

Afghan United Bank

**Condensed Interim financial statements
For the Nine months period ended
30 September 2021**

Review report issued by

Crowe Horwath - Afghanistan

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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 30th September 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 related 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), 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.

Emphasis of Matter – Material uncertainty relating to Going Concern

We draw attention to note 1.2 to the financial statements, which indicates that prevailing economic situation of Afghanistan has resulted in significant reduction in income of the Bank. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that material uncertainty exists relating to going concern for which management has implemented mitigating plans. Significant steps taken by the Central Bank of Afghanistan which include strict limits on cash withdrawals, reduction in mandatory reserve requirements provide essential support for sustainability of the Bank.

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Our conclusion is not modified in respect of this matter.

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 September 2021, 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), Law of Banking in Afghanistan and the directives issued by the central bank of Afghanistan.

Other Matter

The condensed interim financial statements for the nine months ended 30 September 2020 and the financial statements for the year ended 31 December 2020 were reviewed and audited, respectively, by another auditor who expressed qualified review conclusion on the condensed interim financial statements for the nine months ended 30 September 2020 on 14 November 2020 and qualified audit opinion on the financial statements for the year ended 31 December 2020 on 25 March 2021. CHA

CROWE HORWATH AFG

Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaqib Shah - FCA



AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Unaudited)

As at 30 September 2021

		Unaudited	Audited
		30-Sep-21	31-Dec-20
	Note	AFN '000'	
ASSETS			
Cash and unrestricted balances with DAB	4	2,061,052	8,267,623
Balances with other banks	5	4,641,130	1,472,780
Investments	6	2,553,848	2,578,900
Loans and advances to customers	7	5,514,282	6,077,515
Property and equipment	8	1,222,008	1,314,402
Intangible assets	9	17,877	17,643
Other assets	10	2,936,330	2,859,940
Total assets		18,946,527	22,588,803
EQUITY AND LIABILITIES			
EQUITY			
Share capital		2,022,030	2,022,030
Retained earnings		422,093	216,805
Revaluation reserve on property and equipment		692,554	756,767
Revaluation reserve on Available for Sale Investments		(3,840)	-
Total equity		3,132,837	2,995,602
LIABILITIES			
Deposits from customers	11	14,961,212	18,759,555
Deferred tax liability		218,820	218,820
Provision for tax		35,267	11,644
Other liabilities	12	598,391	603,182
Total liabilities		15,813,690	19,593,201
Total equity and liabilities		18,946,527	22,588,803
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 21 form an integral part of these financial statements.



CHIEF FINANCIAL OFFICER (Acting)



CHIEF EXECUTIVE OFFICER (Deputy)

AFGHAN UNITED BANK

Condensed Interim Statement of Comprehensive Income (Unaudited)
For the nine months ended 30 September 2021

		Nine months ended		Three months ended	
		30-Sep-21	30-Sep-20	30-Sep-21	30-Sep-20
	Note	AFN '000'			
Mark-up/ return/ interest earned		608,683	605,972	215,160	203,616
Mark-up/ return/ interest expense		(42,877)	(38,241)	(10,322)	(10,286)
Net mark-up/ return/ interest income	14	565,806	567,731	204,838	193,330
Fee and commission income		293,808	337,224	55,519	110,088
Fee and commission expense		(8,366)	(6,805)	(2,945)	(2,176)
Net fee and commission income	15	285,442	330,419	52,574	107,912
Other income	16	219,996	48,157	110,226	12,630
Net operating income		1,071,244	946,307	367,638	313,872
Provision against non-performing loans and advances to customers	7	(345,937)	69,600	(90,593)	2,924
Net provision against investment, off balance sheet items and other assets		5,416	(2,973)	4,267	(5,681)
Depreciation	8	(120,239)	(117,168)	(46,219)	(43,320)
Amortization of intangible	9	(7,053)	(3,678)	(2,478)	(1,871)
Employee compensation	17	(185,436)	(173,996)	(57,453)	(57,043)
Finance cost		(1,497)	-	(659)	-
Short term and low value leases		(5,327)	(7,061)	(1,565)	(1,454)
Other expenses	18	(234,829)	(215,456)	(72,446)	(73,537)
Profit before tax		176,342	495,575	100,492	133,890
Income tax expense		(35,267)	(99,115)	(20,098)	(26,778)
Profit for the period		141,075	396,460	80,394	107,112
Other comprehensive income					
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>					
Surplus on revaluation of property & equipment - net of tax		-	479,512	-	-
Surplus on revaluation of available for sale		(3,840)	-	(4,673)	-
Total comprehensive income for the period		137,235	875,972	75,721	107,112

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



CHIEF FINANCIAL OFFICER (Acting)



CHIEF EXECUTIVE OFFICER (Deputy)

AFGHAN UNITED BANK

Condensed Interim Statement of Cash Flows (Unaudited)

For the nine months ended 30 September 2021

		Nine months ended	
		30-Sep-21	30-Sep-20
		AFN '000'	
Note			
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit before tax	176,342	495,575
	Adjustments for:		
	Net impairment loss on financial assets	345,937	(69,600)
	Provision against off balance sheet items	(5,416)	2,973
8	Depreciation	120,239	117,168
9	Amortization of intangible	7,053	3,678
	Finance cost	1,497	-
		645,652	549,794
	Increase/ decrease in current assets and liabilities		
6	Investments	30,468	472,733
7	Loans and advances to customers	217,296	139,405
10	Other assets	(76,390)	(691,851)
11	Deposits from customers	(3,798,343)	(334,447)
12	Other liabilities	1,791	66,197
		(2,979,525)	201,831
	Tax paid	(11,644)	(23,766)
	Net cash used in operating activities	(2,991,170)	178,065
	CASH FLOWS FROM INVESTING ACTIVITIES		
8	Purchase of property and equipment	(20,340)	(16,692)
	Purchase of intangible assets	(7,287)	(12,653)
	Recognition of right of use asset	(7,505)	-
	Net cash used in investing activities	(35,132)	(29,345)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Repayment of lease liabilities	(11,919)	(16,228)
	Cash used in from financing activities	(11,919)	(16,228)
	Net increase/ (decrease) in cash and cash equivalents	(3,038,221)	132,492
	Cash and cash equivalents at beginning of the year	9,740,403	9,644,448
	Cash and cash equivalents at end of the period	6,702,182	9,776,940
	Cash and cash equivalents comprise of:		
4	Cash and unrestricted balances with DAB	2,061,052	8,424,707
5	Balances with other banks	4,641,130	1,352,233
		6,702,182	9,776,940

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


CHIEF FINANCIAL OFFICER (Acting)


CHIEF EXECUTIVE OFFICER(Deputy)

AFGHAN UNITED BANK

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2021

	Share capital	Retained earnings	Revaluation reserve on property and equipment	Revaluation reserve on Available for Sale Investments	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	-	(50,922)	50,922	-	-
Issuance of share capital	-	-	-	-	-
Total comprehensive income for the period					
Profit for the period	-	-	396,460	-	289,348
Other comprehensive income	-	479,512	-	-	479,512
	-	479,512	396,460	-	768,860
Balance as at 30 September 2020-Unaudited	1,757,020	859,608	582,775	-	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	-	64,213	(64,213)	-	-
Total comprehensive income for the period					
Profit for the period	-	141,075	-	-	141,075
Other comprehensive income	-	-	-	(3,840)	(3,840)
	-	141,075	-	(3,840)	137,235
Balance as at 30 September 2021-Unaudited	2,022,030	422,093	692,554	(3,840)	3,132,837

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



CHIEF FINANCIAL OFFICER (Acting)



CHIEF EXECUTIVE OFFICER(Deputy)

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 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.
- 1.2 Financial sector of Afghanistan has been deeply impacted by the economic fallout resulting from actions taken by the United States, International Monetary Fund (IMF), the World Bank and western countries post takeover of Afghanistan by the Islamic Emarat of Afghanistan on 15 August 2021. These actions included freezing of the foreign reserves of USD 9 billion by the US Treasury's Office of Foreign Assets Control (OFAC), suspending access to Special Drawing Rights (SDRS) and additional funding of USD 370 million by IMF, and halting of aid by the World Bank and Germany – the biggest donor. Economy of Afghanistan has been heavily reliant on foreign aid whereby foreign aid constituted around 42% of GDP and three-quarter of the budget. Lack of access to foreign exchange can lead to balance of payment crisis since Afghanistan also runs a large trade deficit constituting around 28% of GDP or economy might significantly contract in response to severe lack of foreign exchange.

The Central Bank of Afghanistan (DAB) imposed strict limits on the cash withdrawals. DAB further moved to reduce the cash reserve requirements for the banks by bringing down cash reserve requirements from 12% on local currency deposits to 8% and from 14% to 8% on foreign currency deposits. DAB also imposed restrictions on international transactions to stem the capital outflows.

Interest income on capital notes and overnight deposits constituted major sources of income for the Bank and currently, DAB has suspended interest on capital notes and overnight deposits pending further decision by the Cabinet. These events or conditions indicate material uncertainties exist that may cast significant doubt on the Bank's ability to continue as a going concern.

Management is closely monitoring the situation and has implemented the plans to mitigate the risks emanating from current situation. These include:

- ▶ Cost cutting measures have been taken including all major contracts with vendors have been renegotiated for significant reduction which include leases.
- ▶ The Bank continues to enhance its commission income on custom duties collection and electricity bills collection.
- ▶ Western union and money gram continue to provide services in Afghanistan, and international money transfer services are made through this.
- ▶ The Bank currently holds sufficient liquid assets and net turnover in the local deposits has remained positive since regime change.
- ▶ Measures taken by the Central Bank including strict limits on cash withdrawals, reducing reserve requirements provide essential support for sustainability.
- ▶ New depositors from corporate clients have been increased which contributes in additional liquidity for bank.

As a result, these interim financial statements have been prepared on a going concern basis.

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Bank for the nine months period ended 30 September 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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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

		Un-audited Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20
		AFN	'000'
4 CASH AND UNRESTRICTED BALANCES WITH DAB	Note		
In hand:			
Local currency		511,348	721,740
Foreign currencies		417,446	1,518,803
		928,794	2,240,543
With Da Afghanistan Bank in:			
Local currency current accounts		180,698	2,620,660
Foreign currency current accounts		944,872	1,991,700
Overnight deposit with Central Bank	4.1	6,688	1,414,720
		1,132,258	6,027,080
		2,061,052	8,267,623
4.1	This represent overnight deposit with Da Afghanistan Bank in local currency and does not carry interest (2020: 0.01% per annum).		
5 BALANCES WITH OTHER BANKS	Note		
In Afghanistan			
National Bank of Pakistan		670	578
Pashtany Bank		2,184	1,964
New Kabul Bank		3,594	28
		6,448	2,570
Outside Afghanistan			
CSC Bank, Lebanon		93,643	81,603
Aktif Bank, Turkey		430,418	16,484
Axis Bank, India		-	10,795
Ziraat Bank Uzbekistan		638,320	12,878
BMCE Bank, Spain		508,516	378,149
Nurol Bank, Turkey		748,660	548,686
Bahrain Middle East Bank		2,137	78,190
Transkapital Bank, Russia		1,556,272	337,185
SBM Bank India		10,545	6,240
Al Salam Bank Bahrain		646,171	
		4,634,682	1,470,210
	5.1	4,641,130	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 nine months ended 30 September 2021

		Un-audited Nine months ended 30-Sep-21 AFN '000'	Audited Year ended 31-Dec-20
6 INVESTMENTS	Note		
Instruments issued by DAB - held to maturity			
Capital notes	6.1	537,109	937,827
DAB Al Wadiah investment		-	-
		537,109	937,827
Placements - held to maturity			
Aktif Bank, Turkey		-	501,150
Ziraat Bank Uzbekistan		267,000	308,400
Nurol Bank, Turkey		356,000	462,600
Islamic Bank of Afghanistan		445,000	385,500
AL Salam Bank Bahrain		267,000	-
	6.2	1,335,000	1,657,650
Sovereign Sukuks			
Available For Sale		371,495	-
Held to Maturity		35,152	-
		406,647	-
Investment in gold - ETF (at fair value through profit or loss)		288,368	-
Islamic Bank of Afghanistan-Saving Deposit		74	-
		288,442	-
General provision on investments	6.3	(13,350)	(16,577)
Investments - net of provision		2,553,848	2,578,900

6.1 This represents capital notes issued by Da Afghanistan Bank carrying interest rate from 3.04% 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 both foreign and local 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 Nine months ended 30-Sep-21 AFN '000'	Audited Year ended 31-Dec-20
6.3 Particulars of provision against investments	Note		
Opening balance		16,577	13,168
Charge/ (reversal) for the period/ year		(3,227)	3,409
Closing balance	6.4	13,350	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 sukuk.

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

		Un-audited Nine months ended	Audited Year ended
		30-Sep-21	31-Dec-20
		AFN '000'	
7	LOANS AND ADVANCES TO CUSTOMERS	Note	
	Conventional financing		
	Running finance	7.1	5,063,876
	Term finance	7.2	1,657,785
			6,721,661
	Islamic financing		
	Murabaha	7.3	418,300
	Total loans and advances to customers - gross	7.4	7,139,961
	Provision against non-performing loans and advances	7.5	(1,625,679)
	Loans and advances to customers - net of provision		5,514,282
			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 15% (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 15% (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.

7.4 Particulars of loans and advances to customers - gross	Un-audited Nine months ended	Audited Year ended
	30-Sep-21	31-Dec-20
AFN '000'		
In local currency	3,899,463	3,226,242
In foreign currencies	3,240,498	4,880,598
	7,139,961	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	345,937	645,208
Write-off during the period/ year	(989,081)	(342,487)
Foreign currency fluctuation effect	239,498	11,105
	(403,646)	313,826
Closing balance	1,625,679	2,029,325

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

		Un-audited Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20
		AFN '000'	
8	PROPERTY AND EQUIPMENT	Note	
	Operating fixed assets		
	Owned	8.1	1,186,446
	Leased		1,260,801
	- Right of use asset - building	8.2	35,562
			53,601
			1,222,008
			1,314,402
8.1	Cost		
	Opening balance		2,206,467
	Additions during the period/ year		20,340
	Revaluation adjustment during the period/year		-
	Disposals during the period/ year		-
	Closing balance		2,226,807
	Less: Accumulated depreciation		
	Opening balance		945,666
	Charge during the period/ year	8.3	94,695
	Disposals during the period/ year		-
	Closing balance		1,040,361
			1,186,446
	Written down value as of		1,260,801
8.2	Right of use assets - building		
	Cost		
	Opening balance		164,229
	Additions during the period /year		7,505
	Deletion during the period/year		(6,814)
	Closing balance		164,920
	Less: Accumulated depreciation		
	Opening balance		110,628
	Depreciation expense for the period/year	8.3	25,544
	Deletion during the period/year		(6,814)
	Closing balance		129,358
			35,562
	Written down value as of		53,601
8.3	Depreciation operating fixed assets		
	Owned		94,695
	Leased		109,110
	- Right of use asset - building		25,544
			120,239
			158,565
9	INTANGIBLE ASSETS		
	Cost		
	Opening balance		260,621
	Additions during the period/ year		7,287
	Closing balance		267,908
			260,621

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements
For the nine months ended 30 September 2021

		Un-audited Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20
		AFN '000'	
Less: Accumulated amortization	Note		
Opening balance		242,978	237,339
Charge for the period/ year		7,053	5,639
Closing balance		250,031	242,978
Written down value as of		17,877	17,643
10 OTHER ASSETS			
Advances to suppliers and employees		39,178	18,969
Security deposits	10.1	657,170	560,279
Prepayments		23,219	23,763
Repossessed Assets	10.2	-	174,246
Receivable from Xpress Money and Money Gram		362,575	78,877
Restricted deposits with Da Afghanistan Bank	10.3	1,443,669	1,758,068
Income/ mark-up accrued		263,430	185,312
Others		147,089	60,426
		2,936,330	2,859,940

10.1 This includes present value of grawe advance of Mazar branch amounting to USD 189,893. 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 no interest. During the quarter ended Septemer 30,2021, minimum reserve rates on deposits for AFN is reduced from 12% to 8% and for foreign currency from 14% to 10%.

		Un-audited Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20
		AFN '000'	
11 DEPOSITS FROM CUSTOMERS			
Conventional	Note		
Current deposits		8,374,609	10,560,107
Saving deposits	11.1	416,155	446,833
Term deposits	11.2	495,273	476,970
Margin deposits		1,826,469	2,497,725
		11,112,506	13,981,635
Islamic			
Current deposits		2,155,871	2,592,554
Saving deposits	11.3	832,653	713,264
Term deposits	11.4	521,320	941,578
Margin deposits		338,862	530,524
		3,848,706	4,777,920
		14,961,212	18,759,555

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

- 11.1 These carry interest rates of 1% to 3% (2020: 1% to 3% per annum) .
- 11.2 Term deposits carry interest ranging from 1.6% to 4% per annum (2020: 1.5% to 4%) 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% (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 1.60% (2020: 1.50% to 2.40%) per annum.

		Un-audited Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20	
		AFN '000'		
12	OTHER LIABILITIES	Note		
	Creditors and accruals		72,110	40,891
	Withholding tax payable		2,670	2,677
	Properties lease liability		40,099	51,327
	Murabaha risk and equalization reserve		84,366	75,005
	Mark-up/ return/ interest payable		24,842	18,575
	Deferred income on Murabaha Islamic Financing		-	6,667
	Deferred Income/ Repossessed Assets		-	174,246
	Deferred income on bank guarantees and letter of credits		21,431	86,322
	Borrowings under Securities Repurchase Agreements	12.1	254,424	-
	Others		98,449	147,472
			598,391	603,182
12.1	AUB entered into a repurchase agreement with Daman investment consultancy whereby the bank has pledged the title documents of their available for sale (AFS) investments and daman investment has given 70% of the value of those investment as a loan. The loan carry interest rate of 1.25%.			
13	CONTINGENCIES AND COMMITMENTS			
	LCs and BGs issued on behalf of the customers	13.1	11,837,158	12,193,455
	Un-used commitments		208,189	516,190
13.1	This include outstanding BGs amounting to AFN 1.864 million (2020: 2.425 million) issued under Islamic mode of finance.			
			Un-audited Nine months ended 30-Sep-21	Un-audited nine months ended 30-Sep-20
			AFN '000'	
14	NET MARK-UP/ RETURN/ INTEREST INCOME			
	Mark-up/ return/ interest earned			
	- On loans and advances to customers		532,000	557,940
	- On placements and balances with Da Afghanistan Bank		32,261	7,595
	- On held to maturity investments		29,609	35,532
	- On available for sale investments		4,995	-
	- On overnight deposits		9,640	4,906
	- On Saving deposits		178	-
			608,683	605,972

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

	Un-audited Nine months ended 30-Sep-21	Un-audited nine months ended 30-Sep-20
	AFN '000'	
Mark-up/ return/ interest expense		
Deposits from banks	-	-
Deposits from customers	(42,877)	(38,241)
	(42,877)	(38,241)
	565,806	567,731
15 NET FEE AND COMMISSION INCOME		
Fee and commission income		
- Commission and processing fee on guarantees issued	194,669	152,591
- Commission and processing fee on letters of credit issued	2,097	2,366
- Funds transfer, cheque books issuance fee and other service charges	97,042	72,179
	293,808	227,136
Fee and commission expense		
- Inter bank transaction fee	(8,366)	(4,629)
	285,442	222,507
16 OTHER INCOME		
Foreign exchange gain - net	89,142	19,689
Recovery against loans written off	94,875	1,833
Loan processing fee	16,814	12,411
Other income	19,165	14,224
	219,996	48,157
16.1 Foreign exchange gain - net		
- On dealing in foreign currencies	62,788	61,199
- On translation of monetary assets and liabilities	26,354	(43,265)
	89,142	17,934
17 EMPLOYEE COMPENSATION		
Salaries and wages	152,388	141,922
BOS remuneration and meeting expenses	5,850	5,498
Other allowances and benefits	27,198	26,576
	185,436	173,996
18 OTHER EXPENSES		
Communication	18,790	19,870
Travelling and conveyance	2,473	1,611
Insurance	49,163	48,907
Advertisement	4,963	6,469
Fuel expenses	7,585	5,166
Food expenses	1,778	289
Audit fee	8,431	1,868
Repairs and maintenance	49,646	42,265
Legal and professional charges	904	629
Stationery and printing	4,914	5,146
Staff training	1,779	1,092
Utilities	11,084	11,283
Security services	53,352	49,504
Miscellaneous	19,968	21,356
	234,829	215,456

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Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

19 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, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operations 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 Nine months ended 30-Sep-21	Audited Year ended 31-Dec-20	Un-audited Nine months ended 30-Sep-21	Un-audited Nine months ended 30-Sep-20
	AFN '000'			
Shareholders				
Deposits	2,105	1,979	126	-
Transactions with key management personnel				
Short-term employee benefits				
Salary and other benefits	-	-	27,790	32,315
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.

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Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

	Un-audited 30-Sep-21	Audited 31-Dec-20
	AFN '000'	
The Bank's regulatory capital position at 30 September 2021 was as follows:		
Tier 1 capital		
Total Equity	3,132,837	2,995,602
Less:		
Intangible assets	17,877	17,643
Profit for the year	141,075	23,552
Other Equity Components	688,714	756,767
	847,666	797,962
Total tier 1 (core) capital	2,285,171	2,197,640
Tier 2 capital		
General loss reserves on credits	-	-
Profit for the year	141,075	23,552
Other Equity Components	688,714	756,767
	829,789	780,319
Total tier 2 (supplementary) capital		
Total regulatory capital	3,114,960	2,977,959
Risk-Weight Categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	928,794	2,240,543
Direct claims on DAB	3,113,036	8,722,975
Total	4,041,830	10,963,518
0% Risk-Weight Total (Above Total x 0%)	-	-
20% risk weight		
Direct Claims on banks licensed in Category A countries	508,516	378,149
Short-term Claims on Banks Licensed In Non-Category A Countries		
Guaranteed by Multilateral Lending Institutions	5,467,687	2,752,281
Total	5,976,203	3,130,430
20% Risk-Weight Total (Above Total x 20%)	1,195,241	626,086
100% risk weight		
All Other Assets	10,582,274	10,552,559
Minus: Intangible Assets	17,877	17,643
Equals: Total	10,564,397	10,534,916
100% Risk-Weight Total (Above Total x 100%)	10,564,397	10,534,916

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Notes to the Condensed Interim Financial Statements

For the nine months ended 30 September 2021

	Un-audited 30-Sep-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	208,189	516,190
Total	208,189	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	12,243	76,060
100% Risk Weight	110,187	130,260
Total	122,430	206,320
Risk-Weighted Total	110,187	130,260
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	22,037	26,052
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	3,336,409	4,089,067
100% Risk Weight	8,170,131	7,381,878
Total	11,506,540	11,470,945
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	8,170,131	7,381,878
Total Risk-Weighted Assets	19,951,806	18,568,932
	30-Sep-21	31-Dec-20
	PERCENT	
<u>Tier 1 Capital Ratio</u>	11.45%	11.84%
<u>Regulatory Capital Ratio</u>	15.61%	16.04%

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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 (Acting)


 CHIEF EXECUTIVE OFFICER(Deputy)