

Islamic Bank of Afghanistan
Condensed Interim Financial Statements
Along with Accompanying
For the Nine-Month Period Ended as at
September 30, 2022

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 **September 30, 2022**, 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 nine-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) 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) and specifically with the International Accounting Standard (IAS) 34, Interim Financial Statements issued by International Accounting Standards Board (IASB) 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. 5.3 and 6.2 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 these matter.

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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 September 30, 2022, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the International Financial Reporting Standards (IFRS) and specifically with the International Accounting Standard (IAS) 34, Interim Financial Statements issued by International Accounting Standards Board (IASB), 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).

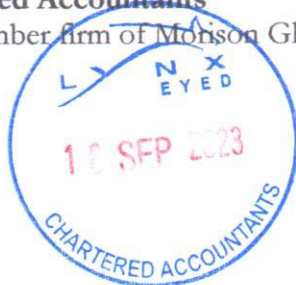
Other Matter

The condensed interim financial statements for the nine months ended 30 September 2021 and the financial statements for the year ended 31 December 2021 were reviewed and audited, respectively, by another auditor who expressed unmodified review conclusion on the condensed interim financial statements for the nine months ended 30 September 2021 on 14 November 2021 and unmodified audit opinion on the financial statements for the year ended 31 December 2021 on 18 May 2021.

Lynx Eyed Chartered Accountants.

Lynx Eyed Chartered Accountants

An independent member firm of Morison Global
Kabul, Afghanistan



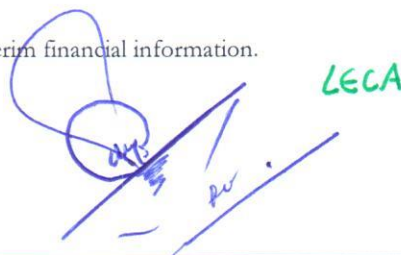
ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022

		Un-Audited 30 September 2022	Audited 31 December 2021
	Note	----- AFN '000' -----	
ASSETS			
Cash and bank balances	3	3,300,628	7,166,688
Due from financial institutions	4	-	1,000,000
Islamic financings	5	472,801	595,061
Investments	6	170,959	10,531,684
Property and equipment	7	393,161	418,798
Intangible assets	8	111,331	176,344
Investment in real estate	9	103,208	112,920
Deferred tax asset	10	65,198	65,198
Other assets	11	4,322,471	3,759,619
Total Assets		8,939,757	23,826,312
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Current Liabilities			
Current account from customers	12	3,081,772	5,544,497
Short term placements from financial institution	13	-	7,647,911
Other liabilities	14	617,573	657,029
		29,867	29,867
Total Liabilities		3,729,212	13,879,304
Equity of Unrestricted Investment Account Holders	15	3,728,310	8,245,708
		3,728,310	8,245,708
Owner's Equity			
Share capital	16	1,775,000	1,775,000
Retained earnings		(292,765)	(73,700)
Total Owner's equity		1,482,235	1,701,300
Total Liabilities, Equity of Investment Accountholders and Owners' Equity		8,939,757	23,826,312
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes from 1- 27 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

		Nine months ended September 30, 2022	Nine months ended September 30, 2021	Quarter ended September 30, 2022	Quarter ended September 30, 2021
Note		----- AFN '000' -----			
Deferred sales and diminishing musharaka rentals	18	11,450	37,359	(294)	14,785
Profit on investment	19	35,549	294,829	610	95,707
Return on unrestricted investment accounts	20	(48,428)	(175,273)	(3,830)	(57,286)
Bank share as Mudarib		(1,429)	156,915	(3,514)	53,206
Revenue from banking services	21	8,144	78,439	7,609	10,412
Expense on banking services	22	(16,015)	(28,813)	(1,167)	(10,037)
Net fee and commission income		(7,871)	49,626	6,442	375
Foreign exchange gain / (loss)		119,124	610,877	12,817	280,847
(Loss) / gain on disposal of investments		(199)	84,879	(199)	84,879
Other non-operating Income		97,830	106,829	38,436	(62,627)
Total Bank Revenue / Operating income		207,455	1,009,126	53,982	356,680
Administrative and general expenses	23	(333,105)	(699,720)	(92,586)	(221,464)
Depreciation		(29,638)	(44,897)	(3,664)	(15,307)
Amortization		(63,777)	(63,777)	(21,259)	(21,259)
Total Operating Expenses		(426,520)	(808,394)	(117,509)	(258,030)
Provision for impairment - net	5.2	-	(27,602)	-	(23,682)
(Loss) / Profit before taxation		(219,065)	173,130	(63,527)	74,968
Provision for taxation		-	(34,626)	-	(14,091)
(Loss) / Profit for the period		(219,065)	138,504	(63,527)	60,877
Other Comprehensive Income		-	-	-	-
Total comprehensive (loss) / income for the period		(219,065)	138,504	(63,527)	60,877

Earning/ (loss) per share (AFN)

(123.42)

13.14

(35.79)

6.49

The annexed notes from 1- 27 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 CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Share Capital	Retained Earnings	Total
	..... AFN '000'		
Nine month-period ended September 30, 2021			
Balance as at January 01, 2021 - Audited	1,775,000	(241,337)	1,533,663
Comprehensive income:			
Profit for the period - Unaudited	-	138,504	138,504
Transactions with owners:			
Ordinary shares Issued - Unaudited	-	-	-
Balance as at September 30, 2021 - Unaudited	1,775,000	(102,833)	1,672,167
Nine month-period ended September 30, 2022			
Balance as at January 01, 2022 - Audited	1,775,000	(73,700)	1,701,300
Comprehensive income:			
Loss for the period - Unaudited	-	(219,065)	(219,065)
Transactions with owners:			
Ordinary shares Issued - Unaudited	-	-	-
Balance as at September 30, 2022 - Unaudited	1,775,000	(292,765)	1,482,235

The annexed notes from 1- 27 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 (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Un-Audited Nine months ended September 30, 2022	Audited Nine months ended September 30, 2021
Note	..... AFN	'000'
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(219,065)	173,130
Adjustments for:		
Depreciation	29,638	44,897
Amortization	63,777	63,777
Accrued profit on Islamic Financings and Related Assets	3,742	80,556
Impairment loss on Financings	7,833	27,602
	(114,075)	389,962
Increase / decrease in operating assets and liabilities:		
Islamic Financings and Related Assets	114,427	(126,994)
Due from financial institutions	1,000,000	(1,372,194)
Other assets	(566,594)	394,059
Unrestricted Investment Account Holders	(4,517,398)	(2,059,834)
Current Accounts from Customers	(2,462,725)	(4,857,813)
Short term financing	(7,647,911)	5,643,402
Other liabilities	(39,456)	229,451
	(14,233,732)	(1,759,961)
Tax adjustment	-	-
Net cash generated from operating activities	(14,233,732)	(1,759,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of Profits	10,360,725	(322,105)
Investment in Real Estate	9,712	(9,046)
Acquisition of property and equipment - net of adjustment	(2,765)	(16,304)
Acquisition of intangible assets - net of adjustment	-	(358)
Net cash used in investing activities	10,367,672	(347,813)
Net increase in cash and cash equivalents	(3,866,060)	(2,107,774)
Cash and cash equivalents at beginning of the period	7,166,688	11,720,429
Cash and cash equivalents at the end of the period	3,300,628	9,612,655

The annexed notes from 1- 27 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

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 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 nine months period ended 30 September 2022 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 2021.

Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2021 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 nine-month period ended 30 September 2021.

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

		Un-Audited 30 September 2022	Audited 31 December 2021
	Note	..... AFN '000'	
3 CASH AND BANK BALANCES			
Cash in hand			
Local currency		226,162	315,188
Foreign currency		251,691	429,327
		477,853	744,515
Balances with banks			
Balances with Da Afghanistan Bank	3.1	964,501	2,169,765
Balances with other banks	3.2	1,858,274	3,400,612
Balances with other financial institutions	3.3	-	851,796
		2,822,775	6,422,173
		3,300,628	7,166,688
3.1 Balances with Da Afghanistan Bank			
Current account			
Local currency		53,577	330,927
Foreign currency		910,924	1,838,838
		964,501	2,169,765
		964,501	2,169,765
3.2 Balances with other banks			
Al Salam Bank Bahrain B.S.C		659,588	9,487
Abu Dhabi Islamic Bank		449,857	211,116
Aktif Bank		25,862	30,429
AXI Trader Limited		-	249,440
Bank of Africa Europe SA		211,114	496,722
CSC Bank - Lebanon		2,910	18,621
HDFC Bank		220	6,111
Nurol Bank		220,077	14,210
Pashtany Bank		-	30,001
Qatar National Bank		5,037	111,173
Reyl Bank		4,697	186,599
Transkapital Bank		10,692	2,004,544
Vakif Katilim Bankasi		239,233	21,335
Yinzhou Bank		1	-
Yes Bank		28,986	10,823
		1,858,274	3,400,612
3.3 Balances with other financial institutions			
Shuaa Capital - UAE		-	58,099
Daman Investments - UAE		-	793,697
		-	851,796
4 DUE FROM FINANCIAL INSTITUTIONS			
Current accounts	4.1	-	1,000,000
		-	1,000,000
4.1 The Bank had entered into a memorandum of understanding effective January 07, 2021 with Pashtany Bank for back-to-back interest free deposit exchange arrangement whereby an amount of AFN 01 Billion was received by Pashtany Bank against a deposit of USD 12.5 Million made by Pashtany Bank with the Islamic Bank of Afghanistan (Repo transaction). These deposits were maintained for a period of one year.			

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

5 ISLAMIC FINANCINGS

Financing - at amortized cost

5.1	Islamic Financing	Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount	Note	Un-Audited 30 September 2022	Audited 31 December 2021

										31 December 2021
										Afn '000'
Islamic Financing										
	Murahaba receivables	388,810	388,810	-	48,952	339,858	518,902	56,785	462,117	
	Diminishing musharaka	132,943	132,943	-	-	132,943	132,944	-	132,944	
		521,753	521,753	-	48,952	472,801	651,846	56,785	595,061	

5.2 Movement in Impaired Islamic Financing

Opening balance	56,785	43,487
Charged for the period/year	-	-
Changes in exchange fluctuations	(7,833)	13,298
Closing balance	48,952	56,785

5.3 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 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.

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.

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

6 INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	Un-Audited 30 September 2022	Audited 31 December 2021	Un-Audited 30 September 2022	Audited 31 December 2021	Un-Audited 30 September 2022	Audited 31 December 2021
Note	..... AFN '000'					
Available for Sale						
Sovereign Sukuk	-	5,557,491	-	-	-	5,557,491
Corporate Sukuk	-	4,657,182	-	-	-	4,657,182
Revaluation gain / (loss)	-	179,327	-	-	-	179,327
	-	10,394,000	-	-	-	10,394,000
Held to Maturity						
Sovereign Sukuk	53,938	-	-	-	53,938	-
	53,938	-	-	-	53,938	-
Other investments						
Money Market Fund	53,938	10,394,000	-	-	53,938	10,394,000
	-	-	117,021	137,684	117,021	137,684
	-	-	117,021	137,684	117,021	137,684
	53,938	10,394,000	117,021	137,684	170,959	10,531,684

6.1 This investment is made for the period 2 years and six months (2021: 1 to 10 years) carrying coupon rate 4.489% (2021: 2.37% to 5.80%).

6.2 This represents the investment made through The ICD MMF Investment Agent Bank (the "Agent" or "Investtrade"), 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 5.3, no impairment provision is recognized in these financial statements.

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTH-PERIOD ENDED SEPTEMBER 30, 2022

	Un-Audited 30 September 2022	Audited 31 December 2021
	..... AFN	'000'
7 PROPERTY AND EQUIPMENT		
Gross carrying amount:		
Opening balance	900,053	876,895
Addition during the period / year	2,765	23,158
Closing balance	902,818	900,053
Accumulated depreciation:		
Opening balance	481,254	424,008
Depreciation charged during the year / period	29,638	57,246
Adjustments	-	-
Closing balance	509,657	481,254
Net book value	393,161	418,798
8 INTANGIBLE ASSETS		
Gross carrying amount:		
Opening balance	355,171	353,367
Addition during the period / year	-	1,804
Closing balance	355,171	355,171
Accumulated amortization:		
Opening balance	178,827	91,813
Amortization charged during the year / period	63,777	87,014
Adjustments	1,236	-
Closing balance	243,840	178,827
Net book value	111,331	176,344

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

9 INVESTMENT IN REAL ESTATE

During the year 2019 management has re-classified the Non-Current Asset Held for Sale to Investment in Real Estate on the basis of approval letter for full-fledge conversion to Islamic Bank, via Da Afghanistan Bank 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 September 2022	Audited 31 December 2021
	Note	..... AFN '000'	
10 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>
11 OTHER ASSETS			
Prepayments		29,539	55,227
Security deposit		9,927	8,639
Advance income tax		151,762	151,762
Margin Deposit against Performance Guarantee - Pashtany Bank	11.1	350,001	-
Required Reserve - Da Afghanistan Bank	11.2	460,607	1,008,029
Western Union - Imprest and Settlements		508,056	217,929
Money Gram Incorporation - Imprest and Settlements		11,171	11,161
Ria - Imprest and Settlements		30,794	-
Murabaha and Diminishing Musharika profit receivable		149,433	153,175
Receivable from Afghanistan Payments System		2,935	8,063
Marked to Market and Trading Foreign Exchange Gain / (Loss)		2,132,013	1,565,881
Others		486,233	579,753
		<u>4,322,471</u>	<u>3,759,619</u>

11.1 This shows the deposit against the performance guarantee in favour of Da Afghanistan Breshna Shirkat against electricity bill collections issued on 13/8/1398 (22 October 2019) having expiry date of 12/8/1403 (20 October, 2024).

11.2 This represents the required reserve amount maintained with Da Afghanistan Bank in Afghanis, Dollar and Euro currencies to meet minimum reserve requirement in accordance with Article 64 "Required Reserve for Banks" of Da Afghanistan Bank Law". This carries no interest.

12 CUSTOMER DEPOSITS - CURRENT ACCOUNTS

Demand / Current account	1,772,929	4,379,969
Deposits against Financial Commitments	1,308,843	1,164,528
	<u>3,081,772</u>	<u>5,544,497</u>

13 SHORT TERM PLACEMENTS FROM FINANCIAL INSTITUTIONS

The Bank obtained secured placement for short term basis at the rate of 3 months LIBOR + 1.10% per annum in the year 2021 which has been ended during this year.

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Un-Audited 30 September 2022	Audited 31 December 2021
	..... AFN '000'	
14 OTHER LIABILITIES		
Withholding tax payable	31,524	33,059
Creditors and accruals	326,890	370,832
Deferred income	16,575	22,967
Others	242,584	230,171
	<u>617,573</u>	<u>657,029</u>
15 EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Mudarabah Saving Deposits - Customers	3,678,777	7,682,683
Wakala Deposits - Customers	33,103	563,024
Wakala Deposits - Financial Institutions	16,430	22,561
	<u>3,728,310</u>	<u>8,268,268</u>
16 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 (2019: 1,775,000) of Afn 10,000 each	<u>1,775,000</u>	<u>1,775,000</u>

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Un-Audited 30 September 2022	Audited 31 December 2021
	..... AFN '000'	
17 CONTINGENCIES AND COMMITMENTS		
Guarantees and Letter of credit issued on behalf of customers	<u>7,652,328</u>	<u>7,630,995</u>
17.1 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.		
	Un-audited Nine months ended September 30, 2022	Un-audited Nine months ended September 30, 2021
	..... AFN '000'	
18 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTAI		
Income from Murabaha/Wadiah	6,900	34,380
Income from Diminishing Musharaka/Wakala	<u>4,550</u>	<u>2,979</u>
	<u>11,450</u>	<u>37,359</u>
19 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	19,092	142,314
Return on Sukuk - Corporate	16,457	135,321
Return on Placements (Commodity Murabaha & Wakalah)	-	17,194
	<u>35,549</u>	<u>294,829</u>
20 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	25,308	136,555
Return on Shuaa Capital Borrowing	<u>23,120</u>	<u>38,718</u>
	<u>48,428</u>	<u>175,273</u>
21 REVENUE FROM BANKING SERVICES		
Commission income	4,871	77,451
Account servicing fee	<u>3,273</u>	<u>988</u>
	<u>8,144</u>	<u>78,439</u>
22 EXPENSE ON BANKING SERVICES		
Inter-bank transaction fees	<u>16,015</u>	<u>28,813</u>

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ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Un-audited Nine months ended September 30, 2022 AFN '000'	Un-audited Nine months ended September 30, 2021
23 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	165,978	257,834
Staff welfare	14,329	27,904
Repair and maintenance	10,424	23,684
Travelling expense	3,864	7,431
Advertising and publicity	2,464	70,543
Operating Lease	44,921	67,333
Printing and stationery	5,281	13,625
Communication	717	2,253
Internet and connectivity	7,383	19,550
Electricity and power	16,471	22,371
Office supplies	1,232	2,344
Security expenses	30,966	106,823
Audit fee	8,208	6,055
Legal and professional charges	531	6,014
Postage and courier	-	15
Software maintenance fee	(970)	15,482
Deposit insurance premium	10,067	26,544
Others	11,239	23,915
	<u>333,105</u>	<u>699,720</u>

24 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, except for the performance bank guarantee as disclosed below.

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 September 2022 Afn '000'	Un-Audited 30 September 2021
Short term employee benefits	<u>14,329</u>	<u>36,890</u>

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

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FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Un-Audited 30 September 2022	Audited 31 December 2021
	..... AFN	'000'
Performance guarantee taken from - Azizi Bank	40,000	40,000
Performance guarantee given to - Azizi Bank	285,064	285,064

25 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 September 2022 and 31 December 2021 was as follows:

	Un-Audited 30 September 2022	Audited 31 December 2021
	.....AFN	'000'
Tier 1 capital		
Total equity capital	1,482,235	1,701,300
Less: Intangible assets	(111,331)	(176,344)
Less: Deferred tax assets	(65,198)	(65,198)
Less: Profit during the period/year	-	(167,637)
Total tier 1 (core) capital	1,305,706	1,292,122
Tier 2 capital		
Add: Profit for the period/year	-	167,637
	-	167,637
Less: Equity Investment		
Total regulatory capital (Tier 1 and Tier 2)	1,305,706	1,459,759
Tier 1 capital ratio	20.37%	15.52%
Regulatory capital ratio	20.37%	17.54%

26 CORRESPONDING FIGURES

The corresponding figures in condensed interim financial information have been re-classified where necessary for better presentation.

27 AUTHORIZATION

These condensed interim financial statements were authorized for issue by the Board of Supervisors on _____ 2023.

Chief Executive Officer

Chief Financial Officer

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