



Afghan United Bank

**Condensed Interim financial statements
For the six months period ended
30 June 2021**

Review report issued by

Crowe Horwath - Afghanistan

Address: 6th floor, Kabul Business
Center, Shahr-e-Naw, Haji Yaqoob Square
Kabul-Afghanistan

Report on Review of Condensed Interim Financial Statements 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 30 June 2021 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), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at 30 June 2021, 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), Law of Banking in Afghanistan and the directives issued by the central bank of Afghanistan.

Other Matters

The condensed interim financial statements for the six months ended 30 June 2020 and the financial statements for the year ended 31 December 2020 were reviewed and audited, respectively, by another auditor who expressed unqualified review conclusion on the condensed interim financial statements for the six months ended 30 June 2020 on 11 August 2020 and qualified audit opinion on the financial statements for the year ended 31 December 2020 on 25 March 2021.

Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaib Shah - FCA 14 AUG 2021

Location: Kabul, Afghanistan

Date:



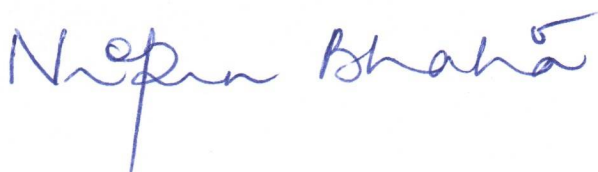
AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Unaudited)

As at 30 June 2021

		Unaudited	Audited
		30-Jun-21	31-Dec-20
	Note	AFN '000'	
ASSETS			
Cash and unrestricted balances with DAB	4	5,556,380	8,267,623
Balances with other banks	5	1,834,002	1,472,780
Investments	6	3,604,926	2,578,900
Loans and advances to customers	7	5,351,184	6,077,515
Property and equipment	8	1,254,264	1,314,402
Intangible assets	9	20,355	17,643
Other assets	10	3,294,311	2,859,940
Total assets		20,915,422	22,588,803
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2,022,030	2,022,030
Retained earnings		320,294	216,805
Revaluation reserve on property and equipment		713,959	756,767
Revaluation reserve on Available for Sale Investments		832	-
Total equity		3,057,115	2,995,602
LIABILITIES			
Deposits from customers	11	17,234,564	18,759,555
Deferred tax liability		218,820	218,820
Provision for tax		15,175	11,644
Other liabilities	12	389,748	603,182
Total liabilities		17,858,307	19,593,201
Total equity and liabilities		20,915,422	22,588,803
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes 1 to 21 form an integral part of these financial statements.



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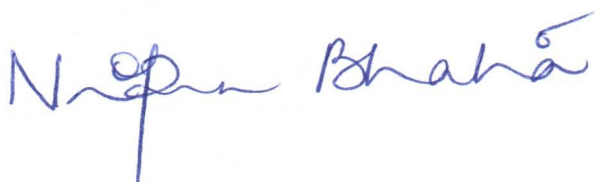
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Condensed Interim Statement of Comprehensive Income (Unaudited)
For the Six months ended 30 June 2021

		Six months ended		Three months ended	
		30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20
	Note	AFN '000'			
Mark-up/ return/ interest earned		393,523	402,356	177,968	203,139
Mark-up/ return/ interest expense		(32,555)	(27,955)	(10,782)	(10,323)
Net mark-up/ return/ interest income	14	360,968	374,401	167,186	192,816
Fee and commission income		238,289	227,136	114,108	124,435
Fee and commission expense		(5,421)	(4,629)	(2,524)	(2,512)
Net fee and commission income	15	232,868	222,507	111,584	121,923
Other income	16	109,770	35,527	27,222	31,140
Net operating income		703,606	632,435	305,992	345,879
Provision against non-performing loans and advances to customers	7	(255,344)	66,676	(225,409)	180
Net provision against invetment, off balance sheet items and other assets		1,149	2,708	376	3,472
Depreciation	8	(74,020)	(73,848)	(32,745)	(43,323)
Amortization of intangible	9	(4,575)	(1,807)	(2,382)	(886)
Employee compensation	17	(127,983)	(116,953)	(63,665)	(54,914)
Finance cost		(838)	-	(107)	
Short term and low value leases		(3,762)	(5,607)	(1,838)	(2,678)
Other expenses	18	(162,383)	(141,919)	(92,276)	(63,879)
Profit before tax		75,850	361,685	(112,054)	183,851
Income tax expense		(15,169)	(72,337)	22,412	(36,770)
Profit for the period		60,681	289,348	(89,642)	147,081
Other comprehensive income					
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>					
Surplus on revaluation of available for sale - net of tax		832	479,512	832	479,512
Total comprehensive income for the period		61,513	768,860	(88,810)	626,592

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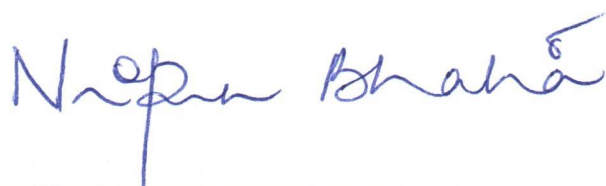
Condensed Interim Statement of Changes in Equity (Unaudited)

For the Six months ended 30 June 2021

	Share capital	Retained earnings	Revaluation reserve on property and equipment	Revaluation reserve on Available for Sale	Total
	AFN '000'				
Balance as at 1 January 2020-Audited	1,757,020	431,018	135,393	-	2,323,432
Incremental depreciation on revaluation surplus	-	(29,517)	29,517	-	-
Issuance of share capital	-	-	-	-	-
Total comprehensive income for the period					
Profit for the period	-	-	289,348	-	289,348
Other comprehensive income	-	479,512	-	-	479,512
	-	479,512	289,348	-	768,860
Balance as at 30 June 2020-Unaudited	1,757,020	881,012	454,258	-	3,092,292
Balance as at 1 January 2021-Audited	2,022,030	216,805	756,767	-	2,995,602
Incremental depreciation on revaluation surplus	-	42,808	(42,808)	-	-
Total comprehensive income for the period					
Profit for the period	-	60,681	-	-	60,681
Other comprehensive income	-	-	-	832	832
	-	60,681	-	832	61,513
Balance as at 30 June 2021-Unaudited	2,022,030	320,294	713,959	832	3,057,115

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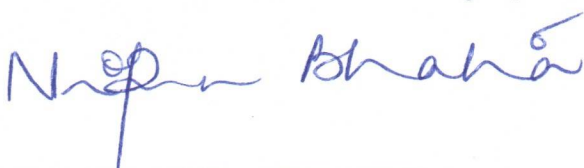
Condensed Interim Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2021

		Six months ended	
		30-Jun-21	30-Jun-20
		AFN '000'	
Note			
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit before tax	75,850	361,685
	Adjustments for:		
	Net impairment loss on financial assets	255,344	(66,676)
	Provision against off balance sheet items	(1,149)	(2,708)
8	Depreciation	74,020	73,848
9	Amortization of intangible	4,575	1,807
		408,640	367,956
	Increase/ decrease in current assets and liabilities		
6	Investments	(1,024,877)	1,469,575
7	Loans and advances to customers	470,987	(55,201)
10	Other assets	(434,371)	(122,299)
11	Deposits from customers	(1,524,991)	(1,291,503)
12	Other liabilities	(203,755)	62,529
		(2,308,367)	431,058
	Tax paid	(10,807)	(22,376)
	Net cash used in operating activities	(2,319,174)	408,682
	CASH FLOWS FROM INVESTING ACTIVITIES		
8	Purchase of property and equipment	(11,581)	(3,805)
	Purchase of intangible assets	(7,287)	-
	Net cash used in investing activities	(18,868)	(3,805)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Repayment of lease liabilities	(11,979)	(13,661)
	Cash generated from financing activities	(11,979)	(13,661)
	Net increase/ (decrease) in cash and cash equivalents	(2,350,021)	391,216
	Cash and cash equivalents at beginning of the year	9,740,403	9,644,448
	Cash and cash equivalents at end of the period	7,390,382	10,035,664
	Cash and cash equivalents comprise of:		
4	Cash and unrestricted balances with DAB	5,556,380	8,849,384
5	Balances with other banks	1,834,002	1,186,280
		7,390,382	10,035,664

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The annexed notes 1 to 21 form an integral part of these financial statements.



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Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2021

1 LEGAL STATUS AND OPERATIONS

- 1.1 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

- 2.1 The condensed interim financial statements of the Bank for the six months period ended 30 June 2021 have been prepared in accordance with the requirements of the International Accounting Standard 34 -" Interim Financial Reporting", the Law of Banking in Afghanistan, and other laws and regulations issued by Da Afghanistan Bank (DAB). In case where requirements differ, the requirement of the Law of Banking in Afghanistan, and other laws and regulations issued by DAB take precedence.
- 2.2 The disclosures made in this condensed interim financial statements 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, the condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2020.

3 ACCOUNTING POLICIES

- 3.1 The accounting policies adopted in preparation of the condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.
- 3.2 The estimates / judgments assumptions used in the preparation of this condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020.
- 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 2020.

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
		AFN	'000'
4 CASH AND UNRESTRICTED BALANCES WITH DAB	Note		
In hand:			
Local currency		1,345,297	721,740
Foreign currencies		2,398,873	1,518,803
		3,744,170	2,240,543
With Da Afghanistan Bank in:			
Local currency current accounts		879,202	2,620,660
Foreign currency current accounts		926,342	1,991,700
Overnight deposit with Central Bank	4.1	6,666	1,414,720
		1,812,210	6,027,080
		5,556,380	8,267,623
4.1	This represent overnight deposit with Da Afghanistan Bank in local currency and carry interest rate of 3% (2020: 0.01%) per annum.		
5 BALANCES WITH OTHER BANKS	Note		
In Afghanistan			
National Bank of Pakistan		595	578
Pashtany Bank		2,008	1,964
New Kabul Bank		25,045	28
		27,648	2,570
Outside Afghanistan			
CSC Bank, Lebanon		99,191	81,603
Aktif Bank, Turkey		102,547	16,484
Axis Bank, India		20,921	10,795
Ziraat Bank Uzbekistan		13,685	12,878
BMCE Bank, Spain		812,019	378,149
Nurol Bank, Turkey		399,655	548,686
Bahrain Middle East Bank		1,807	78,190
Transkapital Bank, Russia		339,892	337,185
SBM Bank India		938	6,240
Salam Bank Bahrain		15,699	
		1,806,354	1,470,210
	5.1	1,834,002	1,472,780

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

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21 AFN '000'	Audited Year ended 31-Dec-20
6 INVESTMENTS	Note		
Instruments issued by DAB - held to maturity			
Capital notes	6.1	1,134,230	937,827
DAB Al Wadiah investment		500,000	-
		1,634,230	937,827
Placements - held to maturity			
Aktif Bank, Turkey		238,500	501,150
Ziraat Bank Uzbekistan		238,500	308,400
Nurol Bank, Turkey		477,000	462,600
Islamic Bank of Afghanistan		397,500	385,500
AL Salam Bank Bahrain		238,500	-
	6.2	1,590,000	1,657,650
Sovereign Sukuks			
Available For Sale		327,905	-
Held to Maturity		31,598	-
		359,503	-
Investment in gold - ETF		37,027	-
Islamic Bank of Afghanistan-Saving Deposit		66	-
		37,093	-
General provision on investments	6.3	(15,900)	(16,577)
Investments - net of provision		3,604,926	2,578,900

6.1 This represents capital notes issued by Da Afghanistan Bank carrying interest rate from 2% to 6.42% (2020: 1.25% to 3.04%) per annum and maximum maturity up to June 2022.

6.2 These represent foreign currency fixed term placements with foreign banks carrying interest rate ranging from 1.75% to 4.40% (2020: 1.50% to 4.40%) per annum and having maturity upto June 2022.

		Un-audited Six months ended 30-Jun-21 AFN '000'	Audited Year ended 31-Dec-20
6.3 Particulars of provision against investments	Note		
Opening balance		16,577	13,168
Charge for the period/ year		(677)	3,409
Write off during the period/ year		-	-
		(677)	3,409
Closing balance	6.4	15,900	16,577

6.4 General provision against investments is held as per the DAB's *Asset Classification and Provisioning Regulation @ 1%* of the gross amount of investments except for the balances with the central bank and investment in sovereign sukuks.

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
	Note	AFN '000'	
7 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	7.1	5,298,705	6,761,042
Term finance	7.2	1,540,618	426,187
		6,839,323	7,187,229
Islamic financing			
Murabaha	7.3	836,161	919,611
Total loans and advances to customers - gross	7.4	7,675,484	8,106,840
Provision against non-performing loans and advances	7.5	(2,324,300)	(2,029,325)
Loans and advances to customers - net of provision		5,351,184	6,077,515

7.1 Running finance carry interest ranging between 10% to 16% (2020: 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.

7.2 Term finance carry interest rate at 10% to 14% (2020: 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. This includes AFN 966 million which is converted from running finance facility to term loan during the period.

7.3 These represent sale and purchase agreements under which the Bank had paid advance for the purchase of goods and then sold the purchased goods to the customers on profit margin ranging from 12% to 18% (2020: 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 Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
	AFN '000'	
7.4 Particulars of loans and advances to customers - gross		
In local currency	3,471,675	3,226,242
In foreign currencies	4,203,809	4,880,598
	7,675,484	8,106,840

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

Opening balance	2,029,325	1,715,499
Charge/ (reversal) for the period/ year	255,344	645,208
Write-off during the period/ year	-	(342,487)
Foreign currency fluctuation effect	39,631	11,104
	294,975	313,826
Closing balance	2,324,300	2,029,325

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
		AFN '000'	
8	PROPERTY AND EQUIPMENT		
	Operating fixed assets		
	Owned	8.1 1,209,298	1,260,801
	Leased		
	- Right of use asset - building	8.2 44,966	53,601
		1,254,264	1,314,402
8.1	Cost		
	Opening balance	2,206,467	1,699,156
	Additions during the period/ year	11,581	27,799
	Revaluation adjustment during the period/year	-	479,512
	Disposals during the period/ year	-	-
	Closing balance	2,218,048	2,206,467
	Less: Accumulated depreciation		
	Opening balance	945,666	836,555
	Charge during the period/ year	8.3 63,084	109,110
	Disposals during the period/ year	-	-
	Closing balance	1,008,750	945,666
	Written down value as of	1,209,298	1,260,801
8.2	Right of use assets - building		
	Cost		
	Opening balance	164,229	143,596
	Additions during the period /year	2,301	20,633
	Closing balance	166,530	164,229
	Less: Accumulated depreciation		
	Opening balance	110,628	61,173
	Depreciation expense for the period/year	8.3 10,936	49,455
	Closing balance	121,564	110,628
	Written down value as of	44,966	53,601
8.3	Depreciation operating fixed assets		
	Owned	63,084	109,110
	Leased		
	- Right of use asset - building	10,936	49,455
		74,020	158,565
9	INTANGIBLE ASSETS		
	Cost		
	Opening balance	260,621	244,624
	Additions during the period/ year	7,287	15,997
	Closing balance	267,908	260,621

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Notes to the Condensed Interim Financial Statements
For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
		AFN '000'	
Less: Accumulated amortization	Note		
Opening balance		242,978	237,339
Charge for the period/ year		4,575	5,639
Closing balance		247,553	242,978
Written down value as of		20,355	17,643
10 OTHER ASSETS			
Advances to suppliers and employees		27,813	18,969
Security deposits	10.1	591,264	560,279
Prepayments		41,594	23,763
Repossessed Assets	10.2	-	174,246
Receivable from Xpress Money and Money Gram		86,725	78,877
Restricted deposits with Da Afghanistan Bank	10.3	2,266,804	1,758,068
Income/ mark-up accrued		227,450	185,312
Others		52,660	60,426
		3,294,311	2,859,940

This includes present value of grawe advance of Mazar branch amounting to USD 186,582. An amount of USD 400,000 has been discounted at market interest rate of 7% and this amount will be received at the end of 12 years starting from June 01, 2020. This further includes margin held amounting to USD 5,000,000 against the gaurantee issued by Pashtany bank in favour of Da Afghanistan Breshna Sherkat (DABS) for the bills collection by the bank on behalf of DABS.

- 10.2 The properties were not transferred in the name of the bank during the time stipulated by DAB and accordingly de-recongized during the period.
- 10.3 This represents statutory reserve maintained with DAB as minimum reserve in accordance with Banking Regulations issued by Da Afghanistan Bank. These minimum reserves carry interest rate of 1% p.a on AFN accounts and 0.25% p.a on all other accounts (2020: nil).

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
		AFN '000'	
11 DEPOSITS FROM CUSTOMERS	Note		
Conventional			
Current deposits		10,301,268	10,560,107
Saving deposits	11.1	454,081	446,833
Term deposits	11.2	472,880	476,970
Margin deposits		1,509,357	2,497,725
		12,737,586	13,981,635
Islamic			
Current deposits		2,657,509	2,592,554
Saving deposits	11.3	684,312	713,264
Term deposits	11.4	844,842	941,578
Margin deposits		310,315	530,524
		4,496,978	4,777,920
		17,234,564	18,759,555

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

11.1 Saving deposits carry interest ranging from 1% to 3% per annum (2020: 1% to 3%) per annum.

11.2 Term deposits carry interest ranging from 1.5% to 4% per annum (2020: 1.5% to 3.5%) per annum, based on the term, with maturity ranging from three to twelve months (2020: three to twelve months).

11.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.18% to 0.25% per annum (2020: 0.18% to 0.25%) per annum.

11.4 Profit distribution rates on Islamic term deposits during the period ranged from 0.75% to 1.50% (2020: 1.50% to 2.40%) per annum.

		Un-audited Six months ended 30-Jun-21	Audited Year ended 31-Dec-20
	Note	AFN '000'	
12 OTHER LIABILITIES			
Creditors and accruals		46,633	40,891
Withholding tax payable		3,640	2,677
Properties lease liability		41,649	51,327
Murabaha risk and equalization reserve		84,051	75,005
Mark-up/ return/ interest payable		21,730	18,575
Deferred income on Murabaha Islamic Financing		1,954	6,667
Deferred Income/ Repossessed Assets		-	174,246
Deferred income on bank guarantees and letter of credits		38,547	86,322
Others		151,545	147,472
		389,748	603,182
13 CONTINGENCIES AND COMMITMENTS			
LCs and BGs issued on behalf of the customers		10,795,689	12,193,455
This include outstanding BGs amounting to AFN 2.396 million (2020: 2.425 million) issued under Islamic mode of finance.			
		Un-audited Six months ended 30-Jun-21	Un-audited Six months ended 30-Jun-20
14 NET MARK-UP/ RETURN/ INTEREST INCOME		AFN '000'	
Mark-up/ return/ interest earned			
- On loans and advances to customers		343,868	368,796
- On placements and balances with Da Afghanistan Bank		20,768	4,993
- On held to maturity investments		20,215	25,424
- On available for sale investments		2,092	-
- On overnight deposits		6,498	3,143
- On Saving deposits		83	-
		393,523	402,356
Mark-up/ return/ interest expense			
Deposits from banks		-	-
Deposits from customers		(32,555)	(27,955)
		(32,555)	(27,955)
		360,968	374,401

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Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

		Un-audited Six months ended 30-Jun-21	Un-audited Six months ended 30-Jun-20
	Note	AFN '000'	
15 NET FEE AND COMMISSION INCOME			
Fee and commission income			
- Commission and processing fee on guarantees issued		163,099	152,591
- Commission and processing fee on letters of credit issued		1,513	2,366
- Funds transfer, cheque books issuance fee and other service charges		73,677	72,179
		238,289	227,136
Fee and commission expense			
- Inter bank transaction fee		(5,421)	(4,629)
		232,868	222,507
16 OTHER INCOME			
Foreign exchange gain - net	16.1	(11,663)	17,934
Recovery against loans written off		94,314	1,833
Loan processing fee		14,205	7,881
Other income		12,914	7,879
		109,770	35,527
16.1 Foreign exchange gain - net			
- On dealing in foreign currencies		28,949	61,199
- On translation of monetary assets and liabilities		(40,612)	(43,265)
		(11,663)	17,934
17 EMPLOYEE COMPENSATION			
Salaries and wages		104,777	95,863
BOS remuneration and meeting expenses		3,525	3,594
Other allowances and benefits		19,681	17,496
		127,983	116,953
18 OTHER EXPENSES			
Communication		12,046	13,038
Travelling and conveyance		2,026	1,161
Insurance		33,652	32,824
Advertisement		3,612	1,453
Fuel expenses		4,218	3,513
Food expenses		445	202
Audit fee		4,424	3,151
Repairs and maintenance		33,325	26,714
Legal and professional charges		682	411
Stationery and printing		4,003	3,262
Staff training		983	175
Utilities		7,759	7,133
Security services		35,586	33,714
Miscellaneous		19,623	15,168
		162,383	141,919

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

19 RELATED PARTY TRANSACTIONS**Parent and ultimate controlling party**

The Bank is owned by individual shareholders who own 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 Six months ended 30-Jun-21	Audited Year ended 31-Dec-20	Un-audited Six months ended 30-Jun-21	Un-audited Six months ended 30-Jun-20
AFN '000'			

Shareholders

Deposits	2,031	1,979	52	-
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Transactions with key management personnel**Short-term employee benefits**

Salary and other benefits	-	-	17,914	22,086
Advance salary	-	1,311	404	-

20 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.

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the Six months ended 30 June 2021

	Un-audited	Audited
	30-Jun-21	31-Dec-20
	AFN '000'	
The Bank's regulatory capital position at 30 June 2021 was as follows:		
Tier 1 capital		
Total Equity	3,057,115	2,995,602
Less:		
Intangible assets	20,355	17,643
Profit for the year	60,681	23,552
Other Equity Components	714,791	756,767
	795,827	797,962
Total tier 1 (core) capital	2,261,288	2,197,640
Tier 2 capital		
General loss reserves on credits	-	-
Profit for the year	60,681	23,552
Other Equity Components	714,333	756,767
	775,014	780,319
Total tier 2 (supplementary) capital		
Total regulatory capital	3,036,302	2,977,959
Risk-Weight Categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	3,744,170	2,240,543
Direct claims on DAB	5,713,244	8,722,975
Total	9,457,414	10,963,518
0% Risk-Weight Total (Above Total x 0%)	-	-
20% risk weight		
Direct Claims on banks licensed in Category A countries	812,019	378,149
Short-term Claims on Banks Licensed In Non-Category A Countries		
Guaranteed by Multilateral Lending Institutions	2,612,047	2,752,281
Total	3,424,066	3,130,430
20% Risk-Weight Total (Above Total x 20%)	684,813	626,086
100% risk weight		
All Other Assets	10,386,017	10,552,559
Minus: Intangible Assets	20,355	17,643
Equals: Total	10,365,662	10,534,916
100% Risk-Weight Total (Above Total x 100%)	10,365,662	10,534,916

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

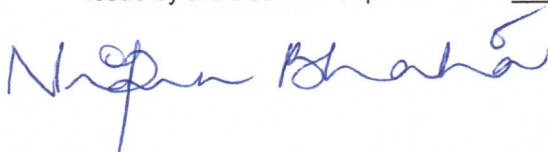
For the Six months ended 30 June 2021

	Un-audited 30-Jun-21	Audited 31-Dec-20
	AFN '000'	
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	306,435	516,190
Total	306,435	516,190
0% Credit Conversion Factor Total (Above Total x 0%)	-	-
Off-balance-sheet items with 20% Credit Conversion Factor		
Commercial Letter of Credits		
0 % Risk Weight	10,936	76,060
100% Risk Weight	98,425	130,260
Total	109,361	206,320
Risk-Weighted Total	98,425	130,260
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	19,685	26,052
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	3,214,827	4,089,067
100% Risk Weight	7,165,065	7,381,878
Total	10,379,892	11,470,945
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	7,165,065	7,381,878
Total Risk-Weighted Assets	18,235,225	18,568,932
	30-Jun-21	31-Dec-20
	PERCENT	
Tier 1 Capital Ratio	12.40%	11.84%
Regulatory Capital Ratio	16.65%	16.04%

21 GENERAL

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

21.2 These condensed interim financial statements for the period have been approved and authorized for issue by the Board of Supervisors on _____ 2021.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER