



**Grant Thornton**

An instinct for growth™

# Independent Auditors' Review Report on Condensed Interim Financial Statements to the Shareholders of Afghan United Bank

Grant Thornton Afghanistan

House # 611, Street # 12  
Qualle Fatehullah, Kabul  
Afghanistan  
T +93 202 202 475  
M+93 789 314 616  
[www.grantthornton.af](http://www.grantthornton.af)

## **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Afghan United 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.

**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, now expenditure would have comprised of depreciation on right-of-use asset and finance cost on lease liability. In the absence of detailed working by management, 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.



**Grant Thornton Afghanistan**

**Chartered Accountants**

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date: 14th MAY, 2019


**AFGHAN UNITED BANK**  
 Condensed Interim Statement of Financial Position  
 As at 31 March, 2019

|   |      | Unaudited         | Audited           |
|---|------|-------------------|-------------------|
|   |      | 31-Mar-19         | 31-Dec-18         |
|   | Note | AFN '000'         |                   |
| <b>ASSETS</b>                                 |      |                   |                   |
| Cash and balances with central bank           | 4    | 5,648,785         | 6,436,196         |
| Balances with other banks                     | 5    | 1,821,888         | 2,681,935         |
| Investments                                   | 6    | 1,838,854         | 1,479,313         |
| Loans and advances to customers               | 7    | 6,232,735         | 6,747,327         |
| Property and equipment                        | 8    | 890,237           | 904,139           |
| Intangible assets                             | 9    | 4,932             | 6,184             |
| Other assets                                  |      | 2,013,483         | 2,012,841         |
| <b>Total assets</b>                           |      | <b>18,450,914</b> | <b>20,267,936</b> |
| <b>EQUITY AND LIABILITIES</b>                 |      |                   |                   |
| <b>EQUITY</b>                                 |      |                   |                   |
| Share capital                                 |      | 1,522,030         | 1,522,030         |
| Revaluation reserve on property and equipment |      | 455,359           | 463,472           |
| Retained earnings                             |      | 73,019            | 123,104           |
| <b>Total equity</b>                           |      | <b>2,050,407</b>  | <b>2,108,606</b>  |
| <b>LIABILITIES</b>                            |      |                   |                   |
| Deposits from customers                       | 10   | 15,958,416        | 17,562,438        |
| Deferred tax liability                        |      | 132,419           | 132,419           |
| Provision for tax                             |      | -                 | 9,086             |
| Other liabilities                             |      | 309,672           | 455,387           |
| <b>Total liabilities</b>                      |      | <b>16,400,507</b> | <b>18,159,330</b> |
| <b>Total equity and liabilities</b>           |      | <b>18,450,914</b> | <b>20,267,936</b> |
| <b>CONTINGENCIES AND COMMITMENTS</b>          |      |                   |                   |
|   | 11   |                   |                   |

The annexed notes 1 to 15 form an integral part of these financial statements.

UTA

  
 CHIEF FINANCIAL  
 OFFICER (ACTING)

  
 CHIEF EXECUTIVE  
 OFFICER

**AFGHAN UNITED BANK**

Condensed Interim Statement of Comprehensive Income (unaudited)

For the three months ended 31 March 2019

|   | Note | Three months ended |                |
|---|------|--------------------|----------------|
|   |      | 31-Mar-19          | 31-Mar-18      |
|   |      | AFN '000'          |                |
| Mark-up/ return/ interest earned  |      | 214,528            | 225,816        |
| Mark-up/ return/ interest expense   |      | (27,379)           | (33,890)       |
| <b>Net mark-up/ return/ interest income</b>   |      | <b>187,149</b>     | <b>191,926</b> |
| Fee and commission income   |      | 79,079             | 56,608         |
| Fee and commission expense  |      | (1,509)            | (1,974)        |
| <b>Net fee and commission income</b>  |      | <b>77,570</b>      | <b>54,634</b>  |
| Other expense/ income   |      | (7,584)            | 12,028         |
| <b>Net operating income</b>   |      | <b>257,135</b>     | <b>258,588</b> |
| Provision against non-performing loans<br>and advances to customers                       | 7.5  | (255,390)          | (10,849)       |
| Net provision against off balance sheet items and<br>other assets                         |      | 79,212             | 21,858         |
| Depreciation  | 8    | (16,388)           | (7,885)        |
| Amortization  | 9    | (1,252)            | (1,195)        |
| Employee compensation   |      | (58,465)           | (61,496)       |
| Operating lease expenses  |      | (12,096)           | (11,681)       |
| Other expenses  |      | (65,506)           | (63,624)       |
| <b>(Loss)/ Profit before tax</b>  |      | <b>(72,749)</b>    | <b>123,716</b> |
| Income tax expense  |      | 14,550             | (24,743)       |
| <b>(Loss)/ Profit for the period</b>  |      | <b>(58,199)</b>    | <b>98,973</b>  |
| <b>Other comprehensive income</b>   |      |                    |                |
| (Loss)/ Profit for the period   |      | (58,199)           | 98,973         |
| Other comprehensive income - not reclassified to the income statement                     |      | -                  | -              |
| Other comprehensive income - reclassified to the income statement<br>the income statement |      | -                  | -              |
| <b>Total comprehensive income for the period ended</b>                                    |      | <b>(58,199)</b>    | <b>98,973</b>  |

The annexed notes 1 to 15 form an integral part of these financial statements.



CHIEF FINANCIAL  
OFFICER (ACTING)



CHIEF EXECUTIVE OFFICER

CITA



**AFGHAN UNITED BANK**


Condensed Interim Statement of Changes in Equity (unaudited)

For the three months ended 31 March 2019

|  | Share capital           | Revaluation reserve   | Retained earnings    | Total                   |
|--|-------------------------|-----------------------|----------------------|-------------------------|
|  | AFN '000'               |                       |                      |                         |
| Balance as at 01 January, 2018                         | 1,522,030               | 508,407               | 176,852              | 2,207,291               |
| Incremental depreciation on revaluation surplus        | -                       | -                     | -                    | -                       |
| Total comprehensive income for the year                |                         |                       |                      |                         |
| Loss for the year                                      | -                       | -                     | 98,973               | 98,973                  |
| Other comprehensive income                             | -                       | -                     | -                    | -                       |
|  | -                       | -                     | 98,973               | 98,973                  |
| Balance as at March 31, 2018                           | <u>1,522,030</u>        | <u>508,407</u>        | <u>275,825</u>       | <u>2,306,264</u>        |
| Balance as at January 1, 2019                          | <b>1,522,030</b>        | <b>463,472</b>        | <b>123,104</b>       | <b>2,108,606</b>        |
| Incremental depreciation on revaluation surplus        | -                       | (8,113)               | 8,113                | -                       |
| <b>Total comprehensive income for the period ended</b> |                         |                       |                      |                         |
| Loss for the period                                    | -                       | -                     | (58,199)             | (58,199)                |
| Other comprehensive income                             | -                       | -                     | -                    | -                       |
|  | -                       | -                     | (58,199)             | (58,199)                |
| <b>Balance as at 31 March, 2019</b>                    | <u><b>1,522,030</b></u> | <u><b>455,359</b></u> | <u><b>73,019</b></u> | <u><b>2,050,407</b></u> |

The annexed notes 1 to 15 form an integral part of these financial statements.

GPA


  
 CHIEF FINANCIAL  
 OFFICER (ACTING)


  
 CHIEF EXECUTIVE  
 OFFICER

**AFGHAN UNITED BANK**

Condensed Interim Statement of Cash Flows (unaudited)

For the three months ended 31 March 2019

|   |  | <i>Three months ended</i> |                   |
|---|--|---------------------------|-------------------|
|   |  | <b>31-Mar-19</b>          | <b>31-Mar-18</b>  |
| <i>Note</i>   |  | <b>AFN '000'</b>          |                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |  |                           |                   |
|   | (Loss)/ Profit before tax                                      | (72,749)                  | 123,716           |
|   | <b>Adjustments for:</b>  |                           |                   |
|   | Net impairment loss on financial assets                        | 255,390                   | 10,849            |
|   | Provision against off balance sheet items                      | (79,212)                  | (21,858)          |
| 8   | Depreciation   | 16,388                    | 7,885             |
| 9   | Amortization   | 1,252                     | 1,195             |
|   |  | <b>121,069</b>            | <b>121,787</b>    |
| <b>Increase/ decrease in current assets and liabilities</b> |  |                           |                   |
|   | Investments  | (359,541)                 | (235,700)         |
|   | Loans and advances to customers                                | 338,414                   | 1,507,359         |
|   | Other assets   | (642)                     | (87,247)          |
|   | Deposits from customers  | (1,604,022)               | (807,476)         |
|   | Other liabilities  | (145,715)                 | (61,201)          |
|   |  | <b>(1,650,437)</b>        | <b>437,522</b>    |
|   | Income tax paid  | 5,464                     | (21,716)          |
|   | <b>Net cash (used in)/ generated from operating activities</b> | <b>(1,644,973)</b>        | <b>415,806</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |  |                           |                   |
| 8   | Purchase of property and equipment                             | (2,485)                   | (5,384)           |
|   | Purchase of intangible assets                                  | -                         | (3,330)           |
|   | <b>Net cash used in investing activities</b>                   | <b>(2,485)</b>            | <b>(8,714)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |  |                           |                   |
|   | Proceeds from issue of shares                                  | -                         | -                 |
|   | <b>Net cash generated from/ (used in) financing activities</b> | <b>-</b>                  | <b>-</b>          |
|   | <b>Net (decrease)/ increase in cash and cash equivalents</b>   | <b>(1,647,458)</b>        | <b>407,092</b>    |
|   | Cash and cash equivalents, beginning of year                   | 9,118,131                 | 10,858,730        |
|   | <b>Cash and cash equivalents, end of period</b>                | <b>7,470,673</b>          | <b>11,265,822</b> |

CITA

The annexed notes 1 to 15 form an integral part of these financial statements.


  
 CHIEF FINANCIAL OFFICER  
 (ACTING)


  
 CHIEF EXECUTIVE  
 OFFICER

## **AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

*For the three months ended 31 March 2019*

### **1. LEGAL STATUS AND OPERATIONS**

The Bank commenced its operations on October 4, 2007 under the license of commercial banking issued by Da Afghanistan bank (DAB) under the Law of Banking in Afghanistan. It is a full fledge bank principally engaged in the business of commercial banking with a network of 26 branches including two full fledge Islamic banking branches in different provinces of Afghanistan. The bank also holds license from Afghanistan Investment Support Agency (AISA) bearing license no: D-27284. The registered office of the bank is located at Shahr e Naw, Kabul, Afghanistan.

### **2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared 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. In case requirements differ, the provisions of the Law of Banking in Afghanistan will prevail.

The disclosures in these condensed interim financial statements do not include those reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements for the year ended 31 December, 2018.

Comparative statement of financial position is extracted from the annual audited financial statements as of 31 December, 2018, whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from unaudited condensed interim financial statements for the three months period ended 31 March, 2018.

These condensed interim financial statements are unaudited.

### **3. ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS**

The accounting policies, significant judgements made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policies are the same as those applied in preparation of annual audited financial statements for the year ended 31 December, 2018.

*GTA*

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended 31 March 2019

|  | Note | 31-Mar-19<br>AFN '000' | 31-Dec-18        |
|--|------|------------------------|------------------|
| <b>4 CASH AND BALANCES WITH CENTRAL BANK</b> |      |                        |                  |
| <b>In hand</b>                               |      |                        |                  |
| Local currency                               |      | 858,279                | 810,537          |
| Foreign currencies                           |      | 1,162,755              | 1,224,708        |
|  |      | <b>2,021,034</b>       | <b>2,035,245</b> |
| <b>With Da Afghanistan Bank in:</b>          |      |                        |                  |
| Local currency current accounts              |      | 2,112,084              | 2,109,030        |
| Foreign currency current accounts            |      | 958,781                | 1,386,319        |
| Overnight deposit with Central Bank          |      | 556,886                | 905,602          |
|  |      | <b>3,627,751</b>       | <b>4,400,951</b> |
|  |      | <b>5,648,785</b>       | <b>6,436,196</b> |
| <b>5 BALANCES WITH OTHER BANKS</b>           |      |                        |                  |
| <b>In Afghanistan</b>                        |      |                        |                  |
| National Bank of Pakistan                    |      | 572                    | 566              |
| Pashtany Bank                                |      | 384,048                | 380,366          |
| New Kabul Bank                               |      | 80,000                 | -                |
|  |      | <b>464,620</b>         | <b>380,933</b>   |
| <b>Outside Afghanistan</b>                   |      |                        |                  |
| CSC Bank, Lebanon                            |      | 37,195                 | 21,963           |
| Aktif Bank, Turkey                           |      | 268,835                | 400,774          |
| Axis Bank, China                             |      | 16,954                 | 18,151           |
| BMCE Bank, Spain                             |      | 343,578                | 1,061,283        |
| Nurol Bank, Turkey                           |      | 924                    | 1,843            |
| Bahrain Middle East Bank                     |      | 440,870                | 796,987          |
| Transkapital Bank, Russia                    |      | 248,913                | -                |
|  |      | <b>1,357,268</b>       | <b>2,301,002</b> |
|  |      | <b>1,821,888</b>       | <b>2,681,935</b> |
| <b>6 INVESTMENTS</b>                         |      |                        |                  |
| Capital notes                                | 6.1  | 897,859                | 398,238          |
| <b>Held to maturity</b>                      |      |                        |                  |
| Aktif Bank, Turkey                           |      | 266,140                | 263,585          |
| BMCE Bank, Spain                             |      | 304,160                | 225,930          |
| Bahrain Middle East Bank                     |      | 380,200                | 376,550          |
| Nurol Bank, Turkey                           |      | -                      | 225,930          |
|  | 6.2  | <b>950,500</b>         | <b>1,091,995</b> |
| General provision on investments             | 6.3  | (9,505)                | (10,920)         |
| <b>Investments - Net of provision</b>        |      | <b>1,838,854</b>       | <b>1,479,313</b> |

GTA



**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

*For the three months ended 31 March 2019*

6.1 This represents capital notes from Da Afghanistan bank carrying interest rate from 0.35% to 0.90% (2018: 0.12% to 4.1%) per annum and having maturity date in July 2019.

6.2 These represent foreign currency fixed term placements with foreign banks carrying interest ranging from 2.35% to 4.65% (2018: 1.25% to 4.65%) per annum and having maturity in August 2019.

|   | <u>31-Mar-19</u> | <u>31-Dec-18</u> |
|---|------------------|------------------|
|   | <u>AFN '000'</u> |                  |
| <b>6.3 Particulars of provision against investments</b> |                  |                  |
| Opening balance   | 10,920           | 9,064            |
| (Reversal)/ Charge for the year                         | (1,415)          | 1,856            |
| Write off during the year                               | -                | -                |
|   | <u>(1,415)</u>   | <u>1,856</u>     |
| Closing balance   | <u>9,505</u>     | <u>10,920</u>    |

General provision against investment is held as per the DAB's *Asset Classification and Provisioning Regulation @ 1%* of the gross amount of investments.

|   | <i>Note</i> | <u>31-Mar-19</u> | <u>31-Dec-18</u> |
|---|-------------|------------------|------------------|
|   |             | <u>AFN '000'</u> |                  |
| <b>7 LOANS AND ADVANCES TO CUSTOMERS</b>                  |             |                  |                  |
| <b>Conventional financing</b>                             |             |                  |                  |
| Running finance   | 7.2         | 4,494,684        | 4,673,180        |
| Term finance  | 7.3         | 318,030          | 382,882          |
|   |             | <u>4,812,714</u> | <u>5,056,062</u> |
| <b>Islamic financing</b>                                  |             |                  |                  |
| Murabaha  | 7.4         | 2,924,908        | 2,921,038        |
| <b>Loans and advances to customers - gross</b>            |             | <u>7,737,622</u> | <u>7,977,100</u> |
| Provision against non-performing loans and advances       | 7.5         | (1,504,888)      | (1,229,773)      |
| <b>Loans and advances to customers - net of provision</b> |             | <u>6,232,735</u> | <u>6,747,327</u> |

**7.1 Particulars of loans and advances to customers - gross**

|                       |                  |                  |
|-----------------------|------------------|------------------|
| In local currency     | 1,263,736        | 1,442,026        |
| In foreign currencies | 6,473,886        | 6,535,074        |
|                       | <u>7,737,622</u> | <u>7,977,100</u> |

7.2 These carry interest ranging between 12% to 16% per annum (2018: 12% to 16% per annum). All facilities are extended for maximum period of 12 months and are expected to be recovered within 12 months of the reporting date. These are secured against personal guarantees, mortgage of immovable properties and hypothecation over stock in trade.

GTA

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

*For the three months ended 31 March 2019*

- 7.3 These carry interest rate at 13% to 15% per annum (2018: 13% to 15% per annum). These loans have been extended for periods ranging from one and a half year to five years (2018: one year to five years) and are secured against personal guarantees, mortgage of immovable commercial and residential properties and assignment of receivables.
- 7.4 These represent sale and purchase agreements under which the Bank had paid finance for the purchase of goods and then sold the requisite goods to the customer on profit margin which is ranging from 12% to 18% per annum (2018: 12% to 18% per annum). These facilities are extended for a period of two months to five years (2018: one month to four years) and secured against personal guarantees, mortgage of immovable properties and goods supplied under the sale and purchase agreement.

|  | <u>31-Mar-19</u> | <u>31-Dec-18</u> |
|--|------------------|------------------|
|  | <u>AFN '000'</u> |                  |
| <b>7.5 Particulars of provision against non-performing loans and advances to customers</b> |                  |                  |
| Opening balance  | 1,229,773        | 634,222          |
| Charge for the period/ year  | 255,390          | 627,965          |
| Write-off during the period/ year  | -                | (91,951)         |
| Foreign currency fluctuation effect  | 19,725           | 59,536           |
|  | <u>275,115</u>   | <u>595,550</u>   |
| Closing balance  | <u>1,504,888</u> | <u>1,229,773</u> |

GTA

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended 31 March 2019

| <b>8 PROPERTY AND EQUIPMENT</b>   | <b>31-Mar-19</b> | <b>31-Mar-18</b> |
|-----------------------------------|------------------|------------------|
|                                   | <b>AFN '000'</b> |                  |
| <b>Gross Carrying Amount</b>      |                  |                  |
| At beginning of the period        | 1,681,993        | 1,683,449        |
| Addition during the period        | 2,485            | 5,384            |
| Revaluation adjustment            | (6,127)          | -                |
| Closing balance                   | <b>1,678,352</b> | <b>1,688,833</b> |
| <b>Accumulated Depreciation</b>   |                  |                  |
| At beginning of the period        | 777,854          | 723,538          |
| Charge for the period             | 16,388           | 7,885            |
| Revaluation adjustment            | (6,127)          | -                |
| Closing balance                   | <b>788,115</b>   | <b>731,423</b>   |
| <b>Written down value</b>         | <b>890,237</b>   | <b>957,410</b>   |
| <b>9 INTANGIBLE ASSETS</b>        |                  |                  |
| <b>Cost</b>                       |                  |                  |
| Opening balance                   | 238,165          | 234,835          |
| Additions during the period/ year | -                | 3,330            |
| Closing balance                   | <b>238,165</b>   | <b>238,165</b>   |
| <b>Accumulated amortization</b>   |                  |                  |
| Opening balance                   | 231,980          | 226,813          |
| Charge for the period/ year       | 1,252            | 1,195            |
| Closing balance                   | <b>233,232</b>   | <b>228,008</b>   |
| <b>Written down value</b>         | <b>4,932</b>     | <b>10,157</b>    |

9.1 Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2018: 33.33%). The gross carrying amount of fully amortized intangible assets still in use is AFN 223,136 thousand (2018: AFN 223,136 thousand).

| <b>10 DEPOSITS FROM CUSTOMERS</b> | <i>Note</i> | <b>31-Mar-19</b>  | <b>31-Dec-18</b>  |
|-----------------------------------|-------------|-------------------|-------------------|
|                                   |             | <b>AFN '000'</b>  |                   |
| <b>Conventional</b>               |             |                   |                   |
| Current deposits                  |             | 8,290,547         | 8,709,050         |
| Saving deposits                   | 10.1        | 395,510           | 246,649           |
| Term deposits                     | 10.2        | 734,627           | 727,613           |
| Margin deposits                   |             | 1,912,110         | 2,843,333         |
|                                   |             | <b>11,332,793</b> | <b>12,526,645</b> |

CIA

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended 31 March 2019

|                                   | Note | <u>31-Mar-19</u>  | <u>31-Dec-18</u>  |
|-----------------------------------|------|-------------------|-------------------|
|                                   |      | AFN '000'         | AFN '000'         |
| <b>10 DEPOSITS FROM CUSTOMERS</b> |      |                   |                   |
| <b>Conventional</b>               |      |                   |                   |
| Current deposits                  |      | 8,290,547         | 8,709,050         |
| Saving deposits                   | 10.1 | 395,510           | 246,649           |
| Term deposits                     | 10.2 | 734,627           | 727,613           |
| Margin deposits                   |      | 1,912,110         | 2,843,333         |
|                                   |      | <u>11,332,793</u> | <u>12,526,645</u> |
| <b>Islamic</b>                    |      |                   |                   |
| Current deposits                  |      | 2,251,209         | 2,524,028         |
| Saving deposits                   | 10.3 | 734,183           | 751,225           |
| Term deposits                     | 10.4 | 1,288,531         | 1,318,184         |
| Margin deposits                   |      | 351,699           | 442,356           |
|                                   |      | <u>4,625,623</u>  | <u>5,035,793</u>  |
|                                   |      | <u>15,958,416</u> | <u>17,562,438</u> |

10.1 Saving deposits carry interest ranging from 1% to 3% (2018: 1% to 3% per annum) per annum.

10.2 Term deposits carry interest ranging from 1.5% to 4.75% per annum (2018: 1.5% to 4.75% per annum), based on the term, with maturity ranging from three to twelve months (2018: three to twelve months).

10.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.31% to 0.46% (2018: 0.39% to 0.61%) per annum.

10.4 Profit distribution rates on Islamic term deposits during the period ranged from 1.52% to 3.04% (2018: 2.05% to 4.60%) per annum.

**11 CONTINGENCIES AND COMMITMENTS**

|   | <u>31-Mar-19</u> | <u>31-Mar-18</u>  |
|---|------------------|-------------------|
|   | AFN '000'        | AFN '000'         |
| LCs and BGs issued on behalf of the customers | <u>9,713,691</u> | <u>10,198,920</u> |

This include outstanding BGs amounting to AFN 1,580.14 million (2018: 1,489.43 million) issued in Islamic mode of finance.

|  | <u>31-Mar-19</u> | <u>31-Mar-18</u> |
|--|------------------|------------------|
|  | AFN '000'        | AFN '000'        |
| <b>Commitment for operating lease</b>              |                  |                  |
| - not later than one year                          | 48,384           | 47,106           |
| - later than one year and not later than five year | 193,536          | 188,424          |
|  | <u>241,920</u>   | <u>235,530</u>   |

CITA



**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

*For the three months ended 31 March 2019***12 RELATED PARTY TRANSACTIONS****Parent and ultimate controlling party**

The Bank is owned by individual shareholders who owns Bank's shares in different proportions.

**Key management personnel**

Key management personnel includes Board of Supervisors, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Credit Officer and Chief Risk Officer.

**Transactions with related parties**

Transactions and balances with related parties, including remuneration and benefits paid to key management personnel under the terms of their employment are as follows:

| Balances  |           | Transactions |           |
|-----------|-----------|--------------|-----------|
| 31-Mar-19 | 31-Dec-18 | 31-Mar-19    | 31-Mar-18 |
| AFN '000' |           |              |           |

**Transactions with key management personnel**

Short-term employee benefits

Salary and other benefits

|   |   |        |       |
|---|---|--------|-------|
| - | - | 14,594 | 7,439 |
|---|---|--------|-------|

C/T A

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

*For the three months ended 31 March 2019***13 CAPITAL MANAGEMENT****Regulatory capital**

The Banks' regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.
- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.
- Regulatory capital is the sum of Tier 1 and Tier 2 capital. Besides, Tier 2 capital cannot exceed from total amount of Tier 1 capital. The Bank complies with these regulations.

The Bank's regulatory capital position at March 31, 2019 was as follows:

|   | <u>31-Mar-19</u> | <u>31-Dec-18</u> |
|---|------------------|------------------|
|   | <u>AFN '000'</u> |                  |
| <b>Tier 1 capital</b>   |                  |                  |
| Total Equity  | 2,050,407        | 2,108,606        |
| <b>Less:</b>  |                  |                  |
| Intangible assets   | 4,932            | 6,184            |
| Profit for the year   | -                | -                |
| Revaluation reserve on property and equipment                                     | 455,359          | 463,472          |
|   | <u>460,291</u>   | <u>469,656</u>   |
| <b>Total tier 1 (core) capital</b>  | <u>1,590,116</u> | <u>1,638,950</u> |
| <b>Tier 2 capital</b>   |                  |                  |
| General loss reserves on credits  | -                | 9,374            |
| Profit for the year   | -                | -                |
| Revaluation reserve on property and equipment                                     | 455,359          | 463,472          |
| <b>Total tier 2 (supplementary) capital</b>                                       | <u>455,359</u>   | <u>472,846</u>   |
| <b>Total regulatory capital</b>   | <u>2,045,475</u> | <u>2,111,796</u> |
| <b>Risk-Weight Categories</b>   |                  |                  |
| <b>0% risk weight:</b>  |                  |                  |
| Cash in Afghani and fully-convertible foreign currencies                          | 2,021,034        | 2,035,245        |
| Direct claims on DAB  | 6,085,327        | 6,354,396        |
| Direct claims on Central Banks and<br>Central Governments of Category A countries | -                | -                |
| Precious metals and precious stones   | -                | -                |
| Direct claims on DAB  | -                | -                |
| Loans collateralized by blocked deposits  | -                | -                |
| Other   | -                | -                |
| <b>Total</b>  | <u>8,106,361</u> | <u>8,389,641</u> |
| <b>0% Risk-Weight Total (Above Total x 0%)</b>                                    | <u>-</u>         | <u>-</u>         |

GTA

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended 31 March 2019

|  |                  |                  |
|--|------------------|------------------|
| <b>20% risk weight</b>   |                  |                  |
| Loans Collateralized by Claims on Central Banks<br>and Central Governments of Category A Countries                 | -                | -                |
| Direct Claims on banks licensed in Category A countries  | 1,183,637        | 2,179,345        |
| Short-term Claims on Banks Licensed In Non-Category A Countries<br>Guaranteed by Multilateral Lending Institutions | 1,588,751        | 1,594,585        |
| Cash Items in Process of Collection  | -                | -                |
| Other  | -                | -                |
| <b>Total</b>   | <b>2,772,388</b> | <b>3,773,930</b> |
| <b>20% Risk-Weight Total (Above Total x 20%)</b>   | <b>554,478</b>   | <b>754,786</b>   |
| <b>50% risk weight</b>   |                  |                  |
| Qualifying Residential Mortgage Loans  | -                | -                |
| Qualifying Real Estate Construction Loans  | -                | -                |
| Other  | -                | -                |
| <b>Total</b>   | <b>-</b>         | <b>-</b>         |
| <b>50% Risk-Weight Total (Above Total x 50%)</b>   | <b>-</b>         | <b>-</b>         |
| <b>100% risk weight</b>  |                  |                  |
| All Other Assets   | 9,086,557        | 9,345,058        |
| Minus: Intangible Assets   | 4,932            | 6,184            |
| Net Deferred Tax Assets  | -                | -                |
| Deducted Equity Investments  | -                | -                |
| <b>Equals: Total</b>   | <b>9,081,625</b> | <b>9,338,873</b> |
| <b>100% Risk-Weight Total (Above Total x 100%)</b>   | <b>9,081,625</b> | <b>9,338,873</b> |
| <b>Off-balance-sheet items with 0% Credit Conversion Factor</b>  |                  |                  |
| Unused Portions of Commitments with Original Maturity<br>of 1 Year or Less   | -                | -                |
| Unused Portions of Commitments that are<br>Unconditionally Cancelable  | -                | -                |
| <b>Total</b>   | <b>-</b>         | <b>-</b>         |
| <b>0% Credit Conversion Factor Total (Above Total x 0%)</b>  | <b>-</b>         | <b>-</b>         |
| <b>Off-balance-sheet items with 20% Credit Conversion Factor</b>   |                  |                  |
| Commercial Letter of Credits   |                  |                  |
| 0 % Risk Weight  | 176,071          | 14,676           |
| 20% Risk Weight  | -                | -                |
| 50% Risk Weight  | -                | -                |
| 100% Risk Weight   | -                | 179,862          |
| <b>Total</b>   | <b>176,071</b>   | <b>194,539</b>   |
| <b>Risk-Weighted Total</b>   | <b>-</b>         | <b>179,862</b>   |

LTA

**AFGHAN UNITED BANK**

Notes to the Condensed Interim Financial Statements (unaudited)

For the three months ended 31 March 2019

|   |                   |                   |
|---|-------------------|-------------------|
| <b>20% Credit Conversion Factor Total</b><br>(Risk-Weighted Total x 20%)                                      | -                 | 35,972            |
| <b>Off-balance sheet items with 100% Credit Conversion Factor</b><br>Guarantees and Standby Letter of Credits |                   |                   |
| 0 % Risk Weight   | 6,679,272         | 426,439           |
| 20% Risk Weight   | -                 | -                 |
| 50% Risk Weight   | -                 | 6,614,235         |
| 100% Risk Weight  | 2,858,348         | 2,963,707         |
| <b>Total</b>  | <b>9,537,620</b>  | <b>10,004,381</b> |
| <b>100% Credit Conversion Factor Total</b><br>(Risk-Weighted Totals x 100%)                                   | <b>2,858,348</b>  | <b>6,270,825</b>  |
| <b>Total Risk-Weighted Assets</b>   | <b>12,494,451</b> | <b>16,400,456</b> |
| <b>Tier 1 Capital Ratio</b>   | <b>12.73%</b>     | <b>9.99%</b>      |
| <b>Regulatory Capital Ratio</b>   | <b>16.37%</b>     | <b>12.88%</b>     |

**14 POST REPORTING DATE EVENTS**

No adjusting or significant non-adjusting events have occurred between the reporting date, 31 March, 2019 and the date of authorization of these financial statements.

**15 GENERAL**

15.1 These condensed interim financial statements for the have been approved and authorized for issue by the Board of Supervisors on \_\_\_\_\_ 2019.

15.2 Figures have been rounded-off to the nearest Afghani (AFN), unless otherwise stated

LTA



\_\_\_\_\_  
CHIEF FINANCIAL OFFICER  
(ACTING)



\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER