

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

For the half year ended 30 June 2020



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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 June 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 six 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 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.

5/17/20



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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 June 30, 2020, and of its financial performance and its cash flows for the six 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 Afghanistan

Grant Thornton Afghanistan
Chartered Accountants

Location: Kabul, Afghanistan

Date: *15-Aug-2020*



AFGHANISTAN INTERNATIONAL BANK

Condensed Interim Financial Statements

For the half year ended 30 June 2020

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

		30 June 2020	31 December 2019
		(Un-audited)	(Audited)
	Note	AFN '000'	AFN '000'
ASSETS			
Cash and balances with Da Afghanistan Bank	4	15,896,575	13,859,056
Balances with other banks	5	12,767,618	7,237,771
Placements - net	6	15,619,389	15,085,047
Investments - net	7	16,239,010	18,915,749
Loan and advances to customers - net	8	2,528,423	3,417,810
Receivables from financial institutions		257,832	502,618
Operating fixed assets	9	3,477,040	3,450,342
Intangible assets		382,790	426,328
Other assets	10	566,683	837,780
Total assets		67,735,360	63,732,501
LIABILITIES			
Customers' deposits	11	62,970,440	58,843,105
Deposits from bank		-	500,000
Deferred income		25,784	77,312
Lease liabilities	12	334,076	265,040
Deferred tax liabilities	13	72,813	34,299
Other liabilities	14	162,543	333,581
Total liabilities		63,565,656	60,053,337
EQUITY			
Share capital	15	1,465,071	1,465,071
Capital reserves		290,813	290,813
Retained earnings		2,293,319	1,859,291
Revaluation surplus/ (loss) on debt instruments at FVOCI		120,501	63,989
Total equity		4,169,704	3,679,164
Total liabilities and equity		67,735,360	63,732,501
Contingencies and commitments	16		

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



Chief Financial Officer

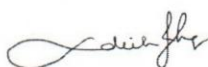


Chief Executive Officer

AFGHANISTAN INTERNATIONAL BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020

		Six months ended		Three months ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		Un-audited	Un-audited	Un-audited	Un-audited
Note		AFN '000'	AFN '000'	AFN '000'	AFN '000'
Interest income	17	567,063	726,499	268,261	378,988
Interest expense		(11,929)	(24,588)	(5,625)	(10,610)
Net interest income		555,134	701,911	262,636	368,378
Fee and commission income		501,605	477,636	245,583	248,590
Fee and commission expense		(5,778)	(5,595)	(3,716)	(5,357)
Net fee and commission income		495,827	472,041	241,867	243,233
Income from dealing in foreign currencies		161,274	121,383	67,365	78,610
		1,212,235	1,295,335	571,868	690,221
Other income	18	323,886	35,046	322,025	28,479
(Loss) / gain on sale of securities		1,515	(4,233)	1,515	411
Credit losses reversal / (expense)	19	(99,683)	(163,361)	(61,418)	(79,533)
Finance cost on lease liability		(3,340)	(4,693)	(1,605)	(4,693)
General and administrative expenses	20	(989,851)	(947,264)	(491,957)	(507,867)
PROFIT BEFORE INCOME TAX		444,762	210,830	340,428	127,018
Taxation	21	(10,734)	(30,380)	(20,356)	40,026
PROFIT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020		434,028	180,450	320,072	167,044
OTHER COMPREHENSIVE INCOME					
<i>Items that may be classified to profit or loss subsequently</i>					
Surplus/ (Deficit) on debt instruments at FVOCI		70,640	251,796	271,230	183,536
Related deferred tax		(14,128)	(50,359)	(71,356)	(36,707)
Other comprehensive income, net of tax		56,512	201,437	199,874	146,829
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		490,540	381,887	519,946	313,873
Earnings per share (in AFN)		14.47	6.02	10.67	5.57

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



Chief Financial Officer



Chief Executive Officer

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

	Share capital	Revaluation surplus/ (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
Total comprehensive income					
Profit for the period				180,450	180,450
Other comprehensive income, net of tax:					-
Fair value reserve (debt instruments at FVOCI)					-
Net change in fair value		251,796			251,796
Related tax		(50,359)			(50,359)
Total comprehensive income	-	201,437	-	180,450	381,887
Transferred to capital reserve			-	-	-
Transactions with owners of the bank					
Dividend paid	-	-	-	(265,000)	(265,000)
Balance as at 30 June 2019 - Unaudited	1,465,071	114,588	260,405	1,861,980	3,702,044
Balance as at 01 January 2020 - Audited	1,465,071	63,989	290,813	1,859,291	3,679,164
Total comprehensive income					
Profit for the period				434,028	434,028
Other comprehensive income, net of tax:					-
Fair value reserve (debt instruments at FVOCI)					-
Net change in fair value		70,640			70,640
Related tax		(14,128)			(14,128)
Total comprehensive income	-	56,512	-	434,028	490,540
Transferred to capital reserve			-	-	-
Transactions with owners of the bank					
Dividend paid	-	-	-	-	-
Balance as at 30 June 2020 - Unaudited	1,465,071	120,501	290,813	2,293,319	4,169,704

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



Chief Financial Officer



Chief Executive Officer

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

	Note	30 June 2020 Un-audited AFN '000'	30 June 2019 Un-audited AFN '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Income Tax		444,762	210,830
Adjustments for:			
Depreciation		141,293	130,124
Amortization		43,538	33,758
Finance cost on lease liability		3,340	4,693
Adjustments for the movement in lease liability		(638)	-
Credit losses reversal / (expense)		99,683	163,361
		<u>731,978</u>	<u>542,766</u>
Changes in operating assets and liabilities			
Receivable from financial institutions		244,786	229,142
Required reserve maintained with DAB		(84,041)	215,355
Cash margin held with other banks		(125,058)	5,958
Loans and advances to customers - net		773,267	(750,833)
Other assets		271,555	(72,735)
Deferred income on commercial LCs and guarantees		(51,528)	8,688
Customers' deposits		4,127,335	(3,536,218)
Other liabilities		(144,603)	(421,011)
		<u>5,243,691</u>	<u>(3,278,888)</u>
Income tax paid		(759)	(5,785)
Net cash flow (used in)/ from operating activities		<u>5,242,932</u>	<u>(3,284,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital work-in-progress		(31,726)	(217,910)
Acquisition of operating fixed assets		(11,422)	(7,462)
Acquisition of intangible assets		-	(39,915)
Placements (with maturity more than three months)		(9,639,751)	(4,739,212)
Investments		2,748,493	416,834
Net cash flow from/ (used in) investing activities		<u>(6,934,406)</u>	<u>(4,587,665)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability repaid		(58,509)	(48,223)
Dividend paid		-	(265,000)
Net cash used in financing activities		<u>(58,509)</u>	<u>(313,223)</u>
Net increase/ (decrease) in cash and cash equivalents		(1,749,983)	(8,185,561)
Cash and cash equivalents at 1 January		28,374,457	34,537,652
Cash and cash equivalents at 30 June	23	<u>26,624,474</u>	<u>26,352,091</u>

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



Chief Financial Officer



Chief Executive Officer

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 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 six months 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 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.

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Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months ended June 30, 2020**

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
4 Cash and balances with Da Afghanistan Bank			
Cash in hand		2,466,514	2,432,604
Cash in hand - Islamic banking division		249,228	180,747
Cash at Automated Teller Machines (ATMs)		694,786	648,592
		3,410,528	3,261,943
Balances with Da Afghanistan Bank:			
Local currency:			
- Deposit facility accounts	4.1	2,357,407	1,107,189
- Required reserve accounts	4.2	585,992	588,501
- Current accounts		1,128,247	496,894
		4,071,646	2,192,584
Foreign currency:			
- Required reserve accounts	4.2	5,424,340	5,337,790
- Current accounts		2,990,061	3,066,739
		15,896,575	13,859,056

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 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
5 Balances with other banks			
Outside Afghanistan:			
With Commerzbank, Germany:			
- in nostro accounts	5.1	149,022	77,070
- as cash margins held	5.2	143,648	18,590
		292,670	95,660
With Crown Agents Bank:			
- in nostro accounts	5.3	6,985,064	2,893,292
- as cash margins held		-	-
		6,985,064	2,893,292
With other banks	5.4	5,489,884	4,248,819
		12,767,618	7,237,771

5.1 These represent non-interest bearing balances available on demand basis.

5.2 This represents the amounts held against the counter guarantees issued by Commerzbank, Germany.

5.3 These represent interest bearing balances which carry interest at the rate of 0.10% (31 December 2019: 1.50%) p.a.

5.7

Afghanistan International Bank
Notes to the condensed interim financial statements (Un-audited)
For the six months ended June 30, 2020

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

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
6	Placements - net	AFN '000	AFN '000
	Placements with banks	15,637,559	15,106,058
	Allowance for ECL / impairment losses	(18,170)	(21,011)
		<u>15,619,389</u>	<u>15,085,047</u>

- 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.

- 6.2 This represents provision calculated under Asset Classification and Provisioning Regulation (ACPR) which is higher than provision of AFN 678 thousand (31 December 2019: AFN 1,055 thousand) calculated under IFRS 9. Accordingly, the Bank has maintained higher provision as required under ACPR.

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
7	Investments - net	AFN '000	AFN '000
	Debt instruments at fair value through OCI:		
	- Investment bonds	7,875,649	7,837,520
	Debt instruments at amortised cost:		
	- Capital notes with DAB	244,657	742,372
	- Treasury bills	-	934,684
	- Investment bonds	8,132,055	9,415,638
		<u>8,376,712</u>	<u>11,092,694</u>
		<u>16,252,361</u>	<u>18,930,214</u>
	Allowance for ECL / impairment losses	(13,351)	(14,465)
		<u>16,239,010</u>	<u>18,915,749</u>

- 7.1 These represent investments in sovereign bonds having maturity ranging from September 2020 to July 2026 (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 May to November 2020 (31 December 2019: February to November 2020) carrying yield ranging from 2% 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 United States of America - Treasury bills which matured in January 2020 (31 December 2019: January 2020), carried yield of 1.53% (31 December 2019: 1.53%) per annum receivable on maturity.

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Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months ended June 30, 2020**

- 7.4 These represent investments in sovereign bonds carrying interest rates ranging from 1.72% 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 as per IFRS 9 which is higher than the Asset Classification and Provisioning Regulation (ACPR) of AFN 11,088 thousand (31 December 2019: AFN 9,813 thousand calculated as per ACPR). Accordingly, the Bank has maintained higher provision calculated under IFRS 9.

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
8	Loan and advances to customers - net	AFN '000	AFN '000
	Overdrafts	2,390,294	3,208,365
	Term loans	492,336	531,421
	Consumer loans	33,674	51,546
		<u>2,916,304</u>	<u>3,791,332</u>
	General provision	(154,640)	(154,920)
	Allowance for ECL / impairment losses	(233,241)	(218,602)
		<u>2,528,423</u>	<u>3,417,810</u>

Particulars of loans and advances - (gross)

Short term (for up to one year)	2,518,442	3,318,947
Non-current (for over one year)	397,862	472,500
	<u>2,916,304</u>	<u>3,791,447</u>

- 8.1 These represent balances due from customers at various interest rates ranging from 7% to 14.5% P.a (31 December 2019: 7% to 15%) per annum and are secured against mortgage of properties, personal guarantees and pledge of stocks. These include loans and advances to Small Medium Size Enterprises (SMEs) amounting to 40,073 (31 December 2019: AFN 71,884 thousand) which are also partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.
- 8.2 Term loans carry interest at various rates ranging from 5.5% 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 230,332 (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 10% to 15% (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.

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Afghanistan International Bank
Notes to the condensed interim financial statements (Un-audited)
For the six months ended June 30, 2020

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

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	AFN '000	AFN '000
Opening balance	218,602	68,908
Allowance for impairment made during period/ year	116,400	146,424
Amounts written-off during period/ year	(99,979)	(12,374)
Exchange rate differences and other adjustments	(1,782)	15,644
Closing balance	<u>233,241</u>	<u>218,602</u>

8.5.1 IFRS 9 expected credit loss amounts to AFN 142,773 thousands as at 30 June 2020. The provision of AFN 233,241 thousand (General provision: AFN 17,501 and Specific provision: AFN 215,739 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) made under Assets Classification and Provisioning Regulation (ACPR) is higher than IFRS 9 ECL, therefore, the Bank has maintained the higher provision under the requirements of ACPR.

	Note	30 June 2020 (Un-audited)	31 December 2019 (Audited)
		AFN '000	AFN '000
9 Operating fixed assets			
Property and equipment	9.1	3,397,952	3,110,719
Capital work-in-progress	9.2	79,088	339,623
		<u>3,477,040</u>	<u>3,450,342</u>
9.1 Operating fixed assets - movement			
<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		136,265	715
Adjustments/ write-off		-	(11,217)
		<u>428,526</u>	<u>388,466</u>
<i>Movement in depreciation:</i>			
Depreciation charge		(141,293)	(265,633)
Adjustments/ write-off		-	8,264
		<u>(141,293)</u>	<u>(257,369)</u>
<i>Closing balance</i>			
Cost		4,395,225	3,966,699
Accumulated depreciation		(997,273)	(855,980)
Net book value		<u>3,397,952</u>	<u>3,110,719</u>

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Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months ended June 30, 2020**

	30 June 2020 (Un-audited)	31 December 2019 (Audited)
Note	AFN '000	AFN '000
9.2 Capital work-in-progress - movement		
Opening balance	339,623	79,949
Additions during the period/ year	31,726	429,370
Transferred to operating fixed assets	(292,261)	(69,042)
Transferred to intangible assets	-	(100,654)
Closing balance	<u>79,088</u>	<u>339,623</u>

Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months ended June 30, 2020**

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
10 Other assets			
Advances to employees		45,051	49,561
Security deposits		8,786	8,821
Prepayments		223,628	206,222
Interest receivable		225,028	346,562
Advance income tax - net		30,809	30,050
Other receivable and advances		33,688	196,570
Receivable from DoJ		-	250,605
Less: Balance written off/ subsequently recovered	10.1	-	(250,605)
		-	-
		566,990	837,786
Allowance for ECL / impairment losses	10.2	(307)	(6)
		566,683	837,780

10.1 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 May 2020, the Department of Justice voluntarily dismissed the case against AIB with prejudice. The remaining seized funds amounting to USD 4.182 million plus accrued interest have been returned to the Bank.

10.2 This represents provision maintained as per ACPR issued by DAB.

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
11 Customers' deposits			
Current deposits		60,543,310	56,415,963
Saving deposits	11.1	234,941	244,037
Islamic deposits	11.2	1,349,512	1,335,000
Cash margin held against bank guarantees and letters of credit		842,677	848,105
		62,970,440	58,843,105

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

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
11.2 Islamic deposits can be further analyzed as follows:			
Current deposits		146,991	144,910
Saving deposits		1,159,575	1,146,235
Term deposits		42,946	43,855
		1,349,512	1,335,000

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Afghanistan International Bank**Notes to the condensed interim financial statements (Un-audited)****For the six months ended June 30, 2020**

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
	Note	AFN '000	AFN '000
12 Lease liabilities			
Opening balance		265,040	317,856
Additions during the year		124,843	-
Derecognized during the year		-	(1,113)
Lease rentals paid		(58,509)	(68,992)
Finance cost accrued		3,340	5,351
Adjustments for the movement in lease liability		(638)	11,938
		<u>334,076</u>	<u>265,040</u>
13 Deferred tax			
Deferred tax assets / (liabilities) arising in respect of:			
Provision on investments, placements, loans and advances and other assets		83,941	7,096
Provision on guarantees and commercial letter of credit		11,820	14,376
Lease liabilities		66,815	-
Carry forward taxable losses		186,044	189,383
Surplus on revaluation of investments		(31,238)	(17,110)
Accelerated tax depreciation and amortization		(390,195)	(228,044)
	13.1	<u>(72,813)</u>	<u>(34,299)</u>

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For the six months ended June 30, 2020

13.1 Movement in temporary differences during the period

	Balance as at 1 January 2019 AFN '000	Recognized in profit or loss AFN '000	Recognized in equity AFN '000	Balance as at 31 December 2019 AFN '000	Recognized in profit or loss AFN '000	Recognized in equity AFN '000	Balance as at 30 June 2020 AFN '000
Deferred tax assets arising in respect of:							
Provision on investments, placements and other assets	40,757	(33,661)	-	7,096	76,845	-	83,941
Provision on guarantees and commercial letter of credits	15,047	(671)	-	14,376	(2,556)	-	11,820
Lease liabilities	-	-	-	-	66,815	-	66,815
Carry forward taxable losses	139,597	49,786	-	189,383	(3,339)	-	186,044
	<u>195,401</u>	<u>15,454</u>	<u>-</u>	<u>210,855</u>	<u>137,765</u>	<u>-</u>	<u>348,620</u>
Deferred tax liabilities arising in respect of:							
Revaluation reserve on investments	20,599	-	(37,709)	(17,110)	-	(14,128)	(31,238)
Accelerated tax depreciation and amortization	(120,896)	(107,148)	-	(228,044)	(162,151)	-	(390,195)
	<u>(100,297)</u>	<u>(107,148)</u>	<u>(37,709)</u>	<u>(245,154)</u>	<u>(162,151)</u>	<u>(14,128)</u>	<u>(421,433)</u>
	<u>95,104</u>	<u>(91,694)</u>	<u>(37,709)</u>	<u>(34,299)</u>	<u>(24,386)</u>	<u>(14,128)</u>	<u>(72,813)</u>

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Afghanistan International Bank
Notes to the condensed interim financial statements (Un-audited)
For the six months ended June 30, 2020

	Note	30 June 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
14 Other liabilities			
Accruals and other payables		15,479	12,148
Amounts pending transfers to customers' accounts	14.1	24,358	46,222
Retention money payable		14,900	14,927
Payable from sale of collateral against loans and advances written off		33,571	64,924
Others		15,137	123,479
Provision on			
Financial guarantees	14.2	58,717	71,582
Commercial letter of credits	14.2	381	299
		59,098	71,881
		162,543	333,581

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

14.2 This represents 1% provision on unsecured portion of bank guarantees, not backed by cash margin, as required in Asset Classification and Provisioning Regulation issued by DAB, however, IFRS 9 provision for expected credit loss computed on unfunded financing facilities amounts to AFN 22,829 thousand (31 December 2019: AFN 47,074 thousand). The provision under regulations issued by DAB is higher than IFRS 9 ECL, therefore, the Bank has maintained the regulatory provision.

		30 June 2020 (Un-audited)	31 December 2019 (Audited)
15 Share capital			
Authorized 30,000,000 (2019: 30,000,000) ordinary shares of USD 1 each	AFN '000'	1,465,071	1,465,071

Issued, subscribed and paid-up - 30,000,000

(2019: 30,000,000) ordinary shares of USD 1 each fully paid in	AFN '000'	1,465,071	1,465,071
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15.1 Pursuant to letter no.918/703 dated 17 May 2010 issued by Da Afghanistan Bank (DAB), the Bank complies with the minimum paid-up capital requirement for commercial banks in Afghanistan amounting to AFN 1 billion or US \$ 20 million.

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.

	Note	30 June 2020 (Un-audited) AFN '000	31 December 2019 (Audited) AFN '000
16 Contingencies and commitments			

16.1 Contingencies

Financial guarantees	16.1.1	7,957,831	7,946,230
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16.1.1 These represent bid bonds and performance based guarantees issued by the Bank. These are 100% secured against the cash margin and counter guarantees.

16.2 Commitments

(a) Undrawn loan and overdraft facilities		1,455,398	524,394
(b) Commercial letters of credit		56,696	48,537
		1,512,094	572,931

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Afghanistan International Bank

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

For the six months ended June 30, 2020

		30 June 2020 (Un-audited) AFN '000	30 June 2019 (Un-audited) AFN '000
17 Interest income	Note		
Balances with DAB and other banks		12,536	5,437
Placements		149,668	276,175
Debt instruments at FVOCI		112,259	82,003
Debt instruments at amortized cost		122,790	162,179
Loans and advances to customers		169,810	200,705
		567,063	726,499
18 Other income			
Loans and advances recovered previously written off		1,471	34,990
Amounts received from DoJ	10.1	322,166	-
Others		249	56
		323,886	35,046
19 Credit losses (reversal) / expense			
The table below shows the impairment charges on financial instruments for the period recorded in the income statement:			
Placements	6.2	(2,841)	9,088
Investments	7.5	(1,114)	(10,390)
Loans and advances	8.5	116,120	152,136
Other assets	10.2	301	(2,787)
Financial guarantees	14.2	(12,865)	15,202
Letter of credit	14.2	82	112
Total credit loss/ (reversal) for the period - net		99,683	163,361
20 General and administrative expenses			
Salaries and benefits		312,505	305,385
Rental, rates and taxes		6,335	8,950
Electricity, generator and fuel		52,529	64,107
Repairs and maintenance		8,819	7,404
Information technology cost		60,883	47,478
Security cost		69,255	61,832
Depreciation		141,293	130,124
Amortization		43,538	33,758
Directors fee and their meeting expenses		11,620	16,426
Travelling and accommodation		20,470	27,483
Communication, swift and internet		28,610	26,005
Stationery and printing		16,695	25,756
Legal and professional charges		46,378	50,794
Asset management fee to investment advisors		18,348	14,787
Auditors' remuneration		6,879	5,391
Marketing and promotion		9,278	9,152
Money service providers charges		1,264	2,026
Insurance		82,784	76,753
Subscriptions and memberships		1,791	1,868
Other charges		28,720	26,121
Taxes and penalties		620	536
Corporate social responsibility		6,940	1,718
Corona virus costs		10,814	-
Others		3,483	3,410
		989,851	947,264

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Afghanistan International Bank

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

For the six months ended June 30, 2020

	Note	30 June 2020 (Un-audited) AFN '000	30 June 2019 (Un-audited) AFN '000
21 Taxation			
Current:			
For the period	21.1	-	-
Prior periods		(13,652)	(25,794)
Deferred:			
For the period		24,386	56,174
		<u>10,734</u>	<u>30,380</u>

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

22 Related party transactions

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

NATURE OF BALANCES	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	30 June 2020 (Un-audited)	31 December 2019 (Audited)	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	AFN '000	AFN '000	AFN '000	AFN '000
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the year	1,908	-	174,781	174,011
Loans issued during the period/ year	-	1,908	173,922	169,316
Loans repayments during the period/ year	(793)	-	(174,693)	(168,354)
Exchange gain	-	-	1	(193)
Loans outstanding at the end of the period/ year	<u>1,115</u>	<u>1,908</u>	<u>174,011</u>	<u>174,781</u>
Interest income earned	<u>272</u>	<u>57</u>	<u>5,891</u>	<u>11,544</u>

During the period, an amount of AFN 64,067 thousand (31 December 2019: AFN 254,053 thousand) was paid to MADCC (related party) against certain construction and other works remaining at head office for the new building and renovation work at Herat branch.

Provision for expected credit losses on outstanding balances of loans and advances to related parties amounts to AFN 1,740 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 shareholders of the Bank.

(b) Current deposits from related parties	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	30 June 2020 (Un-audited)	31 December 2019 (Audited)	30 June 2020 (Un-audited)	31 December 2019 (Audited)
	AFN '000	AFN '000	AFN '000	AFN '000
Deposits at the beginning of the year	57,309	19,061	67,414	53,472
Deposits received during the year	238,327	440,748	1,607,847	4,203,122
Deposits repaid during the year	(228,364)	(402,726)	(1,583,996)	(4,190,581)
Exchange rate difference	(19)	226	167	1,401
Deposits at the end of the year	<u>67,253</u>	<u>57,309</u>	<u>91,432</u>	<u>67,414</u>
Interest expense on deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NATURE OF TRANSACTIONS	30 June 2020 (Un-audited)	30 June 2019 (Un-audited)	30 June 2020 (Un-audited)	30 June 2019 (Un-audited)
	AFN '000	AFN '000	AFN '000	AFN '000
(c) Other related party transactions				
Fee and commission income	-	-	2,934	3,673
Directors' fee	7,700	7,782	-	-
Fee and commission expense	-	-	-	-
Rental expenses	-	-	8,604	24,447

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	30 June 2020 (Un-audited) AFN '000	30 June 2019 (Un-audited) AFN '000
(d) Key Management compensation		
Salaries and other short-term benefits	49,981	58,699

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

	30 June 2020 (Un-audited) AFN '000	30 June 2019 (Un-audited) AFN '000
23 Cash and cash equivalents		
Cash in hand and at ATM	3,410,528	3,246,473
Balances with DAB (other than minimum reserve requirement)	6,475,715	6,382,028
Balances with other banks (other than held as a cash margin)	12,623,970	6,141,106
Placements (with maturity less than three months)	4,114,261	10,582,484
	26,624,474	26,352,091

24 Fair value of financial assets and financial liabilities

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

(a) Financial instruments measured at fair value

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

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

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

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

	Level 1 AFN '000	Level 2 AFN '000	Level 3 AFN '000
Investments in bonds - debt instruments at FVOCI As at 30 June 2020 - Un-audited	-	7,875,649	-
Investments in bonds - debt instruments at FVOCI As at 31 December 2019- Audited	-	7,837,520	-

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.

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Afghanistan International Bank
 Notes to the condensed interim financial statements (Un-audited)
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(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.

25 GENERAL

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

26 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial statements were authorized for issue by the Board of Supervisors of the Bank on 15-Aug-2020.



Chief Financial Officer



Chief Executive Officer

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