



# Reviewed Financial Statements

*for Islamic Bank of Afghanistan*

*(For the half year ended June 30, 2019)*

**Confidential**

**MGI ILYAS SAEED CHARTERED ACCOUNTANTS**

Contact: Muhammad Abdul Basit

Cell: +93 780 780 786

Email: [basit@ilyassaeedca.com](mailto:basit@ilyassaeedca.com)

Date: July 22, 2019

## **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, 2019, 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 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, 2019, 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.

### **Other Matter**

The condensed interim financial statements for the half year ended June 30, 2018 and the financial statements for the year ended December 31, 2018 were reviewed and audited respectively, by another auditor who expressed an unmodified review conclusion on the condensed interim financial



Ilyas Saeed Chartered Accountants

Muslim Business Centre, Charahi  
Haji Yaqoob, Shahr-e-Naw,  
KABUL, AFGHANISTAN.  
T: 0093 780 780 786  
E: basit@ilyassaeedca.com  
www.ilyassaeedca.com

statements for the half year ended June 30, 2018 on August 13, 2018 and unmodified audit opinion  
on the financial statements for the year ended December 31, 2018 on March 20, 2019.

*mgi dsca*

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

**MGI ILYAS SAEED**  
Chartered Accountants

**29 JUL 2019**

Audit - Tax - Advisory



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

		Un-Audited 30-Jun-19	Audited 31-Dec-18
	Note	-----Afn '000'-----	
<b>ASSETS</b>			
Cash and cash equivalents	5	10,035,439	12,480,342
Islamic financings and Related assets	6	800,539	849,461
Investments:	7		
Investment securities		1,838,248	1,138,596
Other investments		769,126	710,225
Property and equipment		312,191	320,730
Intangible assets		316,607	334,483
Investments in real estate	8	97,548	109,508
Deferred tax asset		99,041	110,279
Other assets	9	2,005,587	1,226,267
<b>Total assets</b>		<b>16,274,326</b>	<b>17,279,891</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current Account from customers	10	7,199,323	11,062,777
Short term financing - Shuaa Capital		403,650	376,550
Other liabilities	11	583,616	361,818
<b>Total liabilities</b>		<b>8,186,589</b>	<b>11,801,145</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
<b>Owner's Equity</b>	10	6,778,291	4,214,251
Share capital	12	1,775,000	1,775,000
Retained earning		(465,554)	(510,505)
<b>Total Owner's equity</b>		<b>1,309,446</b>	<b>1,264,495</b>
<b>Total Liabilities, Equity of Investment Accountholders and Owners' Equity</b>		<b>16,274,326</b>	<b>17,279,891</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	-	-

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

  
Chairman

  
Chief Executive Officer

  
Chief Finance Officer

## ISLAMIC BANK OF AFGHANISTAN

	As per Financial Accounting Standards (FAS) as issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	Cumulative Amounts as per Both Frame Works			
	Quarter ended June 30, 2019	Half year ended June 30, 2019	Quarter ended June 30, 2018	Half year ended June 30, 2018	
Note	-----Afn '000'-----				
14	Deferred sales and diminishing musharaka rentals	45,668	83,065	24,547	24,547
15	Interest income*	-	-	-	27,960
16	Profit on investments	45,126	81,912	10,177	10,177
17	Interest expense*	(57,891)	(95,554)	(15,411)	(29,246)
	Return on unrestricted investment accounts	32,903	69,423	19,313	(15,411)
	<b>Bank's share as Mudarib / Net interest income*</b>				18,027
	Revenue from banking services / Fee and commission income	53,564	93,961	27,920	68,474
	Expense on banking services / Fee and commission expense	(3,750)	(6,333)	-	(2,771)
	<b>Net fee and commission income</b>	49,814	87,628	27,920	65,703
	Foreign exchange gain / (loss)	166,797	308,006	78,379	30,114
	Other non-profit income	32,026	57,563	23,029	32,655
	<b>Total Bank's Revenue / Operating income</b>	281,540	522,620	148,641	146,499
18	Administrative and general expenditures	(214,616)	(407,961)	(233,311)	(448,161)
	Depreciation	(14,306)	(28,389)	(14,085)	(27,492)
	Amortization	(9,931)	(19,858)	-	(358)
	<b>Total Operating Expenses</b>	(238,853)	(456,208)	(247,396)	(476,011)
	Provision for impairment - net	123	(10,223)	32,455	161,654
	<b>Profit / (Loss) before taxation</b>	42,810	56,189	(66,300)	(167,858)
	Provision for taxation				
	Tax for the period	(8,562)	(11,238)	-	-
	<b>Profit/(Loss) for the period</b>	34,248	44,951	(66,300)	(167,858)
	Other comprehensive income	-	-	-	-
	<b>Total comprehensive income / (loss) for the period</b>	34,248	44,951	(66,300)	(167,858)

\* - Based on International Financial Reporting Standards (IFRSs)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

## Chairman

Chief Executive Officer

**Chief Finance Officer**

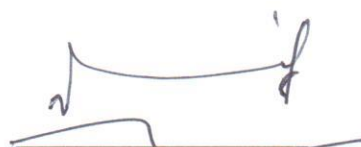


**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	Share Capital	Retained Earnings	Total
	..... Afn '000' .....		
Balance as at July 01, 2017	1,725,000	(577,208)	1,147,792
Comprehensive income:			
Net loss for the period	-	(167,859)	(167,859)
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at June 30, 2018 - Unaudited	<u>1,725,000</u>	<u>(745,067)</u>	<u>979,933</u>
Balance as at July 01, 2018	1,725,000	(745,067)	979,933
Comprehensive income:			
Net profit for the period	-	234,562	234,562
Transactions with owners:			
Ordinary shares Issued	50,000	-	50,000
Balance as at December 31, 2018 - Audited	<u>1,775,000</u>	<u>(510,505)</u>	<u>1,264,495</u>
<b>Balance as at January 01, 2019</b>	<b>1,775,000</b>	<b>(510,505)</b>	<b>1,264,495</b>
Comprehensive income:			
Net profit for the period	-	44,951	44,951
Transactions with owners:			
Ordinary shares Issued	-	-	-
<b>Balance as at June 30, 2019 - Unaudited</b>	<b><u>1,775,000</u></b>	<b><u>(465,554)</u></b>	<b><u>1,309,446</u></b>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

  
**Chairman**

  
**Chief Executive Officer**

  
**Chief Finance Officer**

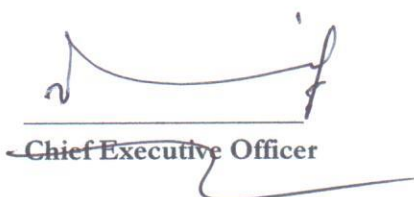
**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	Note	30-Jun-19 ..... Afn '000'	30-Jun-18 .....
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		56,189	(167,858)
Adjustments for:			
Depreciation		28,389	27,492
Amortization		19,858	1,319
Accrued profit on cash and cash equivalents		9,978	(14,285)
Impairment (gain)/ loss on Financings / loans and advances		(10,223)	(32,807)
		<u>104,191</u>	<u>(186,139)</u>
Increase / decrease in operating assets and liabilities:			
Murabaha receivables / loan and advances		59,145	102,664
Other assets		(779,320)	(977,339)
Current Accounts from customers		(3,863,454)	(5,985,904)
Unrestricted Investment Account Holders		2,564,040	3,222,337
Short term financing - Shuaa Capital		27,100	-
Deposit from banks		-	(904,333)
Other liabilities		221,798	137,921
		<u>(1,666,500)</u>	<u>(4,590,793)</u>
Income tax paid		-	-
<b>Net cashflow (used in) operating activities</b>		<u>(1,666,500)</u>	<u>(4,590,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments - Net of Profits	7	(758,553)	3,431,797
Investment in Real Estate / Non-current assets exchange fluctuation		-	-
Acquisition of property and equipment - net of adjustment		(19,850)	(11,481)
<b>Net cashflow (used in) / generated from investing activities</b>		<u>(778,403)</u>	<u>3,420,316</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of share capital		-	-
<b>Net cashflow (used in) / generated from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		(2,444,903)	(1,170,477)
Cash and cash equivalents at beginning of the period		12,480,342	7,722,538
<b>Cash and cash equivalents at the end of the period</b>	5	<u>10,035,439</u>	<u>6,552,061</u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Finance Officer



**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

---

**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 Mudarabah 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, 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 condensed interim 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.

**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:



**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

- 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.

	Note	30-Jun-19 ..... Afn '000' .....	31-Dec-18
<b>5 Cash and cash equivalents</b>			
Cash in hand	5.1	3,247,545	3,349,446
Balances with banks:			
Balances with Da Afghanistan Bank		2,695,686	3,932,276
Required reserve accounts	5.2	1,219,628	1,064,852
Balances with other banks and Financial Institution	5.3	2,872,580	4,133,768
		6,787,894	9,130,896
		10,035,439	12,480,342
5.1 Cash in hand			
Local currency		1,157,497	1,482,585
Foreign currency		2,090,048	1,866,861
		3,247,545	3,349,446
5.2 Required reserve account is being maintained with DAB which is denominated in respective currencies to meet minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking.			
5.3 Balances with other banks			
Aktif Bank		503,280	385,694
Yinzhou Bank		1	1
Development Credit Bank Ltd		10,034	14,647
BMCE Bank		894,475	2,191,325
Yes Bank		8,997	5,060
Pashtany Bank		300,001	300,001
Nurol Bank		454,749	383,823
Transkapital Bank		81,439	286,068
Daman Investments		7,354	183,989
Shuaa Capital		612,250	383,160
		2,872,580	4,133,768

## ISLAMIC BANK OF AFGHANISTAN

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

[illegible]



**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

**7 Investments:**

	Jointly Financed		Self Financed		Gross Amount	
	30-Jun-2019	31-Dec-2018	30-Jun-2019	31-Dec-2018	30-Jun-2019	31-Dec-2018
..... Afn '000' .....						
7.1 Investment in securities - Held to Maturity						
Quoted Securities:						
Corporate Sukuk	908,500	706,289	-	-	908,500	706,289
Government Sukuk	929,748	432,307	-	-	929,748	432,307
	1,838,248	1,138,596	-	-	1,838,248	1,138,596
7.2 Other investments						
Investment in equity instrument - Afghanistan						
Payment System	-	-	16,888	16,888	16,888	16,888
Money Market Fund	752,238	693,337	-	-	752,238	693,337
	752,238	693,337	16,888	16,888	769,126	710,225
	2,590,486	1,831,933	16,888	16,888	2,607,374	1,848,821

**8 Investments 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.

**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	30-Jun-19	31-Dec-18
	..... Afn '000' .....	.....
<b>9 Other assets</b>		
Prepayments	101,741	97,953
Security deposit	-	1,500
Advance income tax	159,205	168,496
Western union - In bound balance	597,924	44,278
Murabaha profit receivable / Accrued Profit	127,877	42,134
Advance Against Murabaha	-	1,600
Advance against capital expenditure	472,381	140,699
Others	546,459	729,607
	<u>2,005,587</u>	<u>1,226,267</u>
<b>10 Current accounts and Equity of un-restricted investment account holders</b>		
10.1 Current and saving accounts from customers		
Demand / Current account	5,377,438	9,138,232
Deposits against financial commitments	1,821,885	1,924,545
	<u>7,199,323</u>	<u>11,062,777</u>
10.2 Equity of un-restricted investment account holders		
Mudarabah saving deposits	5,093,186	4,214,251
Mudarabah fixed deposits	1,685,105	-
	<u>6,778,291</u>	<u>4,214,251</u>
Total deposits from customers and equity of un-restricted investment account holders	<u>13,977,614</u>	<u>15,277,028</u>
<b>11 Other liabilities</b>		
Withholding tax payable	35,240	20,357
Creditors and accruals	279,659	272,780
Profit payable	13,856	1,008
Deferred income	10,416	2,582
Provision for off-Balance Sheet Commitments	-	27,801
Cash Cover Account	11.1 172,026	-
Others	72,419	37,290
	<u>583,616</u>	<u>361,818</u>
11.1 On instruction of DAB, bank has opened a cash cover account where DAB transferred Margin Money of a Customer, who is availing Forward Letter of Credit facility from the Islamic Bank.		
<b>12 SHARE CAPITAL</b>		
<i>Authorized</i>		
250,000 ordinary shares of Afs 10,000 each	<u>2,500,000</u>	<u>2,500,000</u>
<i>Issued and paid up</i>		
1,775,000 ordinary shares (2018: 1,775,000) of Afs 10,000 each	<u>1,775,000</u>	<u>1,775,000</u>



**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

		Number of shares	
		30-Jun-19	31-Dec-18
12.1	Following is the reconciliation of number of shares:		
	Number of shares at beginning of the period / year	177,500	172,500
	Shares issued during the period / year	-	5,000
	Number of shares at end of the period / year	177,500	177,500

..... Afn '000' .....

12.2	Following is the reconciliation of amount of share capital:		
	Share capital at beginning of the period / year	1,775,000	1,725,000
	Shares issued during the period / year	-	50,000
	Share capital at end of the period / year	1,775,000	1,775,000

**13 CONTINGENCIES AND COMMITMENTS**

	Guarantees and Letter of credit issued on behalf of customers	4,477,742	4,945,271
--	---	-----------	-----------

- 13.1 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**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

	30-Jun-19 ..... Afn '000' .....	30-Jun-18 .....
<b>14 Deferred sales and diminishing musharaka rentals</b>		
Deferred sales and diminishing musharaka rentals		
Unearned murabaha income	70,679	24,547
Diminishing musharaka rentals	12,386	-
	<u>83,065</u>	<u>24,547</u>
<b>15 Interest income*</b>		
Cash and cash equivalents	-	5,467
Loans and advances	-	22,493
	<u>-</u>	<u>27,960</u>
<b>16 Profit on investments</b>		
Return on Sukuk - Sovereign Guaranteed	14,418	-
Return on Sukuk - Corporate	28,917	-
Return on Placements and ICD Money Market fund	12,657	10,177
Return on Placements (Commodity Murabaha & Wakalah)	25,920	-
	<u>81,912</u>	<u>10,177</u>
<b>17 Return on unrestricted investment accounts</b>		
Profit payment on saving accounts	86,935	15,411
Return on Shuaa Capital Placement	8,619	-
	<u>95,554</u>	<u>15,411</u>
<b>18 Administrative and general expenditures</b>		
Salaries and wages	135,923	129,859
Staff welfare	17,242	19,186
Repair and maintenance	16,195	17,228
Travelling expense	5,529	7,058
Advertising and publicity	40,491	54,131
Operating Lease	45,244	40,429
Printing and stationery	9,955	23,138
Communication	1,948	2,121
Internet and connectivity	9,410	10,055
Electricity and power	17,984	20,699
Office supplies	2,392	1,886
Security expenses	66,932	84,929
Audit fee	1,199	158
Legal and professional charges	5,630	4,958
Postage and courier	47	28
Software maintenance fee	2,452	2,584
Deposit insurance premium	10,477	552
Others	18,911	29,162
	<u>407,961</u>	<u>448,161</u>



**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2019**

**19 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 i.e. 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

The Bank's regulatory capital position at 30 June 2019 was as follows:

	<u>30-Jun-19</u>	<u>31-Dec-2018</u>
	<u>..... Afn '000' .....</u>	
<b>Tier 1 capital</b>		
Total equity capital	1,309,446	1,264,495
Less: Intangible assets	(316,607)	(334,483)
Less: Deferred tax assets	(99,041)	(110,279)
Less: Profit during the period / year	(44,951)	(66,704)
<b>Total tier 1 (core) capital</b>	<u>848,848</u>	<u>753,029</u>
<b>Tier 2 capital</b>		
Add: Profit for the period / year	44,951	66,704
	<u>44,951</u>	<u>66,704</u>
Less: Equity Investment	16,888	16,888
<b>Total regulatory capital</b>	<u>876,911</u>	<u>802,845</u>

**20 Related Parties Transactions**

**Ultimate controlling party**

The bank is wholly owned subsidiary of Azizi Bank.

**Transactions with key management personnel**

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

	<u>..... Afn '000' .....</u>	
Short-term benefits paid	9,109	30,133

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

**21 Date of Authorization**

These condensed interim financial statements were authorized for issue by the Board of Supervisors on \_\_\_\_\_ 2019.

  
Chairman

  
Chief Executive Officer

  
Chief Finance Officer