

mazars



REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF AFGHANISTAN INTERNATIONAL BANK

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Afghanistan International Bank (the Bank) as at 30 June 2021, and the related condensed interim statement of comprehensive income, changes in equity and cash flows for the six months then ended, and notes to the condensed interim financial information (‘here-in-after referred to as the condensed interim financial information’). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the requirement of the Law of Banking in Afghanistan and International Accounting Standards 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed 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 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared in all material respects, in accordance with the requirements of Law of Banking in Afghanistan and International Accounting Standards 34 “Interim Financial Reporting”.

Other Matters

The condensed interim financial information for the six months ended 30 June 2020 and the financial statements for the year ended 31 December 2020 were reviewed and audited, respectively, by another auditor who expressed an unmodified review conclusion on condensed interim financial information for the six months ended 30 June 2020 on 15 August 2020 and unmodified audit opinion on the annual financial statements for the year ended 31 December 2020 on 25 March 2021.

Mazars Afghanistan
Chartered Accountants

Engagement Partner: Muhammad Saqlain Siddiqui

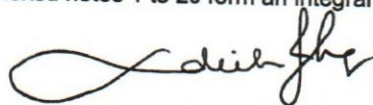
Date: 12 August 2021

Place: Kabul, Afghanistan

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2021

| | | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|--|------|------------------------------|-------------------------------|
| | Note | AFN '000' | AFN '000' |
| ASSETS | | | |
| Cash and balances with Da Afghanistan Bank | 4 | 25,817,515 | 12,508,824 |
| Balances with other banks | 5 | 5,690,898 | 11,958,105 |
| Placements - net | 6 | 10,689,235 | 17,463,070 |
| Investments - net | 7 | 17,599,508 | 17,066,969 |
| Loan and advances to customers - net | 8 | 2,044,211 | 2,670,139 |
| Receivables from financial institutions | | 368,958 | 266,316 |
| Operating fixed assets | 9 | 3,574,081 | 3,583,391 |
| Intangible assets | | 336,830 | 364,323 |
| Deferred tax assets | 13 | 94,039 | 87,543 |
| Other assets | 10 | 781,419 | 636,036 |
| Total assets | | 66,996,694 | 66,604,716 |
| LIABILITIES | | | |
| Customers' deposits | 11 | 62,735,795 | 62,211,331 |
| Deferred income | | 22,112 | 26,192 |
| Lease liabilities | 12 | 456,894 | 469,641 |
| Other liabilities | | 9,918 | 155,857 |
| Total liabilities | | 63,224,719 | 62,863,021 |
| EQUITY | | | |
| Share capital | 14 | 1,465,071 | 1,465,071 |
| Capital reserves | 15 | 306,319 | 306,319 |
| Retained earnings | | 1,874,393 | 1,827,914 |
| Revaluation surplus on debt instruments at FVOCI | | 126,192 | 142,391 |
| Total equity | | 3,771,975 | 3,741,695 |
| Total liabilities and equity | | 66,996,694 | 66,604,716 |
| Contingencies and commitments | 16 | | max |

The annexed notes 1 to 26 form an integral part of these financial statements.



Chief Financial Officer

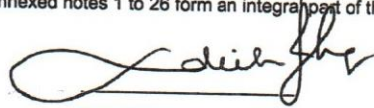


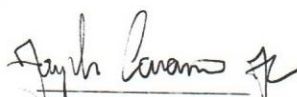
Chief Executive Officer

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 June 2021

| | Note | Six months ended | | Three months ended | |
|--|------|------------------|------------------|--------------------|----------------|
| | | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| | | Un-audited | Un-audited | Un-audited | Un-audited |
| | | AFN '000' | AFN '000' | AFN '000' | AFN '000' |
| Interest income | 17 | 370,175 | 567,063 | 185,910 | 268,261 |
| Interest expense | | (5,121) | (11,929) | (2,937) | (5,625) |
| Net interest income | | 365,054 | 555,135 | 182,972 | 262,637 |
| Fee and commission income | | 465,145 | 501,603 | 245,213 | 245,583 |
| Fee and commission expense | | (773) | (5,778) | (675) | (3,716) |
| Net fee and commission income | | 464,372 | 495,826 | 244,538 | 241,867 |
| Income from dealing in foreign currencies | | 158,312 | 161,274 | 90,641 | 67,365 |
| | | 987,739 | 1,212,234 | 518,151 | 571,869 |
| Other income | 18 | 11,846 | 323,886 | 5,068 | 322,025 |
| (Loss) / gain on sale of securities | | 135,915 | 1,515 | 5,673 | 1,515 |
| Provision for credit losses | 19 | (157,624) | (99,683) | (31,588) | (61,418) |
| Finance cost on lease liability | | (2,277) | (3,340) | (1,138) | (1,605) |
| General and administrative expenses | 20 | (931,565) | (989,851) | (466,652) | (491,957) |
| PROFIT BEFORE INCOME TAX | | 44,033 | 444,762 | 29,514 | 340,428 |
| Taxation | 21 | 2,446 | (10,734) | (10,085) | (20,356) |
| PROFIT FOR THE PERIOD | | 46,479 | 434,028 | 19,430 | 320,072 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| <i>Items that may be classified to profit or loss subsequently</i> | | | | | |
| Surplus/ (Deficit) on debt instruments at FVOCI | | (20,250) | 70,640 | (1,248) | 271,230 |
| Related deferred tax | | 4,050 | (14,128) | 2,675 | (71,356) |
| Other comprehensive loss, net of tax | | (16,200) | 56,512 | 1,427 | 199,874 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 30,279 | 490,540 | 20,857 | 519,946 |
| Earnings per share (in AFN) | | 1.55 | 14.47 | 0.65 | 10.67 |

The annexed notes 1 to 26 form an integral part of these financial statements.


Chief Financial Officer

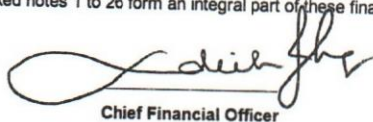

Chief Executive Officer


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AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 30 June 2021

| | Share capital | Revaluation surplus on debt instruments at FVOCI | Capital reserve | Retained earnings | Total |
|--|---------------|--|-----------------|-------------------|-----------|
| ----- AFN '000' ----- | | | | | |
| Balance as at 01 January 2020 - Audited | 1,465,071 | 63,989 | 290,813 | 1,859,291 | 3,679,164 |
| Total comprehensive income | | | | | |
| Profit for the period | | | | 434,027 | 434,027 |
| Other comprehensive income, net of tax: | | | | | |
| Fair value reserve (debt instruments at FVOCI) | | | | | |
| Net change in fair value | | 70,640 | | | 70,640 |
| Related tax | | (14,128) | | | (14,128) |
| Total comprehensive income | | 56,512 | | 434,027 | 490,539 |
| Transferred to capital reserve | | | | | |
| Transferred to capital reserve | | | | 434,027 | 434,027 |
| Transactions with owners of the bank | | | | | |
| Dividend paid | | | | | |
| Balance as at 30 June 2020 - Unaudited | 1,465,071 | 120,501 | 290,813 | 2,293,318 | 4,169,703 |
| Balance as at 01 January 2021 - Audited | 1,465,071 | 142,391 | 306,319 | 1,827,914 | 3,741,695 |
| Total comprehensive income | | | | | |
| Profit for the period | | | | 46,479 | 46,479 |
| Other comprehensive income, net of tax: | | | | | |
| Fair value reserve (debt instruments at FVOCI) | | | | | |
| Net change in fair value | | (20,250) | | | (20,250) |
| Related tax | | 4,050 | | | 4,050 |
| Total comprehensive income | | (16,200) | | 46,479 | 30,279 |
| Transferred to capital reserve | | | | | |
| Transferred to capital reserve | | | | 46,479 | 46,479 |
| Transactions with owners of the bank | | | | | |
| Dividend paid | | | | | |
| Balance as at 30 June 2021 - Unaudited | 1,465,071 | 126,192 | 306,319 | 1,874,393 | 3,771,975 |

The annexed notes 1 to 26 form an integral part of these financial statements.

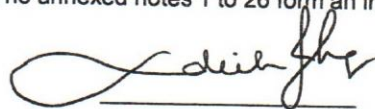

 Chief Financial Officer


 Chief Executive Officer

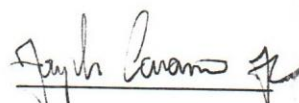
AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 30 June 2021

| | 30 June 2021 | 30 June 2020 |
|---|-------------------|-------------------|
| | Un-audited | Un-audited |
| Note | AFN '000' | AFN '000' |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before Income Tax | 44,033 | 444,762 |
| Adjustments for: | | |
| Depreciation | 146,292 | 141,293 |
| Amortization | 43,611 | 43,538 |
| Finance cost on lease liability | 2,277 | 3,340 |
| Adjustments for the movement in lease liability | 13,823 | (638) |
| Credit losses (reversal) / expense | 157,624 | 99,683 |
| Property and equipment written-off | 3,194 | - |
| | <u>410,854</u> | <u>731,978</u> |
| Changes in operating assets and liabilities | | |
| Receivable from financial institutions | (102,642) | 244,786 |
| Required reserve maintained with DAB | 611,063 | (84,041) |
| Cash margin held with other banks | 26,052 | (125,058) |
| Loans and advances to customers - net | 479,852 | 773,267 |
| Other assets | (131,550) | 271,555 |
| Deferred income on commercial LCs and guarantees | (8,312) | (51,528) |
| Customers' deposits | 524,464 | 4,127,335 |
| Deposits from banks | - | (500,000) |
| Other liabilities | (145,938) | (144,603) |
| | <u>1,663,841</u> | <u>5,243,691</u> |
| Income tax paid | (15,310) | (759) |
| Net cash flow (used in)/ from operating activities | <u>1,648,531</u> | <u>5,242,932</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital work-in-progress | (131,855) | (31,726) |
| Acquisition of operating fixed assets | (8,322) | (11,422) |
| Acquisition of intangible assets | (16,117) | - |
| Placements (with maturity more than three months) | 2,089,085 | (9,839,751) |
| Investments | (556,411) | 2,748,493 |
| Net cash flow from/ (used in) investing activities | <u>1,376,380</u> | <u>-6,834,406</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Lease liability repaid | (28,847) | (58,509) |
| Finance cost paid | - | - |
| Dividend paid | - | - |
| Net cash used in financing activities | <u>(28,847)</u> | <u>(58,509)</u> |
| Net increase in cash and cash equivalents | 2,996,064 | (1,749,983) |
| Cash and cash equivalents at 1 January | 28,965,120 | 28,374,457 |
| Effect of exchange rate fluctuation on cash held | - | - |
| Cash and cash equivalents at 30 June 2021 | <u>31,961,184</u> | <u>26,624,474</u> |

The annexed notes 1 to 26 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 30 June 2021

1 STATUS AND NATURE OF BUSINESS

Afghanistan International Bank (the Bank) was registered with Afghan Investment Support Agency (AISA) on 27 December 2003 and received formal commercial banking license on 22 March 2004 from Da Afghanistan Bank (DAB), the central bank of Afghanistan, to operate nationwide. The Bank obtained Islamic banking license from DAB via letter no. 1863/1890 dated 21 July 2014.

The Bank initially was incorporated as a limited liability company and domiciled in Afghanistan, however, on the basis that the bank capital is divided into shares the status of the bank is changed from limited liability to Corporation under the Corporations and Limited Liability Companies Law, this status is effective from 04 May 2016. The principal business place of the Bank is at AIB Head Office, Airport Road, Kabul, Afghanistan.

The Bank has been operating as one of the leading commercial banking service provider in Afghanistan. The Bank has 34 branches and 1 cash outlets (2020: 35 branches and 2 cash outlets) in operation.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 This condensed interim financial information of the Bank for the six months ended 30 June 2021 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IAS 34 the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank takes precedence.

2.2 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2020.

2.3 Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2020 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from an audited condensed interim financial statements for the six months period ended 30 June 2020.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

3 ACCOUNTING POLICIES

3.1 The accounting policies adopted in preparation of this condensed interim financial information are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

3.2 The estimates / judgments assumptions used in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.

3.3 The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2020.

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | Note | 30 June 2021 (Un-audited) AFN '000 | 31 December 2020 (Audited) AFN '000 |
|---|------|--|---|
| 4 Cash and balances with Da Afghanistan Bank | | | |
| Cash in hand | | 3,109,877 | 2,690,150 |
| Cash in hand - Islamic banking division | | 252,449 | 271,234 |
| Cash at Automated Teller Machines (ATMs) | | 754,888 | 633,057 |
| | | 4,117,215 | 3,594,441 |
| Balances with Da Afghanistan Bank: | | | |
| Local currency: | | | |
| - Deposit facility accounts | 4.1 | 408,659 | 374,657 |
| - Required reserve accounts | 4.2 | 461,774 | 637,031 |
| - Current accounts | | 1,782,853 | 922,318 |
| | | 2,653,286 | 1,934,004 |
| Foreign currency: | | | |
| - Required reserve accounts | 4.2 | 4,995,151 | 5,430,958 |
| - Current accounts | | 14,051,864 | 1,549,423 |
| | | 25,817,515 | 12,508,824 |

4.1 This represents interest bearing account carrying interest @ 0.10% (31 December 2020: 0.10%) per annum.

4.2 Required reserves are maintained with DAB, denominated in respective currencies, to meet minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB. These balances are interest free.

| | Note | 30 June 2021 (Un-audited) AFN '000 | 31 December 2020 (Audited) AFN '000 |
|------------------------------------|------|--|--|
| 5 Balances with other banks | | | |
| Outside Afghanistan: | | | |
| With Crown Agents Bank: | | | |
| - in nostro accounts | 5.1 | 2,322,496 | 7,422,009 |
| - as cash margins held | | - | - |
| | | 2,322,496 | 7,422,009 |
| With other banks | 5.2 | 3,368,403 | 4,536,098 |
| | | 5,690,898 | 11,958,105 |

5.1 These represent interest bearing balances which carry interest at the rate of 0.05% p.a. (31 December 2020: 0.10%) p.a.

5.2 This includes balances maintained with investment managers (Julius Baer, Emirates NBD, Credit Suisse) and other banks. These are non-interest bearing and available on demand.

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | Note | 30 June 2021 | 31 December |
|---------------------------------------|------|-------------------|-----------------------|
| | | (Un-audited) | 2020 |
| | | AFN '000 | (Audited) AFN '000 |
| 6 Placements - net | | | |
| Placements with banks | 6.1 | 10,698,775 | 17,470,396 |
| Allowance for ECL / impairment losses | 6.2 | (9,540) | (7,325) |
| | | 10,689,235 | 17,463,070 |

6.1 These represent USD denominated fixed term placements with financial institutions outside Afghanistan with remaining maturity upto one year (2020: one year) and carry interest at rates ranging from 0.10% to 0.80% (31 December 2020: 0.15% to 1.80%) per annum.

6.2 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision of AFN 4,694 thousand (31 December 2020: AFN 982 thousand) calculated under IFRS 9. Accordingly, the Bank has maintained higher provision as required under ACPR.

| | Note | 30 June 2021 | 31 December |
|--|------|-------------------|-----------------------|
| | | (Un-audited) | 2020 |
| | | AFN '000 | (Audited) AFN '000 |
| 7 Investments - net | | | |
| Debt instruments at fair value through OCI: | | | |
| - Investment bonds | 7.1 | 7,364,827 | 9,331,990 |
| Debt instruments at amortised cost: | | | |
| - Capital notes with DAB | 7.2 | 1,850,083 | 1,784,443 |
| - Investment bonds | 7.3 | 8,406,448 | 5,968,763 |
| | | 10,256,531 | 7,753,206 |
| | | 17,621,358 | 17,085,196 |
| Allowance for ECL / impairment losses | 7.4 | (21,850) | (18,228) |
| | | 17,599,508 | 17,066,969 |

7.1 These represent investments in sovereign bonds having maturity ranging from September 2021 to July 2040 (31 December 2020: January 2021 to July 2030) and carrying interest rates ranging from 0.13% to 7.90% (31 December 2020: 0.13% to 8.75%) per annum. These investments are managed by Julius Baer and Emirates NBD on behalf of the Bank.

7.2 These represent investments in Capital notes issued by DAB having maturity ranging from July 2021 to May 2022 (31 December 2020: October 2019 to October 2021) carrying yield ranging from 0.75% to 3.00% (31 December 2020: 0.85% to 3.00%) per annum receivable on maturity of respective notes.

7.1

Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

7.3 These represent investments in sovereign bonds carrying interest rates ranging from 1.00% to 6.60% (31 December 2020: 1.25% to 6.88%) per annum. These investments have maturity ranging from September 2021 to October 2030 (31 December 2020: January 2021 to April 2025). These investments are managed by Julius Baer, Credit Suisse and Emirates NBD on behalf of the Bank.

7.4 This represents provision calculated as per ACPR which is higher than IFRS 9 ECL of AFN 18,540 thousand (31 December 2020: AFN 18,228 thousand calculated as per ACPR). Accordingly, the Bank has maintained higher provision calculated under ACPR.

| 8 | Loan and advances to customers - net | Note | 30 June 2021 | 31 December |
|--|---------------------------------------|------|------------------|------------------|
| | | | (Un-audited) | 2020 |
| | | | AFN '000 | (Audited) |
| | | | AFN '000 | AFN '000 |
| | Overdrafts | 8.1 | 2,026,893 | 2,283,417 |
| | Term loans | 8.2 | 977,179 | 1,189,781 |
| | Consumer loans | 8.3 | 35,137 | 40,588 |
| | | | 3,039,209 | 3,513,786 |
| | General provision | 8.4 | (39,750) | (154,200) |
| | Allowance for ECL / impairment losses | 8.5 | (955,249) | (689,447) |
| | | | 2,044,211 | 2,670,139 |
| Particulars of loans and advances - (gross) | | | | |
| | Short term (for up to one year) | | 2,630,000 | 1,190,499 |
| | Non-current (for over one year) | | 409,209 | 2,323,287 |
| | | | 3,039,209 | 3,513,786 |

8.1 These represent balances due from customers at various interest rates ranging from 7.00% to 14.50% p.a. (31 December 2020: 7.00% to 14.50%) per annum and are secured against mortgage of properties, personal guarantees and pledge of stocks. These include loans and advances to Small Medium Size Enterprises (SMEs) amounting to 3,646 (31 December 2020: AFN 2,283,414 thousand) which are also partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

8.2 Term loans carry interest at various rates ranging from 5.50% to 18.00% p.a. (31 December 2020: 5.50% to 18.00% p.a.) and are secured against mortgage of properties, personal guarantees, lien on equipment, pledge of stocks and/or assignment of receivables of the borrowers. These include loans and advances to SMEs amounting to 27,608 (31 December 2020: AFN 210,862 thousand) which are also partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

8.3 These include payroll loans provided to individual payroll account holders and employees of corporate customers having payroll account with the Bank carrying interest rate of 13% to 18% (31 December 2020: 13%) p.a., loans provided to university and school teachers carrying interest rate of 13% to 15% (31 December 2020: 13%) and credit card loans carrying interest of 36% (31 December 2020: 36%) on annual basis on outstanding balances.

max

Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

8.4 This represent additional general provision maintained by the bank which is duly approved by DAB.

8.5 The movement in the allowance for ECL/ impairment losses is as follows:

| | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|---|------------------------------|----------------------------------|
| Note | AFN '000 | AFN '000 |
| Opening balance | 689,447 | 218,602 |
| Allowance for impairment made during the period/ year | 260,526 | 722,814 |
| Amounts written-off during the period/ year | - | (236,892) |
| Exchange rate differences and other adjustments | 5,276 | (15,077) |
| Closing balance | <u>955,249</u> | <u>689,447</u> |

8.5.1 IFRS 9 expected credit loss amounts to AFN 795 thousands as at 30 June 2021. The provision of AFN 955,249 thousand (General provision: AFN 14,921 and Specific provision: AFN 940,328 thousands) (31 December 2020: provision of AFN 689,447 comprising of General provision of AFN 24,859 and Specific provision of AFN 664,588 thousands) made under Assets Classification and Provisioning Regulation (ACPR) is higher than IFRS 9 ECL, therefore, the Bank has maintained the higher provision under the requirements of ACPR.

| | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|---------------------------------|------------------------------|----------------------------------|
| Note | AFN '000 | AFN '000 |
| 9 Operating fixed assets | | |
| Property and equipment | 3,402,023 | 3,535,313 |
| Capital work-in-progress | 172,058 | 48,078 |
| | <u>3,574,081</u> | <u>3,583,391</u> |

9.1 Operating fixed assets - movement

Opening balance

Cost

Accumulated depreciation

Net book value

| | |
|------------------|------------------|
| 4,486,681 | 3,966,699 |
| (951,368) | (855,980) |
| <u>3,535,313</u> | <u>3,110,719</u> |

Movement in cost:

Adjustment on transition to IFRS 16

Transfers from capital work-in-progress

Additions

Derecognized

Adjustments/ write-off

| | |
|---------------|----------------|
| - | - |
| 4,681 | 372,523 |
| 8,322 | 312,367 |
| - | (10,972) |
| - | (153,936) |
| <u>13,003</u> | <u>519,982</u> |

may

Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months period ended 30 June 2021***Movement in depreciation:*

| | | |
|---------------------------------|-------------------------------|------------------|
| Depreciation charge | (146,293) | 246,588 |
| Adjustments/ write-off | - | (151,198) |
| | <u>(146,293)</u> | <u>95,388</u> |
| <i>Closing balance</i> | | |
| Cost | 4,499,684 | 4,486,681 |
| Accumulated depreciation | (1,097,661) | (951,368) |
| Net book value | <u>9.1.1</u> <u>3,402,023</u> | <u>3,535,313</u> |

9.2 Capital work-in-progress - movement

| | | |
|---------------------------------------|----------------|---------------|
| Opening balance | 48,078 | 339,623 |
| Additions during the period/ year | 131,855 | 123,997 |
| Transferred to operating fixed assets | (4,681) | (372,523) |
| Transferred to intangible assets | - | (25,195) |
| Adjustments/write-offs | (3,194) | (17,824) |
| Closing balance | <u>172,058</u> | <u>48,078</u> |

m.d.

Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|---------------------------------------|------|------------------------------|----------------------------------|
| | Note | AFN '000 | AFN '000 |
| 10 Other assets | | | |
| Advances to employees | | 85,182 | 62,380 |
| Security deposits | | 9,541 | 9,494 |
| Prepayments | | 265,785 | 262,115 |
| Interest receivable | | 238,277 | 208,024 |
| Advance income tax - net | | 36,324 | 21,014 |
| Other receivable and advances | | 148,120 | 73,342 |
| | | <u>-</u> | <u>-</u> |
| | | 783,229 | 636,369 |
| Allowance for ECL / impairment losses | 10.1 | (1,810) | (332) |
| | | <u>781,419</u> | <u>636,036</u> |

10.1 This represents provision maintained as per Asset Classification and Provisioning Regulation (ACPR) issued by DAB.

| | | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|--|------|------------------------------|----------------------------------|
| | Note | AFN '000 | AFN '000 |
| 11 Customers' deposits | | | |
| Current deposits | | 59,604,260 | 59,380,041 |
| Saving deposits | 11.1 | 236,680 | 249,460 |
| Islamic deposits | 11.2 | 1,909,120 | 1,771,814 |
| Cash margin held against bank guarantees and letters of credit | | 985,735 | 810,016 |
| | | <u>62,735,795</u> | <u>62,211,331</u> |

11.1 Saving deposits carry interest @ 3% p.a. (31 December 2020: 3% p.a.)

| | | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|--|------|------------------------------|----------------------------------|
| | Note | AFN '000 | AFN '000 |
| 11.2 Islamic deposits can be further analyzed as follows: | | | |
| Current deposits | | 232,694 | 223,103 |
| Saving deposits | | 1,662,762 | 1,523,138 |
| Term deposits | | 13,664 | 25,572 |
| | | <u>1,909,120</u> | <u>1,771,813</u> |

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|---|------------------------------|----------------------------------|
| | AFN '000 | AFN '000 |
| 12 Lease liabilities | | |
| Opening balance | 469,641 | 265,040 |
| Additions during the year | - | 306,076 |
| Derecognized during the year | - | (10,972) |
| Lease rentals paid | (28,847) | (95,549) |
| Finance cost accrued | 2,277 | 9,479 |
| Adjustments for the movement in lease liability | 13,823 | (4,434) |
| | <u>456,894</u> | <u>469,641</u> |
| 13 Deferred tax | | |
| Deferred tax assets / (liabilities) arising in respect of: | | |
| Provision on investments, placements, loans and advances and other assets | 36,910 | 5,177 |
| Provision on guarantees and commercial letter of credit | 6,735 | 5,888 |
| Carry forward taxable losses | 456,462 | 414,339 |
| Surplus on revaluation of investments | (32,661) | (36,711) |
| Accelerated tax depreciation and amortization | (373,407) | (301,150) |
| | <u>94,039</u> | <u>87,543</u> |

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13.1 Movement in temporary differences during the period

| | Balance as at 1 January 2020 | Recognized in profit or loss | Recognized in equity | Balance as at 31 December 2020 | Recognized in profit or loss | Recognized in equity | Balance as at 30 June 2021 |
|--|---------------------------------|---------------------------------|-------------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------------|
| | AFN '000 | AFN '000 | AFN '000 | AFN '000 | AFN '000 | AFN '000 | AFN '000 |
| Deferred tax assets arising in respect of: | | | | | | | |
| Provision on investments, placements and other assets | 7,096 | (1,919) | - | 5,177 | 31,733 | - | 36,910 |
| Provision on guarantees and commercial letter of credits | 14,376 | (8,488) | - | 5,888 | 847 | - | 6,735 |
| Lease liabilities | - | - | - | - | - | - | - |
| Carry forward taxable losses | 189,383 | 224,956 | - | 414,339 | 42,123 | - | 456,462 |
| | <u>210,855</u> | <u>214,549</u> | <u>-</u> | <u>425,404</u> | <u>74,703</u> | <u>-</u> | <u>500,107</u> |
| Deferred tax liabilities arising in respect of: | | | | | | | |
| Revaluation reserve on investments | (17,110) | - | (19,601) | (36,711) | - | 4,050 | (32,661) |
| Accelerated tax depreciation and amortization | (228,044) | (73,106) | - | (301,150) | (72,257) | - | (373,407) |
| | <u>(245,154)</u> | <u>(73,106)</u> | <u>(19,601)</u> | <u>(337,861)</u> | <u>(72,257)</u> | <u>4,050</u> | <u>(406,068)</u> |
| | <u>(34,299)</u> | <u>141,443</u> | <u>(19,601)</u> | <u>87,543</u> | <u>2,446</u> | <u>4,050</u> | <u>94,039</u> |

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
|--|-----------|------------------------------|-------------------------------|
| 14 Share capital | | | |
| Authorized 30,000,000 (2019: 30,000,000) ordinary shares of USD 1 | AFN '000' | 1,465,071 | 1,465,071 |
| Issued, subscribed and paid-up - 30,000,000 (2020: 30,000,000) ordinary shares of USD 1 each fully paid in cash | AFN '000' | 1,465,071 | 1,465,071 |

17.1 Dividend

14.1 Pursuant to letter no.918/703 dated 17 May 2010 issued by Da Afghanistan Bank (DAB), the Bank complies with the minimum paid-up capital requirement for commercial banks in Afghanistan amounting to AFN 1 billion or US \$ 20 million.

14.2 Horizon Associates LLC and Wilton Holding Limited each holds 46.25% of issued, subscribed and paid up capital while remaining 7.5% is held by International Finance Corporation which is same as per previous year.

15 Capital reserves

Article 93 "Reserve Capital" of Corporations and Limited Liability Companies Law of Afghanistan, requires that Bank should transfer 5% of its profit to Capital Reserve to compensate for future possible losses to the extent such capital reserves reach up to 25% of the Bank's capital. The Bank's capital reserves as at 31 December 2019 stood at AFN 290,813 thousands (31 December

| | Note | 30 June 2021 (Un-audited) AFN '000 | 31 December 2020 (Audited) AFN '000 |
|--|--------|--|---|
| 16 Contingencies and commitments | | | |
| 16.1 Contingencies | | | |
| Financial guarantees | 16.1.1 | 7,578,309 | 7,158,183 |
| <p>16.1.1 These represent bid bonds and performance based guarantees issued by the Bank. These are 100% secured against the cash margin and counter guarantees.</p> | | | |
| 16.2 Commitments | | | |
| (a) Undrawn loan and overdraft facilities | | 834,951 | 1,071,813 |
| (b) Commercial letters of credit | | 502,587 | 662,409 |
| | | <u>1,337,538</u> | <u>1,734,222</u> |

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

| | Note | 30 June 2021 | 30 June 2020 |
|--|------|----------------|----------------|
| | | (Un-audited) | (Un-audited) |
| | | AFN '000 | AFN '000 |
| 17 Interest income | | | |
| Balances with DAB and other banks | | 13,310 | 12,536 |
| Placements | | 63,981 | 149,068 |
| Debt instruments at FVOCI | | 97,542 | 112,269 |
| Debt instruments at amortized cost | | 90,711 | 122,790 |
| Loans and advances to customers | | 104,632 | 169,810 |
| | | <u>370,175</u> | <u>567,063</u> |
| 18 Other income | | | |
| Loans and advances recovered previously written off | | 8,503 | 1,471 |
| Amounts received from DoJ | | - | 322,166 |
| Others | | 3,342 | 249 |
| | | <u>11,846</u> | <u>323,886</u> |
| 19 Provision for credit losses | | | |
| The table below shows the impairment charges on financial instruments for the period recorded in the income statement: | | | |
| Placements | 6.2 | 2,215 | (2,841) |
| Investments | 7.3 | 3,622 | (1,114) |
| Loans and advances | 8.5 | 146,076 | 116,120 |
| Other assets | 10.1 | 1,477 | 301 |
| Financial guarantees | 14.2 | 4,920 | (12,866) |
| Letter of credit | 14.2 | (687) | 82 |
| Total credit loss/ (reversal) for the period - net | | <u>157,624</u> | <u>99,683</u> |

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

20 General and administrative expenses

| | | |
|---|----------------|----------------|
| Salaries and benefits | 251,833 | 312,505 |
| Rental, rates and taxes | 26,949 | 6,335 |
| Electricity, generator and fuel | 44,703 | 52,529 |
| Repairs and maintenance | 6,811 | 8,819 |
| Information technology cost | 56,032 | 60,883 |
| Security cost | 43,861 | 69,255 |
| Depreciation | 146,292 | 141,293 |
| Amortization | 43,611 | 43,638 |
| Directors fee and their meeting expenses | 9,173 | 11,620 |
| Travelling and accommodation | 12,599 | 20,470 |
| Communication, swift and internet | 21,424 | 28,610 |
| Stationery and printing | 16,454 | 16,695 |
| Legal and professional charges | 65,536 | 46,378 |
| Asset management fee to investment advisors | 19,488 | 18,348 |
| Auditors' remuneration | 5,011 | 6,879 |
| Marketing and promotion | 4,925 | 9,278 |
| Money service providers charges | 1,116 | 1,264 |
| Insurance | 116,720 | 82,784 |
| Subscriptions and memberships | 509 | 1,791 |
| Other charges | 26,272 | 28,720 |
| Taxes and penalties | 1,035 | 620 |
| Corporate social responsibility | 2,775 | 6,940 |
| Corona virus costs | 1,368 | 10,814 |
| Others | 7,068 | 3,483 |
| | <u>931,565</u> | <u>989,851</u> |

| | | <u>30 June 2021</u> <u>(Un-audited)</u> | <u>30 June 2020</u> <u>(Un-audited)</u> |
|--------------------|------|--|--|
| | Note | AFN '000 | AFN '000 |
| 21 Taxation | | | |
| Current: | | | |
| For the period | 21.1 | - | - |
| Prior periods | | - | (13,662) |
| Deferred: | | | |
| For the period | | (2,446) | 24,386 |
| | | <u>(2,446)</u> | <u>10,734</u> |

21.1 Owing to carry forward tax losses, no provision for taxation has been made during the period.

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Afghanistan International Bank
Notes to the condensed interim financial statements (Un-audited)
For the six months period ended 30 June 2021

22 Related party transactions

The Bank has a related party relationship with its shareholders, their related entities, directors and key management personnel. The Bank had transactions with following related parties at mutually agreed terms during the year:

| Nature of transactions | Directors and other key management personnel (and close family members) | | Shareholders and its associated companies | |
|--|---|-------------------------------|---|-------------------------------|
| | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
| | AFN '000 | AFN '000 | AFN '000 | AFN '000 |
| (a) Loans and advances to related parties | | | | |
| Loans outstanding at the beginning of the year | 2,678 | 1,908 | 172,935 | 174,781 |
| Loans issued during the period/ year | - | 1,540 | 157,293 | 167,338 |
| Loans repayments during the period/ year | - | (770) | (168,584) | (169,184) |
| Exchange gain | - | - | - | - |
| Loans outstanding at the end of the year | <u>2,678</u> | <u>2,678</u> | <u>161,644</u> | <u>172,935</u> |
| Interest income earned | <u>482</u> | <u>964</u> | <u>2,342</u> | <u>11,918</u> |

During the period, an amount of AFN 23,259.05 thousand (31 December 2020: AFN 112,824.76 thousand) was paid to MADCC (related party) against certain construction and other works remaining after completion of head office and renovation work at Herat branch.

Provision for expected credit losses on outstanding balances of loans and advances to related parties amount to AFN 8,082.22 thousand (31 December 2020: AFN 8,646.77 thousand).

The facilities provided to related parties carry mark-up of 7% p.a. (31 December 2020: 7% p.a.) payable on monthly basis and are secured against mortgage of residential property and personal guarantees of directors and representative of shareholders of the Bank.

| Nature of transactions | Directors and other key management personnel (and close family members) | | Shareholders and its associated companies | |
|--|---|-------------------------------|---|-------------------------------|
| | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) | 30 June 2021 (Un-audited) | 31 December 2020 (Audited) |
| | AFN '000 | AFN '000 | AFN '000 | AFN '000 |
| (b) Deposits from related parties | | | | |
| Deposits at the beginning of the year | 56,741 | 57,309 | 64,474 | 67,414 |
| Deposits received during the year | - | 338,400 | 957,651 | 2,764,480 |
| Deposits repaid during the year | - | (338,694) | (990,162) | (2,767,738) |
| Exchange rate difference | - | -274 | 1,302 | 319 |
| Deposits at the end of the year | <u>56,741</u> | <u>56,741</u> | <u>33,265</u> | <u>64,474</u> |
| Interest expense on deposits | - | - | - | - |

| Nature of transactions | Directors and other key management personnel (and close family members) | | Shareholders and its associated companies | |
|---|---|---------------------------|---|---------------------------|
| | 30 June 2021 (Un-audited) | 30 June 2020 (Audited) | 30 June 2021 (Un-audited) | 30 June 2020 (Audited) |
| | AFN '000 | AFN '000 | AFN '000 | AFN '000 |
| (c) Other related party transactions | | | | |
| Fee and commission income | - | - | 2,966 | 2,934 |
| Directors' fee | 9,172 | 7,700 | - | - |
| Fee and commission expense | - | - | - | - |
| Rental expenses | 27,032 | - | 52,644 | 8,604 |
| Travelling expense | - | 3,920 | - | - |
| Capital work-in-progress | - | - | 14,719 | 64,067 |

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Afghanistan International Bank
Notes to the condensed interim financial statements (Un-audited)
For the six months period ended 30 June 2021

| | 30 June 2021 (Un-audited) AFN '000 | 30 June 2020 (Audited) AFN '000 |
|--|--|---------------------------------------|
| (d) Key Management compensation | | |
| Salaries and other short-term benefits | 28,045 | 49,981 |
| | <u>28,045</u> | <u>49,981</u> |

Key Management personnel of the Bank include the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

| | 30 June 2021 (Un-audited) AFN '000 | 30 June 2020 (Audited) AFN '000 |
|--|--|---------------------------------------|
| 23 Cash and cash equivalents | | |
| Cash in hand and at ATM | 4,117,215 | 3,410,528 |
| Balances with DAB (other than minimum reserve requirement) | 16,243,376 | 6,475,715 |
| Balances with other banks (other than held as a cash margin) | | |
| Placements (with maturity less than three months) | 5,671,818 | 12,623,970 |
| | <u>5,928,775</u> | <u>4,114,261</u> |
| | <u>31,961,185</u> | <u>26,624,474</u> |

24 Fair value of financial assets and financial liabilities

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(a) Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The various fair value levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 AFN '000 | Level 2 AFN '000 | Level 3 AFN '000 |
|--|---------------------|---------------------|---------------------|
| Investments in bonds - debt instruments at FVOCI | | | |
| As at 30 June 2021 - Un-audited | - | 7,364,827 | - |
| Investments in bonds - debt instruments at FVOCI | | | |
| As at 31 December 2020 - Audited | - | 9,331,990 | - |

Valuation technique and key inputs used for investments in bonds were quoted market bid price in active market.

There were no transfers made among various levels of fair value hierarchy during the period.

(b) Financial instruments not measured at fair value

The carrying values of all other financial assets and liabilities approximate their fair values as at the date of statement of financial position.

(i) Investments:

These include debt instruments measured at amortised cost.

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Afghanistan International Bank

Notes to the condensed interim financial statements (Un-audited)

For the six months period ended 30 June 2021

(ii) Loans and advances, other assets and other financial liabilities

Fair value of loans and advances, security deposits and other receivables and all the financial liabilities cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments, so its carrying amount is its fair value. The provision for loans and advances has been calculated in accordance with the Bank's policy and regulations issued by DAB.

(iii) Off-balance sheet financial instruments

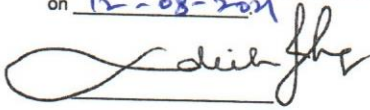
The fair value of the off-balance sheet financial instruments is equal to the carrying amounts.

25 GENERAL

25.1 The figures in this condensed interim financial statements have been rounded off to the nearest thousands.

26 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue by the Board of Supervisors of the Bank on 12-08-2021



Chief Financial Officer



Chief Executive Officer

MAL