

Islamic Bank of Afghanistan  
Kabul, Afghanistan  
Condensed Interim Financial Statements along  
with Accompanying Information  
For the period ended 31 March 2024

## 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, 2024**, 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, 2024, 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).

*Lynx Eyed Chartered Accountants*  
**Lynx Eyed Chartered Accountants**

An independent member firm of Morrison Global  
Kabul, Afghanistan



**ISLAMIC BANK OF AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2024**

	Note	Un-Audited 31-Mar-24	Audited 31-Dec-23
		----- AFN '000' -----	
<b>ASSETS</b>			
Cash and cash equivalents	3	3,377,066	3,273,562
Islamic Financings and Related Assets	4	274,090	343,373
Investments	5	138,321	135,035
Property and equipment	6	50,278	51,048
Intangible assets	7	95,441	107,660
Investment in Real Estate	8	92,707	91,650
Other assets	10	4,596,385	4,212,600
<b>Total assets</b>		<b>8,624,288</b>	<b>8,214,928</b>
<b>LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Current Account from customers	11	4,023,113	3,638,270
Other liabilities	12	80,774	65,695
<b>Total liabilities</b>		<b>4,103,887</b>	<b>3,703,965</b>
<b>Equity of Unrestricted Investment Account Holders</b>	11	<b>3,009,799</b>	<b>3,028,070</b>
<b>Owner's Equity</b>			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(264,398)	(292,107)
<b>Total Owner's equity</b>		<b>1,510,602</b>	<b>1,482,893</b>
<b>Total Liabilities, Equity of Investment Account holders and Owners' Equity</b>		<b>8,624,288</b>	<b>8,214,928</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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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, 2024**

		Quarter ended 31-Mar-24	Quarter ended 31-Mar-23
	Note	----- AFN 000 -----	
Deferred Sales and Diminishing Musharaka rentals	15	2,055	561
Profit on investment	16	528	636
Return on unrestricted investment accounts	17	(5,811)	-
<b>Bank share as Mudarib</b>		(3,228)	1,197
Revenue from banking services / Fee and commission income	18	45,707	36,236
Expense on banking services / Fee and commission expense	19	(840)	(189)
<b>Net fee and commission income</b>		44,867	36,047
Foreign exchange gain / (loss)		12,210	10,599
Other non-operating Income		85,951	78,974
<b>Total Bank Revenue / Operating income</b>		139,800	126,817
Administrative and general expenses	20	(92,889)	(87,436)
Depreciation	6	(5,866)	(6,520)
Amortization	7	(12,604)	(21,645)
Impairment re-integration/provision - net		(732)	919
<b>Total Operating Expenses</b>		(112,091)	(114,682)
<b>Profit before taxation</b>		27,709	12,135
<b>Taxation</b>			
Deferred			
<b>Profit for the period</b>		27,709	12,135
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		27,709	12,135

*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 THREE-MONTH PERIOD ENDED MARCH 31, 2024

	Share Capital	Retained Earnings	Total
	AFN '000'		
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	<u>1,775,000</u>	<u>(290,221)</u>	<u>1,484,779</u>
Net loss for the nine-month period ended December 31, 2023	-	(1,886)	(1,886)
Balance as at December 31, 2023 - audited	<u>1,775,000</u>	<u>(292,107)</u>	<u>1,482,893</u>
Balance as at December 31, 2023 - audited	1,775,000	(292,107)	1,482,893
Net profit for the three-month period ended	-	27,709	27,709
Ordinary shares issued	-	-	-
Balance as at March 31, 2024	<u>1,775,000</u>	<u>(264,398)</u>	<u>1,510,602</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 (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

	Quarter ended 31-Mar-24	Quarter ended 31-Mar-23
	..... AFN '000' .....	..... AFN '000' .....
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	27,709	12,135
Adjustments for:		
Depreciation	5,866	6,520
Amortization	12,604	21,645
Accrued profit on cash and cash equivalents	(3,796)	(6,365)
Impairment (re-integration)/ loss on Financings	732	(919)
	<u>43,115</u>	<u>33,016</u>
Increase / decrease in operating assets and liabilities:		
Murabaha receivables / loan and advances	68,551	20,988
Receivable from financial institutions	-	-
Other assets	(379,989)	(263,324)
Current Accounts from customers and unrestricted funds	366,572	(66,444)
Other liabilities	15,079	(56,688)
	<u>113,328</u>	<u>(332,452)</u>
<b>Net cash generated from operating activities</b>		
Tax adjustment	-	-
<b>Net cash generated from operating activities</b>	<u>113,328</u>	<u>(332,452)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments - Net of Profits	(3,286)	2,318
Investment in Real Estate - rate fluctuation	(1,057)	746
Acquisition of property and equipment - net of adjustment	(5,096)	(34)
Acquisition of intangible assets	(385)	-
<b>Net cash used in investing activities</b>	<u>(9,824)</u>	<u>3,030</u>
<b>Net increase/decrease in cash and cash equivalents</b>	103,504	(329,421)
Cash and cash equivalents at beginning of the period	3,273,562	3,055,032
<b>Cash and cash equivalents at the end of the period</b>	<u>3,377,066</u>	<u>2,725,611</u>

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*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 (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

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**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 02 cash counters.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Bank has adopted the Financial Accounting Framework of AAOIFI after conversion in to Islamic Banking. The financial statements are prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and in conformity with the Law of Banking in Afghanistan and directives issued by 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 2024 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 2023. 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 2023. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2023 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 Mach 2023.



ISLAMIC BANK OF AFGHANISTAN  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

	Note	31-Mar-24 ..... AFN '000'	31-Dec-23 .....
<b>3 CASH AND CASH EQUIVALENTS</b>			
<b>Cash in hand</b>			
Local currency		459,357	464,865
Foreign currency		296,480	522,523
		755,837	987,388
<b>Balances with banks:</b>			
Balances with Da Afghanistan Bank	3.1	1,385,030	1,098,837
Balances with other banks	3.2	1,236,199	1,187,337
		2,621,229	2,286,174
		<u>3,377,066</u>	<u>3,273,562</u>
<b>3.1 Balances with Da Afghanistan Bank</b>			
<b>Current account</b>			
Local currency		464,070	263,285
Foreign currency		920,960	835,552
		1,385,030	1,098,837
<b>3.2 Balances with other banks</b>			
Abu Dhabi Islamic Bank		167,089	111,242
Aktif Bank - Turkey CA		20,912	20,415
Al Salam Bank Bahrain B.S.C		695,433	579,814
Bank of Africa Europe SA		15,229	348,826
HDFC Bank - India		182	178
Nurol Bank		23,276	23,281
Qatar National Bank		1,260	1,235
Transkapital Bank		9,276	9,162
Vakif Katilim Bankasi		12,334	12,140
Yes Bank India		26,773	4,476
Yinzhou Bank		1	1
Zhejiang Chouzhou Commerical Bank (China)		187,205	52,029
Banca Popolare Di Sondrio (Italy)		70,896	18,322
Shuaa Capital		6,333	-
		<u>1,236,199</u>	<u>1,181,121</u>

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**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

**4 ISLAMIC FINANCINGS AND RELATED ASSETS**

Financing - at amortized cost

Note	Unaudited		Audited	
	31-Mar-2024	AFN '000'	31-Dec-2023	AFN '000'
4.1	274,090		343,373	

4.1

	Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount
..... Afn '000'					
<b>Islamic Financing</b>					
Murahaba receivables	177,902	177,902	-	36,755	141,147
Diminishing musharaka	132,943	132,943	-	-	132,943
	<u>310,845</u>	<u>310,845</u>	<u>-</u>	<u>36,755</u>	<u>274,090</u>

31 December 2023

**Islamic Financing**

Murahaba receivables  
Diminishing musharaka

246,417	246,417	-	35,987	210,430
132,943	132,943	-	-	132,943
<u>379,360</u>	<u>379,360</u>	<u>-</u>	<u>35,987</u>	<u>343,373</u>

**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-2024	31-Dec-2023
..... AFN '000'		
	35,987	48,531
	-	-
	768	(12,544)
	<u>36,755</u>	<u>35,987</u>

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. 6214/4518 dated 28/05/1446 (November 17, 2024) where the waiver has been extended till December 31, 2024, however, 30% of the provision have to be booked onwards till the end of 2025. This relief is the continuation of relief extension after letter ref. 12398/12923 dated 22 Ramzan 1444- Islamic Hiji Date (i.e., April 13, 2023) letter ref. 11227 dated 27/09/1445.

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.

**MIC BANK OF AFGHANISTAN**  
**ES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

**INVESTMENTS**

	Jointly Financed		Self Financed		Gross Amount	
	31-Mar-2024	31-Dec-2023	31-Mar-2024	31-Dec-2023	31-Mar-2024	31-Dec-2023
Investment in securities - Held to Maturity						
Quoted Securities:						
Corporate Sukuk	43,641	42,604	-	-	43,641	42,604
Other investments	43,641	42,604	-	-	43,641	42,604
Money Market Fund	-	-	94,680	92,431	94,680	92,431
	-	-	94,680	92,431	94,680	92,431
	<b>43,641</b>	<b>42,604</b>	<b>94,680</b>	<b>92,431</b>	<b>138,321</b>	<b>135,035</b>

This investment is made for the period 2 years and six months (2023: 2 years and six months) carrying coupon rate 4.489% (2023: 4.489%).

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, 2024

	Note	Un-audited 31 March 2024	Audited 31 December 2023
		.....AFN '000'.....	
<b>6 PROPERTY AND EQUIPMENT</b>			
<b>Cost:</b>			
Opening balance		593,410	891,850
Addition during the period / year		5,096	18,111
Adjustments to the assets held for capitalization		-	(316,551)
Closing balance		<u>598,506</u>	<u>593,410</u>
<b>Accumulated depreciation</b>			
Opening balance		542,362	517,624
Depreciation charged during the period/year		5,866	24,738
Closing balance		548,228	542,362
<b>Net book value</b>		<u>50,278</u>	<u>51,048</u>
<b>7 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance		465,704	355,597
Additions during the period/year		385	110,107
Closing balance		466,089	465,704
<b>Accumulated amortization:</b>			
Opening balance		358,044	265,486
Charged for the period / year		12,604	92,558
Closing Balance		370,648	358,044
<b>Net book value</b>		<u>95,441</u>	<u>107,660</u>

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**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

**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-24</u>	<u>31-Dec-23</u>
	..... AFN '000' .....	
Opening balance	-	65,198
Charged during the period / year	-	-
Reversal during the period / year	-	(65,198)
Closing balance	<u>-</u>	<u>-</u>

**10 OTHER ASSETS**

Prepayments	10,622	4,097
Security deposit	928	928
Margin deposits with Pashtany Bank against BG in favor of DABS	350,000	350,000
Required reserves with Da Afghanistan Bank	548,693	628,858
Advance income tax	68,951	68,951
Western union - In bound balance	643,634	614,684
Ria - Imprest and Settlements	89,185	85,165
Murabaha profit receivable / Accrued Profit	60,740	64,536
Receivable from Afghan Payment System	16,880	1,250
Marked to market and trading foreign exchange gain/(loss)	2,037,013	2,067,013
Others	769,739	327,118
	<u>4,596,385</u>	<u>4,212,600</u>

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**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

	31-Mar-24	31-Dec-23
	..... AFN '000'.....	
<b>11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		
<b>Customer deposits - current accounts</b>		
Demand / Current account	2,328,464	1,932,082
Deposits against financial commitments	1,694,649	1,706,188
	<b>4,023,113</b>	<b>3,638,270</b>
<b>Equity of un-restricted investment account holders</b>		
Mudarabah saving deposits	3,009,799	3,028,070
	<b>3,009,799</b>	<b>3,028,070</b>
<b>Total deposits from customers and equity of un-restricted investment account holders</b>	<b>7,032,912</b>	<b>6,666,340</b>

	31-Mar-24	31-Dec-23
	..... AFN '000'.....	
<b>12 OTHER LIABILITIES</b>		
Withholding tax payable	1,527	1,254
Creditors and accruals	49,073	39,514
Deferred income	4	15
Others	30,170	24,912
	<b>80,774</b>	<b>65,695</b>

<b>13 SHARE CAPITAL</b>		
<i>Authorized</i>		
250,000 ordinary shares of Afn 10,000 each	<b>2,500,000</b>	<b>2,500,000</b>
<i>Issued and paid up</i>		
1,775,000 ordinary shares (2023: 1,775,000) of Afn 10,000 each	<b>1,775,000</b>	<b>1,775,000</b>

	Number of shares	
	31-Mar-24	31-Dec-23
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	<b>1,775,000</b>	<b>1,775,000</b>
	31-Mar-24	31-Dec-23
	..... 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	<b>1,775,000</b>	<b>1,775,000</b>

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**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

**14 CONTINGENCIES AND COMMITMENTS**

Guarantees and Letter of credit issued on behalf of customers	7,622,090	7,684,255
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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 (UNAUDITED)  
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

	31-Mar-24	31-Mar-23
	..... AFN '000'	.....
<b>15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS</b>		
Unearned murabaha income	11	428
Diminishing musharaka rentals	2,044	133
	<u>2,055</u>	<u>561</u>
<b>16 PROFIT ON INVESTMENT</b>		
Return on Sukuk - Sovereign Guaranteed	528	636
Return on Sukuk - Corporate	-	-
	<u>528</u>	<u>636</u>
<b>17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT</b>		
Profit payment on saving accounts	-	-
Profit payment on fixed deposit accounts	5,811	-
	<u>5,811</u>	<u>-</u>
<b>18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME</b>		
Commission income	27,838	14,845
Account servicing fee	17,869	21,391
	<u>45,707</u>	<u>36,236</u>
<b>19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE</b>		
Inter-bank transaction fees	840	189
	<u>840</u>	<u>189</u>

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ISLAMIC BANK OF AFGHANISTAN  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

	31-Mar-24	31-Mar-23
	..... AFN '000' .....	
<b>20 ADMINISTRATIVE AND GENERAL EXPENSE</b>		
Salaries and wages	38,983	38,049
Staff welfare	4,477	3,839
Repair and maintenance	1,529	1,931
Travelling expense	1,049	508
Advertising and publicity	7,679	1,211
Operating Lease	8,344	10,441
Printing and stationery	4,054	2,480
Communication	323	217
Internet and connectivity	2,744	2,497
Electricity and power	5,179	6,812
Office supplies	314	457
Security expenses	8,961	10,865
Audit fee	698	2,392
Legal and professional charges	33	(14)
Software maintenance fee	2,770	2,518
Deposit insurance premium	2,097	2,111
Others	3,655	1,122
	<u>92,889</u>	<u>87,436</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 2024	Un-Audited 31 March 2023
	..... AFN '000' .....	
Short term employee benefits	<u>1,962</u>	<u>1,148</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 2024	Audited 31 December 2023
	..... AFN '000' .....	
Performance guarantee - Azizi Bank	-	40,000
Performance guarantee given to - Azizi Bank	<u>285,064</u>	<u>285,064</u>

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**ISLAMIC BANK OF AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

**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 2024 was as follows:

	<b>31 March 2024</b>	31 December 2023
	..... AFN '000' .....	
<b>Tier 1 capital</b>		
Total equity capital	1,510,602	1,482,893
Less: Intangible assets	(95,441)	(107,660)
Less: Deferred tax assets	-	-
Less: Profit during the period/year	(27,709)	(10,249)
<b>Total tier 1 (core) capital</b>	<b>1,387,452</b>	<b>1,364,984</b>
<b>Tier 2 capital</b>		
Add: Profit for the period/year	27,709	10,249
	<b>27,709</b>	<b>10,249</b>
Less: Equity Investment	-	-
<b>Total regulatory capital (Tier 1 and Tier 2)</b>	<b>1,415,161</b>	<b>1,375,233</b>
<b>Total risk-weighted assets</b>	<b>4,711,679</b>	<b>4,298,634</b>
<b>Tier 1 capital ratio</b>	29.45%	31.75%
<b>Regulatory capital ratio</b>	30.04%	31.99%

**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 February 19, 2025.

Chief Executive Officer

Chief Financial Officer