

# Interim review of condensed interim financial statements of Afghan United Bank

For the nine months ended 30 September 2020



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# Independent Auditor's Review Report on Condensed Interim Financial Statements

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To the Shareholders of Afghan United Bank

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of Afghan United Bank ("the Bank") as at September 30, 2020 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the nine months 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.

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### **Basis for Qualified Conclusion**

Banks in Afghanistan are required to maintain provisions against loan losses as per DAB Assets Classification and Provisioning Regulation (ACPR); however, on April 9, 2020, a circular was issued by DAB providing relief to the banks due to COVID 19 pandemic which included relaxation on asset classification. As per circular, the classification of all the loans as calculated on February 29, 2020 will remain acceptable to DAB till the end of June 30, 2020.

Contrary to the requirements of above circular, we have observed that even after the expiry of the relief period till June 30, 2020, the Bank has again excluded the 90 days of default period while computing the provision against loans and advances as on September 30, 2020 which we believe is a violation of ACPR (see note no. 8.6 of the condensed financial statements). Had the provision been computed as per the ACPR, the expense for the nine months period would have been increased by AFN 645.80 million and the net balance of loans and advances would have a corresponding decrease.

### **Qualified Conclusion**

Based on our review, with the exception of the matters described in preceding paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at September 30, 2020, and of its financial performance and its cash flows for the nine months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

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**Grant Thornton Afghanistan**  
**Chartered Accountants**

Location: Kabul, Afghanistan

Date: 14th Nov, 2020



**AFGHAN UNITED BANK**

## Condensed Interim Statement of Financial Position

As at 30 September 2020

		Unaudited	Audited
		30-Sep-20	31-Dec-19
	Note	AFN '000'	
ASSETS			
Cash and balances with central bank	5	8,424,707	7,430,578
Balances with other banks	6	1,352,233	2,213,871
Investments	7	2,274,974	2,747,707
Loans and advances to customers	8	6,545,117	6,617,895
Property and equipment	9	1,324,059	945,023
Intangible assets	10	16,261	7,286
Other assets		3,496,652	2,804,801
Total assets		23,434,003	22,767,161
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,757,020	1,757,020
Revaluation reserve on property and equipment		859,608	431,018
Retained earnings		582,775	135,393
Total equity		3,199,403	2,323,431
LIABILITIES			
Deposits from customers	11	19,283,425	19,617,872
Deferred tax liability		123,924	123,924
Provision for tax		82,403	6,155
Other liabilities		744,848	695,779
Total liabilities		20,234,600	20,443,730
Total equity and liabilities		23,434,003	22,767,161
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 15 form an integral part of these financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



# AFGHAN UNITED BANK

## Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months ended 30 September 2020

Note	Nine months ended		Three months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	AFN '000'			
Mark-up/ return/ interest earned	605,972	647,423	203,616	211,174
Mark-up/ return/ interest expense	(38,241)	(76,349)	(10,286)	(21,108)
<b>Net mark-up/ return/ interest income</b>	<b>567,731</b>	<b>571,074</b>	<b>193,330</b>	<b>190,066</b>
Fee and commission income	337,224	256,998	110,088	88,262
Fee and commission expense	(6,805)	(5,998)	(2,176)	(2,021)
<b>Net fee and commission income</b>	<b>330,419</b>	<b>251,000</b>	<b>107,912</b>	<b>86,241</b>
Other income/ expense	48,157	(3,155)	12,630	23,367
<b>Net operating income</b>	<b>946,307</b>	<b>818,919</b>	<b>313,872</b>	<b>299,674</b>
Provision against non-performing loans and advances to customers	8.5	69,600	(279,710)	2,924
Net provision against off balance sheet items and other assets		(2,973)	70,131	(5,681)
Depreciation	9	(117,168)	(96,048)	(43,320)
Amortization	10	(3,678)	(3,986)	(1,871)
Employee compensation		(173,996)	(170,206)	(57,043)
Operating lease expenses		(7,061)	(5,154)	(1,454)
Other expenses		(215,456)	(206,001)	(73,537)
<b>Profit/ (loss) before tax</b>		<b>495,575</b>	<b>127,945</b>	<b>133,890</b>
Income tax expense		(99,115)	(25,589)	(26,778)
<b>Profit/ (loss) for the period</b>		<b>396,460</b>	<b>102,356</b>	<b>107,112</b>
<b>Other comprehensive income</b>				
Profit/ (loss) for the period		396,460	102,356	107,112
Items that will not be reclassified to profit and loss account in subsequent periods:				
Surplus on revaluation of property & equipment - net of tax		479,512	-	-
<b>Total comprehensive income for the period ended</b>		<b>875,972</b>	<b>102,356</b>	<b>107,112</b>

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

*Najim Shah*

CHIEF FINANCIAL OFFICER

*Vincent Kumar*

CHIEF EXECUTIVE OFFICER

**AFGHAN UNITED BANK**

## Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2020

	Share capital	Revaluation reserve	Retained earnings	Total
	AFN '000'			
Balance as at 1 January 2019	1,522,030	463,472	123,104	2,108,606
Incremental depreciation on revaluation surplus	-	(24,341)	24,341	-
Issuance of share capital	234,990	-	-	234,990
Total comprehensive income for the period				
Profit for the period	-	-	102,356	102,356
Other comprehensive income	-	-	-	-
	-	-	102,356	102,356
Balance as at 30 September 2019	1,757,020	439,131	249,801	2,445,952
 Balance as at 1 January 2020	 1,757,020	 431,018	 135,393	 2,323,431
Incremental depreciation on revaluation surplus	-	(50,922)	50,922	-
Issuance of share capital	-	-	-	-
Total comprehensive income for the period				
Profit for the period	-	-	396,460	396,460
Other comprehensive income	-	479,512	-	479,512
	-	479,512	396,460	875,972
Balance as at 30 September 2020	1,757,020	859,608	582,775	3,199,403

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

  
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**AFGHAN UNITED BANK**

Condensed Interim Statement of Cash Flows (Unaudited)

For the nine months ended 30 September 2020

		Nine months ended	
		30-Sep-20	30-Sep-19
	Note	AFN '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		495,575	127,945
<b>Adjustments for:</b>			
Net impairment loss on financial assets		(69,600)	279,710
Provision against off balance sheet items		2,973	(70,131)
Depreciation	9	117,168	96,048
Amortization	10	3,678	3,986
		<b>549,794</b>	<b>437,558</b>
<b>Increase/ decrease in current assets and liabilities</b>			
Investments		472,733	(158,784)
Loans and advances to customers		139,405	(125,044)
Other assets		(691,851)	(60,984)
Deposits from customers		(334,447)	(1,268,753)
Other liabilities		66,197	(94,706)
		<b>201,831</b>	<b>(1,270,713)</b>
Income tax paid		(23,766)	(8,477)
<b>Net cash used in operating activities</b>		<b>178,065</b>	<b>(1,279,190)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9	(16,692)	(153,439)
Purchase of intangible assets		(12,653)	(1,924)
<b>Net cash used in investing activities</b>		<b>(29,345)</b>	<b>(155,363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	234,990
Repayment of lease liabilities		(16,228)	81,470
<b>Cash generated from financing activities</b>		<b>(16,228)</b>	<b>316,460</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>132,492</b>	<b>(1,118,093)</b>
Cash and cash equivalents, beginning of period		9,644,448	9,118,131
<b>Cash and cash equivalents, end of period</b>	5 & 6	<b>9,776,940</b>	<b>8,000,038</b>

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



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CHIEF EXECUTIVE OFFICER



# AFGHAN UNITED BANK

## Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

### 1 LEGAL STATUS AND OPERATIONS

The Bank commenced its operations on 4 October 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 2019.

Comparative statement of financial position is extracted from the annual audited financial statements as of 31 December 2019, 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 nine months period ended 30 September 2019.

Standards, amendments and interpretations to publish accounting standards	Effective date
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Following are the standards, amendments and interpretations which effective 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.

• IAS 1/ IAS 8 - Definition of Material (Amendments)	effective in the current period	1-Jan-20
• Definition of business - Amendment to IFRS 3	effective in the current period	1-Jan-20
• The Conceptual Framework of Financial Reporting	Not yet effective	1-Jan-22
• IFRS 9 "Financial Instruments"	Not yet effective	1-Jan-21

### 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 2019.

### 4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019.

COVID-19 outbreak has impacted the banking sector on a number of fronts including increase in overall credit risk in loans and advances and reduced fee income due to overall economic slowdown. To reduce the impact on economy and banking sector, DAB has introduced a host of measures on both the fiscal and economic fronts to provide an impetus to economic activity; some of those cited in note 8.3.

Bank has strengthened its risk management procedures; however, there is no such direct and material impact on bank's financial that require a separate disclosure under IFAC's financial reporting considerations.

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## Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

		Un-audited 30-Sep-20	Audited 31-Dec-19
	Note	AFN	'000'
<b>5 CASH AND BALANCES WITH CENTRAL BANK</b>			
<b>In hand</b>			
Local currency		1,471,981	779,738
Foreign currencies		2,271,013	1,872,495
		<b>3,742,994</b>	<b>2,652,233</b>
<b>With Da Afghanistan Bank in:</b>			
Local currency current accounts		1,603,245	1,704,822
Foreign currency current accounts		2,921,227	3,070,188
Overnight deposit with Central Bank		157,241	3,335
		<b>4,681,713</b>	<b>4,778,345</b>
		<b>8,424,707</b>	<b>7,430,578</b>
<b>6 BALANCES WITH OTHER BANKS</b>			
<b>In Afghanistan</b>			
National Bank of Pakistan		577	583
Pashtany Bank		1,960	1,972
New Kabul Bank		29	8,002
		<b>2,566</b>	<b>10,557</b>
<b>Outside Afghanistan</b>			
CSC Bank, Lebanon		37,214	56,813
Aktif Bank, Turkey		87,641	186,863
Axis Bank, India		19,970	23,386
Ziraat Bank Uzbekistan		76,940	77,460
BMCE Bank, Spain		198,526	966,684
Nurol Bank, Turkey		397,296	225,433
Bahrain Middle East Bank		65,593	294,410
Transkapital Bank, Russia		465,437	372,264
SBM Bank India		1,050	-
		<b>1,349,667</b>	<b>2,203,313</b>
		<b>1,352,233</b>	<b>2,213,870</b>
<b>7 INVESTMENTS</b>			
Capital notes	7.1	943,028	1,444,055
Held to maturity			
Aktif Bank, Turkey		499,720	503,490
Ziraat Bank Uzbekistan		230,640	232,380
BMCE Bank, Spain		-	154,920
Nurol Bank, Turkey		461,280	426,030
RAK Bank, UAE		-	-
Islamic Bank of Afghanistan		153,760	-
	7.2	1,345,400	1,316,820
General provision on investments	7.3	(13,454)	(13,168)
		1,331,946	1,303,652
<b>Investments - net of provision</b>		<b>2,274,974</b>	<b>2,747,707</b>

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# AFGHAN UNITED BANK

## Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

7.1 This represents capital notes from Da Afghanistan bank carrying interest rate from 0.96% to 2.97% (2019: 0.80% to 1.60% ) per annum and having maturity in June 2021.

7.2 This represents foreign currency fixed term placements with foreign banks carrying interest ranging from 1.50% to 5.25% (2019: 1.50% to 5.25% ) per annum and having maturity by May 2021.

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
7.3 Particulars of provision against investments		
Opening balance	13,168	10,920
Charge for the period/ year	286	2,248
Write off during the period/ year	-	-
	286	2,248
Closing balance	13,454	13,168

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

		Un-audited 30-Sep-20	Audited 31-Dec-19
		AFN '000'	
8 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	8.2	6,298,381	5,903,728
Term finance	8.3	577,731	774,417
		6,876,112	6,678,145
Islamic financing			
Murabaha	8.4	1,207,950	1,655,249
Total loans and advances to customers - gross		8,084,062	8,333,394
Provision against non-performing loans and advances	8.5	(1,538,945)	(1,715,499)
Loans and advances to customers - net of provision		6,545,117	6,617,895

### 8.1 Particulars of loans and advances to customers - gross

In local currency	3,019,803	3,480,341
In foreign currencies	5,064,259	4,853,053
	8,084,062	8,333,394

8.2 Running finance carry interest ranging between 10% to 16% per annum (2019: 10% 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 immoveable properties and hypothecation over stock in trade.

8.3 Term finance carry interest rate at 13% to 14% per annum (2019: 13% to 15% per annum). These loans have been extended for periods ranging from one and a half year to five years and are secured against personal guarantees, mortgage of immoveable commercial and residential properties and assignment of receivables.

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## AFGHAN UNITED BANK

### Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

- 8.4 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 ranging from 12% to 18% per annum (2019: 12% to 18% per annum). These facilities are extended for the period of two months to five years and are secured against personal guarantees, mortgage of immovable properties and goods supplied under the sale and purchase agreement.

Un-audited	Audited
30-Sep-20	31-Dec-19
AFN '000'	

**8.5 Particulars of provision against non-performing loans and advances to customers**

Opening balance	1,715,499	1,229,772
Charge/ (reversal) for the period/ year	(69,600)	517,143
Write-off during the period/ year	(96,724)	(10,226)
Foreign currency fluctuation effect	(10,230)	(21,190)
	(176,554)	485,727
Closing balance	<b>1,538,945</b>	<b>1,715,499</b>

- 8.6 In response to the spread of COVID-19 virus in Afghanistan and its impact on the economy and businesses in the country, including the expected impact on the banking sector, Da Afghanistan Bank (DAB) has given several regulatory, financial and operational relaxations to the banking sector in the country. The relevant circular, issued by DAB on April 09, 2020, provided specific concessions to banks in Afghanistan as follows:

- DAB has extended the timeline for implementing IFRS 9 by banks to June 30, 2021.
- DAB asked banks to maintain the classification of their lending portfolio (and therefore, all related provisions for impairment) as on February 29, 2020 till June 30, 2020, i.e., there would be no change to the classifications of the customers between March 1, 2020 till June 30, 2020. The 'past due' status would be recalculated after June 30, 2020, taking into account this freezing of the classification of customers for this period.
- For overdraft facilities maturing between March 1, 2020 and June 30, 2020, the mandatory requirement to clean-up overdrafts for 5 consecutive days, would automatically be extended till October 31, 2020.
- Banks are permitted to re-structure term loans of customers which were classified as 'standard' or 'watch' as at the end of January 2020.

The aforementioned concessions granted by DAB's circulars have reduced the financial impact of additional loan loss provisions as at September 30, 2020 by an estimated AFN 645.80 million. The Bank has sought a confirmation from DAB in this regard and the response is awaited.

The underlying financial statements have been prepared considering the above relaxation provided by DAB.

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# AFGHAN UNITED BANK

## Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

		Un-audited 30-Sep-20	Audited 31-Dec-19
		AFN '000'	
<b>9 PROPERTY AND EQUIPMENT</b>	<b>Note</b>		
<b>Operating fixed assets</b>			
Owned	9.1	1,281,017	862,600
Leased			
- Right of use asset - building	9.2	43,042	82,423
		<b>1,324,059</b>	<b>945,023</b>
<b>9.1 Cost</b>			
Opening balances		1,699,156	1,681,993
Additions during the period/ year		16,692	23,290
Revaluation Adjustment during the period/year		479,512	-
Disposals during the period/ year		-	(6,127)
<b>Closing balances</b>		<b>2,195,360</b>	<b>1,699,156</b>
<b>Accumulated depreciation</b>			
Opening balances		836,556	777,854
Charge during the period/ year		77,787	64,829
Disposals during the period/ year		-	(6,127)
<b>Closing balances</b>		<b>914,343</b>	<b>836,556</b>
<b>Written down value</b>		<b>1,281,017</b>	<b>862,600</b>
<b>9.2 Right of use assets - building</b>			
Balance created upon the adoption of IFRS 16		-	143,596
Opening balance		82,423	-
Depreciation expense for the period/ year		(39,381)	(61,173)
<b>Closing balances</b>		<b>43,042</b>	<b>82,423</b>
<b>10 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance		244,624	238,164
Additions during the period/ year		12,653	6,460
<b>Closing balance</b>		<b>257,277</b>	<b>244,624</b>
<b>Less: Accumulated amortization</b>			
Opening balance		237,338	231,980
Charge for the period/ year		3,678	5,358
<b>Closing balance</b>		<b>241,016</b>	<b>237,338</b>
<b>Written down value</b>		<b>16,261</b>	<b>7,286</b>

- 10.1** Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2019: 33.33%). The gross carrying amount of fully amortized intangible assets still in use is AFN 234,835 thousand (2019: AFN 233,579 thousand).

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# AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements  
For the nine months ended 30 September 2020

		Un-audited 30-Sep-20	Audited 31-Dec-19
		AFN '000'	
<b>11 DEPOSITS FROM CUSTOMERS</b>	<i>Note</i>		
<b>Conventional</b>			
Current deposits		12,395,822	10,858,074
Saving deposits	11.1	509,277	764,464
Term deposits	11.2	459,190	439,783
Margin deposits		1,639,655	2,569,951
		<b>15,003,944</b>	<b>14,632,272</b>
<b>Islamic</b>			
Current deposits		2,247,636	2,673,124
Saving deposits	11.3	705,268	796,519
Term deposits	11.4	946,658	1,011,546
Margin deposits		379,919	504,411
		<b>4,279,481</b>	<b>4,985,600</b>
		<b>19,283,425</b>	<b>19,617,872</b>

11.1 Saving deposits carry interest ranging from 1% to 3% (2019: 1% to 3% per annum) per annum.

11.2 Term deposits carry interest ranging from 1.5% to 4% per annum (2019: 1.5% to 4% per annum), based on the term, with maturity ranging from three to twelve months (2019: three to twelve months).

11.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.18% to 0.25% (2019: 0.18% to 0.46% ) per annum.

11.4 Profit distribution rates on Islamic term deposits during the period ranged from 0.57% to 1.15% (2019: 2.40% to 3.04% ) per annum.

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
LCs and BGs issued on behalf of the customers	<b>12,339,619</b>	<b>10,175,057</b>

This include outstanding BGs amounting to AFN 2,100 million (2019: 1,944 million) issued under Islamic mode of finance.

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
<b>Commitment for operating lease</b>		
- within one year	9,415	6,710
- later than one year and not later than five year	37,659	26,840
	<b>47,074</b>	<b>33,550</b>

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## AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements  
For the nine months ended 30 September 2020

### 13 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 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	
	Un-audited	Audited	Un-audited	
	30-Sep-20	31-Dec-19	30-Sep-20	30-Sep-19
	AFN '000'			
<b>Shareholders</b>				
Deposits	1,966	686	-	-
<b>Transactions with key management personnel</b>				
Short-term employee benefits				
Salary and other benefits	-	-	32,315	39,476
Advance salary	-	1,946	-	-

### 14 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 30 September 2020 was as follows:

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# AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements  
For the nine months ended 30 September 2020

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
<b>Tier 1 capital</b>		
Total Equity	3,199,403	2,323,431
<b>Less:</b>		
Intangible assets	16,261	7,286
Profit for the year	396,460	-
Revaluation reserve on property and equipment	859,608	431,018
	1,272,329	438,304
<b>Total tier 1 (core) capital</b>	<b>1,927,074</b>	<b>1,885,127</b>
<b>Tier 2 capital</b>		
General loss reserves on credits	-	-
Profit for the year	396,460	-
Revaluation reserve on property and equipment	859,608	431,018
<b>Total tier 2 (supplementary) capital</b>	<b>1,256,068</b>	<b>431,018</b>
<b>Total regulatory capital</b>	<b>3,183,142</b>	<b>2,316,145</b>
<b>Risk-Weight Categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	3,742,994	2,652,232
Direct claims on DAB	7,398,160	7,802,162
Direct claims on Central Banks and Central Governments of Category A countries	-	-
Precious metals and precious stones	-	-
Direct claims on DAB	-	-
Loans collateralized by blocked deposits	-	-
Other	-	-
<b>Total</b>	<b>11,141,154</b>	<b>10,454,394</b>
<b>0% Risk-Weight Total (Above Total x 0%)</b>	<b>-</b>	<b>-</b>
<b>20% risk weight</b>		
Loans Collateralized by Claims on Central Banks and Central Governments of Category A Countries	-	-
Direct Claims on banks licensed in Category A countries	198,526	1,121,604
Short-term Claims on Banks Licensed In Non-Category A Countries Guaranteed by Multilateral Lending Institutions	2,499,106	2,409,087
Cash Items in Process of Collection	-	-
Other	-	-
<b>Total</b>	<b>2,697,632</b>	<b>3,530,691</b>
<b>20% Risk-Weight Total (Above Total x 20%)</b>	<b>539,526</b>	<b>706,138</b>

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# AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
<b>50% risk weight</b>		
Qualifying Residential Mortgage Loans	-	-
Qualifying Real Estate Construction Loans	-	-
Other	-	-
<b>Total</b>	-	-
<b>50% Risk-Weight Total (Above Total x 50%)</b>	-	-
<b>100% risk weight</b>		
All Other Assets	11,166,341	10,524,633
Minus: Intangible Assets	16,261	7,286
Net Deferred Tax Assets	-	-
Deducted Equity Investments	-	-
<b>Equals: Total</b>	<b>11,150,080</b>	<b>10,517,347</b>
<b>100% Risk-Weight Total (Above Total x 100%)</b>	<b>11,150,080</b>	<b>10,517,347</b>
<b>Off-balance-sheet items with 0% Credit Conversion Factor</b>		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	992,940	379,726
Unused Portions of Commitments that are Unconditionally Cancellable	-	-
<b>Total</b>	<b>992,940</b>	<b>379,726</b>
<b>0% Credit Conversion Factor Total (Above Total x 0%)</b>	-	-
<b>Off-balance-sheet items with 20% Credit Conversion Factor</b>		
Commercial Letter of Credits		
0 % Risk Weight	68,236	22,586
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	149,823	143,871
<b>Total</b>	<b>218,059</b>	<b>166,457</b>
<b>Risk-Weighted Total</b>	<b>149,823</b>	<b>143,871</b>
<b>20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)</b>	<b>29,965</b>	<b>28,774</b>
<b>Off-balance sheet items with 100% Credit Conversion Factor</b>		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	3,527,040	6,482,008
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	7,601,581	3,146,865
<b>Total</b>	<b>11,128,621</b>	<b>9,628,873</b>

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## AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2020

	Un-audited 30-Sep-20	Audited 31-Dec-19
	AFN '000'	
<b>100% Credit Conversion Factor Total</b> (Risk-Weighted Totals x 100%)	7,601,581	3,146,865
<b>Total Risk-Weighted Assets</b>	19,321,152	14,399,124
	30-Sep-20	31-Dec-19
	PERCENT	
<b><u>Tier 1 Capital Ratio</u></b>	9.97%	13.09%
<b><u>Regulatory Capital Ratio</u></b>	16.47%	16.09%

### 15 GENERAL

15.1 Figures have been rounded-off to the nearest thousand of AFN, unless otherwise stated.

15.2 These condensed interim financial statements for the have been approved and authorized for issue by the Board of Supervisors on \_\_\_\_\_ 2020.

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER