee and commission income		31,987	68,034	(950)	(14,313)
Foreign exchange gain		10,644	21,243	49,094	108,019
Other Income		69,435	148,409	31,664	59,394
Total Bank Revenue / Operating income		109,057	235,874	103,986	155,185
Administrative and general expenses	20	(85,177)	(172,613)	(108,738)	(240,519)
Depreciation		(6,216)	(12,736)	(12,751)	(25,974)
Amortization		(21,647)	(43,292)	(21,260)	(42,518)
Reintegration / (Impairment) charge for the period		3,332	2,413	(2,960)	(1,713)
Total Operating Expenses		(109,708)	(226,228)	(145,709)	(310,724)
Profit before taxation		(651)	9,646	(41,723)	(155,539)
Taxation		-	-	-	-
Profit for the period		(651)	9,646	(41,723)	(155,539)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		(651)	9,646	(41,723)	(155,539)

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer

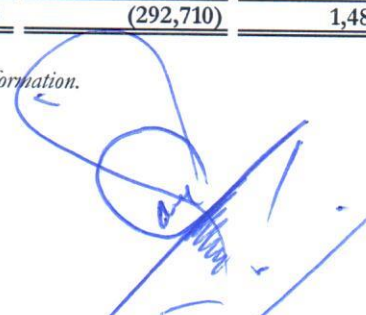
ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Share Capital	Retained Earnings	Total
	..... AFN '000'		
Balance as at 01 January 2022- Audited	1,775,000	(73,700)	1,701,300
Net profit for the period	-	(155,539)	(155,539)
Balance as at 30 June 2022 - Unaudited	1,775,000	(229,239)	1,545,761
Balance as at 01 January 2023 - Audited	1,775,000	(302,356)	1,472,644
Net profit for the period	-	9,646	9,646
Balance as at 30 June 2023 - Unaudited	1,775,000	(292,710)	1,482,290

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Un-Audited	Audited
	Half year ended	Half year ended
	30 June 2023	30 June 2022
	..... AFN '000'	
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,646	(155,539)
Adjustments for:		
Depreciation	12,736	25,974
Amortization	43,292	42,518
Provision for impairment - net	2,413	1,713
	<u>68,087</u>	<u>(85,334)</u>
Increase / decrease in operating assets and liabilities:		
Murabaha receivables	54,027	110,051
Due from financial institutions	-	590,366
Other assets	177,863	(1,651,986)
Current Accounts from customers and unrestricted funds	(272,168)	(6,231,877)
Required reserve with Da Afghanistan Bank	(143,038)	463,886
Other liabilities	27,716	(50,230)
	<u>(87,513)</u>	<u>(6,855,124)</u>
Net cash generated from/(used in) operating activities		
Tax adjustment	-	-
Net cash generated from/(used in) operating activities	<u>(87,513)</u>	<u>(6,855,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of Profits	5,814	10,359,224
Investment in Real Estate / Non-current assets exchange fluctuation	1,870	9,230
Acquisition of property and equipment - net of adjustment	(9)	(3,204)
Acquisition of Intangible Assets	1	884
Repayment of short term placement from financial institution	-	(7,647,911)
Net cash used in investing activities	<u>7,676</u>	<u>2,718,223</u>
Net increase in cash and cash equivalents	(79,837)	(4,136,901)
Cash and cash equivalents at beginning of the period	3,055,032	8,174,717
Cash and cash equivalents at the end of the period	<u>2,975,195</u>	<u>4,037,816</u>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


Chief Executive Officer

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Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

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 45 Branches and 01 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-month period ended 30 June 2023 have been prepared in accordance with the Financial Accounting Standard 41 - "Interim Financial Reporting" issued by the AAOIFI, 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 condensed interim financial information of the Bank does not contain all information and disclosures required for the annual financial statements and should be read in conjunction with the Bank's audited annual financial statements for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2022. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2022 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-month period ended 30 June 2022.

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

		Un-Audited 30 June 2023	Audited 31 December 2022
Note		..... AFN '000'	.....
3 CASH AND CASH EQUIVALENTS			
Cash in hand			
Local currency		178,416	229,423
Foreign currency		404,647	276,600
		583,063	506,023
Balances with banks:			
Balances with Da Afghanistan Bank	3.1	1,792,418	892,534
Balances with other banks	3.2	599,714	1,656,475
		2,392,132	2,549,009
		2,975,195	3,055,032
3.1 Current accounts with Da Afghanistan Bank			
Local currency		460,176	132,567
Foreign currency		1,332,242	759,967
		1,792,418	892,534
3.2 Balances with Other Banks			
Abu Dhabi Islamic Bank		119,608	400,467
Aktif Bank - Turkey CA		24,744	25,638
Al Salam Bank Bahrain B.S.C		98,345	917,587
Bank of Africa Europe SA		173,315	91,504
CSC Bank - Lebanon		2,743	2,840
HDFC Bank - India		212	213
Nurol Bank		91,955	119,966
Qatar National Bank		4,811	4,981
Reyl Finance (MEA) Limited		6,735	5,935
Transkapital Bank		11,031	11,246
Vakif Katilim Bankasi		15,211	60,180
Yes Bank India		12,843	15,917
Yinzhou Bank		1	1
Zhejiang choouzhou comercial Bank (China)		38,160	-
		599,714	1,656,475

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

				Un-Audited 30 June 2023	Audited 31 December 2022
				..... AFN '000'	.....
4	ISLAMIC FINANCINGS AND RELATED ASSETS	Note			
	Financing - at amortized cost	4.1		378,537	434,977
4.1					

4.3 Circular reference number RSR No: 11068 dated 22 December 2021, issued by the Da Afghanistan Bank provides relief to the banks to maintain the asset classification as of 30 June 2021 and loan loss provision made as of that date. Consequently, the Bank has maintained the asset classification and provisioning as of 30 June 2021. Subsequent deterioration in the assets classification and any resulting increase has not been incorporated.

The latest relief with regard to waiving off the implications of 'Asset Classification and Provisioning Regulations (ACPR) 2017' issued by Da Afghanistan Bank (DAB) was granted through letter no. 12398/12923 dated 22 Ramzan 1444- Islamic Hijri Date, 24 Hamal 1402 Hijri Shamsi Date (April 13, 2023) till April 02, 2024.

However, the Banks have approached the Central Bank of Afghanistan through the forum of the Afghanistan Banking Association through letter reference ABA-2404 dated 24 Dalwa 1402 for further waiver of the ACPR implications till the end of 2024. Da Afghanistan Bank has not responded affirmly uptill the date of issuance of these financial statements for any further extension in waiver policy, however, collectively all the financial instituions are hopefull that regulator would be supporting the financial sector in such bleak moment where economy is still in a struggling phase, hence management has not additionally provisioned the loan and advances.

This regulation deals with provisioning against loans and advances, suspension of interest on non-performing loans, re-possessed assets, classification of off-balance sheet items, classification of investments and other assets, credit risk management, etc. The objective was to protect the banking sector from immense risk of default and financial impact of current economic turmoil.

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

5 INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	Un-Audited 30 June 2023	Audited 31 December 2022	Un-Audited 30 June 2023	Audited 31 December 2022	Un-Audited 30 June 2023	Audited 31 December 2022
	AFN '000'					
Held to Maturity						
Sovereign Sukuk	51,637	53,471	-	-	51,637	53,471
	51,637	53,471	-	-	51,637	53,471
	51,637	53,471	-	-	51,637	53,471
Other investments						
Money Market Fund	112,027	-	-	116,007	112,027	116,007
	112,027	-	-	116,007	112,027	116,007
	163,664	53,471	-	116,007	163,664	169,478

5.1 This investment is made for the period 2 years and six months (2022: 2 years and six months) carrying coupon rate 4.489% (2022: 4.489%).

5.2 This represents the investment made through The ICD MMF Investment Agent Bank (the "Agent" or "Investrade"), currently management along with the agent is in the process of recovering the funds invested through a lawsuit filed in the Bahrain Chamber for Dispute Resolution ("BCDR") against its local banks who were the primary agents and, in parallel, included further defendants in the same lawsuit to establish a broader scope for potential investment recovery. Management on the basis of current proceedings is hopeful of its favorable outcome, coupled with the suspension of "Asset Classification and Provisioning Regulations" as disclosed in Note 4.3, no impairment provision is recognized in these financial statements.

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Note	Un-audited 30 June 2023	Audited 31 December 2022
		.....AFN	'000'.....
6 PROPERTY AND EQUIPMENT			
Cost:			
Opening balance	6.1	891,850	900,053
Addition during the period / year		70	2,467
Adjustments to the assets held for capitalization		(62)	(10,670)
Closing balance		<u>891,858</u>	<u>891,850</u>
Accumulated depreciation			
Opening balance		517,625	481,254
Depreciation charged during the period/year		12,736	36,371
Closing balance		<u>530,361</u>	<u>517,625</u>
Net book value		<u>361,497</u>	<u>374,225</u>
7 INTANGIBLE ASSETS			
Cost			
Opening balance		355,597	355,171
Additions during the period/year		-	426
Closing balance		<u>355,597</u>	<u>355,597</u>
Accumulated amortization:			
Opening balance		265,486	178,827
Charged for the period / year		43,293	86,659
Closing Balance		<u>308,779</u>	<u>265,486</u>
Net book value		<u>46,818</u>	<u>90,111</u>

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

8 INVESTMENT IN REAL ESTATE

During the year 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.

	Un-audited 30 June 2023	Audited 31 December 2022
	..... AFN '000'	
9 DEFERRED TAX ASSET		
Opening balance	65,198	65,198
Charged during the period / year	-	-
Reversal during the period / year	-	-
Closing balance	<u>65,198</u>	<u>65,198</u>
10 OTHER ASSETS		
Prepayments	37,580	30,336
Security deposit	928	928
Margin deposits with Pashtany Bank against BG in favor of DABS	350,001	350,001
Required reserves with Da Afghanistan Bank	583,930	440,892
Advance income tax	151,762	151,762
Western Union - Imprest and Settlements	807,922	528,975
Money Gram Incorporation - Imprest and Settlements	18,088	11,211
Ria - Imprest and Settlements	46,505	11,933
Murabaha profit receivable / Accrued Profit	143,892	156,581
Receivable from afghan payment system	2,042	3,210
Marked to market and trading foreign exchange gain/(loss)	2,132,013	2,132,013
Others	633,531	440,387
	<u>4,908,194</u>	<u>4,258,229</u>
11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Customer deposits - current accounts		
Demand / Current account	1,154,146	1,502,732
Deposits against financial commitments	1,430,083	1,409,960
	<u>2,584,229</u>	<u>2,912,692</u>
Equity of un-restricted investment account holders		
Mudarabah and wakalah saving deposits	<u>3,554,426</u>	<u>3,498,131</u>
Total deposits from customers and equity of un-restricted investment account holders	<u>6,138,655</u>	<u>6,410,823</u>
	Un-audited 30 June 2023	Audited 31 December 2022
	..... AFN '000'	
12 OTHER LIABILITIES		
Withholding tax payable	6,668	32,805
Creditors and accruals	330,565	318,958
Deferred income	9,305	9,357
Others	317,824	275,526
	<u>664,362</u>	<u>636,646</u>

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Un-Audited 30 June 2023 AFN '000'	Audited 31 December 2022
13 SHARE CAPITAL		
<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 (2022: 1,775,000) of Afn 10,000 each	<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>7,457,178</u>	<u>7,769,504</u>
14.1 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
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Un-audited Half year ended 30 June 2023 AFN	Un-audited Half year ended 30 June 2022 '000'
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Unearned murabaha income	575	7,505
Diminishing musharaka rentals	537	4,239
	<u>1,112</u>	<u>11,744</u>
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	1,258	18,482
Return on Sukuk - Corporate	-	16,457
	<u>1,258</u>	<u>34,939</u>
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	4,182	21,478
Return on borrowing	-	23,120
	<u>4,182</u>	<u>44,598</u>
18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME		
Commission income	27,698	320
Account servicing fee	41,514	215
	<u>69,212</u>	<u>535</u>
19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE		
Inter-bank transaction fees	1,178	14,848
20 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	74,880	119,612
Staff welfare	6,984	10,221
Repair and maintenance	2,988	9,695
Travelling expense	1,251	2,803
Advertising and publicity	4,758	3,762
Operating Lease	20,746	34,493
Printing and stationery	5,189	3,920
Communication	520	516
Internet and connectivity	5,253	6,784
Electricity and power	11,690	10,604
Office supplies	745	892
Security expenses	21,632	15,457
Audit fee	4,827	4,900
Legal and professional charges	86	329
Postage and courier	-	-
Software maintenance fee	5,166	728
Deposit insurance premium	3,127	7,623
Others	2,771	8,180
	<u>172,613</u>	<u>240,519</u>

2023

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

21 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 2023	Un-Audited 30 June 2022
	..... AFN '000'	
Short term employee benefits	1,963	10,221

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

	Un-Audited 30 June 2023	Audited 31 December 2022
	..... AFN '000'	
Performance guarantee - Azizi Bank	40,000	40,000
Performance guarantee given to - Azizi Bank	285,064	285,064

22 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 2023 and 31 December 2022 was as follows:

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

21 Related party disclosure

	30 June 2023	31 December 2022
	.....AFN '000'.....	
Tier 1 capital		
Total equity capital	1,482,290	1,472,644
Less: Intangible assets	(46,818)	(90,111)
Less: Deferred tax assets	(65,198)	(65,198)
Less: Profit during the period/year	(9,646)	-
Total tier 1 (core) capital	1,360,628	1,317,335
Tier 2 capital		
Add: Profit for the period/year	9,646	-
Less: Equity Investment	-	-
Total regulatory capital (Tier 1 and Tier 2)	1,370,274	1,317,335
Total risk-weighted assets	5,148,353	6,358,559
Tier 1 capital ratio	26.43%	20.72%
Tier 2 capital ratio	26.62%	20.72%

23 CORRESPONDING FIGURES

Corresponding figures have been reclassified / re-arranged where necessary to facilitate comparison in the presentation in the current year. However, there were no major/material reclassifications to report in these financial statements.

24 AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Board of Supervisors on March _____, 2024.



Chief Executive Officer



Chief Financial Officer