

Afghanistan International Bank

Condensed interim financial statements and
auditors' review report

For the nine months ended 30 September 2020



Contents

1. Cover letter
2. Auditors' Review Report
3. Condensed Interim Financial Statements

Independent Auditor's Review Report on Condensed Interim Financial Statements

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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 September 30, 2020 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the nine months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements 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 interim financial statements 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 interim financial statements do not give a true and fair view of the financial position of the Bank as at September 30, 2020, and of its financial performance and its cash flows for the nine months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

Grant Thornton Af

**Grant Thornton Afghanistan
Chartered Accountants**

Location: Kabul, Afghanistan

Date: *8/4 Nov, 2020*



AFGHANISTAN INTERNATIONAL BANK

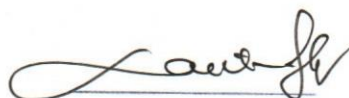
Condensed Interim Financial Statements
For the nine months ended 30 Sep 2020

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		30 September 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
ASSETS			
Cash and balances with Da Afghanistan Bank	4	16,126,990	13,859,017
Balances with other banks	5	10,090,922	7,237,771
Placements - net	6	19,122,524	15,085,047
Investments - net	7	16,579,174	18,915,749
Loan and advances to customers - net	8	2,756,439	3,417,810
Receivables from financial institutions		506,518	502,618
Operating fixed assets	9	3,490,253	3,450,342
Intangible assets		362,002	426,328
Other assets	11	630,878	837,819
Total assets		69,665,700	63,732,501
LIABILITIES			
Customers' deposits	12	64,895,909	58,843,105
Deposits from bank		-	500,000
Deferred income		26,695	77,312
Lease liabilities	13	383,377	265,040
Deferred tax liabilities	10	113,677	34,299
Other liabilities	14	209,179	333,581
Total liabilities		65,628,837	60,053,337
EQUITY			
Share capital	15	1,465,071	1,465,071
Capital reserves		290,813	290,813
Retained earnings		2,065,168	1,859,291
Revaluation surplus on debt instruments at FVOCI		215,811	63,989
Total equity		4,036,863	3,679,164
Total liabilities and equity		69,665,700	63,732,501
Contingencies and commitments	16		

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The annexed notes 1 to 29 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	Note	Nine months ended		Three months ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		Un-audited AFN '000'	Un-audited AFN '000'	Un-audited AFN '000'	Un-audited AFN '000'
Interest income	17	816,182	1,053,690	249,119	327,191
Interest expense	18	(15,873)	(31,004)	(3,944)	(6,416)
Net interest income		800,309	1,022,686	245,175	320,775
Fee and commission income	19	746,295	731,690	244,690	254,054
Fee and commission expense	20	(7,344)	(7,842)	(1,566)	(2,247)
Net fee and commission income		738,951	723,848	243,124	251,807
Income from dealing in foreign currencies		239,552	198,893	78,278	77,510
		1,778,812	1,945,427	566,577	650,092
Other income	21	324,633	47,212	747	12,166
Gain on sale of securities		30,736	79,582	29,221	83,815
Credit losses (expense) / reversal	22	(80,793)	(200,135)	18,890	(36,774)
Finance cost on lease liability		(5,146)	(6,694)	(1,806)	(2,001)
General and administrative expenses	23	(1,477,860)	(1,462,750)	(488,009)	(510,793)
PROFIT BEFORE INCOME TAX		570,382	402,642	125,620	196,505
Taxation	24	(38,505)	(32,000)	(27,771)	(1,620)
PROFIT FOR THE PERIOD		531,877	370,642	97,849	194,885
OTHER COMPREHENSIVE INCOME					
<i>Items that may be classified to profit or loss subsequently</i>					
Surplus on debt instruments at FVOCI		189,777	263,949	119,137	12,153
Related deferred tax		(37,955)	(52,790)	(23,827)	(2,431)
Other comprehensive income, net of tax		151,822	211,159	95,310	9,722
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		683,699	581,801	193,159	204,607
Earnings per share (in AFN)		17.73	12.35	3.26	6.50

The annexed notes 1 to 29 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive Officer

502

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	Share capital	Revaluation surplus on debt instruments at FVOCI	Capital reserve	Retained earnings	Total
	----- AFN '000' -----				
Balance as at 01 January 2019 - Audited	1,465,071	(86,849)	260,405	1,946,530	3,585,157
Total comprehensive income					
Profit for the period				370,642	370,642
Other comprehensive income, net of tax:					-
Fair value reserve (debt instruments at FVOCI)					-
Net change in fair value		263,949			263,949
Related tax		(52,790)			(52,790)
Total comprehensive income	-	211,159	-	370,642	581,801
Transferred to capital reserve					-
Transactions with owners of the bank					
Dividend paid				(265,000)	(265,000)
Balance as at 30 September 2019 - Unaudited	1,465,071	124,310	260,405	2,052,172	3,901,958
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				531,877	531,877
Other comprehensive income, net of tax:					-
Fair value reserve (debt instruments at FVOCI)					-
Net change in fair value		189,777			189,777
Related tax		(37,955)			(37,955)
Total comprehensive income	-	151,822	-	531,877	683,699
Transferred to capital reserve					-
Transactions with owners of the bank					
Dividend paid				(326,000)	(326,000)
Balance as at 30 September 2020 - Unaudited	1,465,071	215,811	290,813	2,065,168	4,036,863

The annexed notes 1 to 29 form an integral part of these financial statements.


Chief Financial Officer

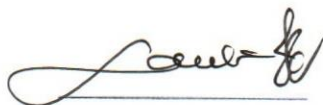

Chief Executive Officer

57A

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

	Note	30 September 2020	30 September 2019
		Un-audited AFN '000'	Un-audited AFN '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Income Tax		570,382	402,642
Adjustments for:			
Depreciation		217,353	195,718
Amortization		65,347	55,306
Finance cost on lease liability		5,146	6,694
Adjustments for the movement in lease liability		(2,832)	-
Credit losses expense		80,793	200,135
		<u>936,189</u>	<u>860,495</u>
Changes in operating assets and liabilities			
Receivable from financial institutions		(3,900)	(177,020)
Required reserve maintained with DAB		(305,904)	406,399
Cash margin held with other banks		139	3,532
Loans and advances to customers - net		561,377	(901,328)
Other assets		207,801	99,277
Deferred income on commercial letter of credit and guarantees		(50,617)	(6,008)
Customers' deposits		6,052,804	(5,535,591)
Deposits from banks		(500,000)	-
Other liabilities		(102,630)	(205,293)
		<u>6,795,259</u>	<u>(5,455,537)</u>
Income tax paid		(1,165)	(25,696)
Net cash flow from / (used in) operating activities		<u>6,794,094</u>	<u>(5,481,233)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital work-in-progress		(50,299)	(207,589)
Acquisition of operating fixed assets		(15,220)	(35,123)
Acquisition of intangible assets		(1,021)	(98,743)
Placements (with maturity more than three months)		(11,529,823)	(537,279)
Investments		2,527,904	(610,393)
Net cash flow (used in) investing activities		<u>(9,068,459)</u>	<u>(1,489,127)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability repaid		(75,722)	(265,000)
Dividend paid		(326,000)	(70,479)
Net cash used in financing activities		<u>(401,722)</u>	<u>(335,479)</u>
Net decrease in cash and cash equivalents		(2,676,087)	(7,305,839)
Cash and cash equivalents at 1 January		28,374,418	34,537,652
Cash and cash equivalents at 30 September	26	<u>25,698,331</u>	<u>27,231,813</u>

The annexed notes 1 to 29 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer

578

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020

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 33 branches and 2 cash outlets (2019: 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 three months period ended 31 March 2020 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 2019.

2.3 Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2019 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the three months period ended 31 March 2019 and six months period ended 30 June 2019.

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 2019.

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 2019.

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 2019.

5/23

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
4	Cash and balances with Da Afghanistan Bank		
	Cash in hand	3,279,999	2,432,604
	Cash in hand - Islamic banking division	229,470	180,747
	Cash at Automated Teller Machines (ATMs)	671,309	648,553
		4,180,778	3,261,904
	Balances with Da Afghanistan Bank:		
	Local currency:		
	- Deposit facility accounts	2,308,814	1,107,189
	- Required reserve accounts	688,311	588,501
	- Current accounts	519,025	496,894
		3,516,150	2,192,584
	Foreign currency:		
	- Required reserve accounts	5,543,884	5,337,790
	- Current accounts	2,886,178	3,066,739
		8,430,062	8,404,529
		16,126,990	13,859,017

4.1 This represents interest bearing account carrying interest @ 0.10% (31 December 2019: 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.

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
5	Balances with other banks		
	With Crown Agents Bank:		
	- in nostro accounts	4,720,903	2,893,292
	- held as cash margins	-	-
		4,720,903	2,893,292
	With other banks	5,370,019	4,344,479
		10,090,922	7,237,771

5.1 These represent interest bearing balances carrying interest at the rate of 0.05% (31 December 2019: 1.50%) p.a.

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
6	Placements - net		
	Placements with banks	19,144,435	15,106,058
	Allowance for ECL / impairment losses	(21,911)	(21,011)
		19,122,524	15,085,047

6.1 These represent USD denominated fixed term placements with financial institutions outside Afghanistan with remaining maturity upto one year (2019: one year) and carry interest at rates ranging from 0.15% to 2.10% (31 December 2019: 1.40% to 3.50%) per annum.

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AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

6.2 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision calculated under IFRS 9 which comes to AFN 2,421 thousand (31 December 2019: AFN 1,055 thousand) . Accordingly, the Bank has maintained higher provision as required under ACPR.

7	Investments - net	Note	30 September	31 December
			2020	2019
			(Un-audited)	(Audited)
			AFN '000	AFN '000
Debt instruments at fair value through OCI:				
	- Investment bonds	7.1	8,085,180	7,837,520
Debt instruments at amortised cost:				
	- Capital notes with DAB	7.2	1,244,225	742,372
	- Treasury bills	7.3	-	934,684
	- Investment bonds	7.4	7,262,682	9,415,638
			8,506,907	11,092,694
			16,592,087	18,930,214
	Allowance for ECL / impairment losses	7.5	(12,913)	(14,465)
			16,579,174	18,915,749

7.1 These represent investments in sovereign bonds having maturity ranging from October 2020 to October 2029 (31 December 2019: January 2020 to April 2026) and carrying interest rates ranging from 2.38% to 8.75% (31 December 2019: 2.38% 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 October to November 2020 (31 December 2019: February to November 2020) carrying yield ranging from 0.623% to 2.20% (31 December 2019: 0.93% to 2.20%) per annum receivable on maturity of respective notes.

7.3 This represents investment in Treasury bills of United States Government, carried yield of 1.53% per annum matured in January 2020.

7.4 These represent investments in sovereign bonds carrying interest rates ranging from 1.25% to 7.75% (31 December 2019: 1.25% to 7.75%) per annum. These investments have maturity ranging from October 2020 to August 2025 (31 December 2019: January 2020 to August 2025). These investments are managed by Julius Baer, Credit Suisse and Emirates NBD on behalf of the Bank.

7.5 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision calculated under IFRS 9 which comes to AFN 11,969 thousand (31 December 2019: AFN 9,813 thousand) . Accordingly, the Bank has maintained higher provision as required under ACPR.

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AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
8	Loan and advances to customers - net		
Overdrafts	8.1	2,142,350	3,208,365
Term loans	8.2	924,529	531,421
Consumer loans	8.3	37,502	51,546
		<u>3,104,381</u>	<u>3,791,332</u>
General provision	8.4	(153,760)	(154,920)
Allowance for ECL / impairment losses	8.5	(194,182)	(218,602)
		<u>2,756,439</u>	<u>3,417,810</u>
Particulars of loans and advances - (gross)			
Short term (for up to one year)		2,234,083	3,318,947
Non-current (for over one year)		870,298	472,500
		<u>3,104,381</u>	<u>3,791,447</u>

8.1 These represent balances due from customers at various interest rates ranging from 7% to 14.5% (31 December 2019: 7% to 14.5%) per annum and are secured against mortgage of properties, personal guarantees and pledge of stocks.

8.2 Term loans carry interest at various rates ranging from 5.5% to 14% p.a. (31 December 2019: 5.5% to 21% 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 AFN 185,004 (31 December 2019: AFN 228,333 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 18% to 22% (31 December 2019: 18%) p.a., loans provided to university and school teachers carrying interest rate of 8% to 24% (31 December 2019: 15%) and credit card loans carrying interest of 36% (31 December 2019: 36%) on annual basis on outstanding balances.

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 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
Opening balance		218,602	68,908
Allowance for impairment made during period / year		101,154	146,424
Amounts written-off during period / year		(100,143)	(12,374)
Exchange rate differences and other adjustments		(25,431)	15,644
Closing balance		<u>194,182</u>	<u>218,602</u>

507

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

8.5.1 IFRS 9 Expected Credit Loss (ECL) amounts to AFN 115,609 thousands as at 30 September 2020. The provision calculated under Assets Classification and Provisioning Regulation (ACPR) is AFN 194,182 thousand comprising of general provision of AFN 21,276 and specific provision of AFN 172,906 thousands (31 December 2019: provision of AFN 218,602 comprising of general provision of AFN 21,061 and specific provision of AFN 197,541 thousands) is higher than IFRS 9 ECL, therefore, the Bank has maintained the higher provision under ACPR.

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
9 Operating fixed assets			
Property and equipment	9.1	3,392,592	3,110,719
Capital work-in-progress	9.2	97,661	339,623
		<u>3,490,253</u>	<u>3,450,342</u>
9.1 Property and equipment			
<i>Opening balance</i>			
Cost		3,966,699	3,578,233
Accumulated depreciation		(855,980)	(598,611)
Net book value		<u>3,110,719</u>	<u>2,979,622</u>
<i>Movement in cost:</i>			
Adjustment on transition to IFRS 16		-	329,926
Transfers from capital work-in-progress		292,261	69,042
Additions		206,965	715
Adjustments/ write-off		-	(11,217)
		<u>499,226</u>	<u>388,466</u>
<i>Movement in depreciation:</i>			
Depreciation charge		(217,353)	(265,633)
Adjustments/ write-off		-	8,264
		<u>(217,353)</u>	<u>(257,369)</u>
<i>Closing balance</i>			
Cost		<u>4,465,925</u>	<u>3,966,699</u>
Accumulated depreciation		<u>(1,073,333)</u>	<u>(855,980)</u>
Net book value		<u>3,392,592</u>	<u>3,110,719</u>
9.2 Capital work-in-progress - movement			
Opening balance		339,623	79,949
Additions during the period/ year		50,299	429,370
Transferred to operating fixed assets		(292,261)	(69,042)
Transferred to intangible assets		-	(100,654)
Closing balance		<u>97,661</u>	<u>339,623</u>
10 Deferred tax			
Deferred tax assets / (liabilities) arising in respect of:			
Provision on investments, placements, loans and advances and other assets		7,027	7,096
Provision on guarantees and commercial letter of credits		10,605	14,376
Surplus on revaluation of investments		(55,065)	(17,110)
Lease liabilities		76,675	-
Carry forward taxable losses		121,027	189,383
Accelerated tax depreciation and amortization		(273,946)	(228,044)
		<u>(113,677)</u>	<u>(34,299)</u>

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AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
11 Other assets	Note		
Advances to employees		55,648	49,561
Security deposits		9,085	8,821
Prepayments		205,455	206,222
Interest receivable		268,301	346,562
Advance income tax - net		31,215	30,050
Other receivable and advances		61,485	196,609
Receivable from DoJ		250,605	250,605
Less: Balance written off	11.1	(250,605)	(250,605)
		<u>631,189</u>	<u>837,825</u>
Allowance for ECL / impairment losses	11.2	(311)	(6)
		<u>630,878</u>	<u>837,819</u>

11.1 Receivable from DoJ

This represents receivables from the United States Government department, Department of Justice (the "DoJ"). Pursuant to Title 18, U.S. Code Section 981(k), the United States sought to reach the customer's Afghan-based accounts by seizing funds amounting to AFN 565.701 million (equivalent to USD 10.1 million) from the Bank's correspondent account in the United States, however, the United States has not alleged any wrongdoing against the Bank. In September 2013, the United States returned to the Bank approximately USD 5.770 million, plus accrued interest, of the seized funds. In September 2015, the court ruled that AIB lacked standing to claim the funds amounting to USD 147,938.59 of the remaining USD 4.330 million. During the period, upon notice of the voluntary dismissal by the United States in April 2020, the remaining seized funds amounting to USD 4.182 million plus accrued interest have been returned to the Bank.

11.2 This represents provision maintained as per Asset Classification and Provisioning Regulation issued by DAB.

		30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
12 Customers' deposits	Note		
Current deposits		62,186,312	56,415,963
Saving deposits	12.1	245,852	244,037
Term deposits	12.2	-	-
Islamic deposits	12.3	1,578,902	1,335,000
Cash margin held against bank guarantees and letters of credit		884,843	848,105
		<u>64,895,909</u>	<u>58,843,105</u>

12.1 Saving deposits carry interest @ 3% p.a. (31 December 2019: 3% p.a.)

12.2 The term deposits during the period carried interest rates ranging from 0.75% to 1.40% per annum.

12.3 Islamic deposits can be further analyzed as follows:

Current deposits	179,806	144,910
Saving deposits	1,383,389	1,146,235
Term deposits	15,707	43,855
	<u>1,578,902</u>	<u>1,335,000</u>

13 Lease liabilities

Opening balance	265,040	317,856
Additions during the period / year	191,745	-
Derecognized during the period / year	-	(1,113)
Lease rentals paid	(75,722)	(68,992)
Finance cost accrued	5,146	5,351
Adjustments for the movement in lease liability	(2,832)	11,938
	<u>383,377</u>	<u>265,040</u>

Lease liabilities represent the amounts payable relating to the right-of-use assets recognized on account of branches under operating leases.

SMA

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

14 Other liabilities	Note	30 September	31 December
		2020	2019
		(Un-audited)	(Audited)
		AFN '000	AFN '000
Accruals and other payables		13,867	12,148
Amounts pending transfers to customers' accounts	14.1	12,369	46,222
Retention money payable		976	14,927
Payable from sale of collateral against loans and advances written off		3,858	64,924
Others		125,082	123,479
Provision on	14.2		
Financial guarantees		52,687	71,582
Commercial letter of credits		340	299
		<u>53,027</u>	<u>71,881</u>
		<u>209,179</u>	<u>333,581</u>

14.1 This represents amounts received on behalf of the customers, not credited in the respective customer accounts due to incomplete identification data.

14.2 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which requires 1% provision on unsecured portion of the guarantees (not backed by cash margin). As the provision required under ACPR is higher than the provision calculated under IFRS 9 which comes to AFN 23,616 thousand (31 December 2019: AFN 47,074 thousand). Accordingly, the Bank has maintained higher provision as required under ACPR.

15 Share capital		30 September	31 December
		2020	2019
		(Un-audited)	(Audited)
		AFN '000'	AFN '000'
Authorized 30,000,000 (2019: 30,000,000) ordinary shares of USD 1 each		<u>1,465,071</u>	<u>1,465,071</u>
Issued, subscribed and paid-up - 30,000,000 (2019: 30,000,000) ordinary shares of USD 1 each fully paid in ca		<u>1,465,071</u>	<u>1,465,071</u>

15.1 The Bank complies with the minimum paid-up capital requirement for commercial banks in Afghanistan amounting to AFN 1 billion or US \$ 20 million, pursuant to DAB's letter no.918/703 dated 17 May 2010.

15.2 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.

16 Contingencies and commitments	Note	30 September	31 December
		2020	2019
		(Un-audited)	(Audited)
		AFN '000	AFN '000
16.1 Contingencies			
Financial guarantees	16.1.1	<u>7,632,479</u>	<u>7,946,230</u>
16.1.1			
These represent bid bonds and performance based guarantees issued by the Bank. These are 100% secured against cash margins and counter guarantees.			
16.2 Commitments			
(a) Undrawn loan and overdraft facilities		1,237,683	524,394
(b) Commercial letters of credit		40,662	48,537
		<u>1,278,345</u>	<u>572,931</u>

572

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

		30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000
17 Interest income	Note		
Interest income on:			
Balances with DAB and other banks		13,889	9,515
Placements		188,468	399,364
Debt instruments at FVOCI		177,553	138,227
Debt instruments at amortized cost		193,898	216,825
Loans and advances to customers		242,374	289,759
		<u>816,182</u>	<u>1,053,690</u>
18 Interest expense			
Interest expense on:			
Customers' deposits		11,717	29,074
Deposits from bank		4,156	1,930
		<u>15,873</u>	<u>31,004</u>
19 Fee and commission income			
Fee and commission income on:			
Loans and advances to customers		28,354	26,442
Trade finance products and guarantees		148,706	98,172
Cash withdrawals / Cash transfers		356,527	365,559
Customers' account service charges		77,813	100,447
Income from ATMs		59,567	62,963
Payroll services		54,720	56,123
Others		20,608	21,984
		<u>746,295</u>	<u>731,690</u>
20 Fee and commission expense			
Guarantee / letter of credit commission		5,761	7,091
Bank charges		1,583	751
		<u>7,344</u>	<u>7,842</u>
21 Other income			
Loans and advances recovered previously written off		2,121	47,121
Amounts received from DoJ	11.1	322,166	-
Others		346	91
		<u>324,633</u>	<u>47,212</u>
22 Credit losses expense			
The table below shows the impairment charges on financial instruments for the period recorded in the income statement:			
Placements	6.2	900	11,734
Investments	7.5	(1,552)	(11,313)
Loans and advances	8.5	99,994	195,350
Other assets	11.2	305	(2,786)
Financial guarantees	14.2	(18,895)	7,038
Letter of credit		41	112
Total impairment / loss for the period		<u>80,793</u>	<u>200,135</u>

574

AFGHANISTAN INTERNATIONAL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

		30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000
23 General and administrative expenses			
Salaries and benefits		466,883	460,599
Rental, rates and taxes		11,736	13,196
Electricity, generator and fuel		76,834	80,046
Repairs and maintenance		14,369	14,573
Information technology cost		75,898	70,498
Security cost		97,252	90,224
Depreciation		217,353	200,552
Amortization		65,347	56,175
Directors fee and their meeting expenses		20,317	29,014
Travelling and accommodation		26,424	44,467
Communication, swift and internet		39,190	38,985
Stationery and printing		25,540	39,596
Legal and professional charges		75,790	82,522
Asset management fee to investment advisors		29,886	25,630
Auditors' remuneration		10,370	7,742
Marketing and promotion		13,805	21,319
Money service providers charges		1,900	3,061
Insurance		118,384	114,940
Subscriptions and memberships		6,942	6,856
Other charges		57,319	52,105
Taxes and penalties		620	3,684
Corporate social responsibility		8,209	2,892
Covid-19 costs		11,967	-
Others		5,525	4,074
		<u>1,477,860</u>	<u>1,462,750</u>
24 Taxation			
Current:			
For the period	24.1	-	-
Prior periods		(2,918)	(25,794)
Deferred:			
For the period		41,423	57,794
		<u>38,505</u>	<u>32,000</u>

24.1 No provision for taxation has been made during the period, owing to carry forward tax losses.

SMA

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

25 Related party transactions

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

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000	30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
Nature of transactions				
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the period / year	1,908	-	174,781	174,011
Loans issued during the period / year	-	1,908	163,158	169,316
Loans repayments during the period / year	(666)	-	(174,781)	(168,354)
Exchange gain	-	-	-	(193)
Loans outstanding at the end of the period / year	<u>1,242</u>	<u>1,908</u>	<u>163,158</u>	<u>174,781</u>
Interest income earned	<u>425</u>	<u>57</u>	<u>8,923</u>	<u>11,544</u>

Provision for expected credit losses on outstanding balances of loans and advances to related parties amounts to AFN 1,632 thousand (31 December 2019: AFN 1,748 thousand).

The facilities provided to related parties carry mark-up of 7% p.a. (31 December 2019: 7% p.a.) payable on monthly basis and are secured against mortgage of residential property and personal guarantees of directors and representative of the shareholders of the Bank.

	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000	30 September 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
Nature of transactions				
(b) Deposits from related parties				
Deposits at the beginning of the period / year	57,309	19,061	67,414	53,472
Deposits received during the period / year	330,235	440,748	2,251,218	4,203,122
Deposits repaid during the period / year	(251,702)	(402,726)	(2,230,441)	(4,190,581)
Exchange rate difference	(70)	226	(409)	1,401
Deposits at the end of the period / year	<u>135,772</u>	<u>57,309</u>	<u>87,782</u>	<u>67,414</u>

These represent current deposits of related parties, which do not carry interest (31 December 2019: Nil).

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and their associated companies	
	30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000	30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000
(c) Other related party transactions				
Fee and commission income	2,143	-	4,697	5,076
Directors' fee	13,844	13,735	-	-
Rent paid	-	-	20,198	42,860
Guarantees issued by the bank	96,869	-	-	-

5/17/20

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

	30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000
(d) Key Management compensation		
Salaries and other short-term benefits	46,590	42,336

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

	30 September 2020 (Un-audited) AFN '000	30 September 2019 (Un-audited) AFN '000
26 Cash and cash equivalents		
Cash in hand and at ATM	4,180,778	2,620,542
Balances with DAB (other than minimum reserve requirement)	5,714,017	6,097,919
Balances with other banks (other than held as a cash margin)	10,072,471	8,745,117
Placements (with maturity less than three months)	5,731,065	9,768,235
	<u>25,698,331</u>	<u>27,231,813</u>

27 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 September 2020 - Un-audited	<u>-</u>	<u>8,085,180</u>	<u>-</u>
Investments in bonds - debt instruments at FVOCI			
As at 31 December 2019- Audited	<u>-</u>	<u>7,837,520</u>	<u>-</u>

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.

SM

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN_AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2020

(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.

(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.

28 GENERAL

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

28.2 Corresponding Figures

Corresponding figures have been reclassified / re-arranged wherever necessary to facilitate comparison in the presentation in the current year condensed interim statement of cash flows. However, there are no material reclassification / re-arrangement to report.

29 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue by the Board of Supervisors of the Bank on _____.

5/28



Chief Financial Officer



Chief Executive Officer