

Islamic Bank of Afghanistan
Kabul, Afghanistan
Condensed Interim Financial Statements along
with Accompanying Information
For the period ended 30 September 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 **September 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 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, 2024, 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

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, 2024

	Note	Un-Audited 30-Sep-2024 ----- AFN '000' -----	Audited 31-Dec-2023 -----
ASSETS			
Cash and bank balances	3	2,937,918	3,273,562
Islamic financings	4	269,339	343,373
Investments	5	133,192	135,035
Property and equipment	6	44,104	51,048
Intangible assets	7	76,933	107,660
Investment in real estate	8	15,854	91,650
Other assets	10	5,326,707	4,212,600
Total Assets		8,804,047	8,214,928
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Current account from customers	11	4,039,697	3,638,270
Other liabilities	12	112,762	65,695
Total Liabilities		4,152,459	3,703,965
Equity of Unrestricted Investment Account Holders	11	3,105,802	3,028,070
		3,105,802	3,028,070
Owner's Equity			
Share capital	13	1,775,000	1,775,000
Retained earnings		(229,214)	(292,107)
Total Owner's equity		1,545,786	1,482,893
Total Liabilities, Equity of Investment Accountholders and Owners' Equity		8,804,047	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 (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

		Nine-month period ended		Quarter ended	
		30-Sep-24	30-Sep-23	30-Sep-24	30-Sep-23
Note		----- AFN '000' -----			
Deferred sales and diminishing musharaka rentals	15	2,058	1,291	-	179
Profit on investment	16	1,543	1,842	501	584
Return on unrestricted investment accounts	17	(17,155)	(25,606)	(5,626)	(21,424)
Bank share as Mudarib		(13,553)	(22,473)	(5,124)	(20,661)
Revenue from banking services	18	132,228	115,915	42,544	46,703
Expense on banking services	19	(1,645)	(4,815)	(502)	(3,637)
Net fee and commission income		130,583	111,100	42,042	43,066
Foreign exchange gain / (loss)		18,631	31,232	(2,945)	9,989
(Loss) / gain on disposal of investments		-	-	-	-
Other non-operating Income		282,521	218,339	110,447	69,930
Total Bank Revenue / Operating income		418,182	338,198	144,419	102,324
Administrative and general expenses	20	(308,037)	(247,320)	(110,404)	(74,707)
Depreciation		(16,603)	(18,293)	(4,942)	(5,557)
Amortization		(31,112)	(64,913)	(9,242)	(21,621)
Impairment provision/re-integration - net	4.2	463	42,818	849	40,405
Total Operating Expenses		(355,289)	(287,708)	(123,739)	(61,480)
Profit before taxation		62,893	50,490	20,681	40,844
Taxation		-	-	-	-
Profit for the period		62,893	50,490	20,681	40,844
Other Comprehensive Income		-	-	-	-
Total comprehensive income for the period		62,893	50,490	20,681	40,844
Earning per share (AFN)		35.43	28.45	11.65	23.01

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, 2024

	Share Capital	Retained Earnings	Total
	..... AFN '000'		
Nine month-period ended September 30, 2023			
Balance as at December 31, 2022 - Audited	1,775,000	(302,356)	1,472,644
Comprehensive income:			
Profit for the period	-	50,490	50,490
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at September 30, 2023 - Unaudited	1,775,000	(251,866)	1,523,134
Three month-period ended December 31, 2023			
Comprehensive income:			
Net loss for the period	-	(40,241)	(40,241)
Transactions with owners:			
Other comprehensive Income	-	-	-
Balance as at December 31, 2023 - Audited	1,775,000	(292,107)	1,482,893
Nine month-period ended September 30, 2024			
Balance as at December 31, 2023 - Audited	1,775,000	(292,107)	1,482,893
Comprehensive income:			
Profit for the period	-	62,893	62,893
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at September 30, 2024	1,775,000	(229,214)	1,545,786

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, 2024

		Nine months ended September 30, 2024	Nine months ended September 30, 2023
Note	..... AFN '000'		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		62,893	50,490
Adjustments for:			
Depreciation		16,603	18,293
Amortization		31,112	64,913
Accrued profit on Islamic Financings and Related Assets	10	4,453	11,373
Impairment loss on Financings	4.2	462	6,244
		115,523	151,313
Increase / decrease in operating assets and liabilities:			
Islamic Financings and Related Assets		73,572	69,842
Other assets		(1,118,560)	(184,447)
Unrestricted Investment Account Holders		77,732	(375,897)
Current Accounts from Customers		401,427	664,372
Other liabilities		47,067	(195,940)
		(403,239)	129,243
Tax adjustment		-	-
Net cash (used in)/generated from operating activities		(403,239)	129,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments - Net of Profits		1,843	18,067
Investment in Real Estate		75,796	5,813
Acquisition of property and equipment - net of adjustment		(9,658)	8,136
Acquisition of intangible assets - net of adjustment		(385)	-
Net cash used in investing activities		67,595	32,016
Net decrease/increase in cash and cash equivalents		(335,644)	161,259
Cash and cash equivalents at beginning of the period		3,273,562	3,055,032
Cash and cash equivalents at the end of the period	3	2,937,918	3,216,291

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

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 Zehzantoon 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 the Bank is operating 45 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2023.

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

		Un-Audited 30 September 2024	Audited 31 December 2023
Note		..... AFN	'000'
3 CASH AND BANK BALANCES			
	Cash in hand		
	Local currency	467,797	464,865
	Foreign currency	471,016	522,523
		938,813	987,388
	Balances with banks		
	Balances with Da Afghanistan Bank	3.1 812,757	1,098,837
	Balances with other banks	3.2 1,186,347	1,187,337
		1,999,105	2,286,174
		2,937,918	3,273,562
3.1 Balances with Da Afghanistan Bank			
	Current account		
	Local currency	214,702	263,285
	Foreign currency	598,055	835,552
		812,757	1,098,837
3.2 Balances with other banks			
	Abu Dhabi Islamic Bank	157,932	111,242
	Aktif Bank - Turkey CA	20,137	20,415
	Al Salam Bank Bahrain B.S.C	496,674	579,814
	Bank of Africa Europe SA	13,423	348,826
	CSC Bank - Lebanon	-	-
	HDFC Bank - India	50,524	178
	Nurol Bank	22,552	23,281
	Qatar National Bank	1,214	1,235
	Reyl Finance (MEA) Limited	-	-
	Transkapital Bank	9,102	9,162
	Vakif Katilim Bankasi	12,040	12,140
	Yes Bank India	24,238	4,476
	Yinzhou Bank	1	1
	Zhejiang choouzhou comercial Bank (China)	237,268	52,029
	Balance with Shuaa Capital UAE	7,041	6,216
	Banca Popolare Di Sondrio (Italy)	134,204	18,322
		1,186,347	1,187,337

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

	Note	Un-Audited		Audited	
		30 September 2024	Afs '000'	31 December 2023	Afs '000'
4 ISLAMIC FINANCINGS					
Financing - at amortized cost	4.1		269,339		343,373

Islamic Financing	Gross amount	Jointly Financed	Self Financed	Impairment allowance	Carrying amount	Gross amount	31 December 2023	
							30 September 2024	Afs '000'
Islamic Financing								
Murabaha receivables	171,921	171,921	-	35,525	136,396	246,417	35,987	210,430
Diminishing musharaka	132,943	132,943	-	-	132,943	132,943	-	132,943
	304,864	304,864	-	35,525	269,339	379,361	35,987	343,374

4.2 Movement in Impaired Islamic Financing

Opening balance	35,987	48,531
Charged for the period/year	-	-
Exchange rate fluctuations	(462)	(12,544)
Closing balance	35,525	35,987

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

5 INVESTMENTS

	Note	Jointly Financed		Self Financed		Gross Amount	
		Un-Audited	Audited	Un-Audited	Audited	Un-Audited	Audited
		30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023
		..... AFN '000'					
Held to Maturity							
Sovereign Sukuk	5.1	42,023	42,604	-	-	42,023	42,604
		42,023	42,604	-	-	42,023	42,604
Other investments							
Money Market Fund	5.2	-	-	91,169	92,431	91,169	92,431
		-	-	91,169	92,431	91,169	92,431
		<u>42,023</u>	<u>42,604</u>	<u>91,169</u>	<u>92,431</u>	<u>133,192</u>	<u>135,035</u>

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024

	Un-Audited 30 September 2024	Audited 31 December 2023
	..... AFN '000'	
6 PROPERTY AND EQUIPMENT		
Gross carrying amount:		
Opening balance	593,410	891,850
Addition during the period / year	9,658	18,111
Adjustments to the assets held for capitalization	-	(316,551)
Closing balance	603,068	593,410
Accumulated depreciation:		
Opening balance	542,361	517,625
Depreciation charged during the year / period	16,603	24,738
Adjustments	-	-
Closing balance	558,964	542,361
Net book value	44,104	51,048
7 INTANGIBLE ASSETS		
Gross carrying amount:		
Opening balance	465,704	355,597
Addition during the period / year	385	110,107
Closing balance	466,089	465,704
Accumulated amortization:		
Opening balance	358,044	265,486
Amortization charged during the year / period	31,112	92,558
Closing balance	389,156	358,044
Net book value	76,933	107,660

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

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 2024	Audited 31 December 2023
Note	..... AFN '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		8,703	4,097
Security deposit		928	928
Advance income tax		68,951	68,951
Margin Deposit against Performance Guarantee - Pashtany Bank	10.1	350,000	350,000
Required Reserve - Da Afghanistan Bank	10.2	653,980	628,858
Western Union - Imprest and Settlements		769,031	614,684
Ria - Imprest and Settlements		102,800	85,165
Murabaha and Diminishing Musharika profit receivable		60,083	64,536
Receivable from Afghanistan Payments System		15,287	1,250
Marked to Market and Trading Foreign Exchange Gain / (Loss)		2,037,013	2,067,013
Others		1,259,930	327,118
		<u>5,326,707</u>	<u>4,212,600</u>

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.

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

	Un-Audited 30 September 2024 AFN	Audited 31 December 2023 '000'
11 CURRENT ACCOUNTS AND EQUITY OF UN-RESTRICTED INVESTMENT ACCOUNT HOLDERS		
Customer deposits - current accounts		
Demand / Current account	2,434,751	1,932,082
Deposits against Financial Commitments	1,604,946	1,706,188
	<u>4,039,697</u>	<u>3,638,270</u>
Equity of un-restricted investment account holders		
Mudarabah Saving Deposits - Customers	3,086,295	3,008,296
Wakala Deposits - Customers	19,507	19,774
	<u>3,105,802</u>	<u>3,028,070</u>
Total deposits from customers and equity of un-restricted investment account holders	<u>7,145,499</u>	<u>6,666,340</u>
	Un-Audited 30 September 2024 AFN	Audited 31 December 2023 '000'
12 OTHER LIABILITIES		
Withholding tax payable	1,722	1,254
Creditors and accruals	34,465	39,514
Deferred income	-	15
Others	76,575	24,912
	<u>112,762</u>	<u>65,695</u>
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>

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

	Un-Audited 30 September 2024	Audited 31 December 2023
	..... AFN '000'	
14 CONTINGENCIES AND COMMITMENTS		
Guarantees and Letter of credit issued on behalf of customers	7,737,058	7,684,255
14.1 On March 25, 2017 Da Afghanistan Bank had liened 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 30-Sep-24	Un-audited 30-Sep-23
	..... AFN '000'	
15 DEFERRED SALES AND DIMINISHING MUSHARAKA RENTALS		
Income from Murabaha/Wadiah	15	754
Income from Diminishing Musharaka/Wakala	2,044	537
	2,058	1,291
16 PROFIT ON INVESTMENT		
Return on Sukuk - Sovereign Guaranteed	1,543	1,842
Return on Sukuk - Corporate	-	-
	1,543	1,842
17 RETURN ON UNRESTRICTED INVESTMENT ACCOUNT		
Profit payment on saving accounts	17,155	25,606
Return on Shuaa Capital Borrowing	-	-
	17,155	25,606
18 REVENUE FROM BANKING SERVICES		
Commission income	81,416	55,103
Account servicing fee	50,812	60,812
	132,228	115,916
19 EXPENSE ON BANKING SERVICES		
Inter-bank transaction fees	1,645	4,815

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

	Un-audited Nine months ended September 30, 2024	Un-audited Nine months ended September 30, 2023
	..... AFN '000'	
20 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries and wages	128,661	112,094
Staff welfare	14,420	10,241
Repair and maintenance	10,787	4,452
Travelling expense	3,631	507
Advertising and publicity	11,126	2,522
Operating Lease	29,952	32,179
Printing and stationery	11,769	7,427
Communication	996	378
Internet and connectivity	6,713	7,907
Electricity and power	15,429	16,252
Office supplies	1,110	864
Security expenses	43,708	30,129
Audit fee	5,064	7,347
Legal and professional charges	233	440
Postage and courier	-	70
Software maintenance fee	5,834	8,129
Deposit insurance premium	6,766	1,156
Others	11,838	5,227
	<u>308,037</u>	<u>247,320</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 2024	Un-Audited 30 September 2023
	..... Afn '000'	
Short term employee benefits	<u>5,160</u>	<u>1,738</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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	Un-Audited 30 September 2024	Audited 31 December 2023
 AFN	'000'
Performance guarantee taken from - 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.

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

	Un-Audited 30 September 2024	Audited 31 December 2023
	.....AFN	'000'
Tier 1 capital		
Total equity capital	1,545,786	1,482,893
Less: Intangible assets	(76,933)	(107,660)
Less: Deferred tax assets	-	-
Less: Profit during the period/year	(62,893)	(10,249)
Total tier 1 (core) capital	<u>1,405,960</u>	<u>1,364,984</u>
Tier 2 capital		
Add: Profit for the period/year	62,893	10,249
	<u>62,893</u>	<u>10,249</u>
Less: Equity Investment		
Total regulatory capital (Tier 1 and Tier 2)	<u>1,468,853</u>	<u>1,375,233</u>
Total risk-weighted assets	<u>5,261,107</u>	<u>4,298,634</u>
Tier 1 capital ratio	26.72%	31.75%
Regulatory capital ratio	27.92%	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