

**AFHGHAN UNITED BANK**  
**Audit Financial Statements**  
**For the year ended**  
**31-December-2021**

## Independent Auditors' Report

To the shareholders of Afghan United Bank

### Opinion

We have audited the financial statements of Afghan United Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Relating to Going Concern

We draw attention to note 1.2 to the financial statements, which indicates that the Bank has lost its major streams of income including interest income on capital notes and overnight deposits with the Central Bank of Afghanistan. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

### Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal controls as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Other Matter

The financial statements for the year ended 31 December 2020 were audited by another auditor who expressed qualified audit opinion on the financial statements for the year ended 31 December 2020 on 25 March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Najmussaqlb Shah – FCA (R-5618)

*Crowe Horwath Afghanistan*

**Crowe Horwath Afghanistan**

Place: Kabul, Afghanistan

Date:





**AFGHAN UNITED BANK**

## Statement of Financial Position

As at December 31, 2021

		2021	2020
	Note	AFN '000'	
<b>ASSETS</b>			
Cash and balances with the Central Bank	5	1,615,302	8,267,623
Balances with other banks	6	6,609,461	1,472,780
Investments	7	1,682,671	2,578,900
Loans and advances to customers - net	8	5,767,935	6,077,515
Property and equipment	9	1,204,805	1,314,402
Intangible assets	10	18,900	17,643
Other assets	11	4,568,144	2,859,940
<b>Total assets</b>		<b>21,467,218</b>	<b>22,588,803</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Issued and paid up capital	12	2,022,030	2,022,030
Retained earnings		524,718	216,805
Revaluation reserve on property and equipment	13	671,151	756,767
Revaluation reserve on Available for Sale Investments		2,546	-
<b>Total equity</b>		<b>3,220,445</b>	<b>2,995,602</b>
<b>LIABILITIES</b>			
Deposits from customers	14	17,244,155	18,759,555
Borrowing from financial institution	15	296,533	-
Deferred tax liability - net	16	203,097	218,820
Provision for tax		54,915	11,644
Other liabilities	17	448,073	603,182
<b>Total liabilities</b>		<b>18,246,773</b>	<b>19,593,201</b>
<b>Total equity and liabilities</b>		<b>21,467,218</b>	<b>22,588,803</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	18		

The annexed notes 1 to 30 form an integral part of these financial statements.

CHIEF FINANCIAL  
OFFICER

CHIEF EXECUTIVE  
OFFICER

BOS CHAIRMAN

**AFGHAN UNITED BANK**
**Statement of Comprehensive Income**
*For the year ended December 31, 2021*

		2021	2020
	Note	AFN '000'	
Mark-up/ return/ interest earned		508,126	861,279
Mark-up/ return/ interest expense		(52,779)	(47,524)
<b>Net mark-up/ return/ interest income</b>	19	<b>455,347</b>	<b>813,755</b>
Fee and commission income		328,149	517,805
Fee and commission expense		(13,965)	(9,199)
<b>Net fee and commission income</b>	20	<b>314,184</b>	<b>508,606</b>
Other income	21	545,197	105,720
<b>Net operating income</b>		<b>1,314,728</b>	<b>1,428,081</b>
Provision against non-performing loans and advances to customers	8.5	(314,775)	(645,208)
Net provision against investments, off balance sheet items and other assets		12,309	(829)
Write-off of fixed assets		(1,043)	-
Depreciation	9.5	(163,994)	(158,565)
Amortization	10	(9,741)	(5,639)
Employee compensation	22	(238,430)	(236,371)
Operating lease expenses		(6,715)	(9,583)
Other expenses	23	(308,930)	(310,611)
<b>Profit before tax</b>		<b>283,409</b>	<b>61,275</b>
Income tax expense	24	(61,113)	(37,723)
<b>Profit for the year</b>		<b>222,296</b>	<b>23,552</b>
<b>Other comprehensive income</b>			
Other comprehensive income that will not be reclassified to the profit or loss			
Surplus on revaluation of property and equipments		-	479,512
Related deferred tax		-	(95,902)
		-	<b>383,610</b>
Other comprehensive income that will not be reclassified to the profit or loss			
Gain on remeasurement of available for sale investments		3,183	-
Related deferred tax		(637)	-
		<b>2,546</b>	-
<b>Total comprehensive income for the year</b>		<b>224,842</b>	<b>407,162</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

BOS CHAIRMAN

**AFGHAN UNITED BANK**
**Statement of Changes in Equity**
*For the year ended December 31, 2021*

	Share capital	Revaluation reserve on property and equipment	Revaluation reserve on Available for Sale Investments	Retained earnings	Total
	AFN '000'				
Balance as at January 01, 2020	1,757,020	431,018	-	135,393	2,323,431
Incremental depreciation on revaluation surplus on property and equipment- net of tax	-	(57,861)	-	57,861	-
Proceeds from issue of shares	265,010	-	-	-	265,010
Total comprehensive income for the year					
Profit for the year	-	-	-	23,552	23,552
Other comprehensive income	-	383,610	-	-	383,610
	-	383,610	-	23,552	407,162
Balance as at December 31, 2020	<b>2,022,030</b>	<b>756,767</b>	-	<b>216,806</b>	<b>2,995,603</b>
Balance as at January 01, 2021	2,022,030	756,767	-	216,806	2,995,603
Incremental depreciation on revaluation surplus on property and equipment- net of tax	-	(85,616)	-	85,616	-
Proceeds from issue of shares	-	-	-	-	-
Total comprehensive income for the year					
Profit for the year	-	-	-	222,296	222,296
Other comprehensive income	-	-	2,546	-	2,546
	-	-	2,546	222,296	224,842
Balance as at December 31, 2021	<b>2,022,030</b>	<b>671,151</b>	<b>2,546</b>	<b>524,718</b>	<b>3,220,445</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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CHIEF FINANCIAL  
OFFICER

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CHIEF EXECUTIVE  
OFFICER

*[Signature]*

BOS CHAIRMAN

*[Signature]*



**AFGHAN UNITED BANK**  
Statement of Cash Flows  
For the year ended December 31, 2021

		2021	2020
	Note	AFN '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		283,409	61,275
<b>Adjustments for:</b>			
Net impairment loss on financial assets		314,775	645,208
Net provision against investments, off balance sheet items and other assets		(12,309)	829
Depreciation	9.5	163,994	158,565
Amortization	10	9,741	5,639
Loss on disposal and de-recognition of fixed assets - net		1,043	-
		<b>760,653</b>	<b>871,516</b>
<b>Increase in current assets</b>			
Loans and advances to customers		(5,195)	(104,828)
Other assets		(1,708,204)	(55,139)
<b>Decrease in current liabilities</b>			
Deposits from customers		(1,515,400)	(858,317)
Other liabilities		(154,864)	(92,088)
		<b>(2,623,010)</b>	<b>(238,856)</b>
Income tax paid		(34,446)	(33,749)
<b>Net cash used in operating activities</b>		<b>(2,657,456)</b>	<b>(272,605)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9.1	(55,440)	(48,433)
Purchase of intangible assets	10	(10,998)	(15,997)
Proceeds from disposal of property and equipment		-	-
Investments		911,721	167,978
<b>Net cash generated from investing activities</b>		<b>845,283</b>	<b>103,549</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	265,010
Borrowing from financial institution		296,533	-
<b>Net cash generated from financing activities</b>		<b>296,533</b>	<b>265,010</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,515,640)</b>	<b>95,954</b>
Cash and cash equivalents, beginning of year		9,740,403	9,644,449
<b>Cash and cash equivalents, end of year</b>		<b>8,224,763</b>	<b>9,740,403</b>
Cash and balances with the Central Bank		<b>1,615,302</b>	<b>8,267,623</b>
Balances with other banks		<b>6,609,461</b>	<b>1,472,780</b>
<b>Total</b>		<b>8,224,763</b>	<b>9,740,403</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER



BOS CHAIRMAN



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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### 1 STATUS AND NATURE OF BUSINESS

- 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.
- The Bank is providing cash withdrawal facility, through its ATMs based on interoperability of AfPay, to customers of other banks.
- Xpress Money and Money Gram continue to provide services in Afghanistan, and international money transfer services are also provided by the Bank through Money Gram.
- The Bank currently holds sufficient liquid assets to make payments against deposit withdrawals.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

- The Bank also provides FTT services to its customers like Breshna and MTN and also other major customers via their Nostro Accounts.

Measures taken by the Central Bank including strict limits on cash withdrawals, reducing reserve requirements provide essential support for sustainability. Based on above, the financial statements have been prepared on a going concern basis.

## 2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

### 2.2 Standards, amendments and interpretations to publish accounting standards that became effective in the current year

Amendment to standards issued and effective beginning 1 January 2021:

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The above standards and interpretations do not have a significant impact on the financial statements and therefore the disclosure have not been made.

Da Afghanistan Bank (DAB) vide its circular number 298 dated Hamal 8, 1398 (March 28, 2019), initially deferred the applicability of IFRS 9 "Financial Instruments" till January 1, 2021. DAB in its communication dated January 12, 2021 has indefinitely delayed the implementation of IFRS 9.

### 2.3 Standards, amendments and interpretations to publish approved accounting standards that are not yet effective and have not been adopted early by the Bank

Standard and amendments	Effective date (annual period beginning on or after)
- IFRS 17: Insurance Contracts and related amendments to IFRS 17	1 January 2023
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
- Reference to the Conceptual Framework - Amendments to IFRS 3	1 January 2022

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

- Onerous Contracts - Cost of Fulfilling a Contract - amendments to IAS 37	1 January 2022
- Annual Improvements to IFRS Standards 2018–2020	1 January 2022
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
- Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

The above standards, amendments and interpretations are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. Management does not intend to adopt any of the above standards, interpretations, and amendments earlier than the applicable date.

### 3 BASIS OF PREPARATION

#### 3.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

#### 3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

- a) Note 7.5 Provision against investments
- b) Note 8.5 Provision against non-performing loans and advances to customers
- c) Note 9.1 Depreciation rates for property and equipment

## **AFGHAN UNITED BANK**

### **Notes to the Financial Statements**

*For the year ended December 31, 2021*

- d) Note 10.1 Amortization rates for intangible assets
- e) Note 24 Income taxes

### **3.3 Functional and presentation currency**

These financial statements are presented in Afghani (AFN), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in AFN has been rounded to the nearest thousand.

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise stated.

### **4.1 Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with the Central Bank (unrestricted), balances with other banks and investments having original maturity of less than three months.

### **4.2 Financial instruments**

#### **Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

#### **Classification and subsequent measurement of financial assets and financial liabilities**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

1. Designation at fair value through profit or loss (FVTPL)
2. Held for trading
3. Loans and receivables
4. Held to maturity
5. Available for sale

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### a) Classification, recognition and subsequent measurement of financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. The Bank's cash and cash equivalents, investments (other than held for trading), loans and receivables and other assets fall into this category of financial instruments.

The Bank determines allowance for impairment loans and advances in accordance with "Asset Classifications and Provisioning Regulation" issued by DAB.

At each reporting date, the Bank assesses whether there is objective evidence that financial assets which are not carried at fair value through profit or loss are impaired or not. Financial assets or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

The criteria that Bank uses to determine that there is objective evidence that there is an indication to impairment loss includes 1) default or delinquency by a borrower 2) restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider 3) indication that a borrower or issuer will enter bankruptcy 4) disappearance of an active for a security 5) other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate (if any). Losses are recognized in statement of comprehensive income and reflected in an allowance account against financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

The Bank writes off certain loans and advances when they are determined to be uncollectable.

#### b) Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in statement of comprehensive income. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### 4.3 Investment in equity instruments

Investment in equity instruments is carried at cost less impairment if any.

#### 4.4 Leased assets

##### *The Bank as a Lessee*

For any new contracts entered into on or after 1 January 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

##### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

term leases and leases of low value assets, i.e., less than AFN 750,000, using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment within operating fixed assets and lease liabilities have been included in other liabilities and disclosed in notes to the financial statement.

#### *Extension options for leases*

When the Bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

#### **4.5 Loans and advances**

Loans and advances are stated net of provisions against non-performing loans and advances. Specific and general provision are made based on an appraisal of the loan portfolio that takes into account Regulations and other directives issued by the Da Afghanistan Bank from time to time.

The provisions made / reversed during the year are charged to the statement of comprehensive income and accumulated provision is netted off against loans and advances. Loans and advances are written off when there is no realistic prospect of recovery or when the regulation requires.

In Murabaha transactions, the Bank purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e., sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are shown as inventories.

#### **4.6 Property and equipment**

##### **Owned**

Property and equipment are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Furniture and fixtures, computer equipment and office equipment are stated at revalued amounts less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the period in which they are incurred.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

Surplus arising on revaluation is credited to the 'revaluation reserve' account (net of deferred tax) whereas deficit (if any) is adjusted against the balance in the above-mentioned surplus account. The revaluation is carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the balance sheet date.

Surplus on revaluation of fixed assets (net of deferred tax) is transferred to retained earnings to the extent of incremental depreciation charged on related assets.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight-line method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives. The depreciation method, residual values and useful lives of fixed assets are reviewed and adjusted (if appropriate) at each balance sheet date. Net gains and losses on disposal or derecognition of fixed assets are included in statement of comprehensive income currently.

#### Depreciation

Depreciation is recognized in profit or loss account on straight-line basis from the month an asset is put in use over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

-	Office Buildings	20 years
-	Furniture and fixtures	5 years
-	Computer equipment	3.3 years
-	Vehicles	4 years
-	Office equipment	4 years

#### 4.7 Intangible assets


Intangible assets include computer software which are capitalized on the basis of costs incurred to acquire and bring those to use for intended purpose. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

These costs are amortized over their expected useful lives using the straight-line method from the date it is available for use since this most closely reflects the pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of software is three to ten years. Amortization methods, useful lives and residual values are reassessed at each financial year end and adjusted, if appropriate.

#### 4.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.





## **AFGHAN UNITED BANK**

### **Notes to the Financial Statements**

*For the year ended December 31, 2021*

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### **4.9 Deposits**

These are recorded at the amount of proceeds received.

#### **4.10 Taxation**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

##### **Current tax**

Current tax is the expected tax payable or receivable on the taxable income for the year (using tax rates enacted or substantively enacted at the balance sheet date), and any adjustment to tax payable in respect of previous years.

##### **Deferred tax**

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **4.11 Employee compensation**

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. The Bank does not provide any retirement benefits to its employees.

#### **4.12 Foreign currency transactions**

Transactions in foreign currencies are translated to AFN at exchange rates prevailing at the date of transaction.

## **AFGHAN UNITED BANK**

### **Notes to the Financial Statements**

*For the year ended December 31, 2021*

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AFN at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

#### **4.13 Interest income and expense**

Mark-up /interest /return on advances and investments is recognized in the profit or loss using effective interest rate method, and in case of advances classified as doubtful or loss, mark-up is recognized on receipt basis. Mark-up /interest /return on rescheduled /restructured loans and advances and investments is recognized as permitted by DAB. Income from Murabaha is accounted for on a time proportionate basis over the period of Murabaha transaction. Gain or loss on sale of investments is recognized in profit or loss in the year in which these arise. The rentals from Ijarah are recognized as income over the term of the contract net of depreciation expense relating to the Ijarah assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### **4.14 Fee and commission**

Fees and commission income include account servicing fees and commission on transfers and are recognized as the related services are performed. Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

#### **4.15 Lease payments**

Payments under operating leases are recognized in profit or loss on straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

#### **4.16 Provisions**

Provisions for restructuring costs and legal claims are recognized when:

- a) the Bank has a present legal or constructive obligation as a result of past events;
- b) it is more likely than not that an outflow of resources will be required to settle the obligation; and
- c) The amount has been reliably estimated.

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## **AFGHAN UNITED BANK**

### **Notes to the Financial Statements**

*For the year ended December 31, 2021*

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

#### **4.17 Off-setting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### **4.18 Dividend and appropriations to reserves**

Dividends and appropriations to reserves are recognized in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

Note	2021	2020
	AFN '000'	
<b>5 CASH AND BALANCES WITH THE CENTRAL BANK</b>		
<b>In hand</b>		
Local currency	444,806	721,740
Foreign currencies	439,921	1,518,803
	<u>884,727</u>	<u>2,240,543</u>
<b>With Da Afghanistan Bank in:</b>		
Local currency current accounts	301,715	2,620,660
Foreign currency current accounts	428,852	1,991,700
Overnight deposit	8	1,414,720
	<u>730,575</u>	<u>6,027,080</u>
	<u><u>1,615,302</u></u>	<u><u>8,267,623</u></u>
<b>6 BALANCES WITH OTHER BANKS</b>		
<b>In Afghanistan</b>		
National Bank of Pakistan	775	578
Pashtany Bank	2,467	1,964
New Kabul Bank	42	28
	<u>3,284</u>	<u>2,570</u>
<b>Outside Afghanistan</b>		
CSC Bank, Lebanon	110,826	81,603
Aktif Bank, Turkey	501,173	16,484
Axis Bank, India	-	10,795
BMCE Bank, Spain	2,969,489	378,149
Nurol Bank, Turkey	1,307,916	548,687
Bahrain Middle East Bank	-	78,190
Transkapital Bank, Russia	603,691	337,185
Ziraat Bank Uzbekistan	1,067,405	12,878
SBM Bank India	16,424	6,240
AL Salam Bank Bahrain	29,253	-
	<u>6,606,177</u>	<u>1,470,210</u>
	<u><u>6,609,461</u></u>	<u><u>1,472,780</u></u>

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**AFGHAN UNITED BANK**
**Notes to the Financial Statements**
*For the year ended December 31, 2021*

		2021	2020
	Note	AFN '000'	
<b>7 INVESTMENTS</b>			
<b>Instruments issued by DAB - held to maturity</b>			
Capital notes	7.1	-	937,827
DAB Al Wadiah investment		-	-
<b>Placements - held to maturity</b>			
Aktif Bank, Turkey		-	501,150
Nurol Bank, Turkey		-	462,600
Ziraat Bank Uzbekistan		-	308,400
Islamic Bank of Afghanistan		518,650	385,500
AL Salam Bank Bahrain		311,190	-
	7.2	<b>829,840</b>	<b>2,595,477</b>
<b>Sovereign Sukuks</b>			
Available For Sale	7.3	518,165	-
Held to Maturity	7.4	40,712	-
		<b>558,877</b>	<b>-</b>
Investment in gold - ETF (Available for sale)		302,166	-
Islamic Bank of Afghanistan-Saving Deposit		86	-
		<b>302,252</b>	<b>-</b>
Gross value of investments		<b>1,690,969</b>	<b>2,595,477</b>
General provision on investments	7.5	<b>(8,298)</b>	<b>(16,577)</b>
<b>Investments - Net of provision</b>		<b>1,682,671</b>	<b>2,578,900</b>

**7.1** Capital notes issued by Da Afghanistan Bank matured during the year carried interest rates from 0.92% to 6.42% (2020: 1.25% to 3.04%) per annum.

**7.2** Foreign currency fixed term placements with foreign banks carry interest rates ranging from 1.50% to 4.40% (2020: 1.50% to 4.40%) per annum and having maturities up to June 2022. The placement with Islamic bank of Afghanistan is in foreign currency carrying interest rate of 2.7% per annum and having maturity up to January 2022.

**7.3** The profit rate on these bonds ranges from 1.92% to 7.13% per annum maturing by September 2030.

**7.4** This represents investment in the Warba Bank Kuwait Bond amounting to USD 399,945 carrying profit rate of 6.50% per annum maturing by March 2022.

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# AFGHAN UNITED BANK

## Notes to the Financial Statements

For the year ended December 31, 2021

### 7.5 Particulars of provision against investments

	2021	2020
	AFN '000'	
Opening balance	16,577	13,168
(Reversal) / Charge for the year	(8,279)	3,409
Write off during the year	-	-
	(8,279)	3,409
Closing balance	8,298	16,577

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

	Note	2021	2020
		AFN '000'	
<b>8 LOANS AND ADVANCES TO CUSTOMERS</b>			
<b>Conventional financing</b>			
Running finance	8.2	5,148,498	6,761,042
Term finance	8.3	1,696,378	426,187
		<b>6,844,876</b>	<b>7,187,229</b>
<b>Islamic financing</b>			
Murabaha	8.4	186,714	919,611
<b>Loans and advances to customers - gross</b>		<b>7,031,590</b>	<b>8,106,840</b>
Provision against non-performing loans and advances	8.5	(1,263,655)	(2,029,325)
<b>Loans and advances to customers - net of provision</b>		<b>5,767,935</b>	<b>6,077,515</b>

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

In local currency	3,662,480	3,226,242
In foreign currencies	3,369,110	4,880,598
	<b>7,031,590</b>	<b>8,106,840</b>

**8.2** These carry interest ranging between 10% to 16% (2020: 10% to 16%) per annum. All facilities are extended for a 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** These 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 (2020: 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.

**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 which is ranging from 12% to 15% (2020: 12% to 18%) per annum. These facilities are extended for the period of two months to five years (2020: two months to five years) and secured against personal guarantees, mortgage of immoveable properties and goods supplied under the sale and purchase agreement.

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**AFGHAN UNITED BANK**

## Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	AFN '000'	
8.5 Particulars of provision against non-performing loans and advances to customers			
Opening balance		2,029,325	1,715,499
Charge for the year	8.5.1	314,775	645,208
Write off during the year		(1,490,009)	(342,487)
Impact of translation		409,564	11,104
		(765,670)	313,826
Closing balance		1,263,655	2,029,325

8.5.1 Circular reference number RSR No: 11068 dated 22 December 2021, issued by the Da Afghanistan Bank provides relief to the banks to maintain the asset classification as of 30 June 2021 and loan loss provision made as of that date. Consequently the Bank has maintained the asset classification and provisioning as of 30 June 2021. Subsequent deterioration in the assets classification and any resulting increase has not been incorporated.

The relief with regard to asset classification and provisioning is effective until 30 June 2022.

**9 PROPERTY AND EQUIPMENT**

		2021	2,020
		AFN '000'	
Fixed assets - owned	9.1	1,160,286	1,260,801
Right of use assets - buildings	9.4	44,519	53,601
		<b>1,204,805</b>	<b>1,314,402</b>

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# AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

## 9.1 Fixed assets - owned

### COST/ REVALUED AMOUNTS

Balance as at January 01, 2020

Additions during the year

Revaluation adjustments

**Balance as at December 31, 2020**

Additions during the year

Adjustments/ Write-off during the year

**Balance as at December 31, 2021**

### ACCUMULATED DEPRECIATION

Balance as at January 01, 2020

Charge for the year

**Balance as at December 31, 2020**

Charge for the year

Adjustments/ Write-off during the year

**Balance as at December 31, 2021**

### WRITTEN DOWN VALUE AS AT

- December 31, 2021

- December 31, 2020

**Rate of depreciation in %**

Land	Office Buildings	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total
AFN '000'						
222,424	1,000,893	75,667	169,241	89,593	141,337	1,699,156
-	-	908	16,267	-	10,625	27,800
82,927	247,847	27,565	59,600	32,442	29,130	479,512
<b>305,351</b>	<b>1,248,740</b>	<b>104,140</b>	<b>245,108</b>	<b>122,035</b>	<b>181,092</b>	<b>2,206,467</b>
-	-	432	16,450	1,255	14,088	32,225
-	-	-	-	1,423	(1,164)	259
<b>305,351</b>	<b>1,248,741</b>	<b>104,572</b>	<b>261,558</b>	<b>124,712</b>	<b>194,016</b>	<b>2,238,951</b>
-	403,372	71,669	158,655	88,469	114,391	836,556
-	59,339	5,690	22,589	6,906	14,586	109,110
-	<b>462,711</b>	<b>77,359</b>	<b>181,244</b>	<b>95,375</b>	<b>128,977</b>	<b>945,666</b>
-	62,437	6,968	30,790	8,594	22,908	131,697
-	-	-	-	1,423	(121)	1,302
-	<b>525,148</b>	<b>84,327</b>	<b>212,034</b>	<b>105,392</b>	<b>151,764</b>	<b>1,078,665</b>
<b>305,351</b>	<b>723,593</b>	<b>20,245</b>	<b>49,524</b>	<b>19,320</b>	<b>42,252</b>	<b>1,160,286</b>
305,351	786,029	26,781	63,864	26,660	52,115	1,260,801
	5	20	33	25	25	

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**AFGHAN UNITED BANK**

## Notes to the Financial Statements

For the year ended December 31, 2021

9.2 The cost/ revalued amount of fully depreciated property and equipment still in use are as follows:

	2021	2020
	AFN '000'	
Furniture and fixtures	63,994	61,514
Computer equipment	122,742	106,628
Vehicles	89,593	87,187
Office equipment	70,786	68,734
	<b>347,115</b>	<b>324,063</b>

9.3 The cost / revalued amount of each category of property and equipment is as below:

	2021	2021	2020	2020
	Cost	Revalued amount	Cost	Revalued amount
	AFN '000'			
Land	73,355	231,996	73,355	231,996
Office buildings	302,736	896,913	351,827	896,913
Furniture and fixtures	74,195	104,572	76,575	104,140
Computer equipment	190,833	261,559	185,508	245,109
Vehicles	92,271	123,290	89,593	122,035
Office equipment	149,428	195,068	151,850	180,980
	<b>882,818</b>	<b>1,813,398</b>	<b>928,708</b>	<b>1,781,173</b>

9.4 Right of use assets - buildings

Opening balance	164,229	143,596
Additions	23,215	20,633
Deletion during the year	(14,176)	-
Closing balance	<b>173,268</b>	<b>164,229</b>
Opening balance	110,628	61,173
Depreciation expense for the year	32,297	49,455
Deletion during the year	(14,176)	-
Closing balance	<b>128,749</b>	<b>110,628</b>
Written down value	<b>44,519</b>	<b>53,601</b>

9.5 Depreciation expense for the year

Fixed assets - owned	131,697	109,110
Right of use assets - buildings	32,297	49,455
	<b>163,994</b>	<b>158,565</b>

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**AFGHAN UNITED BANK**
**Notes to the Financial Statements**
*For the year ended December 31, 2021*

	2021	2020
	AFN '000'	
<b>10 INTANGIBLE ASSETS</b>		
<b>Cost</b>		
Opening balance	260,621	244,624
Additions during the year	10,998	15,997
Closing balance	<b>271,619</b>	<b>260,621</b>
<b>Accumulated amortization</b>		
Opening balance	242,978	237,339
Charge for the year	9,741	5,639
Closing balance	<b>252,719</b>	<b>242,978</b>
<b>Written down value</b>	<b>18,900</b>	<b>17,643</b>

- 10.1** Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2020: 33.33%). The gross carrying amount of fully amortized intangible assets still in use is AFN 238,165 thousand (2020: AFN 234,835 thousand).

		2021	2020
		AFN '000'	
<b>11 OTHER ASSETS</b>			
Advances to suppliers and employees		16,416	18,969
Security deposits	11.1	759,427	560,279
Prepayments		10,607	23,763
Repossessed Assets	11.2	-	174,246
Balances with Daman Investments	11.3	56,113	-
Receivable from Xpress Money and Money Gram		1,776,410	78,877
Restricted deposits with Da Afghanistan Bank	11.4	1,608,506	1,758,068
Income/ mark-up accrued		257,738	185,312
BG Commission receivable		50,440	59,372
Others	11.5	32,487	1,054
		<b>4,568,144</b>	<b>2,859,940</b>

- 11.1** 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 collection of electricity bills by the Bank on behalf of DABS.

- 11.2** The properties were not transferred in the name of the bank during the time stipulated by DAB and accordingly de-recongized during the period.

- 11.3** This is a discretionary balance with Daman Investment (investment manager) held for the purchase of the bonds.

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**AFGHAN UNITED BANK**

## Notes to the Financial Statements

For the year ended December 31, 2021

- 11.4 This represents statutory reserves maintained with DAB as minimum reserves in accordance with Banking Regulations issued by DAB. These minimum reserves are interest free. During the last quarter of 2021, requirements for maintenance of minimum reserves were revised so as to reduce percentage for local currency deposits from 12% to 8% and for foreign currency deposits from 14% to 10%.

	2021	2020
	AFN '000'	
11.5 Others		
Gross amount	49,380	72,229
Provision against other assets	(16,893)	(11,803)
	<u>32,487</u>	<u>60,426</u>

**12 SHARE CAPITAL****12.1 Authorized capital**

2021	2020		2021	2020
Number of shares			AFN '000'	
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of AFN 250 each	<u>10,000,000</u>	<u>10,000,000</u>

**12.2 Issued and paid up capital**

2021	2020	Ordinary shares of AFN 250 each fully paid in cash	2021	2020
<u>8,088,120</u>	<u>8,088,120</u>		<u>2,022,030</u>	<u>2,022,030</u>

**13 REVALUATION RESERVE ON PROPERTY AND EQUIPMENT**

	2021	2020
	AFN '000'	
Note		
Vehicles	32,442	32,442
Furniture and fixtures	30,377	30,377
Computer equipment	70,724	70,724
Office equipment	44,588	44,588
Land	231,996	231,996
Building	946,005	946,005
	<u>1,356,132</u>	<u>1,356,132</u>
Accumulated incremental depreciation	(475,317)	(372,578)
Related deferred tax liability	(209,664)	(226,787)
	<u>671,151</u>	<u>756,767</u>

# AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	AFN '000'	
14 DEPOSITS FROM CUSTOMERS			
Conventional			
Current deposits		8,998,402	10,560,107
Saving deposits	14.1	427,360	446,833
Term deposits	14.2	582,851	476,970
Margin deposits		3,324,515	2,497,725
		13,333,128	13,981,635
Islamic			
Current deposits		1,950,670	2,592,554
Saving deposits	14.3	950,089	713,264
Term deposits	14.4	484,461	941,578
Margin deposits		525,807	530,524
		3,911,027	4,777,920
		17,244,155	18,759,555

14.1 These do not carry interest (2020: 1% to 3%) per annum.

14.2 Term deposits carry interest rates ranging from 1.6% to 4% (2020: 1.5% to 4%) per annum, based on the term, with maturity ranging from three to twelve months (2020: three to twelve months).

14.3 The profit disbursed during the year on the Islamic saving deposits ranged from 0.18% to 0.30% (2020: 0.18% to 0.25%) per annum.

14.4 Profit distribution rates on Islamic term deposits during the year ranged from 0.75% to 2.10% (2020: 1.50% to 2.40%) per annum.

	2021	2020
	AFN '000'	
<b>15 BORROWING FROM FINANCIAL INSTITUTION</b>	296,533	-

On September 12, 2021, the Bank obtained 3 months renewable islamic financing from Daman Investments with lien on sukuk bonds whereby a 30% haircut has been applied on the bonds value. It carries mark-up rate of 1.25% per annum with an upfront fee of 0.65%. This borrowing was then renewed on December 12, 2021 for another term of 3 months till March 18, 2022 at a revised mark-up rate of 1.81% per annum.

	2021	2020
	AFN '000'	
<b>16 DEFERRED TAX LIABILITY-NET</b>		
Deferred tax (Asset) and liability on account of:		
Property and equipment	211,822	217,934
Intangible assets	1,147	887
Surplus on Available for Sale Investments	637	-
Lease Liability on buildings	(10,509)	-
<b>Closing balance</b>	<b>203,097</b>	<b>218,821</b>

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	AFN '000'	
Reconciliation of deferred tax asset and liability is as follows:		
Opening balance	218,821	123,923
Reversal of tax expense - recognized in profit or loss	(16,361)	(1,005)
Tax expense - recognized in OCI	637	95,902
<b>Closing balance</b>	<b>203,097</b>	<b>218,820</b>
<b>17 OTHER LIABILITIES</b>		
Creditors and accruals	31,924	40,891
Withholding tax payable	2,432	2,677
Lease Liability on buildings	52,547	51,327
Murabaha risk and equalization reserve	83,401	75,005
Mark-up/ return/ interest payable	29,929	18,575
Deferred Income o/a Repossessed Assets	-	174,246
Deferred income on Murabaha Islamic Financing	-	6,667
Deferred income on bank guarantees and letter of credits	51,793	86,322
Profit in suspense	174,215	102,219
Others	21,832	45,253
	<b>448,073</b>	<b>603,182</b>
<b>18 CONTINGENCIES AND COMMITMENTS</b>		
LCs and BGs issued on behalf of the customers	<b>8,211,366</b>	<b>11,677,265</b>
Un-used commitments	<b>294,498</b>	<b>516,190</b>
This include outstanding BGs amounting to AFN 1,298 million (2020: 2,425 million) issued in Islamic mode of finance.		
<b>19 NET MARK-UP/ RETURN/ INTEREST INCOME</b>		
<b>Mark-up/ return/ interest earned</b>		
- On loans and advances to customers	433,229	795,258
- On placements and balances with Da Afghanistan Bank	18,010	12,625
- On held to maturity investments	34,969	47,980
- On available for sale investments	6,797	-
- On overnight nostro deposits	15,036	5,416
- On Saving deposits	85	-
	<b>508,126</b>	<b>861,279</b>
<b>Mark-up/ return/ interest expense</b>		
Interest Expense on borrowing from financial institute	(1,102)	-
Deposits from customers	(51,677)	(47,524)
	<b>(52,779)</b>	<b>(47,524)</b>
	<b>455,347</b>	<b>813,755</b>

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

	Note	2021 AFN '000'	2020
<b>20 NET FEE AND COMMISSION INCOME</b>			
<b>Fee and commission income</b>			
- Commission and processing fee on guarantees issued		164,103	344,624
- Commission and processing fee on letters of credit issued		2,558	5,322
- Funds transfer, cheque books issuance fee and other service charges		161,488	167,859
		<b>328,149</b>	<b>517,805</b>
<b>Fee and commission expense</b>			
- Inter bank transaction fee		(13,965)	(9,199)
		<b>314,184</b>	<b>508,606</b>
<b>21 OTHER INCOME</b>			
Foreign exchange gain/(loss) - net	21.1	405,326	37,440
Recovery of loans written off		95,080	28,999
Loan processing fee		16,814	18,150
Other income		27,977	21,131
		<b>545,197</b>	<b>105,720</b>
<b>21.1 Foreign exchange gain/(loss) - net</b>			
- On dealing in foreign currencies		503,656	91,614
- On translation of monetary assets and liabilities		(98,330)	(54,174)
		<b>405,326</b>	<b>37,440</b>
<b>22 EMPLOYEE COMPENSATION</b>			
Salaries and wages		197,030	191,936
Remuneration and meeting expenses of Board of Supervisors		7,584	7,138
Other allowances and benefits		33,816	37,297
		<b>238,430</b>	<b>236,371</b>
<b>23 OTHER EXPENSES</b>			
Communication		24,828	25,832
Travelling and conveyance		3,105	2,821
Insurance	23.1	65,754	65,460
Advertisement		5,925	8,959
Fuel expenses		11,014	7,421
Food expenses		3,986	492
Audit fee		12,712	4,900
Repairs and maintenance		69,116	56,667
Legal and professional charges		1,109	835
Stationery and printing		7,547	7,142
Staff training		2,313	2,748
Utilities		14,810	15,096
Security services		42,595	62,112
Other expenses		44,116	50,126
		<b>308,930</b>	<b>310,611</b>

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**AFGHAN UNITED BANK**

## Notes to the Financial Statements

For the year ended December 31, 2021

- 23.1** These represents charges against deposit insurance as required by the Central Bank and is payable to Afghan Deposit Insurance Corporation (ADIC) @ 0.35% (2020: @ 0.30% to 0.35%) per annum of the total deposits.

**24 INCOME TAX EXPENSE**

The major components of tax expense and reconciliation of tax expense based on applicable tax rates of 20% (2020: 20%) is as follows:

	2021	2020
	AFN '000'	
<b>Taxation:</b>		
Current	77,474	28,928
Prior	-	9,800
Deferred	(16,361)	(1,005)
	<b>61,113</b>	<b>37,723</b>
<b>Reconciliation:</b>		
Accounting profit before tax	283,409	61,275
Tax at the applicable rate of 20% (2020: 20%)	56,682	12,255
Non-deductible expenditure	1,023	189
Tax related to prior year	-	9,800
unrecognized deferred tax	10,509	-
Other temporary differences	(7,101)	25,279
	<b>61,113</b>	<b>37,723</b>

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

The Bank is owned by individual shareholders who owns the 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 Operating Officer, Chief Credit Officer, Chief Risk Officer and Chief Compliance 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	
	2021	2020	2021	2020
	AFN '000'			
<b>Shareholders</b>				
Deposit	2,391	1,979	-	-
<b>Transactions with key management personnel</b>				
Salary and other benefits	-	-	28,985	40,454
Board of Supervisors meeting expenses	-	-	7,584	7,138
Advance salary	137	1,311	-	-

- 25.1** In addition to salaries and remuneration, the Bank also provides non-cash benefits to executives which include furnished accommodation, meals and travel.

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

**26 FINANCIAL ASSETS AND LIABILITIES**

**Categories of financial assets and financial liabilities**

Note 26 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Available for sale financial assets	Held for trading	Fair value through profit or loss	Held to maturity	Loans and receivables	Total
	(carried at fair value)			(carried at amortized cost)		
Note	AFN '000'					
December 31, 2021						
Financial assets						
5	-	-	-	-	1,615,302	1,615,302
6	-	-	-	-	6,609,461	6,609,461
7	820,331	-	-	862,254	86	1,682,671
8	-	-	-	-	5,767,935	5,767,935
11	-	-	-	-	4,541,121	4,541,121
	820,331	-	-	862,254	18,533,905	20,216,490

		Derivatives used for hedging	Designated at FVTPL	Other liabilities at FVTPL	Other liabilities (amortized cost)	Total
		(carried at fair value)			AFN '000'	
<b>Financial liabilities</b>						
14	Deposits from customers	-	-	-	17,244,155	17,244,155
17	Borrowing from financial institution	-	-	-	296,533	296,533
	Other liabilities	-	-	-	310,447	310,447
		-	-	-	<b>17,851,135</b>	<b>17,851,135</b>

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Notes to the Financial Statements  
For the year ended December 31, 2021

	Available for sale financial assets	Held for trading	Fair value through profit or loss	Held to maturity	Loans and receivables	Total				
							(carried at fair value)		(carried at amortized cost)	
							AFN '000'			
Note										
December 31, 2020										
Financial assets										
5	-	-	-	-	8,267,623	8,267,623				
6	-	-	-	-	1,472,780	1,472,780				
7	-	-	-	2,578,900	-	2,578,900				
8	-	-	-	-	6,077,515	6,077,515				
11	-	-	-	-	2,642,962	2,642,962				
	-	-	-	2,578,900	18,460,880	21,039,780				
	Derivatives used for hedging	Designated at FVTPL	Other liabilities at FVTPL	Other liabilities (amortized cost)	Total					
						(carried at fair value)				
						AFN '000'				
14	-	-	-	18,759,555	18,759,555					
17	-	-	-	285,265	285,265					
	-	-	-	19,044,820	19,044,820					
Financial liabilities										
Deposits from customers										
Other liabilities										

The carrying values approximate fair values as mostly the assets and liabilities have short maturities and are expected to be recovered/settled at their carrying values except for lease liabilities for which liability represent present value of future lease payments discounted at incremental borrowing rate.

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## AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

### 27 FINANCIAL RISK MANAGEMENT

#### 27.1 Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- a) credit risks
- b) liquidity risks
- c) market risks
- d) operational risks

This note presents information about Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

#### Risk management framework

The Board of Supervisors has overall responsibility for the establishment and oversight of risk management framework of the Bank. The Board has established a Risk Management Committee to review and monitor the various risks faced by the Bank in the regular course of business and guide with suitable strategy and direction for mitigation. Different functional departments are entrusted with the ownership for management of these risks by implementing suitable systems & procedures duly to comply with the regulatory guidelines and laws.

The Bank has established Operational Risk Management Committee and Credit Risk Management Committee at Management level to review and monitor operational risk and credit risk respectively.

The Bank has put in place a Risk Management Policy for Conventional Banking, apart from a separate Islamic Banking Risk Management Policy to deal with the risks relating to Islamic Banking activities. The Bank has developed a stress testing policy covering Credit Risk, Market Risk, and Liquidity Risk, which is a forward looking exercise to evaluate the impact on the Bank's financial position under severe but plausible scenarios. The output shall be used for risk mitigation methods, contingency plans, capital and liquidity management plans in stressed circumstances.

In the overall process of risk management of various risks encountered by the Bank, certain tools, models, frameworks are developed for identification, assessment and monitoring of risks.

The Board's Audit and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit and Compliance departments whereas Risk Committee is provided frequent feedback by Risk Department.

#### a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and placements with other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### Management of credit risk

The Bank has both Board of Management and Board of Supervisors level Credit Committees to mitigate the credit risks. Credit Department, reporting to the Credit Committee is responsible for managing the Bank's credit risk while the Board is responsible for oversight of same. The Credit Department is headed by the Chief Credit Officer (CCO). The Chief Credit Officer along with Credit Department staff look after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained a sound loan portfolio in terms of a well-defined credit policy approved by the Board. The credit evaluation system comprises of a well designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

The amount of credit risk is represented by the carrying amounts of the assets on the balance sheet date. Exposure to credit risk is managed through regular analyses of borrowers to meet interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed through personal guarantees of the borrowers and mortgage of immovable properties duly registered with the court of law and hypothecation over stock duly verified by the Bank's Credit Officers on a monthly basis.

#### Exposure to credit risk

The Bank's maximum exposure to credit risk is the carrying amount of financial assets at the reporting date, as summarized below:

	2021	2020
	AFN '000'	
<b>Classes of financial assets</b>		
Balances with other banks	6,609,461	1,472,780
Investments	1,682,671	1,641,073
Loans and advances to customers	5,767,935	6,077,515
Other assets	2,932,615	970,169
Total carrying amounts	<u>16,992,682</u>	<u>10,161,537</u>

As at the balance sheet date, all of the loan portfolio of the Bank is recoverable and all the assets which are past due, are provided for as per DAB guidelines.

In addition to the above, the Bank has issued financial guarantees and letter of credits contracts for which the maximum amount payable by the Bank assuming all guarantees/ letter of credits (less margin) are called on, is AFN 4,361 million (2020: AFN 8,649 million).

The Bank's management considers that all the above financial assets that are not impaired or past due on the reporting dates under review, are of good credit quality. The credit risk for cash and balances with central bank, balances with other banks, investments and other assets are considered negligible.

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

#### Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the loans are outstanding for more than 481 days, as per DAB regulation. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing the loan to be written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted.

The Bank holds collateral against loans and advances in the form of property documents, pledge of stocks and scratch cards, assignment of receivables and guarantees.

#### Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligation to deliver cash or other financial assets as contractually agreed.

#### Concentration of credit risks by industry

The Bank monitors concentrations of credit risk by industry. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

	Note	2021 AFN '000'	2020 AFN '000'
Gros amount	8	7,031,590	8,106,840
Concentration by sector			
Construction		667,767	659,319
Livestock and farms		41,606	38,550
Services		2,844,137	2,705,785
Trade		2,700,609	3,868,732
Manufacturing		602,024	552,554
Others		175,447	281,900
		7,031,590	8,106,840

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## AFGHAN UNITED BANK

### Notes to the Financial Statements

For the year ended December 31, 2021

#### b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial assets.

#### Management of liquidity risk

The Board ensures that the Bank has necessary tools and framework to cater to the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures, keeping in view the strategic direction and risk appetite specified by the Board. The Asset & Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities. For day to day liquidity risk management, integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problems.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. For day to day liquidity risk management, the management relies on several liquidity scenarios to ensure that the Bank is best prepared to respond to any unexpected problems. Currently Central Bank has improved moratorium on withdrawals with limited withdrawals allowed to individual and corporate customers.

#### Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquidity assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents less any deposits from banks. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Detail of the reported ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	2021	2020
At the end of the year	41%	46%
Average for the year	42%	44%
Maximum for the year	47%	49%
Minimum for the year	37%	40%

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# AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

## Maturity analysis for financial liabilities

		Carrying amount	Gross nominal outflow	Less than 1 month	1-3 months	3 months to 1 year	More than 1 to 5 years
	Note			AFN '000'			
December 31, 2021							
Deposits from customers	14	17,244,155	(17,244,155)	(10,949,072)	(1,377,449)	(4,917,634)	-
Other liabilities	17	448,073	(448,073)	(260,332)	-	(52,547)	(135,194)
		<u>17,692,228</u>	<u>(17,692,228)</u>	<u>(11,209,404)</u>	<u>(1,377,449)</u>	<u>(4,970,181)</u>	<u>(135,194)</u>
December 31, 2020							
Deposits from customers	14	18,759,555	(18,759,555)	(10,560,107)	(446,833)	(2,974,695)	-
Other liabilities	17	603,182	(603,182)	(390,528)	-	(51,327.00)	(161,327)
		<u>19,362,737</u>	<u>(19,362,737)</u>	<u>(11,001,962)</u>	<u>(446,833)</u>	<u>(2,974,695)</u>	<u>(161,327)</u>

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal out flow disclosed in the above table is the contractual, undiscounted cash flow on the financial liability.

### c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing), will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

### Management of market risk

The overall authority for market risk management is vested in the Asset & Liability Committee (ALCO). The Bank's ALCO is responsible for the development of detailed risk management policies and day to day review of their implementation. Risk management Department's scope covers the market risk identification, evaluation and reporting back with its recommendation to the management.

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# **AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

## **Exposure to interest rate risk**

The risk to which the Bank's portfolios are exposed, is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through the monitoring of interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management Department in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

		Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
	Note	AFN '000'					
December 31, 2021							
Investments	7	1,388,803	518,672	311,190	558,942	-	-
Loans and advances to customers	8	7,031,590	4,188,875	1,075,226	213,718	1,553,771	-
		8,420,393	4,707,548	1,386,416	772,660	1,553,771	-
Deposits from customers	14	17,244,155	3,945,001	143,640	13,154,925	589	-
Borrowing from financial institution	15	296,533	296,533	-	-	-	-
December 31, 2020							
Cash and balances with central bank	5	937,827	598,164	145,627	194,036	-	-
Investments	7	1,657,650	616,800	269,850	771,000	-	-
Loans and advances to customers	8	8,106,840	3,998,572	2,296,323	1,385,758	426,187	-
		10,702,317	5,213,538	2,711,800	2,350,793	426,187	-
Deposits from customers	14	18,759,556	4,194,802	166,349	14,392,033	6,372	-

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# AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

## Exposure to currency risk

The Bank's exposure to foreign currency risk based on notional amounts are as follows:

	Note	Total	AFN	USD AFN '000'	EURO	OTHERS
<b>December 31, 2021</b>						
Cash and balances with central bank	5	1,615,302	746,529	680,365	181,193	7,215
Balances with other banks	6	6,609,461	1,981	5,977,686	564,500	65,294
Investments	7	1,690,969	-	1,690,969	-	-
Loans and advances to customers	8	7,031,590	3,662,480	3,369,110	-	-
Other assets	11	4,568,144	505,970	4,053,408	8,766	-
		<b>21,515,466</b>	<b>4,916,960</b>	<b>15,771,538</b>	<b>754,459</b>	<b>72,509</b>
Deposits from customers	14	(17,244,155)	(4,019,026)	(13,152,749)	(71,946)	(434)
Borrowing from financial institution	15	(296,533)	-	(296,533)	-	-
Other liabilities	17	(502,362)	(312,840)	(189,464)	(58)	-
		<b>(18,043,050)</b>	<b>(4,331,866)</b>	<b>(13,638,747)</b>	<b>(72,003)</b>	<b>(434)</b>
		<b>3,472,416</b>	<b>585,094</b>	<b>2,132,792</b>	<b>682,456</b>	<b>72,075</b>
<b>Net foreign currency exposure</b>						
<b>December 31, 2020</b>						
Cash and balances with central bank	5	8,267,623	4,757,120	3,367,655	137,197	5,651
Balances with other banks	6	1,472,780	26,828	973,620	5,671	466,661
Investments	7	3,315,300	1,657,650	1,657,650	-	-
Loans and advances to customers	8	8,106,840	3,226,242	4,880,598	-	-
Other assets	11	2,859,940	251,730	2,608,210	-	-
		<b>24,022,483</b>	<b>9,919,571</b>	<b>13,487,732</b>	<b>142,868</b>	<b>472,312</b>
Deposits from customers	14	(18,759,556)	(6,142,977)	(12,526,320)	(89,955)	(305)
Other liabilities	17	(614,824)	(231,476)	(382,991)	(239)	(118)
		<b>(19,374,380)</b>	<b>(6,374,453)</b>	<b>(12,909,311)</b>	<b>(90,193)</b>	<b>(423)</b>
		<b>4,648,103</b>	<b>3,545,118</b>	<b>578,421</b>	<b>52,675</b>	<b>471,889</b>
<b>Net foreign currency exposure</b>						

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# AFGHAN UNITED BANK

Notes to the Financial Statements

For the year ended December 31, 2021

## Sensitivity analysis

	December 31, 2021		December 31, 2020	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	84.47	103.73	76.66	77.10
EURO	98.47	113.36	86.90	94.03

## Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD and EURO at December 31, 2021 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2021		December 31, 2020	
	Equity	Profit or loss	Equity	Profit or loss
	AFN '000'			
USD	(170,623)	(213,279)	(107,552)	(134,440)
EURO	(54,596)	(68,246)	(4,252)	(5,315)

A 10% weakening of the Afghani against the above currencies at December 31, 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## d) Operational risk

We define the operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operations Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management function within Risk Management department. The Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators and Risk Control Self-Assessment activities for key operational risks.

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

**28 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 December 31, 2021 was as follows:

	2021	2020
	AFN '000'	
<b>Tier 1 capital</b>		
Total Equity	3,220,445	2,995,602
<b>Less:</b>		
Intangible assets	18,900	17,643
Profit for the year	222,296	23,552
Revaluation reserve on property and equipment	671,151	756,767
Revaluation reserve on Available for Sale Investments	2,546	-
	<u>914,893</u>	<u>797,962</u>
<b>Total tier 1 (core) capital</b>	<u>2,305,552</u>	<u>2,197,640</u>
<b>Tier 2 capital</b>		
Profit for the year	222,296	23,552
Revaluation reserve on property and equipment	671,151	756,767
Revaluation reserve on Available for Sale Investments	1,146	-
<b>Total tier 2 (supplementary) capital</b>	<u>894,593</u>	<u>780,319</u>
<b>Total regulatory capital</b>	<u>3,200,145</u>	<u>2,977,959</u>
<b>Risk-Weight Categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	884,727	2,240,543
Direct claims on DAB	2,339,081	8,722,975
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>	<u>3,223,808</u>	<u>10,963,518</u>
<b>0% Risk-Weight Total (Above Total x 0%)</b>	<u>-</u>	<u>-</u>



**AFGHAN UNITED BANK**

## Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	AFN '000'	
<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	2,969,489	378,149
Short-term Claims on Banks Licensed In Non-Category A Countries Guaranteed by Multilateral Lending Institutions	4,469,899	2,752,281
Cash Items in Process of Collection	-	-
Other	-	-
<b>Total</b>	<b>7,439,388</b>	<b>3,130,430</b>
<b>20% Risk-Weight Total (Above Total x 20%)</b>	<b>1,487,878</b>	<b>626,086</b>
<b>50% risk weight</b>		
Qualifying Residential Mortgage Loans	-	-
Qualifying Real Estate Construction Loans	-	-
Other	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>50% Risk-Weight Total (Above Total x 50%)</b>	<b>-</b>	<b>-</b>
<b>100% risk weight</b>		
All Other Assets	12,092,868	10,552,559
Minus: Intangible Assets	18,900	17,643
Net Deferred Tax Assets	-	-
Deducted Equity Investments	-	-
<b>Total</b>	<b>12,073,968</b>	<b>10,534,916</b>
<b>100% Risk-Weight Total (Above Total x 100%)</b>	<b>12,073,968</b>	<b>10,534,916</b>
<b>Off-balance-sheet items with 0% Credit Conversion Factor</b>		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	294,498	516,190
Unused Portions of Commitments that are Unconditionally Cancelable	-	-
<b>Total</b>	<b>294,498</b>	<b>516,190</b>
<b>0% Credit Conversion Factor Total (Above Total x 0%)</b>	<b>-</b>	<b>-</b>
<b>Off-balance-sheet items with 20% Credit Conversion Factor</b>		
Commercial Letter of Credits		
0 % Risk Weight	14,269	76,060
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	128,423	130,260
<b>Total</b>	<b>142,692</b>	<b>206,320</b>
<b>Risk-Weighted Total</b>	<b>128,423</b>	<b>130,260</b>
<b>20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)</b>	<b>25,685</b>	<b>26,052</b>

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**AFGHAN UNITED BANK**

Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	AFN '000'	
<b>Off-balance sheet items with 100% Credit Conversion Factor</b>		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	2,165,765	4,089,067
20% Risk Weight	-	-
50% Risk Weight	-	-
100% Risk Weight	5,902,908	7,381,878
<b>Total</b>	<b>8,068,673</b>	<b>11,470,945</b>
<b>100% Credit Conversion Factor Total</b> (Risk-Weighted Totals x 100%)	<b>5,902,908</b>	<b>7,381,878</b>
<b>Total Risk-Weighted Assets</b>	<b>19,490,438</b>	<b>18,568,932</b>
<b>Tier 1 Capital Ratio</b>	<b>11.83%</b>	<b>11.84%</b>
<b>Regulatory Capital Ratio</b>	<b>16.42%</b>	<b>16.04%</b>

**29 General**

Figures have been rounded off to the nearest thousand unless otherwise stated

**30 APPROVAL OF THE FINANCIAL STATEMENTS**These financial statements were approved by the bank of supervisors for issue on 22-March-2022.\_\_\_\_\_  
CHIEF FINANCIAL OFFICER\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER\_\_\_\_\_  
BOS CHAIRMAN