

Islamic Bank of Afghanistan

Kabul, Afghanistan

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

For the Quarter ended March 31, 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 **March 31, 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 three-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 March 31, 2023, and of its financial performance and its cash flows for the three-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 three-month period ended 31 March 2022 were reviewed by another auditor who expressed unmodified review conclusion on the condensed interim financial statements for the three-month period ended 31 March 2022 on 29 June 2022.

Lynx Eyed Chartered Accountants

An independent member firm of Morison Global
Kabul, Afghanistan



ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	Note	Un-Audited 31-Mar-23	Audited 31-Dec-22
		-----	Afn -----
ASSETS			
Cash and cash equivalents	3	2,725,611	3,055,032
Islamic Financings and Related Assets	4	414,908	434,977
Investments	5	167,160	169,478
Property and equipment	6	367,738	374,224
Intangible assets	7	68,465	90,111
Investment in Real Estate	8	101,985	102,731
Deferred tax asset	9	65,198	65,198
Other assets	10	4,527,918	4,258,229
Total assets		8,438,983	8,549,980
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Current Account from customers	11	2,906,813	2,912,692
Other liabilities	12	609,825	666,513
Total liabilities		3,516,638	3,579,205
Equity of Unrestricted Investment Account Holders	11	3,437,566	3,498,131
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(290,221)	(302,356)
Total Owner's equity		1,484,779	1,472,644
Total Liabilities, Equity of Investment Account holders and Owners' Equity		8,438,983	8,549,980

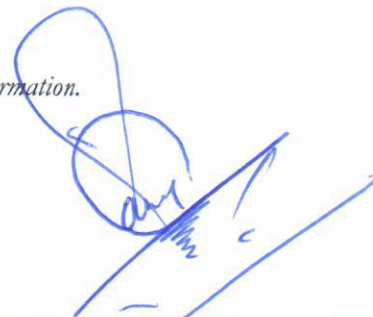
CONTINGENCIES AND COMMITMENTS

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 THREE-MONTH PERIOD ENDED MARCH 31, 2023

		31-Mar-23	31-Mar-22
	Note	----- AFN 000 -----	
Deferred Sales and Diminishing Musharaka rentals	15	561	7,566
Profit on investment	16	636	34,938
Return on unrestricted investment accounts	17	-	(64,597)
Bank share as Mudarib		1,197	(22,093)
Revenue from banking services / Fee and commission income	18	36,236	245
Expense on banking services / Fee and commission expense	19	(189)	(13,608)
Net fee and commission income		36,047	(13,363)
Foreign exchange gain / (loss)		10,599	58,925
Other non-operating Income		78,974	27,730
Total Bank Revenue / Operating income		126,817	51,199
Administrative and general expenses	20	(87,436)	(131,781)
Depreciation	6	(6,520)	(13,223)
Amortization	7	(21,645)	(21,258)
Impairment re-integration/provision - net		919	(1,248)
Total Operating Expenses		(114,682)	(167,510)
Profit before taxation		12,135	(116,311)
Taxation			
Deferred			
Profit for the period		12,135	(116,311)
Other comprehensive income		-	-
Total comprehensive income for the period		12,135	(116,311)

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



Chief Executive Officer



Chief Financial Officer

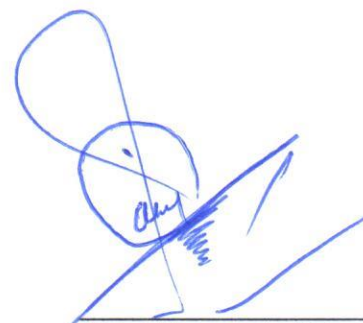
ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Share Capital	Retained Earnings	Total
	..... Afn '000'		
Balance as at December 31, 2021 - audited	1,775,000	(73,700)	1,701,300
Net profit for the three-month period ended	-	(116,311)	(116,311)
Ordinary shares Issued	-	-	-
Balance as at March 31, 2022 - un-audited	<u>1,775,000</u>	<u>(190,011)</u>	<u>1,584,989</u>
Balance as at December 31, 2022 - audited	1,775,000	(302,356)	1,472,644
Net profit for the three-month period ended	-	12,135	12,135
Ordinary shares Issued	-	-	-
Balance as at March 31, 2023 - un-audited	<u>1,775,000</u>	<u>(290,221)</u>	<u>1,484,779</u>

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



Chief Executive Officer

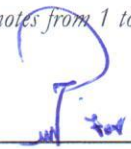


Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Note	31-Mar-23 Afn '000'	31-Mar-22
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,135	(116,311)
Adjustments for:			
Depreciation		6,520	13,223
Amortization		21,645	21,258
Accrued profit on cash and cash equivalents		(6,365)	-
Impairment (re-integration)/ loss on Financings		(919)	1,248
		<u>33,016</u>	<u>(80,582)</u>
Increase / decrease in operating assets and liabilities:			
Murabaha receivables / loan and advances		20,988	52,580
Receivable from financial institutions		-	1,768,314
Other assets		(263,324)	(171,971)
Current Accounts from customers and unrestricted funds		(66,444)	(4,957,063)
Other liabilities		(56,688)	(65,057)
		<u>(332,452)</u>	<u>(3,453,779)</u>
Net cash generated from operating activities			
Tax adjustment		-	-
Net cash generated from operating activities		<u>(332,452)</u>	<u>(3,453,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - Net of Profits		2,318	10,408,734
Investment in Real Estate / Non-current assets exchange fluctuation		746	6,927
Acquisition of property and equipment - net of adjustment		(34)	(4,177)
Acquisition of intangible assets		-	534
Net cash used in investing activities		<u>3,030</u>	<u>10,412,018</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		-	-
Due to financial institutions		-	(7,647,911)
Net cash used in / generated from financing activities		<u>-</u>	<u>(7,647,911)</u>
Net increase in cash and cash equivalents		<u>(329,421)</u>	<u>(689,672)</u>
Cash and cash equivalents at beginning of the period		<u>3,055,032</u>	<u>5,848,851</u>
Cash and cash equivalents at the end of the period	3	<u><u>2,725,611</u></u>	<u><u>5,159,179</u></u>

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
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

1. STATUS AND NATURE OF OPERATIONS

Islamic Bank of Afghanistan (formerly Bakhtar Bank) ("the Bank") is wholly owned subsidiary of Azizi Bank, Kabul Afghanistan. The Bank has been licensed for Islamic Banking activities by Da Afghanistan Bank (DAB) ("the Central Bank of Afghanistan"). The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The principal activities of the Bank are taking demand, saving and investment accounts, providing Murabaha, Ijara, Diminishing Musharaka and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The registered office of the Bank is located at Malalai Zezhantoon Square, 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 45 Branches and 01 cash counter.

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 three-month period ended 31 March 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 three-month period ended 31 March 2022.

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Note	31-Mar-23 Afn '000'	31-Dec-22
3 CASH AND CASH EQUIVALENTS			
Cash in hand			
Local currency		324,700	229,423
Foreign currency		419,268	276,600
		743,968	506,023
Balances with banks:			
Balances with Da Afghanistan Bank	3.1	961,246	892,534
Balances with other banks	3.2	1,020,397	1,656,475
		1,981,643	2,549,009
		2,725,611	3,055,032
3.1 Balances with Da Afghanistan Bank			
Current account			
Local currency		181,808	132,567
Foreign currency		779,438	759,967
		961,246	892,534
3.2 Balances with other banks			
Abu Dhabi Islamic Bank		214,453	400,467
Aktif Bank - Turkey CA		25,291	25,638
Al Salam Bank Bahrain B.S.C		501,404	917,587
Bank of Africa Europe SA		90,098	91,504
CSC Bank - Lebanon		2,802	2,840
HDFC Bank - India		211	213
Nurol Bank		86,209	119,966
Qatar National Bank		4,913	4,981
Reyl Finance (MEA) Limited		5,771	5,935
Transkapital Bank		11,087	11,246
Vakif Katilim Bankasi		59,351	60,180
Yes Bank India		17,041	15,917
Yinzhou Bank		1	1
Axi Trader Limited		1,766	-
		1,020,398	1,656,475

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

4 ISLAMIC FINANCINGS AND RELATED ASSETS

Financing - at amortized cost

4.1

	Note	31-Mar-2023 Afn '000'	31-Dec-2022
	4.1	414,908	434,977
		Impairment allowance	Carrying amount
	31 March 2023		
..... Afn '000'	..... Afn '000'		
Islamic Financing			
Murahaba receivables	-	47,087	288,397
Diminishing musharaka	-	-	126,511
	-	47,087	414,908

31 December 2022

..... Afn '000'	..... Afn '000'
Islamic Financing	
Murahaba receivables	48,531
Diminishing musharaka	-
	48,531

4.2 Movement in Impaired Islamic Financing and Related Assets

Opening balance
Charged for the period/year
Reversal during the period/year
Closing balance

	31-Mar-2023 Afn '000'	31-Dec-2022
	48,531	56,785
	-	-
	(1,444)	(8,254)
	47,087	48,531

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.

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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 institutions are hopeful 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

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 THREE-MONTH PERIOD ENDED MARCH 31, 2023

5 INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	31-Mar-2023	31-Dec-2022	31-Mar-2023	31-Dec-2022	31-Mar-2023	31-Dec-2022
Investment in securities - Held to Maturity						
Quoted Securities:						
Corporate Sukuk	52,740	53,471	-	-	52,740	53,471
	52,740	53,471	-	-	52,740	53,471
Other investments						
Money Market Fund	114,420	116,007	-	-	114,420	116,007
	114,420	116,007	-	-	114,420	116,007
	167,160	169,478	-	-	167,160	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 THREE-MONTH PERIOD ENDED MARCH 31, 2023

	Note	Un-audited 31 March 2023.....AFN '000'	Audited 31 December 2022
6 PROPERTY AND EQUIPMENT			
Cost:			
Opening balance		891,850	900,053
Addition during the period / year		58	2,467
Adjustments to the assets held for capitalization		(24)	(10,670)
Closing balance		<u>891,884</u>	<u>891,850</u>
Accumulated depreciation			
Opening balance		517,625	481,254
Depreciation charged during the period/year		6,520	36,371
Closing balance		<u>524,146</u>	<u>517,625</u>
Net book value		<u>367,738</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		21,645	86,659
Closing Balance		<u>287,132</u>	<u>265,486</u>
Net book value		<u>68,465</u>	<u>90,111</u>

609

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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.

9 DEFERRED TAX ASSET

	<u>31-Mar-23</u>	<u>31-Dec-22</u>
	..... Afn '000'	
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	29,209	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	539,443	440,892
Advance income tax	151,762	151,762
Western union - In bound balance	720,186	528,975
Money Gram Incorporation - Imprest and Settlements	19,048	11,211
Ria - Imprest and Settlements	21,819	11,933
Murabaha profit receivable / Accrued Profit	150,216	156,581
Receivable from Afghan Payment System	275	3,210
Marked to market and trading foreign exchange gain/(loss)	2,132,013	2,132,013
Others	413,018	440,387
	<u>4,527,918</u>	<u>4,258,229</u>

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	31-Mar-23	31-Dec-22
	..... Afn '000'	
11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Customer deposits - current accounts		
Demand / Current account	1,472,411	1,502,732
Deposits against financial commitments	1,434,402	1,409,960
	2,906,813	2,912,692
Equity of un-restricted investment account holders		
Mudarabah saving deposits	3,437,566	3,498,131
	3,437,566	3,498,131
Total deposits from customers and equity of un-restricted investment account holders	6,344,379	6,410,823
	31-Mar-23	31-Dec-22
	..... Afn '000'	
12 OTHER LIABILITIES		
Withholding tax payable	5,942	32,805
Creditors and accruals	368,417	318,958
Deferred income	9,453	9,357
deferred tax liabilities	29,867	29,867
Others	196,146	275,526
	609,825	666,513
13 SHARE CAPITAL		
<i>Authorized</i>		
250,000 ordinary shares of Afn 10,000 each	2,500,000	2,500,000
<i>Issued and paid up</i>		
1,775,000 ordinary shares (2022: 1,775,000) of Afn 10,000 each	1,775,000	1,775,000
	Number of shares	
	31-Mar-23	31-Dec-22
13.1 Following is the reconciliation of number of shares:		
Number of shares at beginning of the period/year	1,775,000	1,775,000
Shares issued during the period/year	-	-
Number of shares at end of the period/year	1,775,000	1,775,000
	31-Mar-23	31-Dec-22
	..... Afn '000'	
13.2 Following is the reconciliation of amount of share capital:		
Share capital at beginning of the period / year	1,775,000	1,775,000
Shares issued during the period / year	-	-
Share capital at end of the period / year	1,775,000	1,775,000
14 CONTINGENCIES AND COMMITMENTS		
Guarantees and Letter of credit issued on behalf of customers	7,622,090	7,769,504

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ISLAMIC BANK OF AFGHANISTAN

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

- 14 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
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	31-Mar-23	31-Mar-22
	..... Afn '000'	.....
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Unearned murabaha income	428	5,423
Diminishing musharaka rentals	133	2,143
	<u>561</u>	<u>7,566</u>
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	636	18,482
Return on Sukuk - Corporate	-	16,456
	<u>636</u>	<u>34,938</u>
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	-	41,478
Profit payment on fixed deposit accounts	-	23,119
	<u>-</u>	<u>64,597</u>
18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME		
Commission income	14,845	105
Account servicing fee	21,391	140
	<u>36,236</u>	<u>245</u>
19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE		
Inter-bank transaction fees	189	13,608
	<u>189</u>	<u>13,608</u>

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

	31-Mar-23	31-Mar-22
	..... Afn '000'	
20 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	38,049	63,682
Staff welfare	3,839	6,277
Repair and maintenance	1,931	6,421
Travelling expense	508	1,344
Advertising and publicity	1,211	1,983
Operating Lease	10,441	20,414
Printing and stationery	2,480	2,509
Communication	217	491
Internet and connectivity	2,497	3,529
Electricity and power	6,812	7,088
Office supplies	457	602
Security expenses	10,865	9,067
Audit fee	2,392	1,150
Legal and professional charges	(14)	61
Software maintenance fee	2,518	(441)
Deposit insurance premium	2,111	4,078
Others	1,122	3,526
	<u>87,436</u>	<u>131,781</u>

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 31 March 2023	Un-Audited 31 March 2022
	..... AFN '000'	
Short term employee benefits	<u>1,148</u>	<u>2,343</u>

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

	Un-Audited 31 March 2023	Audited 2022
	..... AFN '000'	
Performance guarantee - Azizi Bank	<u>40,000</u>	<u>40,000</u>
Performance guarantee given to - Azizi Bank	<u>285,064</u>	<u>285,064</u>

122

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

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 31 March 2023 was as follows:

	31 March 2023	31 December 2022
	..... AFN	
Tier 1 capital		
Total equity capital	1,484,779	1,472,644
Less: Intangible assets	(68,465)	(90,111)
Less: Deferred tax assets	(65,198)	(65,198)
Less: Profit during the period/year	(12,135)	-
Total tier 1 (core) capital	1,338,981	1,317,335
Tier 2 capital		
Add: Profit for the period/year	12,135	-
	12,135	-
Less: Equity Investment	-	-
Total regulatory capital (Tier 1 and Tier 2)	1,351,116	1,317,335
Total risk-weighted assets	6,348,562	6,358,559
Tier 1 capital ratio	21.09%	20.72%
Regulatory capital ratio	21.28%	20.72%

23 CORRESPONDING FIGURES

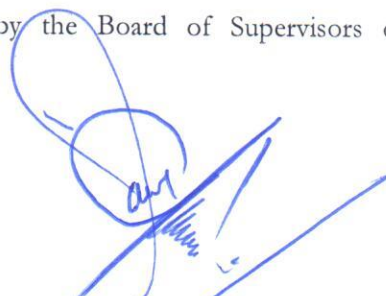
Corresponding figures have been reclassified / re-arranged where necessary to facilitate comparison in the presentation in the current year. However, there were no major/material reclassifications to report in these financial statements.

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