



Best Corporate Governance
2014, 2015, 2016, 2017 and 2018
AFGHANISTAN



Bank of the Year
2012, 2013, 2014, 2015, 2016, 2017 and 2018
AFGHANISTAN



AIB

بانك بين المللى
افغانستان
Afghanistan
International Bank

Your Partner for Growth

Annual Report 2018



Our Vision

We aspire to remain the most reputable financial institution and bank of choice in Afghanistan.

Our Mission

Our mission is to foster economic development in Afghanistan, to be a catalyst for growth, and ultimately contribute to the prosperity of the country and its people.

We strive to adhere to international best practices in corporate governance, financial and risk management (including anti-money laundering and ‘know your customer’), customer service, operations, information technology and internal controls. A major factor in our success is dedication to staff development and training within a culture of integrity and professionalism.

Our Future

Through our financial performance and the specific investments we have made in our people and infrastructure, AIB has become a positive emblem for achievement and transformation, despite its challenging environment.

In our second decade of operation, we remain committed to enabling a better future for Afghanistan and we are proud to play a role in shaping the opportunities that lie ahead.

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From inception in 2004, Afghanistan International Bank's major objective has been to assist in developing the Afghan economy and to conduct business in accordance with international standards of governance and integrity. The many awards received from authoritative industry bodies is independent endorsement of AIB's success in achieving its goals, notably being named *The Banker* magazine's 'Bank of the Year, Afghanistan' for seven consecutive years from 2012 to 2018.

AIB is now well-established as an industry leader, and widely acknowledged to be the nation's most respected and trusted financial institution. Its growth as an enduring institution combines international expertise with intimate local knowledge and a deep-rooted understanding of customer needs.

Chairman's Report

AIB's success continues to be driven by its reputation for integrity, good governance and attention to customer needs. Our market position in Afghanistan remains strong, underpinned by our status as the most respected financial institution and the bank of choice. Based on these principles, in 2018 the Board and management continued to pursue the strategic agenda developed over the past few years.



We foresee that the Bank will continue to be the leader in deposits (more than 40 percent of all deposits in the banking system), profitability (most profitable bank by far), and return on equity (more than 14 percent). Our capital adequacy ratio is above regulatory requirements, significantly above most Afghanistan banks, and exceeds norms for banks worldwide.

However, reflecting the current economic realities, our loan book is below \$50 million and about the same as the previous year. Customers are not borrowing and their overall sentiment is low. I do not see this changing very much over the next two years. Hence, the Bank will maintain a conservative posture, seeking business opportunities as they present themselves. Overall, AIB performed very well in 2018, despite these strong headwinds from a stagnant economy and continued political and security strife. And, more importantly, the Bank is well-positioned for the future.

Following is a summary of the progress the Bank has made during 2018 against strategic objectives:

Achieve world-class standards in anti-money laundering and financial crime compliance

In 2017, with the assistance of an external consultant, management continued to improve implementation of policies and procedures involving these compliance functions. Staff training continued during the year, as well as monitoring to ensure that procedures are followed. The Board received quarterly reports on key indicators regarding this programme from both outside experts and management.

The project team will continue into 2019 as there is more work to be done. As one can imagine, implementing world-class procedures in AML and FCC impacts not only AIB's staff but also our customers.

In 2019 management will bolster the Compliance Department's capabilities to act as a second line of defence for this important function. We will also concentrate on educating our customers on the need to comply with the information requirements of the compliance programme.

Complete the new head office building

The new head office building was completed in November and staff moved in during December. This achievement is a major milestone in the Bank's development as the new head office will reflect the important position AIB holds in the banking system in Afghanistan.

Focus on organisation and human resource development

This initiative continues to be a key long-term priority for the Bank, with the objective of developing the capabilities and competencies of senior Afghan staff to replace expatriate management over the next five to 10 years and to generally build staff competencies across the Bank. To this end, senior Afghan staff have been placed in executive positions with increased responsibilities. Unfortunately, this development programme suffered a setback when one of our senior staff sought political asylum overseas.

During the year, we completed the programme to overhaul personnel administration, job descriptions and job grading, and to put in place comprehensive succession planning. To reinforce training and development, all senior managers had specific objectives in these areas added to their annual targets.

Position for the future in underserved markets and product offerings: Shariah banking, small business banking and electronic banking

This initiative is intended to position AIB in the small business and consumer segments over the long term. There has been uplift in business in these segments as a result of actions taken by management over the past year, which has seen an uptick in Afghani currency deposits but less so in Shariah loans. A lending programme for small businesses met with moderate success, mainly due to the reluctance of businesses to borrow. In the consumer segment, we plan to expand credit cards, deposit instruments, electronic branches, and eventually consumer loans. This is fundamentally an investment in the future, assuming that customers in these market segments will become increasingly bankable.

Maintain existing correspondent banking relationships and develop new relationships for US dollar clearing

AIB continued its correspondent banking relationship with Standard Chartered Bank for US dollar clearing. During 2018, the Bank opened a US dollar clearing account with Crown Agent Bank in the UK, and we are in discussions with another international bank to provide US dollar clearing services. Management has also opened three direct payment accounts with banks in major trading partner countries in the region to serve customers' payment needs. Management has done an outstanding job in expanding our correspondent relationships, which are such a strategic advantage for AIB.

Maintain financial stability and satisfactory returns

AIB had a successful financial year and our forecast for the next two years shows slightly higher profitability, mainly stemming from our very strong fee-based business and foreign exchange activities, which generate 48 percent of revenues. We see profit margins remaining static, but we believe the Bank will be able to achieve above 15 percent return on equity before payment of dividends over this period. As an example of managing expenses, a branch rationalisation study has been undertaken to identify ways to reduce network costs.

During 2018, the Board and its committees had several changes in composition and membership.

- Mansoor Tirmzi joined the Board of Supervisors. He has had a distinguished career at Citibank and Hong Kong Shanghai Bank in senior financial positions. Mr Tirmzi has joined the Planning and Strategy Committee and the Remuneration Committee.
- The Afghanistan Central Bank issued a regulation that Board members cannot serve on the Audit Committee, effective from 2019. Accordingly, we are searching for Afghans who are qualified to sit on the Audit Committee.
- Entering 2019, the Board will have seven members and five committees: Risk, Remuneration, Nominating, Planning and Strategy, and Audit. The 2018 activities of these committees are highlighted elsewhere in this report.

The Board met 12 times in 2018: four in person and eight by conference call. In particular, the Board focused on the strategic agenda mentioned above, as well as closely monitoring the financial condition of the Bank and the security situation in the country.

Other highlights of 2018 include:

- For the seventh consecutive year *The Banker* magazine voted AIB 'Best Bank in Afghanistan'. We are proud of this honour which reflects the professionalism of the Bank.
- For the fifth consecutive year AIB was recipient of the prestigious 'Best Corporate Governance – Afghanistan' award from the London-based Capital Finance International organisation.
- For the fourth year, AIB took a stand at the SWIFT International Banking Operations Seminar (SIBOS) held in Sydney, Australia. Two of the Bank's Afghan staff, in addition to CEO Tony Barned, attended the conference where several international banks expressed interest in working with AIB in a variety of ways.

During the early part of 2018 our long-time director Veronica John passed away after a brief illness. Ms John was one of the original organisers of AIB in 2004 while she was with the Asian Development Bank. We will remember her with affection and for her many contributions to the Bank.

In closing, I once again thank the staff of the Bank as well as my fellow Board members and shareholders for their support and dedication to the institution.



Ronald Stride
Chairman

CEO's Management Review

Afghanistan International Bank responded to the many uncertainties in the economic environment during 2018, remaining strong and sustainable. I am pleased to report that the Bank was able to expand in a number of areas during the year.



Assets increased by 17.70 percent to AFN 71.72 billion (2017: AFN 60.93 billion), bringing compound annual asset growth since 2011 to 12.11 percent. The increase was led by a significant growth in deposits, up by 19.77 percent from AFN 56.26 billion to AFN 67.38 billion, underlining the continued confidence in the strength and integrity of the Bank. However, commercial lending was again subdued throughout the year.

Revenue increased by 10.13 percent to AFN 2.50 billion (2017: AFN 2.27 billion). Compound annual revenue growth since 2011 now stands at 11.37 percent. Non-interest income – accounting for 48 percent of total revenue – was a major factor in this growth, as was the 37 percent increase in interest income from the bond portfolio and placements, helped by the increase in US dollar interest rates.

Total guarantees related to contracts with the Afghan government, issued on behalf of customers of international banks, reflected a 40 percent increase – from 25 percent in 2017 to 34 percent (2017: AFN 3.21 billion) in 2018. Together, these transactions underline the value of strong correspondent partnerships and sound regulatory compliance. Total revenue was also assisted by the liquidation of real estate collateral for just under AFN 65 million, although loan recovery still remains negatively affected by the arduous and very lengthy process for foreclosure and obtaining vacant possession.

Operating expenses increased by 14.21 percent, driven by three primary factors: higher costs relating to compliance and professional advisors (46 percent – AFN 43 million); higher security costs (4 percent – AFN 4 million); and increased IT and annual maintenance costs (60 percent – AFN 32.33 million).

In addition to the above, we also incurred expenditure of AFN 48 million with Deloitte to upgrade AML and FCC procedures and systems, offset by the added confidence of our correspondent banks in our compliance standards. Adherence to IFRS 9, the new international accounting standard that became effective from the beginning of the year, resulted in an additional provision of AFN 9 million.

Pre-tax profit showed a marginal increase to AFN 648 million (2017: AFN 646 million), mainly due to the central bank reducing the average interest rate on capital notes from 3.5 percent to 0.4 percent over the space of a single month at the beginning of the year.

Despite this, net profit increased by 34 percent to AFN 478 million (2017: 357 million) as a result of tax benefit from accelerated depreciation of our new head office building and fitting-out costs. Tax was also on the higher side in 2017 due to a one-off tax payment relating to financial years 2013-2015.

Subject to approval by the Annual General Meeting, total distribution to shareholders for the year will be AFN 645 million, equating to a dividend per share of AFN 21.50.

Our capital adequacy ratio of 13.35 percent and 61.01 percent liquidity are very satisfactory by domestic and international standards.

Business initiatives

A primary focus for 2018 was to ensure our AML/FCC systems and procedures met best international practices. In this regard, we engaged Deloitte's specialist AML/FCC team from Singapore to do a 360-degree review of our procedures and systems, which was then provided to our primary US\$ clearing banks. I am pleased to report that AIB was found to have a high level of compliance with the Bank Secrecy Act (BSA) – a US law requiring financial institutions to assist US government agencies in detecting and preventing money laundering.

Meeting BSA and our US\$ clearing banks' requirements means that AIB has more comprehensive customer on-boarding and payment screening than our local competitors, in turn affecting perceptions of our customer service. However, as AIB transacts payments for about \$2.5 billion of imports, the Bank is required to assist Afghanistan trading companies.

In 2018, AIB also upgraded its AML/FCC software systems to meet best international practice. We will continue to upgrade in 2019 and take advantage of any improvements introduced by the vendors.

Corporate and Institutional Banking

Despite a quiet year for generating new loans in corporate and institutional banking, we were able to participate in nearly double the number of development projects, providing guarantees and related support to international construction companies. These totalled AFN 3.21 billion, involving 34 projects including roads, railways and telecommunications.

In an initiative to assist exports, AIB took part in the second annual India-Afghanistan International Trade and Investment Show in Mumbai, organised by the US Agency for International Development (USAID) and the governments of India and Afghanistan. The show provided an excellent opportunity for AIB to interact with 400 contractors who signed many deals – ranging from dried fruit to mining, healthcare to energy and information technology.

To help our customers with their international trade transactions, we significantly increased our correspondent bank network. As well as maintaining our long-standing relationships with major international banks – Standard Chartered Bank and Commerzbank – and with major regional banks such as State Commercial Bank of Turkmenistan and Aska Bank in Uzbekistan, we have now added Crown Agent Bank in the UK, Bank CenterCredit in Kazakhstan, and TransCapital Bank in Russia. The latter will enable AIB to remit payments to virtually all Commonwealth of Independent States (CIS) countries.

Final steps are also being taken towards AIB becoming a member of Citi Worldlink, making us Citibank's partner in Afghanistan. The agreement was nearing completion at year-end.

Business and Community Banking

We were the first bank in the Afghan market to reduce the interest rate for SME borrowing to 7.5 percent annually, extending the offer in 2019 to support local manufacturer and empower domestic producers. The facility is available only in the AFN currency and has significantly stimulated the creation of new jobs. Since its launch, we have approved AFN 172 million in new loans, of which AFN 100 million has been disbursed with the balance in process.

Having the Afghan Credit Guarantee Foundation (ACGF) back the lending has eased collateral requirements and lowered interest rates for our customers. We signed a new contract for 2019 with ACGF, which is operated by the German government, USAID, and the World Bank. ACGF guarantees range from 36 percent to 72 percent of SME loans, reducing the need for collateral. We have a similar agreement with USAID's Development Credit Authority for partial guarantees that provide 60 to 65 percent loan coverage.

AIB believes in the importance of women in stimulating economic growth and reducing poverty in local communities and society as a whole. To this end, the Bank sponsors the Afghanistan Women Chamber of Commerce and Industry (AWCCI) to support 850 women entrepreneurs.

We also plan to create opportunities for women, and work to eliminate gender discrimination within the banking sector. AIB is also an active member of the International Chamber of Commerce of Afghanistan, and a member of the International Chamber of Commerce's Banking Commission for Afghanistan.

Consumer Banking

We have upgraded our internet banking to the latest version. OBDX (Oracle Banking Digital Experience) has several advantageous functionalities, such as understanding the user device and adjusting the platform view accordingly. This makes the system view more attractive and easy to use.

The system also has a corporate module that enables customers to have more than one user under the same account. Full transfer modules enable customers to transfer funds locally and internationally. All transfers within AIB are processed in real time, so that transactions are simultaneously credited to the beneficiary account.

The payroll module gives customers the ability to process their payrolls within AIB or any domestic bank, using a file upload function. This has capacity to process 1,000 transactions within a single file.

Using the enquiry module, customers can review all their account details, backed by Android and iPhone apps that can be downloaded for fully-functional mobile banking. Security is reinforced by fingerprint and iris-recognition for log in.

Smart Branches

In response to increasing customer demand for digital banking, and to give prompt and special service, Smart Branches will be placed in shopping malls. These will have advanced technology features, saving customers the need to visit banking halls and eliminating waiting time. The electronic portals at Smart Branches will handle all cash and transfer activities through interactive teller machines.

A cashback scheme encourages customers to switch from counters and tellers to online banking, with a small percentage of the value of total online transactions reimbursed every quarter.

Training and customer service

All customer-facing employees are being trained by an outsourced company in how best to facilitate customer needs. Training is followed by regular reviews, designed to maintain consistent improvement in service at branches.

Debit and credit card applications are now available online as is opening individual, payroll accounts. Upgrading cards to contactless functionality will be available soon. The launch of premium debit cards enables customers to make whatever transactions they need – at ATMs, with point-of-sale machines, or online.

IT initiatives

The information technology focus for the year was based on an expectation of more stringent regulatory requirements for financial crimes compliance and on the increasing sophistication of cyber-criminals. On the business side, we responded to the increased demand for services through mobile and web applications and for financial inclusion.

Major initiatives achieved include the upgrade of the IT backbone and data centre, enhancement of critical financial crimes compliance applications, business facilitating applications, and electronic banking. Redundancy and resilience in our operations have improved – particularly in security – and we have prepared for future business requirements. Consequently, the Bank is in a strong position to meet the ever-increasing demands of its clients and consolidate its market leadership.

We also recognise that data is a critical asset, and that how it is used and protected has a significant impact on service delivery and client confidence. We improved our cyber security capabilities to provide swift detection and remediation of threats as well as strengthening the protective mechanisms. Being aware that the human element is the weakest link in cyber security, we introduced a more comprehensive awareness programme for all employees, resulting in increased understanding of acceptable behaviour and the use of IT resources.

Community involvement

The Bank participated in a number of domestic and international exhibitions and seminars.

Domestically, we organised the Bibi Khadija Award Ceremony in partnership with the Afghanistan Women Chamber of Commerce and Industry. Five successful businesswomen were honoured in five categories. Wider community involvement extended to participating in conferences such as the ePayment Exhibition and the Domestic Product Exhibition.

Internationally, we supported and sponsored the Afghanistan Women Chamber of Commerce and Industry's top 10 members to participate in the Halal International Business Summit exhibition in Istanbul. AIB was again represented at SIBOS, the annual conference, exhibition, and networking event organized by SWIFT for the financial industry. Held in Sydney, the event was an excellent opportunity to renew existing relationships and establish new ones.

AIB delegations also participated in USAID's Passage 2 Prosperity event held in Mumbai, supporting Afghan traders to present their products and helping their entry to international trade.

In keeping with AIB's commitment to good corporate citizenship, we continued to support projects that have a beneficial impact on the communities where we operate. We again contributed to Women for Afghan Women; funded construction of a gymnasium and sunshade for Maryam High School in Kabul; donated medical equipment to Abdul Hadi Dawee High School; and sponsored young people to attend the business forum run by AIESEC, the world's largest youth-run organisation.

I take this opportunity to express sincere thanks to our shareholders and Board for their continued confidence and support, and to our loyal customers for their patronage. To our management and our employees, I offer special thanks for their dedication and hard work throughout 2018 and the performance achieved in a very testing environment.



Anthony Barned
Chief Executive Officer

Financial Highlights

Growth in key metrics sustains upward performance trend.

↗ 17.7%
71.72bn

Assets

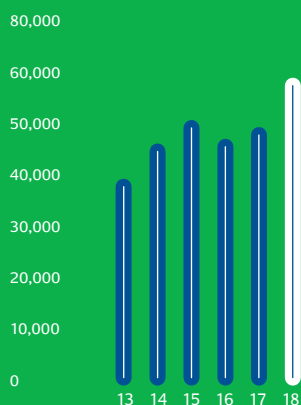
↗ 10.13%
2.50bn

Revenue

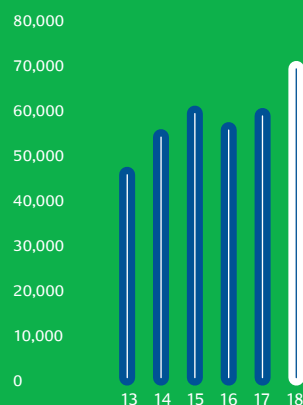
↗ 34%
478mn

Net profit before tax

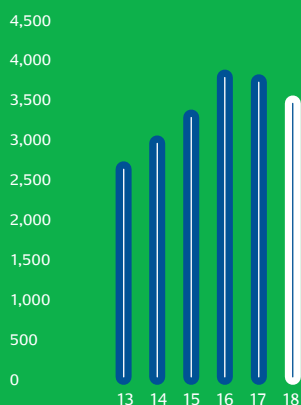
Deposits
(AFN millions)



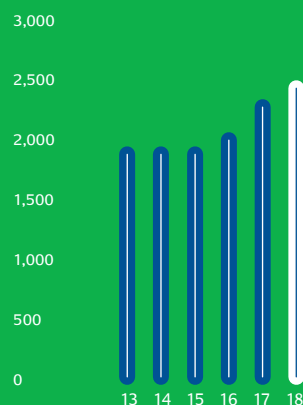
Total assets
(AFN millions)



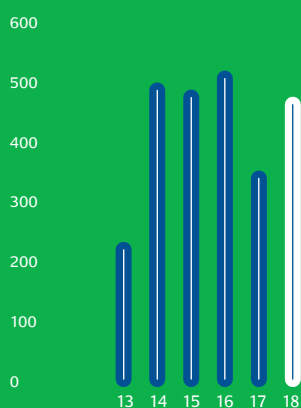
Capital growth
(AFN millions)



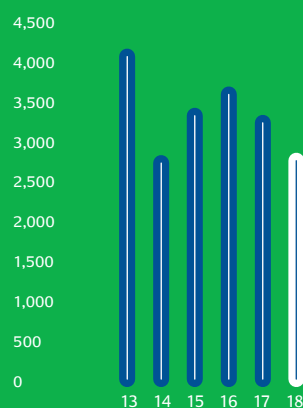
Revenues
(AFN millions)



Net profit before tax
(AFN millions)



Advances
(AFN millions)



Significant export boosts from the agriculture sector and far-reaching structural reforms are beginning to stimulate the Afghanistan economy, with real GDP growth showing an upward trend.

GDP

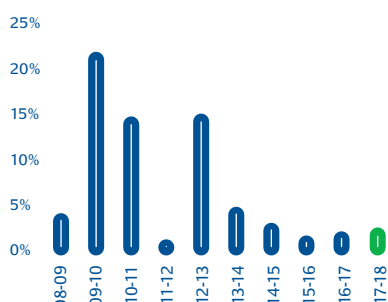
Afghanistan has experienced sluggish GDP growth since 2014 with an average annual rate of 2.7 percent. A number of factors have contributed to this including the withdrawal of US and international security forces, the deteriorating security situation over the past few years, reductions in international grants, and ongoing political uncertainty.

Set against these negative trends, the economy is benefitting from the implementation of economic reforms and there are modest signs of growing confidence and momentum. From a low of 1.5 percent in 2015, real GDP growth has accelerated to 2.9 percent in 2018 and continues to show an upward trend with real growth for 2019 projected at 3.1 percent.

Some important risks surround this projection, particularly around the upcoming presidential elections. However, these risks are balanced by significant upside potential if current peace talks with the Taliban can achieve success, thereby greatly improving the security and economic outlook. In aggregate, we expect real GDP to remain soft at between 3 percent and 5 percent over the next three years supported in particular by strengthening export volumes in agricultural and industrial sectors. Employment growth peaked at 2.9 percent in 2016, and is expected to remain flat at around 1 percent for the next three years.

GDP annual growth rate in Afghanistan is reported by Da Afghanistan Bank

Afghanistan GDP annual growth rate (% pa)



Source: Da Afghanistan Bank

Inflation

Inflation sat at 1.1 percent in December 2018, compared to an average inflation rate of 2.65 percent over the past three years. There has been some volatility in these figures, with a high of 7.37 percent in July 2016 and a low of 0.7 percent in January 2016. Between March and July 2018, deflationary conditions existed at a peak of -1.6 percent. Per capita income in 2018 was estimated at \$620 per annum.

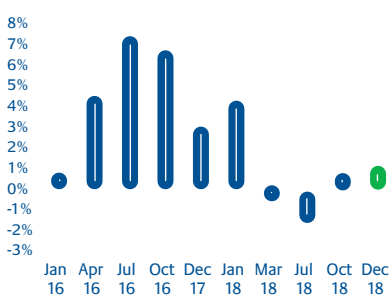
Agricultural sector

The agricultural sector continues to be a key driver of the economy, representing 23.7 percent of GDP and growing by 21.4 percent between 2016 and 2017. This was a result of improvements in production techniques and facilities, as well as favourable weather conditions. With the majority of the population either directly or indirectly dependent on the sector, and as a fast-growing export category, the upward trend is a strong fillip for Afghanistan's wider economy. Whilst government data on the growth rate for 2018 is not yet available, the observable sub-components indicate growth over the past 12 months has been even higher than in 2017.

Exports

The country's exports in 2017/18 grew significantly to \$784 million annually, compared to \$571 million in 2015/16. Available data from Q1 2018 corroborates this growth, rising almost 50 percent against Q1 2017. Underlying improvements in infrastructure, such as the establishment of new air corridors to India, continue to drive exports and we expect further export growth.

Afghanistan inflation rate 2016 to 2018



The Kabul-New Delhi air corridor began in June 2017, followed by second air corridor (Kabul-Mumbai) in December 2018 through which over 100 flights have already been conducted between the two countries transporting 2,500 metric tons of goods. In the last three years, Kabul has exported about 10,200 metric tons of goods to India and trade between India-Afghanistan is predicted to reach \$2 billion by 2020.

Pakistan remains the primary export destination for Afghan goods with 48 percent of exports, India (19 percent) and Russia (9 percent) are growing quickly, as are exports to Afghanistan's regional neighbours and to China, Japan, Indonesia, and Malaysia.

Overall, exports currently account for around 20 percent of GDP. The primary categories are: carpets and rugs (45 percent); fresh and dried fruits (31 percent); and medicinal plants (12 percent).

Whilst continued growth is expected, a note of caution should be raised for 2019 given the upcoming presidential elections, as the previous presidential election in 2013/14 saw some disruption to export volumes.

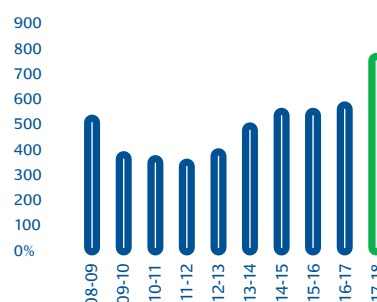
Imports

2017/18 imports rose to \$7,440 million from \$6,534 million in 2016/17. However, indicators point towards import volumes dropping slightly in 2018, with Q1-Q3 imports totaling \$5,282 million, indicating a likely reduction for the calendar year.

The country's major imports are: petroleum (33 percent of total imports); machinery and equipment (15 percent), food items (14 percent) and base metals and related articles (9 percent).

The largest single source of imports is Pakistan, with 14 percent of total imports. Pakistan's share of imports is however decreasing, with imports in the second half of 2018 falling to \$608.533 million compared to \$739.233 million for the same period in 2017. Year-on-year imports for December from Pakistan fell by 36.55 percent.

Afghanistan exports 2009-2018 (US\$ millions)



Lending

Bank lending to the private sector has been declining over the past five years. Lending for the first nine months of 2018 reached \$572 million compared to \$582 million for the 12 months of 2017.

That said, a significant rise in lending is not imminent as banks tighten credit standards ahead of presidential elections and the outcome of talks with the Taliban. Total bank deposits were \$3.88 billion in December 2017, decreasing slightly to \$3.62 billion in December 2018. Central bank reserves increased from \$8.11 billion at the end of 2017 to \$8.24 billion in 2018.

Business reform

The process of business reform has been a significant success for the country in 2018 with the World Bank highlighting the “extraordinary advancement” being made by Afghanistan.

There have been significant reforms around: ease of starting a business; access to credit; taxation and collection; resolving insolvency; and protecting minority investors. In addition, the government departments responsible for all business licensing have now been gathered under a single umbrella, and indeed operate in the same building.

These steps have seen a remarkable boost for Afghanistan’s ranking in the World Bank’s Starting a Business Indicator — moving from 107th at the start of 2018 (below Djibouti) to 47th in January 2019 (above the USA).

A similarly strong performance in World Bank’s Resolving Insolvency rankings moved the country from 161st in 2018 to 74th at the start of 2019. The new insolvency framework should have a significant beneficial effect on the economy, with creditors more willing to enter the market. The framework puts in place a robust regime allowing reorganisations and liquidation; improving the continuation of the debtor’s business during insolvency proceedings; and improving the legal and institutional foundations for obtaining credit.

The country saw the corresponding Access to Credit ranking rise more modestly from 105th to 99th, but we would expect this to increase as creditors gain comfort with the new systems.

Further improvements to the investment climate would be welcome, with the attraction of foreign investment and promotion of domestic enterprise essential for the ongoing health of the economy.

Political outlook

The upcoming presidential election will be held in July 2019. A total of 18 candidates are registered including the current president Ashraf Ghani and his power-sharing CEO Abdullah Abdullah. Talks between the US and the Taliban have gathered momentum, despite the deterioration of the security situation in the country, with the new chief negotiator for the Taliban currently discussing a potential ceasefire with the US in Qatar. The proposed peace talks between the US and the Taliban are reportedly close to establishing a mechanism to bring conflict to an end. This would be a significant boost to the overall economic outlook.

Infrastructure

Due to a longstanding lack of dams, Afghanistan loses a significant proportion of its water resource to neighbouring countries, and severe droughts are a common occurrence for the majority of the country’s provinces. This causes problems for the important agricultural sector, which in turn creates food shortages and displacement of population.

President Ashraf Ghani guaranteed in his early days as president to build 26 dams to conserve water. Construction has commenced on most of these dams, which will safeguard water requirements for agriculture as well as help satisfy domestic electricity needs. The potential inclusion of Afghanistan in CPEC and Asian Development Bank grants in the energy sector will provide further impetus for this development.

President Ghani inaugurated the Lapis Lazuli Corridor Accord at the end of 2018, providing Afghanistan with a direct transport link for Europe via road, rail and sea. Goods will be transported through Turkmenistan, across the Caspian Sea to Azerbaijan and Georgia, then across the Black Sea and through Turkey to the Mediterranean and Europe.

Looking east, Afghanistan has many trade gates opening toward central Asia and its international markets. Both Indian and Chinese companies are playing an increasing role in Afghanistan, with China actively investing in the country to foster commercial ties. This is especially evident in the construction of railways, dams, roads and housing, and through imports of Afghan hygiene products. The Sino-Afghan Special Railway Transportation project connects Afghanistan to China’s ‘One Belt, One Road’ trade corridor with Uzbekistan, Kazakhstan and Iran.

Development support

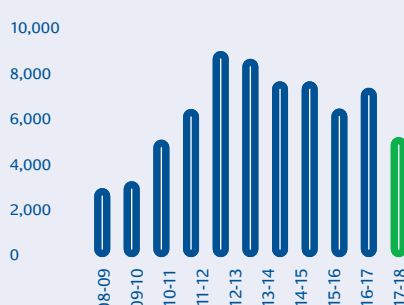
The Asian Development Bank and the World Bank continue to support the country’s national development projects in a wide range of sectors including: health; empowerment of women; transport; energy; natural resources; and economic management. To date, the World Bank has committed more than \$4.1 billion to these development projects. The World Bank-administered Afghanistan Reconstruction Trust Fund has raised more than \$10.6 billion, and the country has secured financial commitment from the international donor communities for the next five years, with \$3.5 billion per year pledged at the Brussels conference 2016. The government also receives a similar level of annual assistance from Tokyo (\$3.9 billion per year). These international partners reconfirmed their long-term support for the country at a NATO summit in 2018.

Agriculture growth rate 2013-2017

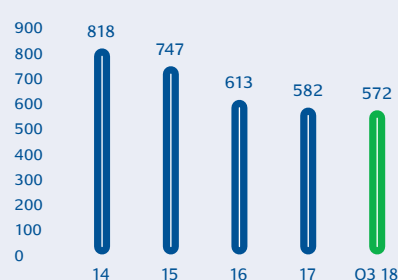


Source: Da Afghanistan Bank

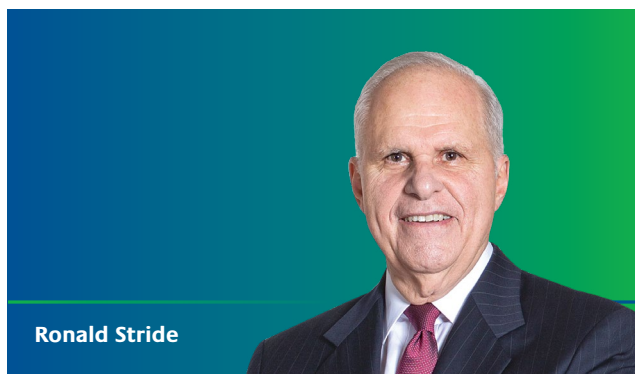
Afghanistan imports 2009-2018
(US\$ millions)



Banks' lending to private sector
(US\$ millions)



Profile: Board of Supervisors



Ronald Stride

Independent Director, Chair of the Board of Supervisors, Chair of the Planning and Strategy Committee, Member of the Remuneration Committee, the Nominating Committee and the Risk Committee

Mr Stride spent most of his career with Booz Allen & Hamilton, the management consulting firm, where he was a senior vice-president and managing partner for Asia. He also served on the firm's Board of Directors in the US. Mr Stride has been a member of AIB's Board since November 2009. He is currently a member of several business boards as well as chairing a large Singapore-based charity – Food from the Heart. He was formerly president of the American Association of Singapore, a position he held for five years. Mr Stride received his BA from Providence College in the USA.



Mansoor Tirmzi

Independent Director, Member of the Remuneration Committee and the Planning and Strategy Committee

Mr Tirmzi is a qualified Chartered Accountant (1981, Institute of Chartered Accountants, England & Wales), and has 34 years of international banking experience in the Middle East and Asia Pacific with Citibank and HSBC. Key roles as chief financial officer included in Saudi Arabia, Philippines, Indonesia, Hong Kong, and Singapore – as well as three regional CFO roles in Asia Pacific. He was also director of audit and risk review with Citibank Asia Pacific. He is currently a financial consultant based in Singapore, focused on assignments in the Middle East and Asia Pacific.



Samuel Sidiqi

Independent Director, Chair of Remuneration Committee and Nominating Committee and member of the Planning and Strategy Committee

Mr Sidiqi joined the Board in 2017. He is currently the CEO of Abu Dhabi-listed RAK Properties, a leading UAE developer. Previously he was CEO of Kuwait-listed NREC, and prior to that worked with Agility Logistics in Europe, America, Asia, and the Middle East. He began his career at Bain & Company advising Fortune 500 clients on strategy. Mr Sidiqi has an MBA from the Wharton School and an MA from the Lauder Institute, both of the University of Pennsylvania. He has a Bachelor of Economics and a Bachelor of Political Science from Massachusetts Institute of Technology.



Hamidullah A. Mohib

Shareholder-appointed Member of the Board of Supervisors, Member of the Remuneration Committee, the Nominating Committee, the Risk Committee and the Audit Committee

Mr Mohib has been a member of the Board since 2005. He is an executive director at Mohib Holdings, responsible for strategic planning and treasury operations for the group's various activities in Central Asia and the Middle East. Mr Mohib was educated at King's University College at the University of Western Ontario.



Hugo Minderhoud

Independent Director, Member of the Audit Committee

Mr Minderhoud joined the Board in December 2017. He is based in Tashkent, Uzbekistan, where he is senior advisor to Ipak Yuli Bank Uzbekistan. He has worked in various capacities in Central Asia and the former Soviet Union since 1994, at first with ABN AMRO Bank, Netherlands, and since 2006 as independent financial advisor and board member of various banks and companies in the region.

He holds a law degree from Leiden University in the Netherlands.



Aditya Srivastava

Independent Director, Chair of the Risk Committee and Member of the Planning and Strategy Committee

Mr Srivastava has been a Board member since August 2012. He is chief commercial officer of Wasl Asset Management Group, a Government of Dubai-owned corporation with interests in property, hospitality and leisure. Before joining Wasl in 2008, he had a 20-year career in banking, the last 10 years with Société Générale where he was GCC head of project finance and corporate relationships. Mr Srivastava holds a master's degree in economics from the Delhi School of Economics and is a Member of the Institute of Chartered Accountants in England and Wales.



Lutfullah Rahmat

Shareholder-appointed Member of the Board of Supervisors, Member of the Planning and Strategy Committee, the Nominating Committee, and the Risk Committee

Mr Rahmat is past-chairman of AIB and has been a member of the Board since the Bank's inception in 2004. He is also managing director of the Rahmat Group, of which Star Textile Mills Ltd is the principal member; president of Rahmat Fruit Processing Corporation; and a partner in the sole agents for Samsung Electronics and Appliances in Afghanistan. He graduated with a BCom from Bombay University.

Governance Report and AIB Committees

As a matter of principle and good business practice, AIB conducts its banking business in an ethical, prudent, and professional manner, in accordance with international standards of governance.

Philosophy of governance

AIB endeavours to enhance shareholder value; protect the interests of all stakeholders including shareholders, customers, employees, regulators and the public at large; and to ensure compliance with international best practices for financial institutions. The Bank complies with all legal and regulatory requirements of Afghanistan – but also formulates and adheres to strong corporate governance practices beyond what is mandated by Afghanistan regulators. In fact, ‘international’ in our name reflects the standard of performance we strive to achieve.

The adoption and implementation of corporate governance is the direct responsibility of the Board of Supervisors. In this role, the Board ensures that the management of the Bank is meeting the requirements and obligations of good governance.

Shareholders

The Bank has three shareholders, each with an ownership percentage as shown in the table below. The shareholders operate under a policy of non-interference in management decisions and the Bank’s operations. The positive reputation and widespread business interests and relationships of the Bank’s shareholders in Afghanistan have contributed significantly to the success of the institution. Each shareholder has the right to appoint one individual to the Board of Supervisors.

| Shareholder | Beneficial Shareholder | Type of Company | Incorporated | Board Members | Ownership % |
|---|---|--------------------------------|---------------------------------------|---------------------|-------------|
| International Finance Corporation (IFC) | Not applicable | Global development institution | Washington, District of Columbia, USA | No one appointed | 7.50 |
| Horizon Associates | Mohammed Abraham Mohib | Holding Company | Delaware, USA | Lutfullah Rahmat | 46.25 |
| Wilton Holdings | Lutfullah Rahmat, Izzatullah Rahmat, Nasrullah Rahmat | Holding Company | Cayman Islands | Hamidullah A. Mohib | 46.25 |

Board of Supervisors

The major purpose of the Board of Supervisors is to formulate the overall strategic and financial objectives of the Bank; to monitor these objectives to ensure they are met by management; and to ensure that the risks associated with operating a financial institution in Afghanistan are managed and mitigated as far as possible. Ensuring the upholding of good corporate governance is key to the Bank achieving its goals, and the Board ensures that best practices are maintained.

The Board is composed of the Chairman, shareholder-appointed directors and independent directors. The Chairman is an independent director, which complies with central bank regulations. Independent Board members are in the majority, in line with regulations and international governance standards. According to the Articles of Association, each shareholder has the right to appoint one shareholder-designated director. The shareholders have agreed to a Board of Supervisors consisting of seven individuals. There are currently seven Board members: five independent and two shareholder-appointed. Brief biographical profiles of the directors are included in this annual report.

The Chairman is a non-executive director and is responsible for leadership of the Board and ensuring its effectiveness. Shareholder-nominated directors are appointed by the respective shareholders and represent their interests. There are currently two shareholder-appointed directors.

Independent directors are expected to bring impartial judgement to the Board through their expertise in the financial world, as well as governance experience through having served on other boards. Independent directors and directors who are shareholder representatives are elected/appointed for terms of four years, but must stand for reappointment each year.

The Board has five committees: Remuneration; Nominating; Risk; Planning and Strategy, and Audit. Each committee has a Chairman and a formal charter to guide its activities. The Board Chairman, with advice and consent of the full Board, selects committee members and committee chairs annually.

The Board of Supervisors meets monthly: four times in person and the balance by conference call. The committees of the Board meet four times a year in person and in conjunction with Board meetings, with occasional conference calls. Board committee meetings are attended by the Chief Executive Officer. Minutes of committee meetings are circulated to all Board members for their information. The role of these committees is explained in more detail in the following subsections.

In 2018, the Board met 12 times. During each meeting, the Board monitored the financial performance of the Bank as well as the status of non-performing loans and operational risks. Each quarter, the Board reviewed the anti-money laundering/ compliance dashboard to ensure the Bank's adherence to the policies and procedures established for this function by outside experts. The Bank has invested significant resources into compliance, resulting in very satisfactory implementation of these policies and procedures, although more needs to be done.

The Board was intimately involved and actively drove compliance changes and oversaw the expansion of our correspondent relationship network, resulting in a new US\$ Nostro account with UK, Kazakhstan and Uzbekistan banks. We look forward to the continued expansion of our network of correspondent banks in 2019 to include Russia and other countries.

The Board and shareholders had planned to have the Bank's new headquarters building completed in 2016, but unfortunately due to delays primarily caused by security issues, occupation only took place in the last quarter of 2018. We are proud to finally have our own headquarters and the Board looks forward to holding Board meetings there.

Planning and Strategy Committee

The Planning and Strategy Committee is responsible for AIB's strategic plan, annual business plan and budget, and for monitoring the Bank's investment portfolio.

In 2018, the committee met four times in person. Specific accomplishments during the year were:

- Reviewed and approved the business and financial plan for 2019; the plan shows an increase of 14 percent in pre-tax net profit and return on equity of 17 percent before dividend payment.
- Monitored management initiatives to improve customer service in branches. These initiatives involve technology and process improvements and have resulted in better service delivery to customers.
- Refined planning by business unit/segment:
 - Developed plans for each business unit: corporate and institutional, business banking, community banking, and consumer banking.
 - Developed profit and loss statements and balance sheets for each business unit
 - Established a method of monitoring of each unit's plan.
- Monitored the investment portfolio and approved allocation of funds across a number of investment instruments and asset managers. The investment portfolio yielded over 3 percent in interest income – more than \$6.3 million – and accounted for 20 percent of total revenue.
- Approved a shift to placements as opposed to bonds due to higher interest rate environment.
- Approved model branch cost/benefit analysis to include branch staffing and organisation, physical layout, cost structure, service standards and performance measures.
- Approved a branch rationalisation programme to reduce costs in the branch network in light of a stagnant business environment.
- Approved a revised organisation structure for the Bank.

As a part of its on-going responsibilities, the committee monitored progress of the 2018 business plan and budget each quarter. As the political, security and economic conditions in Afghanistan are not likely to improve in 2019, the committee has taken a conservative approach to planning the Bank's activities and finances.

Risk Committee

The committee provides comprehensive oversight and best practices in risk governance and risk management.

The principal role of the committee is to review the Bank's risk exposure under different products. This encompasses foreign exchange positions, assets and liabilities, capital adequacy, credit and market risk, and sovereign risk. The committee also reviews performance of the classified and non-performing loan portfolio, and, most importantly, reviews and submits to the Board of Supervisors all the Bank's policies associated with risk management. Finally, the committee identifies unacceptable risk conditions to the full Board for consideration and action.

The Board and the shareholders of AIB continued to place high priority on implementing, maintaining and developing the highest standards in anti-money laundering (AML) and counter-terrorism financing (CTF). During the year, AIB implemented a financial crime compliance/AML project with the assistance of a reputed external firm to ensure 'know your customer', AML and CTF processes are best in class. AIB also engaged the services of another prominent consulting firm, which works closely with several financial institutions, to ensure that AIB's AML and CTF processes were working satisfactorily. The findings were positive.

The Bank retained the services of an external consultant who completed a credit risk review of the Bank's loan portfolio, with recommendations being implemented as well as refinements to the Bank's business continuity plan.

The Bank is also in the process of implementing an enterprise risk management system that will further strengthen its risk culture.

Due to uncertainties in the economic outlook for Afghanistan, the Risk Committee adopted a conservative approach for the Bank's risk profile. This approach will continue in 2019 to ensure that the balance between risk and return is maintained.

Audit Committee

The Audit Committee is responsible for overseeing financial reporting; compliance with risk management policies and procedures; internal controls; ethical behaviour; and management and functioning of the Internal Audit Department.

The committee currently has three members, all qualified and experienced in audit, accounting, business or banking. The Board of Supervisors appoints members to the committee, the majority of whom consist of independent members of the Board of Supervisors, or any other qualified person, subject to the approval of Da Afghanistan Bank (the central bank), and that at least one of the committee members has sufficient experience in banking, accounting, or financial management. Any individual who is proposed to join the Audit Committee is subject to the same 'fit and proper' requirements as any other member of the Board of Supervisors. The committee currently has one non-Board member and two members of the Board of Supervisors.

The Audit Committee is responsible for the relationship with the external auditor, and meets them on completion of the annual audit and quarterly reviews. On the committee's recommendation, the Board of Supervisors approves the annual financial statements and three quarterly reviews of condensed financial information. These meetings enable committee members to discuss matters relating to the external auditor's remit and issues arising from the audit.

Consistent with previous years, in 2018 the Audit Committee assessed and approved the annual internal audit plan, including budget and resources, and regularly monitored progress of the plan. The committee discusses control environment issues reported by the Internal Audit Department, their root causes and management responses, and remediation activities including any significant audit issues that were brought to the committee's attention. The committee regularly monitors and assesses the role and effectiveness of the internal audit function.

The Audit Committee also reviews the Bank's annual budget and business plan, and recommends to the Board of Supervisors the payment of dividends.

The committee receives quarterly reports from major operational segments such as non-performing loans, operational loss, and financial reports of the Bank, reviewed at every quarterly committee meeting. The reports include the key performance indicators of these segments and issues related to operational and financial controls.

During 2018, the committee regularly focused on the status of internal controls and issues relating to money laundering and countering financial terrorism.

Da Afghanistan Bank issued a regulation that from the first quarter of 2019 Board members cannot serve as members of the Audit Committee. Accordingly, we are searching for Afghans who are qualified to sit on the committee.

Remuneration Committee

The Remuneration Committee has five major responsibilities:

- Establish compensation policies for the Bank's senior management, including base salary, fringe benefits and bonus scheme.
- Establish performance goals for each member of senior management and monitor performance against these goals.
- Establish and review development and succession plans for senior management.
- Recommend to the full Board for final decision matters relating to senior management compensation and bonus actions.
- Review and approve the Bank's human resource policies.

The Committee has four members, three of whom are independent directors including the Chairperson. The Committee met four times in person in during 2018. Key issues addressed included:

- Reviewed, approved, and monitored senior management goal statements.
- Reviewed and approved 2017 bonus and salary actions for senior management.
- Reviewed and approved an amended human resources policy.
- Reviewed and revised executive and senior management bonus scheme.
- Reviewed succession planning progress report and rotation plans.

It is critical for AIB to be clear in its commitment towards staff and in the credibility of its plans to keep talented employees and attract new ones from a pool of talented people who might otherwise consider employment abroad. The Committee thinks AIB has largely been successful in this by maintaining a professional and committed team.

Nominating Committee

The Nominating Committee works as a preparatory committee for the Board of Supervisors with respect to nomination and appointment of candidates to the Board of Supervisors, the Management Board, and other key senior managers as determined by the committee.

The committee comprises five members of the Board of Supervisors, including the Chairman; two members representing employees; and two members representing shareholders. A majority of the members are independent. At least one-third of the independent directors are committee members.

In 2018, the Committee met four times in person, in conjunction with Board meetings, and held conference calls to interview Board candidates. The Committee's major activities for 2018 were:

- Interviewing candidates to fill one open Board position: two candidates were interviewed by the Board, and one was nominated for approval to the full Board, and subsequently to the shareholders and the central bank.
- Review and revision of its charter.
- Approving the appointment of a Shariah Board member.
- Running a selection process for a preferred search firm.
- Submitting existing Board members for re-appointment at the Annual General Meeting of shareholders.

The Committee focused on strategically thinking about how to support the sustainability of the Bank through proper selection and succession planning.

Committee meetings and attendance records

Key: ⊙ Attended ○ Absent ⊘ Was not a member during this period

| Board | 23 Jan 2018 | 27 Feb 2018 | 10 Mar 2018 | 17 Apr 2018 | 8 May 2018 | 30 June 2018 | 24 July 2018 | 7 Aug 2018 | 8 Sept 2018 | 16 Oct 2018 | 17 Nov 2018 | 18 Dec 2018 |
|-------------------------|-------------|-------------|-------------|-------------|------------|--------------|--------------|------------|-------------|-------------|-------------|-------------|
| Ronald Stride, Chairman | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ○ | ○ | ○ | ○ | ⊙ | ⊙ | ⊙ |
| Hugo Minderhoud | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Hamidullah A. Mohib | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ○ |
| Lutfullah Rahmat | ○ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Aditya Srivastava | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Samuel Sidiqi | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ○ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Mansoor Tirmzi* | ⊘ | ⊘ | ⊘ | ⊘ | ⊘ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |

* DAB appointment letter 25 June

| Planning & Strategy Committee | 9 Mar 2018 | 29 Jun 2018 | 7 Sept 2018 | 16 Nov 2018 |
|-------------------------------|------------|-------------|-------------|-------------|
| Ronald Stride, Chairman | ⊙ | ○ | ○ | ⊙ |
| Aditya Srivastava | ⊙ | ⊙ | ⊙ | ⊙ |
| Lutfullah Rahmat | ⊙ | ⊙ | ⊙ | ⊙ |
| Samuel Sidiqi | ⊙ | ⊙ | ⊙ | ⊙ |
| Mansoor Tirmzi* | ⊘ | ⊙ | ⊙ | ⊙ |

* BoS appointed 10 March/DAB appointment letter 25 June as Director

| Risk Committee | 9 Mar 2018 | 29 Jun 2018 | 7 Sept 2018 | 16 Nov 2018 |
|-------------------------|------------|-------------|-------------|-------------|
| Aditya Srivastava | ⊙ | ⊙ | ⊙ | ⊙ |
| Ronald Stride, Chairman | ⊙ | ○ | ○ | ⊙ |
| Hamidullah A. Mohib | ⊙ | ⊙ | ⊙ | ⊙ |
| Hugo Minderhoud* | ⊘ | ⊙ | ⊙ | ⊙ |
| Lutfullah Rahmat | ⊙ | ⊙ | ⊙ | ⊙ |

* Appointed 10 March

| Remuneration Committee | 9 Mar 2018 | 29 Jun 2018 | 7 Sept 2018 | 16 Nov 2018 |
|-------------------------|------------|-------------|-------------|-------------|
| Ronald Stride, Chairman | ⊙ | ○ | ○ | ⊙ |
| Samuel Sidiqi | ⊙ | ⊙ | ⊙ | ⊙ |
| Hamidullah A. Mohib | ⊙ | ⊙ | ⊙ | ⊙ |
| Mansoor Tirmzi* | ⊘ | ⊙ | ⊙ | ⊙ |

* BoS appointed 10 March/DAB appointment letter 25 June as Director

| Nominating Committee | 8 Feb 2018 | 15 Feb 2018 | 10 Mar 2018 | 29 Jun 2018 | 7 Sept 2018 | 16 Nov 2018 |
|-------------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Ronald Stride, Chairman | ⊙ | ⊙ | ⊙ | ○ | ○ | ⊙ |
| Samuel Sidiqi | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Hugo Minderhoud* | ⊘ | ⊘ | ⊘ | ⊙ | ⊙ | ⊙ |
| Hamidullah A. Mohib | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Lutfullah Rahmat | ⊙ | ○ | ⊙ | ⊙ | ⊙ | ⊙ |

* Appointed 10 March

| Audit Committee | 8 Mar 2018 | 7 May 2018 | 28 Jun 2018 | 5 Aug 2018 | 6 Sep 2018 | 15 Nov 2018 |
|--------------------------|------------|------------|-------------|------------|------------|-------------|
| Said Arab Khan, Chairman | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Hamidullah A. Mohib | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
| Hugo Minderhoud | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |

Management Profiles

Anthony Barned

Chief Executive Officer,
Chairman of Management Board

Mr Barned assumed the position in April 2016, having worked with the Bank in an advisory role and chairing the Audit Committee for the previous seven years. He brings more than 40 years of international commercial banking experience, with the Barclays Group and Bank of Ceylon, and as a consultant with Booz Allen & Hamilton. He is an Associate of the Chartered Institute of Bankers, London.

Lalit Kumar Jha

Chief Finance Officer,
Member of Management Board

Mr Jha holds a Bachelor of Commerce and is a qualified chartered accountant with more than 20 years' experience, mainly in the banking sector. He has been CFO at AIB since 2010, having previously been senior vice-president at Dresdner Bank, New Delhi, and head of accounts and taxation at Bank of Tokyo Mitsubishi UFJ, New Delhi.

Asadullah Fayzi

Chief Operating Officer,
Member of Management Board

Mr Fayzi holds the position of COO, having joined AIB at its inception in 2004 as head of IT and subsequently CIO. Previously he was IT manager for Afghanistan Reconstruction Company. He was appointed to his current position during 2012. He holds a Master of Science (Telecommunications) from Istanbul Technical University.

Mohammad Taofiq Mir

Head of Strategic Planning

Mr Mir began his banking career in 2006 with AIB. He managed electronic banking channels and was head of retail banking before becoming head of strategic planning in 2014. He also leads the Bank's programme to enhance financial crime compliance.

Mr Mir holds a Bachelor of Science (Electrical Engineering) from Delft University of Technology in the Netherlands.

Bishwajit Mazumder

Head of Internal Audit

Mr Mazumder, is a qualified chartered accountant, certified internal auditor, and certified information systems auditor. He also holds a law degree from India and is a USA-certified fraud examiner. He has more than 30 years' experience in banking in various institutions in different geographies and cultures, including more than a decade of heading internal audit.

Zulfiqar Ali Khan

Chief Risk Officer

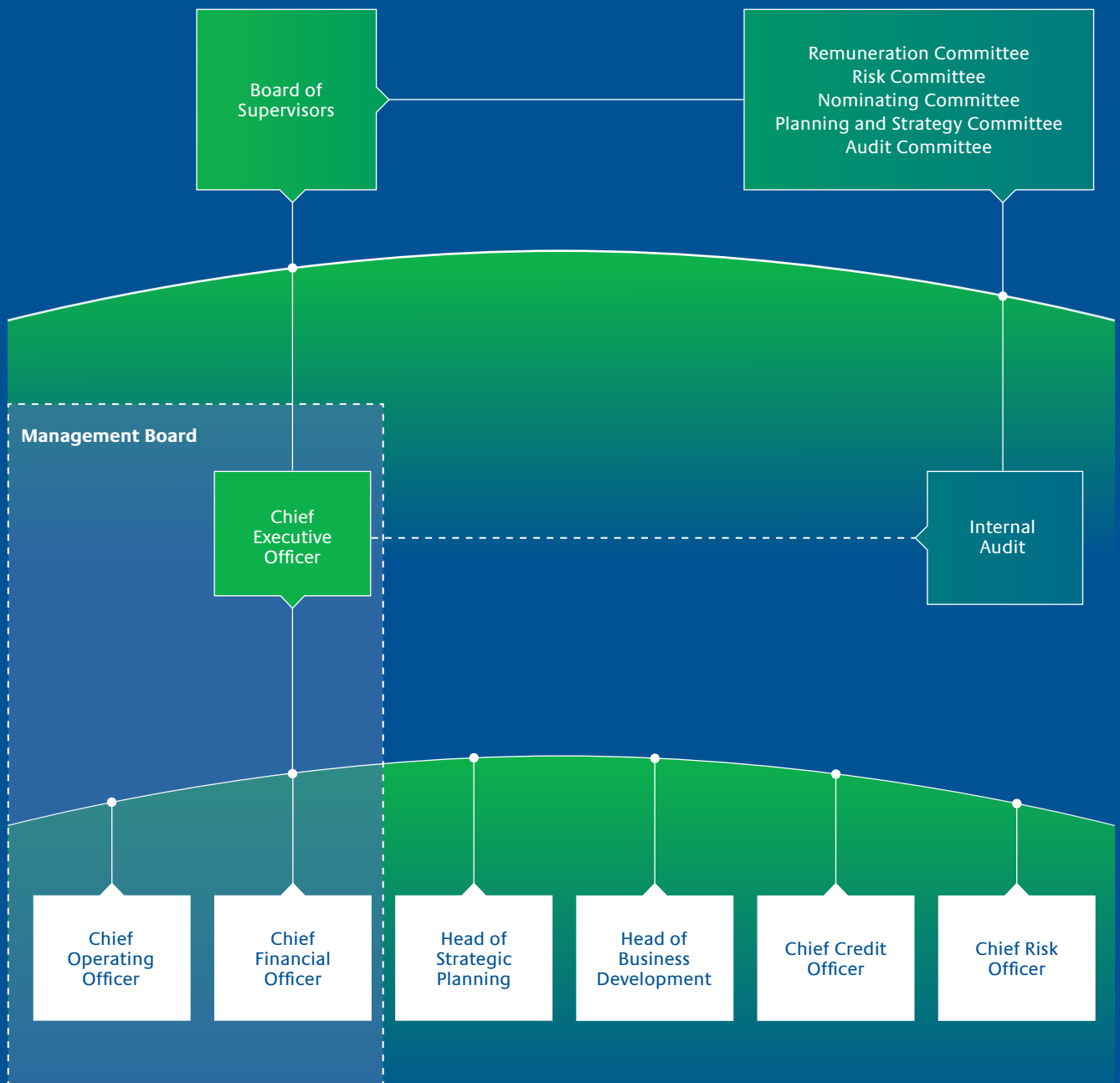
Mr Khan has over 10 years of experience as a central and commercial banker. He joined AIB in 2014 as of Head of Islamic Banking and has also managed banking for small business, trade finance, and business and commercial banking. Mr Khan is a candidate for a PhD in Islamic finance and already holds a Master of Science (Banking and Finance) and a Bachelor of Economics.

Curtis Faulkner

Acting Chief Credit Officer

Mr Faulkner retired with 30 years' experience as a regulator with the Tennessee Department of Financial Institutions. He has since worked as a consultant on banking projects with the FDIC, IMF, ADB, and USAID, including three years as a consultant for Da Afghanistan Bank. Since 2015, he has worked for AIB in various consulting roles and was appointed to the Acting CCO position in August, 2018.

Organisation



History and Performance of AIB

AIB's reputation for excellence is founded on consistent improvements in performance, a commitment to business integrity and strong corporate governance, and independent recognition of its achievements.

2004

AIB signs a Management Services and Technical Assistance Agreement with ING Institutional and Government Advisory Services BV, the independent advisory unit of Netherlands-headquartered ING Wholesale Banking. This agreement expired in September 2007, ING having fulfilled its mandate.

Asian Development Bank's Board of Directors approves a \$2.6 million equity investment in AIB.

ADB enters into an agreement with three other investors to form the shareholders group, each owning 25 percent equity.

2005

Opening of first branch outside Kabul.

2006

Khalilullah Sediq joins as Chief Executive Officer.

2007

AIB shows annual profit for the first time.

2008

Appointed bankers to the American forces in Afghanistan.

2010

AIB pays first dividend to shareholders, with total distribution of \$10 million.

2011

Deposits exceed \$500 million.

Site of 4,550 m² purchased for development of new head office, a 12-storey property with total built area of roughly 15,500 m².

2012

Deposits exceed \$800 million.

AIB acquires Standard Chartered Bank's business in Afghanistan.

The Banker magazine designates AIB as 'Bank of the Year' in Afghanistan.

2013

The Banker magazine again designates AIB as 'Bank of the Year' in Afghanistan.

2014

After being nominated by the World Bank, AIB wins 'Best Corporate Governance, Afghanistan' in the 2014 CFI.co awards.

The Banker magazine designates AIB as 'Bank of the Year' in Afghanistan for the third consecutive year.

The Bank begins building its 15,500 m² 12-storey head office.

2015

Khalilullah Sediq retires as CEO to become Governor of Da Afghanistan Bank (Afghanistan's central bank).

AIB wins the CFI.co 'Best Corporate Governance, Afghanistan' award and *The Banker* magazine designates AIB as 'Bank of the Year' in Afghanistan for the fourth year running.

Construction of the Bank's new Head Office reaches the ninth floor.

The Bank exhibits for the first time at SIBOS, the annual conference, exhibition and networking event organised by SWIFT for the financial industry.

2016

AIB wins the CFI.co 'Best Corporate Governance, Afghanistan' award for the third consecutive year and *The Banker* magazine designates AIB as 'Bank of the Year' in Afghanistan for the fifth year running.

Construction of the Bank's new Head Office completes and fit-out begins.

The Bank exhibits at SIBOS for the second time.

2017

AIB wins the CFI.co 'Best Corporate Governance, Afghanistan' award for the fourth consecutive year and *The Banker* magazine designates AIB as 'Bank of the Year' in Afghanistan for the sixth year running.

Construction of the Bank's new Head Office nears completion with occupancy commencing in the first quarter of 2018.

The Bank exhibits at SIBOS for the third time.

2018



'Best Bank' award

The Banker magazine has named AIB 'Bank of the Year, Afghanistan' for seven consecutive years from 2012 to 2018.



Original HQ

The original HQ served AIB very well but the Bank has now outgrown the premises.



New HQ

AIB moves into its new headquarters in central Kabul, reflecting the Bank's prominent position within Afghanistan's banking system.



Best governance

AIB wins CFI.co's 2018 'Best Corporate Governance, Afghanistan' award, the fifth successive year it has achieved this distinction.



World stage

AIB takes a stand at the 2018 SIBOS held in Sydney, Australia, the fourth time it has participated.

AIB Branch Network

37

Branches

107

ATMs

2

Cash outlets

