

Islamic Bank of Afghanistan
Kabul, Afghanistan
Condensed Interim Financial Statements along
with Accompanying Information
For the period ended 30 June 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 **June 30, 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 six-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.



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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 June 30, 2024, and of its financial performance and its cash flows for the six-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 Monson Global
Kabul, Afghanistan



ISLAMIC BANK OF AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

		Un-Audited 30 June 2024	Audited 31 December 2023
	Note	----- AFN 000-----	
ASSETS			
Cash and Cash Equivalents	3	2,874,146	3,273,562
Islamic Financings and Related Assets	4	271,859	343,373
Investments	5	136,745	135,035
Property and equipment	6	47,241	51,048
Intangible assets	7	86,175	107,660
Investment in Real Estate	8	92,200	91,650
Other assets	10	5,447,792	4,212,600
Total assets		8,956,158	8,214,928
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Current account from customers	11	4,230,733	3,638,270
Other liabilities	12	264,032	65,695
Total liabilities		4,494,765	3,703,965
Equity of Unrestricted Investment Account Holders	11	2,936,290	3,028,070
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained Earnings		(249,897)	(292,107)
Total Owner's equity		1,525,103	1,482,893
Total Liabilities, Equity of Investment Account holders and Owners' Equity		8,956,158	8,214,928
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 SIX-MONTH PERIOD ENDED JUNE 30, 2024

		Quarter ended 30 June 2024	Half year ended 30 June 2024	Quarter ended 30 June 2023	Half year ended 30 June 2023
	Note	----- AFN 000 -----			
Deferred Sales and Diminishing Musharaka rentals	15	3	2,058	551	1,112
Profit on investment	16	514	1,042	622	1,258
Return on unrestricted investment accounts	17	(5,718)	(11,529)	(4,182)	(4,182)
Bank share as Mudarib		(5,201)	(8,429)	(3,009)	(1,812)
Revenue from banking services	18	43,976	89,683	32,976	69,212
Expense on banking services	19	(303)	(1,143)	(989)	(1,178)
Net fee and commission income		43,673	88,540	31,987	68,034
Foreign exchange gain		9,366	21,576	10,644	21,243
Other Income		86,123	172,074	69,435	148,409
Total Bank Revenue / Operating income		133,961	273,761	109,057	235,874
Administrative and general expenses	20	(104,745)	(197,634)	(85,177)	(172,613)
Depreciation	6	(5,795)	(11,661)	(6,216)	(12,736)
Amortization	7	(18,561)	(21,870)	(21,647)	(43,292)
Reintegration / (Impairment) charge for the period		346	(386)	3,332	2,413
Total Operating Expenses		(128,755)	(231,551)	(109,708)	(226,228)
Profit before taxation		5,206	42,210	(651)	9,646
Taxation		-	-	-	-
Profit for the period		5,206	42,210	(651)	9,646
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		5,206	42,210	(651)	9,646

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 (UN-AUDITED)
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Share Capital	Retained Earnings AFN '000'.....	Total
Balance as at 01 January 2023	1,775,000	(302,356)	1,472,644
Net profit for the six-month period ended June 30, 2023	-	9,646	9,646
Balance as at 30 June 2023	<u>1,775,000</u>	<u>(292,710)</u>	<u>1,482,290</u>
Net profit for the six-month period ended December 31, 2023	-	603	603
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)	<u>1,775,000</u>	<u>(292,107)</u>	<u>1,482,893</u>
Net profit for the period ended June 30, 2024	-	42,210	42,210
Balance as at June 30, 2024	<u>1,775,000</u>	<u>(249,897)</u>	<u>1,525,103</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 (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

1. STATUS AND NATURE OF OPERATIONS

Islamic Bank of Afghanistan ("the Bank") is wholly owned subsidiary of Azizi Bank, Kabul Afghanistan. The Bank has been licensed for Islamic Banking activities by Da Afghanistan Bank (DAB) ("the Central Bank of Afghanistan"). The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The principal activities of the Bank are taking demand, saving and investment accounts, providing Murabaha, Ijara and other Shari'a compliant forms of financing as well as managing investors' money on the basis of 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.

DAB had granted full fledge Islamic Banking License to the Bank on April 9, 2018. Currently the Bank is operating 44 Branches and 03 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 six-month period ended 30 June 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 six-month period ended 30 June 2023.

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ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

		Un-Audited 30 June 2024	Audited 31 December 2023
	Note	..... AFN '000'	
3 CASH AND CASH EQUIVALENTS			
Cash in hand			
Local currency		452,368	464,865
Foreign currency		318,033	522,523
		770,401	987,388
Balances with banks:			
Balances with Da Afghanistan Bank	3.1	886,942	1,098,837
Balances with other banks	3.2	1,216,803	1,187,337
		2,103,745	2,286,174
		2,874,146	3,273,562
3.1 Current accounts with Da Afghanistan Bank			
Local currency		228,424	263,285
Foreign currency		658,518	835,552
		886,942	1,098,837
3.2 Balances with Other Banks			
Abu Dhabi Islamic Bank		142,897	111,242
Aktif Bank - Turkey CA		20,674	20,415
Al Salam Bank Bahrain B.S.C		701,219	579,814
Bank of Africa Europe SA		13,947	348,826
HDFC Bank - India		3,356	178
Nurol Bank		22,912	23,281
Qatar National Bank		1,246	1,235
Transkapital Bank		9,055	9,162
Vakif Katilim Bankasi		12,081	12,140
Yes Bank India		6,962	4,476
Yinzhou Bank		1	1
Banca popolare di sondro (Italy)		75,151	18,322
Balance with shua capital UAE		7,264	6,216
Zhejiang choouzhou comercial Bank (China)		200,038	52,029
		1,216,803	1,187,337

244

ISLAMIC BANK OF AFGHANISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

		Un-Audited		Audited		
		30 June		31 December		
		2024		2023		
		..... AFN '000'				
4 ISLAMIC FINANCINGS AND RELATED ASSETS						
Financing - at amortized cost		271,859		343,373		
4.1						
		Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount
		..... AFN '000'				
30 June 2024						
		175,290	175,290	-	36,374	138,916
		132,943	132,943	-	-	132,943
		<u>308,233</u>	<u>308,233</u>	<u>-</u>	<u>36,374</u>	<u>271,859</u>
		..... AFN '000'				
31 December 2023						
		246,417	246,417	-	35,987	210,430
		132,943	132,943	-	-	132,943
		<u>379,361</u>	<u>379,361</u>	<u>-</u>	<u>35,987</u>	<u>343,373</u>
				30 June	31 December	
				2024	2023	
		..... AFN '000'				
4.2 Movement in Impaired Islamic Financing and Related Assets						
Opening balance				35,987	48,531	
Charged for the period/year				-	-	
Exchange rate fluctuations				387	(12,544)	
Closing balance				<u>36,374</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 Hijri 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.

ISLAMIC BANK OF AFGHANISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

5 INVESTMENTS

	Jointly Financed		Self Financed		Gross Amount	
	Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	..... AFN '000'					
Held to Maturity						
Sovereign Sukuk	43,144	42,604	-	-	43,144	42,604
	43,144	42,604	-	-	43,144	42,604
	43,144	42,604	-	-	43,144	42,604
Other investments						
Money Market Fund	-	-	93,601	92,431	93,601	92,431
	-	-	93,601	92,431	93,601	92,431
	43,144	42,604	93,601	92,431	136,745	135,035

5.1 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%).

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 SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Note	Un-audited 30 June 2024	Audited 31 December 2023
		.....AFN	'000'.....
6			
PROPERTY AND EQUIPMENT			
Cost:			
Opening balance	6.1	593,410	891,850
Addition during the period / year		7,853	18,111
Adjustments to the assets held for capitalization		-	(316,551)
Closing balance		<u>601,263</u>	<u>593,410</u>
Accumulated depreciation			
Opening balance		542,361	517,625
Depreciation charged during the period/year		11,661	24,738
Closing balance		<u>554,022</u>	<u>542,361</u>
Net book value		<u>47,241</u>	<u>51,048</u>
7			
INTANGIBLE ASSETS			
Cost			
Opening balance		465,704	355,597
Additions during the period/year		385	110,107
Closing balance		<u>466,089</u>	<u>465,704</u>
Accumulated amortization:			
Opening balance		358,044	265,486
Charged for the period / year		21,870	92,558
Closing Balance		<u>379,914</u>	<u>358,044</u>
Net book value		<u>86,175</u>	<u>107,660</u>

6/24

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 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.

	Un-audited 30 June 2024 AFN	Audited 31 December 2023 '000'
9 DEFERRED TAX ASSET		
Opening balance	-	65,198
Charged during the period / year	-	-
Reversal during the period / year	-	(65,198)
Closing balance	-	-
10 OTHER ASSETS		
Prepayments	6,061	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	611,001	628,858
Advance income tax	68,951	68,951
Western Union - Imprest and Settlements	727,759	614,684
Ria - Imprest and Settlements	194,454	85,165
Murabaha profit receivable / Accrued Profit	60,607	64,536
Receivable from afghan payment system	31,354	1,250
Marked to market and trading foreign exchange gain/(loss)	2,037,013	2,067,013
Others	1,359,664	327,118
	<u>5,447,792</u>	<u>4,212,600</u>
11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Customer deposits - current accounts		
Demand / Current account	2,554,556	1,932,082
Deposits against financial commitments	1,676,177	1,706,188
	<u>4,230,733</u>	<u>3,638,270</u>
Equity of un-restricted investment account holders		
Mudarabah and wakalah saving deposits	<u>2,936,290</u>	<u>3,028,070</u>
	<u>7,167,023</u>	<u>6,666,340</u>
Total deposits from customers and equity of un-restricted investment account holders		
	Un-audited 30 June 2024 AFN	Audited 31 December 2023 '000'
12 OTHER LIABILITIES		
Withholding tax payable	1,190	1,254
Creditors and accruals	41,170	39,514
Deferred income	-	15
Others	221,672	24,912
	<u>264,032</u>	<u>65,695</u>

44

ISLAMIC BANK OF AFGHANISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Un-Audited 30 June 2024	Audited 31 December 2023
	..... AFN '000'	
13 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 (2023: 1,775,000) of Afn 10,000 each	<u>1,775,000</u>	<u>1,775,000</u>
14 CONTINGENCIES AND COMMITMENTS		
Guarantees and Letter of credit issued on behalf of customers	<u>7,517,231</u>	<u>7,684,255</u>

14.1 Da Afghanistan Bank has marked lien on the amount of USD 5 million from account of the bank against the bank guarantee issued to Haji Khalil in favour of the Ministry of Power and Energy. The claim was lodged on April 19, 2016 by the Ministry, however, the bank guarantee was expired on April 30, 2015. Shareholders have undertaken that incase matter is upheld by the court of law, they will settle the liability. Management has also communicated the matter to Presidential office.

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

	Un-audited Half year ended 30 June 2024	Un-audited Half year ended 30 June 2023
	..... AFN '000'	
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Unearned murabaha income	14	575
Diminishing musharaka rentals	2,044	537
	<u>2,058</u>	<u>1,112</u>
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	1,042	1,258
Return on Sukuk - Corporate	-	-
	<u>1,042</u>	<u>1,258</u>
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	11,529	4,182
Return on borrowing	-	-
	<u>11,529</u>	<u>4,182</u>
18 REVENUE FROM BANKING SERVICES / FEE AND COMMISSION INCOME		
Commission income	54,936	27,698
Account servicing fee	34,747	41,514
	<u>89,683</u>	<u>69,212</u>
19 EXPENSE ON BANKING SERVICES / FEE AND COMMISSION EXPENSE		
Inter-bank transaction fees	1,143	1,178
	<u>1,143</u>	<u>1,178</u>
20 ADMINISTRATIVE AND GENERAL EXPENSE		
Salaries and wages	82,874	74,880
Staff welfare	9,023	6,984
Repair and maintenance	4,574	2,988
Travelling expense	2,044	1,251
Advertising and publicity	9,465	4,758
Operating Lease	17,756	20,746
Printing and stationery	7,801	5,189
Communication	660	520
Internet and connectivity	5,188	5,253
Electricity and power	10,230	11,690
Office supplies	540	745
Security expenses	30,612	21,632
Audit fee	1,417	4,827
Legal and professional charges	163	86
Postage and courier	-	-
Software maintenance fee	4,426	5,166
Deposit insurance premium	3,644	3,127
Others	7,217	2,771
	<u>197,634</u>	<u>172,613</u>

110

ISLAMIC BANK OF AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

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 30 June 2024	Un-Audited 30 June 2023
	..... AFN '000'.....	
Short term employee benefits	3,594	1,963

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

	Un-Audited 30 June 2024	Audited 31 December 2023
	..... AFN '000'.....	
Performance guarantee - Azizi Bank	-	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.

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ISLAMIC BANK OF AFGHANISTAN
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

21 Related party disclosure

The Bank's regulatory capital position at 30 June 2024 and 31 December 2023 was as follows:

	30 June 2024	31 December 2023
	.....AFN '000'.....	
Tier 1 capital		
Total equity capital	1,525,103	1,482,893
Less: Intangible assets	(86,175)	(107,660)
Less: Deferred tax assets	-	-
Less: Profit during the period/year	(42,210)	(10,249)
Total tier 1 (core) capital	<u>1,396,718</u>	<u>1,364,984</u>
Tier 2 capital		
Add: Profit for the period/year	<u>42,210</u>	<u>10,249</u>
Less: Equity Investment	-	-
Total regulatory capital (Tier 1 and Tier 2)	<u>1,438,928</u>	<u>1,375,233</u>
Total risk-weighted assets	<u>5,148,353</u>	<u>4,298,634</u>
Tier 1 capital ratio	27.13%	31.75%
Tier 2 capital ratio	27.95%	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