

Islamic Bank of Afghanistan

Kabul, Afghanistan

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

For the Quarter ended September 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 **September 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 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) 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 September 30, 2023, and of its financial performance and its cash flows for the nine-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).

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

Lynx Eyed Chartered Accountants.



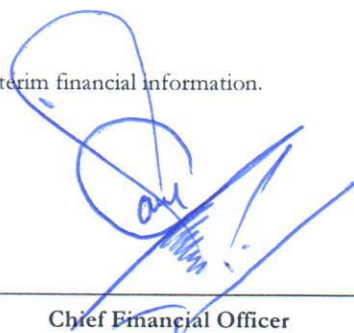
ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

		Un-Audited 30 September 2023	Audited 31 December 2022
	Note	----- AFN '000' -----	
ASSETS			
Cash and bank balances	3	3,216,291	3,055,032
Islamic financings	4	358,891	434,977
Investments	5	151,411	169,478
Property and equipment	6	347,795	374,224
Intangible assets	7	25,198	90,111
Investment in real estate	8	96,918	102,731
Deferred tax asset	9	65,198	65,198
Other assets	10	4,431,303	4,258,229
Total Assets		8,693,005	8,549,980
LIABILITIES, EQUITY OF INVESTMENT ACCONTHOLDERS AND OWNERS' EQUITY			
Current Liabilities			
Current account from customers	11	3,577,064	2,912,692
Other liabilities	12	440,706	636,646
		29,867	29,867
Total Liabilities		4,047,637	3,579,205
Equity of Unrestricted Investment Account Holders	0	3,122,234	3,498,131
		3,122,234	3,498,131
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained earnings		(251,866)	(302,356)
Total Owner's equity		1,523,134	1,472,644
Total Liabilities, Equity of Investment Accountholders and Owners' Equity		8,693,005	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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

		Nine months ended September 30, 2023	Nine months ended September 30, 2022	Quarter ended September 30, 2023	Quarter ended September 30, 2022
	Note	----- AFN '000' -----			
Deferred sales and diminishing musharaka rentals	15	1,291	11,450	179	(294)
Profit on investment	16	1,842	35,549	584	610
Return on unrestricted investment accounts	17	(25,606)	(48,428)	(21,424)	(3,830)
Bank share as Mudarib		(22,473)	(1,429)	(20,661)	(3,514)
Revenue from banking services	18	115,915	8,144	46,703	7,609
Expense on banking services	19	(4,815)	(16,015)	(3,637)	(1,167)
Net fee and commission income		111,100	(7,871)	43,066	6,442
Foreign exchange gain / (loss)		31,232	119,124	9,989	12,817
(Loss) / gain on disposal of investments		-	(199)	-	(199)
Other non-operating Income		218,339	97,830	69,930	38,436
Total Bank Revenue / Operating income		338,198	207,455	102,324	53,982
Administrative and general expenses	20	(247,320)	(333,105)	(74,707)	(92,586)
Depreciation		(18,293)	(29,638)	(5,557)	(3,664)
Amortization		(64,913)	(63,777)	(21,621)	(21,259)
Impairment provision/re-integration - net	4.2	42,818	-	40,405	-
Total Operating Expenses		(287,708)	(426,520)	(61,480)	(117,509)
(Loss) / Profit before taxation		50,490	(219,065)	40,844	(63,527)
Taxation		-	-	-	-
(Loss) / Profit for the period		50,490	(219,065)	40,844	(63,527)
Other Comprehensive Income		-	-	-	-
Total comprehensive (loss) / income for the period		50,490	(219,065)	40,844	(63,527)
Earning/ (loss) per share (AFN)		28.44	(123.42)	23.01	35.79

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

Chief Executive Officer

Chief Financial Officer

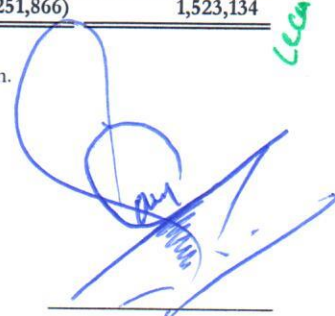
ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

	Share Capital	Retained Earnings	Total
	..... AFN '000'.....		
Nine month-period ended September 30, 2022			
Balance as at January 01, 2022 - Audited	1,775,000	(73,700)	1,701,300
Comprehensive income:			
Profit 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
Nine month-period ended September 30, 2023			
Balance as at January 01, 2023 - Audited	1,775,000	(302,356)	1,472,644
Comprehensive income:			
Loss for the period - Unaudited	-	50,490	50,490
Transactions with owners:			
Ordinary shares Issued - Unaudited	-	-	-
Balance as at September 30, 2023 - Unaudited	1,775,000	(251,866)	1,523,134

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



Chief Executive Officer




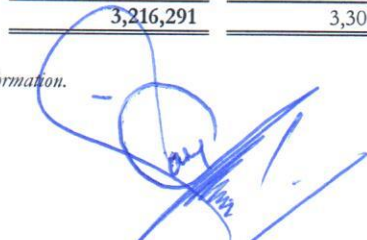
Chief Financial Officer

ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

	Un-Audited Nine months ended September 30, 2023	Audited Nine months ended September 30, 2022
Note	..... AFN	'000'
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	50,490	(219,065)
Adjustments for:		
Depreciation	18,293	29,638
Amortization	64,913	63,777
Accrued profit on Islamic Financings and Related Assets	10 11,373	3,742
Impairment loss on Financings	4.2 6,244	7,833
	151,313	(114,074)
Increase / decrease in operating assets and liabilities:		
Islamic Financings and Related Assets	69,842	114,427
Due from financial institutions	-	1,000,000
Other assets	(184,447)	(566,594)
Unrestricted Investment Account Holders	(375,897)	(4,517,398)
Current Accounts from Customers	664,372	(2,462,725)
Short term financing	-	(7,647,911)
Other liabilities	(195,940)	(39,456)
	129,243	(14,233,732)
Tax adjustment	-	-
Net cash generated from operating activities	129,243	(14,233,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of Profits	18,067	10,360,725
Investment in Real Estate	5,813	9,712
Acquisition of property and equipment - net of adjustment	8,136	(2,765)
Net cash used in investing activities	32,016	10,367,672
Net increase in cash and cash equivalents	161,259	(3,866,060)
Cash and cash equivalents at beginning of the period	3,055,032	7,166,688
Cash and cash equivalents at the end of the period	3,216,291	3,300,628

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 Zehzanton 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-month period ended 30 September 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.

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 nine-month period ended 30 September 2022.

Note	Un-Audited 30 September 2023		Audited 31 December 2022	
	..... AFN '000'			
3 CASH AND BANK BALANCES				
Cash in hand				
Local currency		313,949		229,423
Foreign currency		1,371,918		276,600
		1,685,867		506,023
Balances with banks				
Balances with Da Afghanistan Bank	3.1	1,085,628		892,534
Balances with other banks	3.2	444,795		1,656,475
		1,530,423		2,549,009
		3,216,291		3,055,032
3.1 Balances with Da Afghanistan Bank				
Current account				
Local currency		120,709		132,567
Foreign currency		964,919		759,967
		1,085,628		892,534
3.2 Balances with other banks				
Abu Dhabi Islamic Bank		107,548		400,467
Aktif Bank - Turkey CA		22,891		25,638
Al Salam Bank Bahrain B.S.C		150,909		917,587
Bank of Africa Europe SA		51,908		91,504
CSC Bank - Lebanon		2,538		2,840
HDFC Bank - India		186		213
Nurol Bank		26,231		119,966
Qatar National Bank		4,459		4,981
Reyl Finance (MEA) Limited		6,231		5,935
Transkapital Bank		9,958		11,246
Vakif Katilim Bankasi		13,833		60,180
Yes Bank India		8,427		15,917
Yinzhou Bank		1		1
Zhejiang choouzhou comercial Bank (China)		4,882		-
Banca Popolare Di Sondrio (Italy)		34,792		-
		444,795		1,656,475

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ISLAMIC BANK OF AFGHANISTAN

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4.2 Movement in Impaired Islamic Financing

Opening balance	48,531	56,785
Charged for the period/year	-	-
Exchange rate fluctuations	(6,244)	(8,254)
Closing balance	42,287	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.

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.

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

	Un-Audited	Audited
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 upill 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 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

5 INVESTMENTS

	Note	Jointly Financed		Self Financed		Gross Amount	
		Un-Audited 30 September 2023	Audited 31 December 2022	Un-Audited 30 September 2023	Audited 31 December 2022	Un-Audited 30 September 2023	Audited 31 December 2022
		..... AFN '000'					
Held to Maturity							
Sovereign Sukuk	5.1	47,771	53,471	-	-	47,771	53,471
		47,771	53,471	-	-	47,771	53,471
Other investments							
Money Market Fund	5.2	-	-	103,640	116,007	103,640	116,007
		-	-	103,640	116,007	103,640	116,007
		47,771	53,471	103,640	116,007	151,411	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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

	Un-Audited 30 September 2023	Audited 31 December 2022
	..... AFN '000'	
6 PROPERTY AND EQUIPMENT		
Gross carrying amount:		
Opening balance	891,850	900,053
Addition during the period / year	311	2,467
Adjustments to the assets held for capitalization	(8,446)	(10,670)
Closing balance	883,714	891,850
Accumulated depreciation:		
Opening balance	517,625	481,254
Depreciation charged during the year / period	18,293	36,371
Adjustments	-	-
Closing balance	535,919	517,625
Net book value	347,795	374,224
7 INTANGIBLE ASSETS		
Gross carrying amount:		
Opening balance	355,597	355,171
Addition during the period / year	-	426
Closing balance	355,597	355,597
Accumulated amortization:		
Opening balance	265,486	178,827
Amortization charged during the year / period	64,913	86,659
Closing balance	330,399	265,486
Net book value	25,198	90,111

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

8 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 up to 20% of its regulatory capital.

		Un-Audited 30 September 2023	Audited 31 December 2022
	Note	..... AFN	'000'
9 DEFERRED TAX ASSET			
Opening balance		65,198	65,198
Charged during the period / year		-	-
Reversal during the period / year		-	-
Closing balance		65,198	65,198
10 OTHER ASSETS			
Prepayments		30,014	30,336
Security deposit		928	928
Advance income tax		152,626	151,762
Margin Deposit against Performance Guarantee - Pashtany Bank	10.1	350,001	350,001
Required Reserve - Da Afghanistan Bank	10.2	599,258	440,892
Western Union - Imprest and Settlements		480,792	528,975
Money Gram Incorporation - Imprest and Settlements		87	11,211
Ria - Imprest and Settlements		52,104	11,933
Murabaha and Diminishing Musharika profit receivable		145,208	156,581
Receivable from Afghanistan Payments System		26,808	3,210
Marked to Market and Trading Foreign Exchange Gain / (Loss)		2,132,013	2,132,013
Others		461,463	440,387
		4,431,303	4,258,229

10.1 This shows the deposit against the performance guarantee in favor 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).

10.2 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.

	Un-Audited 30 September 2023	Audited 31 December 2022
	..... AFN	'000'
11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Customer deposits - current accounts		
Demand / Current account	1,863,733	1,502,732
Deposits against Financial Commitments	1,713,331	1,409,960
	3,577,064	2,912,692
Equity of un-restricted investment account holders		
Mudarabah Saving Deposits - Customers	3,099,991	3,465,476
Wakala Deposits - Customers	22,243	32,655
	3,122,234	3,498,131
Total deposits from customers and equity of un-restricted investment account holders	6,699,298	6,410,823

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

	Un-Audited 30 September 2023	Audited 31 December 2022
	..... AFN	'000'
12 OTHER LIABILITIES		
Withholding tax payable	1,177	32,805
Creditors and accruals	311,066	318,958
Deferred income	6,260	9,357
Others	122,203	275,526
	<u>440,706</u>	<u>636,646</u>

13 SHARE CAPITAL

Authorized

250,000 ordinary shares of Afn 10,000 each

2,500,000 2,500,000

Issued and paid up

1,775,000 ordinary shares (2022: 1,775,000) of Afn 10,000 each

1,775,000 1,775,000

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

	Un-Audited 30 September 2023	Audited 31 December 2022
	..... AFN '000'	
14 CONTINGENCIES AND COMMITMENTS		
Guarantees and Letter of credit issued on behalf of customers	<u>7,737,058</u>	<u>7,769,504</u>
14.1 On March 25, 2017 Da Afghanistan Bank had lien 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, 2023	Un-audited Nine months ended September 30, 2022
	..... AFN '000'	
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Income from Murabaha/Wadiah	754	6,900
Income from Diminishing Musharaka/Wakala	<u>537</u>	<u>4,550</u>
	<u>1,291</u>	<u>11,451</u>
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	1,842	19,092
Return on Sukuk - Corporate	<u>-</u>	<u>16,457</u>
	<u>1,842</u>	<u>35,549</u>
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	25,606	25,308
Return on Shuaa Capital Borrowing	<u>-</u>	<u>23,120</u>
	<u>25,606</u>	<u>48,428</u>
18 REVENUE FROM BANKING SERVICES		
Commission income	55,103	4,871
Account servicing fee	<u>60,812</u>	<u>3,273</u>
	<u>115,915</u>	<u>8,144</u>
19 EXPENSE ON BANKING SERVICES		
Inter-bank transaction fees	<u>4,815</u>	<u>16,015</u>

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

	Un-audited Nine months ended September 30, 2023	Un-audited Nine months ended September 30, 2022
	..... AFN '000'	
20 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries and wages	112,094	165,978
Staff welfare	10,241	14,329
Repair and maintenance	4,452	10,424
Travelling expense	507	3,864
Advertising and publicity	2,522	2,464
Operating Lease	32,179	44,921
Printing and stationery	7,427	5,281
Communication	378	717
Internet and connectivity	7,907	7,383
Electricity and power	16,252	16,471
Office supplies	864	1,232
Security expenses	30,129	30,966
Audit fee	7,347	8,208
Legal and professional charges	440	531
Postage and courier	70	-
Software maintenance fee	8,129	(970)
Deposit insurance premium	1,156	10,067
Others	5,227	11,239
	<u>247,320</u>	<u>333,105</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, 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 2023	Un-Audited 30 September 2022
	..... Afn '000'	
Short term employee benefits	<u>1,738</u>	<u>14,329</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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CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

	Un-Audited 30 September 2023	Audited 31 December 2022
	..... AFN '000'	
Performance guarantee taken from - 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 September 2023 and 31 December 2022 was as follows:

	Un-Audited 30 September 2023	Audited 31 December 2022
	.....AFN '000'	
Tier 1 capital		
Total equity capital	1,523,134	1,472,644
Less: Intangible assets	(25,198)	(90,111)
Less: Deferred tax assets	(65,198)	(65,198)
Less: Profit during the period/year	(50,490)	-
Total tier 1 (core) capital	1,382,248	1,317,335
Tier 2 capital		
Add: Profit for the period/year	50,490	-
	50,490	-
Less: Equity Investment		
Total regulatory capital (Tier 1 and Tier 2)	1,432,738	1,317,335
Total risk-weighted assets	4,696,357	6,358,559
Tier 1 capital ratio	29.43%	20.72%
Regulatory capital ratio	30.51%	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