

Afghanistan International Bank – condensed interim financial statements and auditors' review report

For the 1st quarter ended 31 March 2019



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Independent Auditor's Review Report on Condensed Interim Financial Statements to the Shareholders of Afghanistan International Bank

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Afghanistan International Bank** ("the Bank") as at March 31, 2019 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 three months 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 requirements of the Law of Banking in Afghanistan. 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.



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Basis for Qualified Conclusion

As IFRS 16 "Leases" became effective for the annual periods beginning on or after January 1, 2019, however, the same has not been adopted by the Bank. Adoption of the standard would have resulted in on-balance sheet recognition of majority of operating leases relating to branches of the Bank for which lease rentals were charged to profit or loss previously. Right-of-use asset (*an amount equivalent to future rentals of the property over lease term discounted to present value*) with related lease liability were to be recognized on the date of adoption and instead of property lease rentals, expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability. Management has not finalized impact assessment in this regard and consequently, in the absence of detailed working, the impact of this non-compliance on interim financial statements cannot be quantified.

Qualified Conclusion

Based on our review, with the exception of the matter described in basis for qualified conclusion, 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 March 31, 2019, and of its financial performance and its cash flows for the three 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.

Other Matters

The condensed interim financial statements for the three months ended March 31, 2018 and the financial statements for the year ended December 31, 2018 were reviewed and audited, respectively, by another auditor who expressed an unmodified review conclusion on the condensed interim financial statements for the three months ended March 31, 2018 on May 8, 2018 and unmodified audit opinion on the financial statements for the year ended December 31, 2018 on March 16, 2019.

Grant Thornton Afg.

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Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date *14th MAY, 2019*

**AFGHANISTAN
INTERNATIONAL BANK**
**Condensed Interim Financial
Statements**

For the 1st quarter ended 31 March 2019

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

		31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
	Notes		
ASSETS			
Cash and balances with Da Afghanistan Bank	4	12,457,520	15,965,500
Balances with other banks	5	9,449,288	10,095,978
Placements - net	6	19,154,238	19,858,325
Investments - net	7	18,474,972	18,423,705
Loan and advances to customers - net	8	3,958,824	2,897,616
Receivables from financial institution		260,360	360,120
Property and equipment	9	3,162,565	3,059,571
Intangible assets		390,206	394,538
Deferred tax asset - net		11,047	95,104
Other assets	10	532,821	572,867
Total assets		67,851,839	71,723,324
LIABILITIES			
Deposits from customers	11	63,659,369	67,383,947
Deferred income		100,679	98,627
Other liabilities		438,620	655,593
Total liabilities		64,198,668	68,138,167
EQUITY			
Share capital	12	1,465,071	1,465,071
Capital reserves		260,405	260,405
Retained earnings		1,959,936	1,946,530
Net loss on debt instruments at FVOCI / deficit on revaluation of AFS		(32,241)	(86,849)
Total equity		3,653,171	3,585,157
Total liabilities and equity		67,851,839	71,723,324
Contingencies and commitments	13		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


 Chief Executive Officer


 Chief Financial Officer

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019

		31 March 2019	31 March 2018
	Note	AFN '000'	AFN '000'
Interest income	14	347,509	275,487
Interest expense		(13,978)	(13,543)
Net interest income		333,531	261,944
Fee and commission income		229,048	192,700
Fee and commission expense		(238)	(11,501)
Net fee and commission income		228,810	181,199
Income from dealing in foreign currencies		42,773	33,691
		605,114	476,834
Other income		6,567	3,155
Realized loss on sale of investment		(4,644)	-
Allowance for ECL/impairment losses on financial assets	15	(83,828)	92,854
General and administrative expenses		(439,397)	(407,220)
PROFIT BEFORE TAX		83,812	165,623
Taxation	16	(70,405)	(66,122)
PROFIT FOR THE PERIOD		13,406	99,501
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss subsequently			
<u>Debt instruments at FVOCI:</u>			
Net gain during the period on financial investments at FVOCI		68,260	-
Related deferred tax		(13,652)	-
		54,608	-
<u>Available-for-sale (AFS) financial assets:</u>			
Deficit during the period upon revaluation of AFS investments		-	(156,277)
Related deferred tax		-	31,255
		-	(125,022)
Other comprehensive income net of tax		54,608	(125,022)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		68,014	(25,521)
Earnings per share		2.27	(0.85)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019

	Share capital	Deficit on revaluation of AFS investments	Capital reserve	Retained earnings	Total
	----- AFN '000' -----				
Balance as at 01 January 2018 - (Audited)	1,465,071	3,548	236,497	2,145,383	3,850,499
Profit for the period	-	-	-	99,501	99,501
Transferred to capital reserve	-	-	4,975	(4,975)	-
Total comprehensive income:	-	(156,277)	-	-	(156,277)
Other comprehensive income for three months	-	31,255	-	-	31,255
Related tax	-	(125,022)	4,975	94,526	(25,521)
Total comprehensive income net of tax	-	-	-	-	-
Dividend paid	1,465,071	(121,474)	241,472	2,239,909	3,824,978
Balance as at 31 March 2018 - (Un-audited)	1,465,071	(121,474)	241,472	2,239,909	3,824,978
	Share capital	Net loss 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
Profit for the period	-	-	-	13,406	13,406
Transferred to capital reserve	-	-	-	-	-
Total comprehensive income:	-	68,260	-	-	68,260
Other comprehensive income for three months	-	(13,652)	-	-	(13,652)
Related tax	-	54,608	-	13,406	68,014
Total comprehensive income net of tax	-	-	-	-	-
Dividend paid	1,465,071	(32,241)	260,405	1,959,936	3,653,171
Balance as at 31 March 2019 - (Un-audited)	1,465,071	(32,241)	260,405	1,959,936	3,653,171

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


 Chief Executive Officer


 Chief Financial Officer

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019

	Note	31 March 2019 AFN '000'	31 March 2018 AFN '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,406	99,501
Adjustments for:			
Depreciation		53,755	12,543
Amortization		16,542	19,755
Credit losses (reversal) / expense	15	83,828	(92,854)
Net interest income		(333,531)	(261,944)
Income tax expense		70,405	66,122
		<u>(95,594)</u>	<u>(156,877)</u>
Changes in operating assets and liabilities			
Receivable from financial institutions		99,760	186,661
Required reserve maintained with DAB		118,585	88,530
Cash margin held with other banks		(2,539)	28,614
Loans and advances to customers - net		(1,157,109)	297,968
Other assets		8,366	(408,237)
Deferred income on commercial letter of credit and guarantees		2,052	4,923
Customers' deposits		(3,724,578)	460,823
Other liabilities		(196,001)	(132,512)
		<u>(4,947,057)</u>	<u>369,893</u>
Interest received		367,997	294,458
Interest paid		(13,978)	(13,543)
Income tax paid		-	(22,836)
Net cash (used in) / generated from operating activities		<u>(4,593,038)</u>	<u>627,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital work-in-progress	9.2	(148,388)	(417,763)
Acquisition of operating fixed assets	9.1	(8,360)	(25,576)
Acquisition of intangible assets		(12,209)	(12,572)
Placements (with maturity more than three months)		(2,205,675)	(2,995,528)
Investments		21,796	1,534,862
Net cash flow (used in) /from investing activities		<u>(2,352,837)</u>	<u>(1,916,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(6,945,875)	(1,288,605)
Cash and cash equivalents at beginning of the period		<u>34,537,652</u>	<u>25,567,848</u>
Cash and cash equivalents at the end of the period	18	<u><u>27,591,777</u></u>	<u><u>24,279,243</u></u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


 Chief Executive Officer


 Chief Financial Officer

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2019

1 STATUS AND NATURE OF BUSINESS

Afghanistan International Bank (the Bank) was registered with Afghan Investment Support Agency (AISA) on 27 December 2003 and on 22 March 2004 received formal commercial banking license from Da Afghanistan Bank (DAB), the central bank in Afghanistan, to operate nationwide. The Bank obtained Islamic banking license from DAB via letter no. 1863/1890 dated 21 July 2014 (31/04/1393).

The Bank initially was incorporated as a limited liability company and domiciled in Afghanistan, however on the basis that the Bank's 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, Bibi Mahro, Kabul, Afghanistan.

The Bank has been operating as one of the leading commercial banking service providers in Afghanistan. The Bank has 37 branches and 2 cash outlets (2019: 37 branches and 2 cash outlets).

2 BASIS OF PREPARATION AND MEASUREMENT

- 2.1** This condensed interim financial information of the Bank for the three months period ended 31 March 2019 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and the Law of Banking in Afghanistan. In case where requirements differ, the requirement of the Law of Banking in Afghanistan 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 2018.
- 2.3** Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2018 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 2018

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 01 January 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations except for IFRS 16 'Leases' and therefore not detailed in this condensed interim financial information. IFRS 16 "Leases" became effective from 01 January 2019, however, its impact has not been incorporated in these condensed interim financial statements.

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 2018.
- 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 2018.
- 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 2018.

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4	CASH AND BALANCES WITH DA AFGHANISTAN BANK	Notes	31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
	Cash in hand		1,511,584	1,791,885
	Cash in hand - Islamic banking division		116,291	115,728
	Cash at Automated Teller Machines (ATMs)		854,816	725,223
			<u>2,482,691</u>	<u>2,632,836</u>
	Balances with Da Afghanistan Bank:			
	Local currency:			
	- Deposit facility account	4.1	1,003,315	2,821,705
	- Required reserve account	4.2	605,050	620,660
	- Current accounts		<u>1,037,348</u>	<u>1,221,241</u>
			<u>2,645,713</u>	<u>4,663,606</u>
	Foreign currency:			
	- Required reserve accounts	4.2	5,665,404	5,768,379
	- Current accounts		<u>1,663,711</u>	<u>2,900,678</u>
			<u>7,329,114</u>	<u>8,669,057</u>
			<u>12,457,520</u>	<u>15,965,499</u>

4.1 This represents interest bearing account carrying interest @ 0.08% (31 December 2018: 0.10%) per annum.

4.2 Required reserve account is being maintained with DAB which is denominated in both Afghani and foreign 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.

5	BALANCES WITH OTHER BANKS	Notes	31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
	Outside Afghanistan:			
	With Standard Chartered Bank	5.1	4,188,377	4,216,826
	With Commerzbank, Germany:			
	Nostro accounts		164,892	149,930
	Cash margin held		-	18,074
			<u>164,892</u>	<u>168,004</u>
	With Crown Agent bank:			
	Nostro accounts		914,854	1,615,896
	Cash margin held		27,872	7,259
			<u>942,725</u>	<u>1,623,154</u>
	With other banks	5.2	4,153,294	4,087,993
			<u>9,449,288</u>	<u>10,095,977</u>

5.1 These represent balances with Standard Chartered Bank Singapore, New York, Frankfurt, London and Dubai, held in USD, EURO, GBP and AED currencies carrying interest rates ranging from 0.05% to 0.80% (31 December 2018: 0.05% to 0.80% p.a.). These balances are available on demand without significant penalty upon withdrawal.

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- 5.2 This represents balance held with Commerzbank, Germany against letters of credit issued on behalf of the Bank carrying interest @0.25% (31 December 2018: 0.25%) per annum.
- 5.3 This includes balances maintained with investment managers (Julius Baer, Emirates NBD) and other banks. These are non-interest bearing and available on demand.

		31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
6	PLACEMENTS - NET		
	Short-term placements with banks	6.1 19,187,694	19,889,268
	Allowance for ECL/impairment losses	6.2 (33,456)	(30,943)
		<u>19,154,238</u>	<u>19,858,325</u>
6.1	Maturity within 3 months	11,983,296	6,676,946
	Maturity more than 3 months	7,204,398	13,212,322
		<u>6.1.1 19,187,694</u>	<u>19,889,268</u>

6.1.1 These represent fixed term placements with financial institutions outside Afghanistan up to a maximum period of one year carrying interest at rates ranging from 0.75% to 3% (31 December 2018: 0.75% to 2.10%) per annum.

6.2 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision of AFN 6,132 thousand (Dec 2018: 2,714 thousand) calculated under IFRS 9. Accordingly, the Bank has maintained higher provision as required under ACPR.

		31 March 2019 (Un-audited) AFN '000'	31 December (Audited) AFN '000'
7	INVESTMENTS - NET		
	Debt instruments at FVOCI	3,706,117	3,588,690
	- Investment bonds		
	Debt instruments at amortised cost:	697,015	1,144,940
	- Capital notes issued by DAB	2,532,630	2,685,978
	- Treasury bills	11,558,996	11,028,686
	- Investment bonds	14,788,641	14,859,604
	Allowance for ECL/impairment losses	7.1 (19,786)	(24,589)
		<u>18,474,972</u>	<u>18,423,705</u>

7.1 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision of AFN 17,991 thousand calculated under IFRS 9. Accordingly, the Bank has maintained higher provision as required under ACPR.

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		31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
8	LOAN AND ADVANCES TO CUSTOMERS - NET		
	Overdrafts	3,642,701	2,433,694
	Term loans	583,656	633,716
	Consumer loans	47,896	49,734
		<u>4,274,253</u>	<u>3,117,144</u>
	General provision	8.1 (152,080)	(150,620)
	Allowance for ECL/impairment losses	8.2 (163,349)	(68,908)
		<u>3,958,824</u>	<u>2,897,616</u>
	Particulars of advances (gross)		
	Short term (for up to one year)	2,084,708	2,222,954
	Non-current (for over one year)	2,189,545	894,190
		<u>4,274,253</u>	<u>3,117,144</u>

8.1 This represents additional general provision maintained by the bank which is duly approved by DAB.

8.2 The table below shows the credit quality and the maximum exposure to credit risk for categories based on the Bank's credit rating grades and quarter end classification as at 31 March 2018 and year end classification as at December 31, 2018 respectively.

8.2.1 Provision against loans and advances

Loans and advances - gross	Stage 1 Collective AFN '000'	Stage 2 Collective AFN '000'	Stage 3 Collective AFN '000'	Total AFN '000'	31 December 2018
Internal Rating Grade					
Performing	3,693,457	336,914	-	4,030,371	3,106,215
Non-performing	-	-	243,882	243,882	10,929
Total	3,693,457	336,914	243,882	4,274,253	3,117,144
Impairment					
Opening balance	26,011	33,945	8,952	68,908	93,739
Allowance for impairment made during the period	16,087	(23,949)	102,445	94,583	(5,293)
Amount written off during the period	-	-	(152)	(152)	(15,490)
Exchange rate differences and other adjustments	252	(329)	87	10	(4,048)
	42,350	9,667	111,332	163,349	68,908
Provision held for expected credit losses					
General provision - note	-	-	-	152,080	150,620
Net Balance	3,651,107	327,247	132,550	3,958,825	2,897,616

8.2.2 Provision as per ACPR amounts to AFN 156,139 thousand which is lower than the ECL calculated under IFRS 9 amounts to AFN 163,349 thousand. Therefore impairment provision reflects ECL under IFRS 9.

8th

		31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
9	PROPERTY AND EQUIPMENT		
	Operating fixed assets	9.1 2,934,228	2,979,623
	Capital work-in-progress	9.2 228,337	79,948
		<u>3,162,565</u>	<u>3,059,571</u>
9.1	Operating fixed assets - movement		
	Opening balance (Audited):		
	Cost	3,578,233	804,019
	Accumulated depreciation	(598,610)	(521,839)
	Net book amount	<u>2,979,623</u>	<u>282,180</u>
	Transfers from CWIP	-	2,754,723
	Additions	8,360	19,491
	Depreciation charge	(53,755)	(76,772)
		<u>(45,394)</u>	<u>2,697,442</u>
	Cost	3,586,593	3,578,233
	Accumulated depreciation	(652,365)	(598,610)
	Net book amount	<u>2,934,228</u>	<u>2,979,623</u>
9.2	Movement in capital work-in-progress		
	Opening	79,949	2,264,025
	Additions during the period / year	148,388	579,423
	Transferred to property and equipment	-	(2,763,499)
	Closing	<u>228,337</u>	<u>79,949</u>
10	OTHER ASSETS		
	Advances to employees	30,800	37,851
	Security deposits	8,754	8,805
	Prepayments	167,727	153,237
	Interest receivable	293,555	328,021
	Advance income tax - net	-	23,792
	Other receivable and advances	38,909	30,870
	Receivable from DoJ	250,605	250,605
	Less: Balance written off	<u>(250,605)</u>	<u>(250,605)</u>
		539,744	582,576
	Allowance for ECL/impairment losses	<u>(6,923)</u>	<u>(9,709)</u>
		<u>532,821</u>	<u>572,867</u>
11	DEPOSITS FROM CUSTOMERS		
	Current deposits	59,228,403	62,250,562
	Saving deposits	11.1 227,784	224,981
	Term deposits	11.2 2,433,280	3,012,400
	Islamic deposits	11.3 923,089	881,714
	Cash margin held against bank guarantees and letters of credit	846,813	1,014,290
		<u>63,659,369</u>	<u>67,383,947</u>

11.1 Saving deposits carry interest rate at 3% (31 December 2018: 3%) per annum.

11.2 Term deposits carry interest rates ranging from 0.25% to 0.75% (31 December 2018: 0.25% to 0.75%) per annum

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	31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
11.3 Islamic deposits		
Current	90,737	121,803
Saving	782,183	733,066
Term	50,169	26,845
	<u>923,089</u>	<u>881,714</u>

12 SHARE CAPITAL

30,000,000 (2018: 30,000,000) authorized ordinary shares of USD 1 each

USD	30,000	30,000
AFN	<u>1,465,071</u>	<u>1,465,071</u>

Issued, subscribed and paid-up

30,000,000 (2018: 30,000,000) ordinary shares of USD 1 each fully paid in cash

AFN	<u>1,465,071</u>	<u>1,465,071</u>
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Issued, subscribed and paid up capital comprises 46.25% holding by Horizon Associates LLC and 46.25% holding by Wilton Holding Limited and 7.5% by International Finance Corporation. (31 December 2018: 46.25% holding by Horizon Associates LLC 46.25% holdings by Wilton Holding Limited and 7.5% by International Finance Corporation).

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1 Various customers have filed court cases against the bank, however management is confident that outcome of such cases will not result in any additional provision in the books of the Bank.

31 March 2019 (Un-audited) AFN '000'	31 December 2018 (Audited) AFN '000'
<u>8,387,213</u>	<u>8,258,845</u>

13.1.2 Guarantees

These represent bid bonds and performance guarantees issued by the Bank.

13.2 Commitments

(a) Undrawn loan and overdraft facilities	440,749	1,217,553
(b) Commercial letters of credit	138,213	25,333
	<u>578,962</u>	<u>1,242,886</u>

14 INTEREST INCOME

	31 March 2019 (Un-audited) AFN '000'	31 March 2018 (Un-audited) AFN '000'
Interest income on:		
Balances with DAB and other banks	2,987	4,155
Placements	132,063	63,271
Investments:		
Debt instruments at fair value through other comprehensive income	32,470	46,201
Debt instruments at amortised cost	81,520	53,872
Loans and advances to customers	98,470	107,988
	<u>347,509</u>	<u>275,487</u>

15 ALLOWANCE FOR ECL/IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

		31 March 2019					31 December 2018
	Note	Stage 1 Collective AFN '000'	Stage 2 Collective AFN '000'	Stage 3 Collective AFN '000'	Regulatory AFN '000'	Total AFN '000'	
Placements	6	(602)	(2,816)	-	905	(2,513)	92,752
Investments	7	79	(483)	-	4,399	4,803	119,398
Loans and advances	8	(16,087)	23,949	(102,445)	-	(94,583)	(123,031)
Other assets	11	2,711	76	-	-	2,787	(4,159)
Financial guarantees		-	-	-	5,677	5,677	5,731
Letter of credit		-	-	-	-	-	2,163
Total reversal on impairment / (loss) for the year		<u>(13,899)</u>	<u>20,726</u>	<u>(102,445)</u>	<u>10,981</u>	<u>(83,828)</u>	<u>92,854</u>

16 TAXATION

	31 March 2019 (Un-audited) AFN '000'	31 March 2018 (Un-audited) AFN '000'
Current	-	19,111
Deferred	70,405	47,011
	<u>70,405</u>	<u>66,122</u>

17 RELATED PARTY TRANSACTIONS

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

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	31 March 2019 (Un-audited)	31 December 2018 (Audited)	31 March 2019 (Un-audited)	31 December 2018 (Audited)
	AFN '000	AFN '000	AFN '000	AFN '000
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the period / year	-	-	155,232	155,515
Loans issued during the period / year	-	-	368,768	153,216
Loans repayments during the period / year	-	-	(524,000)	(153,306)
Exchange rate difference	-	-	-	(193)
Loans outstanding at the end of the period / year	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,232</u>
Interest income earned	<u>-</u>	<u>-</u>	<u>2,426</u>	<u>14,812</u>

During the period, an amount of AFN 151,798 thousands (31 December 2018: 446,356 thousand) was paid to MADCC, (a related party) on account of the construction of new head office building.

Provision on outstanding balances of loans and advances to related parties amounts to AFN Nil (31 December 2018: AFN 1,364 thousands).

The facilities provided to related parties carry mark-up interest rates of 7% (31 December 2018: 7%) per annum payable on a monthly basis and these are secured against mortgage of residential property.

Nature of transactions

(b) Deposits from related parties

Deposits at the beginning of the period / year
Deposits received during the period / year
Deposits repaid during the period / year
Exchange rate difference
Deposits at the end of the period / year

Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
31 March 2019 (Un-audited)	31 December 2018 (Audited)	31 March 2019 (Un-audited)	31 December 2018 (Audited)
AFN '000	AFN '000	AFN '000	AFN '000
18,377	49,267	381,874	104,110
193,789	464,349	490,286	3,008,059
(134,724)	(498,441)	(823,285)	(2,751,110)
(7)	3,202	(26)	20,815
<u>77,435</u>	<u>18,377</u>	<u>48,849</u>	<u>381,874</u>

Nature of transactions

(c) Other related party transactions

Fee and commission income
Directors fee
Rental expenses
Other expenses
Capital work in progress
Guarantees issued by the Bank
Commercial letter of credits

Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
31 March 2019 (Un-audited)	31 December 2018 (Audited)	31 March 2019 (Un-audited)	31 December 2018 (Un-audited)
AFN '000	AFN '000	AFN '000	AFN '000
-	-	2,742	22,990
5,886	14,775	-	-
-	-	13,813	52,989
5,632	9,055	-	-
-	-	151,798	446,356
-	-	-	-
-	-	-	87,651
		31 March 2019 (Un-audited)	31 March 2018 (Un-audited)
		AFN '000'	AFN '000'
		<u>28,579</u>	<u>27,038</u>

(d) Key management compensation

Salaries and other short-term benefits

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

31 March 2019 (Un-audited)	31 March 2018 (Un-audited)
AFN '000'	AFN '000'
2,482,691	2,572,686
3,704,374	7,096,002
9,421,416	7,933,609
11,983,296	6,676,946
<u>27,591,777</u>	<u>24,279,243</u>

18 CASH AND CASH EQUIVALENTS

Cash in hand and at ATM
Balances with DAB
(other than minimum reserve requirement)
Balances with other banks
(other than held as a cash margin)
Placements
(with maturity less than three months)

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19 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 using a valuation

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 31 March 2019 - Un-audited	-	3,706,117	-
Investments in bonds - debt instruments at FVOCI	-	3,706,117	-
As at 31 December 2018- Audited	-	3,588,690	-

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

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

(b) Financial instruments not measured at fair value

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

(i) Investments:

These include debt instruments measured at amortised cost.

(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.

20 GENERAL

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

21 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Supervisors of the Bank on 14/05/2019.


Chief Executive Officer


Chief Financial Officer