

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 31 March 2022 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the notes to the condensed interim financial statements for the three months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), 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 related to Going Concern

We draw attention to note 1.2 to the financial statements, which indicates that prevailing economic situation of Afghanistan had an impact on the income of the Bank from which the Bank is steadily recovering. 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 exist relating to going concern for which management has implemented mitigating plans. Our conclusion is not modified in respect to this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these accompanying interim financial statements do not give a true and fair view of the condensed interim statement of financial position of the Bank as at 31 March 2022, and of its condensed interim financial performance and its condensed interim statement of cash flows for the three months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Law of Banking in Afghanistan and the directives issued by the Da Afghanistan Bank.

Crowe Horwath Afghanistan

Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaib Shah - FCA

Location: Kabul, Afghanistan

Date:



AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Unaudited)

As at 31 March 2022

		Unaudited	Audited
		31-Mar-22	31-Dec-21
		AFN '000'	
	Note		
ASSETS			
Cash and unrestricted balances with DAB	4	4,032,279	1,615,302
Balances with other banks	5	4,049,423	6,609,461
Investments	6	1,003,442	1,682,671
Loans and advances to customers	7	4,892,592	5,767,935
Property and equipment	8	1,239,581	1,204,805
Intangible assets	9	16,113	18,900
Other assets	10	2,650,030	4,568,144
Total assets		17,883,460	21,467,218
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	1,925,210	2,022,030
Retained earnings		(33,101)	524,718
Revaluation reserve on property and equipment	12	725,804	671,151
Revaluation reserve on Available for Sale Investments		(2,783)	2,546
Total equity		2,615,130	3,220,445
LIABILITIES			
Deposits from customers	13	14,496,897	17,244,155
Borrowing from financial institution	14	243,717	296,533
Deferred tax liability		202,997	203,097
Provision for tax		-	54,915
Other liabilities	15	324,720	448,073
Total liabilities		15,268,331	18,246,773
Total equity and liabilities		17,883,460	21,467,218
CONTINGENCIES AND COMMITMENTS			
	16		

The annexed notes 1 to 26 form an integral part of these financial statements.


 CHIEF FINANCIAL OFFICER


 CHIEF EXECUTIVE OFFICER(Deputy)

AFGHAN UNITED BANK

Condensed Interim Statement of Comprehensive Income (Unaudited)
For the three months ended 31 March 2022

	Note	Three months ended	
		31-Mar-22	31-Mar-21
		AFN '000'	
Mark-up/ return/ interest earned		26,511	215,555
Mark-up/ return/ interest expense		(16,075)	(21,773)
Net mark-up/ return/ interest income	17	10,436	193,782
Fee and commission income		133,777	124,181
Fee and commission expense		(2,435)	(2,897)
Net fee and commission income	18	131,342	121,284
Foreign exchange gain/ (loss) - net	19	(255,409)	575
Other income	20	10,073	82,548
Net operating (loss)/ income		(103,558)	398,189
Provision against non-performing loans and advances to customers	7	(468,950)	(29,935)
Net provision against investment, off balance sheet items and other assets		5,156	773
Depreciation	8	(52,042)	(41,275)
Amortization of intangible	9	(2,787)	(2,193)
Employee compensation	21	(56,359)	(64,318)
Finance cost		(3,453)	(731)
Short term and low value leases		(1,138)	(1,924)
Other expenses	22	(66,852)	(70,107)
(Loss)/ Profit before tax		(749,984)	188,479
Income tax expense		149,997	(37,581)
(Loss)/ Profit for the period		(599,987)	150,898
Other comprehensive income			
<i>Items that will be reclassified to profit and loss account in subsequent periods:</i>			
Deficit on revaluation of available for sale investments		(5,329)	-
Total comprehensive (loss)/ income for the period		(605,316)	150,898

The annexed notes 1 to 26 form an integral part of these financial statements.

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER (Deputy)

AFGHAN UNITED BANK

Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2022

	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 2021 - Audited	2,022,030	216,805	756,767	-	2,995,602
Incremental depreciation on revaluation surplus on property and equipment - net of tax	-	21,404	(21,404)	-	-
<i>Total comprehensive income for the period</i>					
Profit for the period	-	150,323	-	-	150,323
Other comprehensive income	-	150,323	-	-	150,323
Balance as at 31 March 2021 - Unaudited	2,022,030	388,532	735,363	-	3,145,925
Balance as at 1 January 2022 - Audited	2,022,030	524,718	671,151	2,546	3,220,445
Adjustment for revaluation surplus - note 11.2.1	(96,820)	20,622	76,198	-	-
Incremental depreciation on revaluation surplus on property and equipment - net of tax	-	21,545	(21,545)	-	-
<i>Total comprehensive income for the period</i>					
Loss for the period	-	(599,987)	-	-	(599,987)
Other comprehensive income	-	-	-	(5,329)	(5,329)
Balance as at 31 March 2022-Unaudited	1,925,210	(599,987)	725,804	(2,783)	2,615,129

The annexed notes 1 to 26 form an integral part of these financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER(Deputy)

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AFGHAN UNITED BANK

Condensed Interim Statement of Cash Flows (Unaudited)
For the three months ended 31 March 2022

		Three months ended	
		31-Mar-22	31-Mar-21
		AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before tax		(749,984)	187,904
Adjustments for:			
Net impairment loss on loans and advances to customers		468,950	29,935
Provision against financial assets and off balance sheet items		(5,156)	(773)
Depreciation	8	52,042	41,275
Amortization	9	2,787	2,193
Finance cost		3,453	-
		(227,908)	260,534
(Increase)/ Decrease in assets			
Loans and advances to customers	7	406,393	(51,213)
Other assets	10	1,918,114	(554,946)
Increase/ (Decrease) in liabilities			
Deposits from customers	13	(2,747,258)	(2,510,966)
Other liabilities	15	(193,405)	(162,421)
		(844,064)	(3,019,012)
Tax paid		(50,790)	(29,726)
Net cash used in operating activities		(894,854)	(3,048,738)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,001)	(4,193)
Purchase of intangible assets		-	(1,631)
Investments	6	684,385	(20,507)
Net cash used in investing activities		683,384	(26,331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		68,407	(22,257)
Cash used in from financing activities		68,407	(22,257)
Net decrease in cash and cash equivalents		(143,063)	(3,097,326)
Cash and cash equivalents at beginning of the year		8,224,763	9,740,403
Cash and cash equivalents at end of the period		8,081,700	6,643,077
Cash and cash equivalents comprise of:			
Cash and unrestricted balances with DAB	4	4,032,279	6,053,295
Balances with other banks	5	4,049,423	589,782
		8,081,702	6,643,077

The annexed notes 1 to 26 form an integral part of these financial statements.

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CHIEF FINANCIAL OFFICER (Acting)



CHIEF EXECUTIVE OFFICER(Deputy)

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

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 loans, capital notes, and overnight deposits constituted major sources of interest income for the Bank and currently, DAB has suspended interest on capital notes, and overnight deposits pending further decision by the Cabinet. The interest income on loans is impacted due to the poor economic conditions affecting the ability of the borrowers to service the interest on their loans. These events or conditions indicate material uncertainties exist that may cast 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.
- ▶ bank has rescheduled the service charges in line with competitors to augment the non interest income.
- ▶ The Bank continues to enhance its commission income on custom duties collection and electricity bills collection.
- ▶ Money gram continues to provide services in Afghanistan, and the Bank has made payments amounting to nearly \$61 million to the beneficiaries earning nearly \$ 712,000 commission income. Further, bank has significantly helped process the domestic and international TTs earning \$ 488, 000.00 commission income.
- ▶ The Bank currently holds sufficient liquid assets and net turnover in the local deposits has remained positive since regime change. The Bank has been able to provide uninterrupted services in all branches and
- ▶ 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 as well as Telecom companies 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 three months ended 31 March 2022

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Bank for the three months period ended 31 March 2022 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 2021.

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 2021.
- 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 2021.
- 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 2021.

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

		Un-audited three months ended	Audited Year ended
		31-Mar-22	31-Dec-21
		AFN '000'	
4	CASH AND UNRESTRICTED BALANCES WITH DAB	Note	
	In hand:		
	Local currency	404,362	444,806
	Foreign currencies	1,418,208	439,921
		1,822,570	884,727
	With Da Afghanistan Bank in:		
	Local currency current accounts	911,617	301,715
	Foreign currency current accounts	1,298,084	428,852
	Overnight deposit with Central Bank	8	8
		2,209,709	730,575
		4,032,279	1,615,302

4.1 This represent overnight deposit with Da Afghanistan Bank in local currency and does not carry interest (2021: 0% per annum).

		Un-audited three months ended	Audited Year ended
		31-Mar-22	31-Dec-21
	Note	AFN '000'	
5	BALANCES WITH OTHER BANKS		
	In Afghanistan		
	National Bank of Pakistan	662	775
	Pashtany Bank	2,180	2,467
	New Kabul Bank	42	42
		2,884	3,284
	Outside Afghanistan		
	CSC Bank, Lebanon	76,909	110,826
	Aktif Bank, Turkey	341,134	501,173
	Ziraat Bank Uzbekistan	912,743	1,067,405
	BMCE Bank, Spain	1,827,674	2,969,489
	Nurol Bank, Turkey	761,181	1,307,916
	Transkapital Bank, Russia	88,039	603,691
	SBM Bank India	13,814	16,424
	Al Salam Bank Bahrain	25,044	29,253
		4,046,538	6,606,177
	5.1	4,049,423	6,609,462

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

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

6	INVESTMENTS	Note	Un-audited three months ended	Audited Year ended
			31-Mar-22	31-Dec-21
			AFN '000'	
	Placements - held to maturity			
	Islamic Bank of Afghanistan		-	518,650
	AL Salam Bank Bahrain		266,100	311,190
		6.1	266,100	829,840
	Sovereign Sukuks			
	Available For Sale		404,586	518,165
	Held to Maturity		-	40,712
			404,586	558,877
	Investment in gold - ETF (Available For Sale)		290,798	302,166
	Investment in equity securities - (Available For Sale)		44,350	-
	Islamic Bank of Afghanistan - Saving Deposit		269	86
			335,417	302,252
	General provision on investments	6.2	(2,661)	(8,298)
	Investments - net of provision		1,003,442	1,682,671

- 6.1 These represent foreign currency fixed term placements with both foreign and local banks carrying interest rate ranging from 1.75% to 2.7% (2021: 1.5% to 4.40%) per annum and having maturity upto June 2022. The placement with Islamic Bank of Afghanistan. matured in January 2022, was held in foreign currency with interest rate of 2.7% per annum.

6.2	Particulars of provision against investments	Note	Un-audited three months ended	Audited Year ended
			31-Mar-22	31-Dec-21
			AFN '000'	
	Opening balance		8,298	16,577
	Reversal for the period/ year		(5,637)	(8,279)
	Closing balance	6.3	2,661	8,298

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

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

		Un-audited three months ended	Audited Year ended
	Note	31-Mar-22	31-Dec-21
		AFN '000'	
7	LOANS AND ADVANCES TO CUSTOMERS		
Conventional financing			
	7.1	4,766,490	5,148,498
	7.2	1,584,469	1,696,378
		6,350,959	6,844,876
Islamic financing			
	7.3	159,660	186,714
Total loans and advances to customers - gross			
	7.4	6,510,619	7,031,590
Provision against non-performing loans and advances			
	7.5	(1,618,027)	(1,263,655)
Loans and advances to customers - net of provision			
		4,892,592	5,767,935

7.1 These carry interest ranging between 10% to 16% (2021: 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 These carry interest rate at 10% to 15% (2021: 10% to 15%) per annum. These loans have been extended for periods ranging from one and a half year to five years (2021: 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.

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% (2021: 12% to 15%) per annum. These facilities are extended for the period of two months to five years and are secured against personal guarantees, mortgage of immovable properties and goods supplied under the sale and purchase agreement.

		Un-audited three months ended	Audited Year ended
		31-Mar-22	31-Dec-21
		AFN '000'	
7.4	Particulars of loans and advances to customers - gross		
	In local currency	3,646,843	3,662,480
	In foreign currencies	2,863,776	3,369,110
		6,510,619	7,031,590

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

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

Opening balance		1,263,655	2,029,325
Charge for the period/ year	7.5.1	468,950	314,775
Write-off during the period/ year		(114)	(1,490,009)
Impact of translation		(114,464)	409,564
		354,372	(765,670)
Closing balance		1,618,027	1,263,655

- 7.5.1 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. *cha*

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

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

	Note	Un-audited three months ended 31-Mar-22	Audited Year ended 31-Dec-21
		AFN '000'	
8 PROPERTY AND EQUIPMENT			
Operating fixed assets			
Owned	8.1	1,128,630	1,160,285
Leased			
- Right of use asset - building	8.2	110,951	44,519
		<u>1,239,581</u>	<u>1,204,804</u>
8.1 Cost			
Opening balance		2,238,948	2,206,465
Additions during the period/ year		1,001	32,225
Revaluation adjustment during the period/year		-	258
Disposals during the period/ year		-	-
Closing balance		<u>2,239,949</u>	<u>2,238,948</u>
Less: Accumulated depreciation			
Opening balance		1,078,663	945,666
Charge during the period/ year	8.3	32,656	131,697
Disposals during the period/ year		-	1,301
Closing balance		<u>1,111,319</u>	<u>1,078,663</u>
Written down value as of		<u>1,128,630</u>	<u>1,160,285</u>
8.2 Right of use assets - building			
Cost			
Opening balance		173,268	164,229
Additions during the period /year		85,818	23,215
Deletion during the period/year		-	(14,176)
Closing balance		<u>259,086</u>	<u>173,268</u>
Less: Accumulated depreciation			
Opening balance		128,749	110,628
Depreciation expense for the period/year	8.3	19,386	32,297
Deletion during the period/year		-	(14,176)
Closing balance		<u>148,135</u>	<u>128,749</u>
Written down value as of		<u>110,951</u>	<u>44,519</u>
8.3 Depreciation operating fixed assets			
Owned		32,656	131,697
Leased			
- Right of use asset - building		19,386	32,297
		<u>52,042</u>	<u>163,994</u>
9 INTANGIBLE ASSETS			
Cost			
Opening balance		271,619	260,621
Additions during the period/ year		-	10,998
Closing balance		<u>271,619</u>	<u>271,619</u>

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

		Un-audited three months ended	Audited Year ended
		31-Mar-22	31-Dec-21
	Note	AFN '000'	
Less: Accumulated amortization			
Opening balance		252,719	242,978
Charge for the period/ year		2,787	9,741
Closing balance		255,506	252,719
Written down value as of		16,113	18,900

- 9.1 Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2021: 33.33%). The gross carrying amount of fully amortized intangible assets still in use is AFN 238,165 thousand (2021: AFN 238,165 thousand).

		Un-audited three months ended	Audited Year ended
		31-Mar-22	31-Dec-21
	Note	AFN '000'	
10 OTHER ASSETS			
Advances to suppliers and employees		24,414	16,416
Security deposits	10.1	655,684	759,427
Prepayments		10,400	10,607
Balances with Daman Investments	10.2	29,509	56,113
Receivable from Xpress Money and Money Gram		251,050	1,776,410
Restricted deposits with Da Afghanistan Bank	10.3	1,374,218	1,608,506
Income/ mark-up accrued		238,032	257,738
BG Commission receivable		43,131	50,440
Others	10.4	23,591	32,487
		2,650,030	4,568,144

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

- 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 March 31, 2022, minimum reserve rates on deposits for AFN is reduced from 8% to 6% and for foreign currency from 10% to 8%.

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

	2022	2021
	AFN '000'	
10.4 Others		
Gross amount	42,984	49,380
Provision against other assets	(19,393)	(16,893)
	<u>23,591</u>	<u>32,487</u>

11 SHARE CAPITAL**11.1 Authorized capital**

2022	2021		2022	2021
Number of shares			AFN '000'	
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of AFN 250	<u>10,000,000</u>	<u>10,000,000</u>

11.2 Issued and paid up capital

		6,904,760 ordinary shares of AFN 250 each fully paid in cash and 796,080 ordinary shares of AFN 250 each fully paid in consideration other than cash		
<u>7,700,840</u>	<u>8,088,120</u>		<u>1,925,210</u>	<u>2,022,030</u>

11.2.1 The shareholders of the Bank injected capital in the Bank amounting to AFN 199,020 thousand in 2008 by transferring land and building to the Bank. Subsequently, these properties were revalued in 2010 with resulting revaluation surplus amounting to AFN 96,820 thousand (Land: AFN 62,920 thousand and Building: AFN 33,900 thousand), however, the same was included as part of share capital instead of being separately recognized as part of revaluation surplus. In the current period, under the direction received from DAB through letter reference BSD 12525-10859 and in compliance with Article 11 to the Banking Law of Afghanistan, share capital has been reduced by AFN 96.820 million with recognition of revaluation surplus for the same amount. The effect of incremental depreciation amounting to AFN 206,22 thousand has been realized in the retained earnings as per accounting policy followed by the Bank by reducing the revaluation surplus.

12 REVALUATION RESERVE ON PROPERTY AND EQUIPMENT

		2022	2021
		AFN '000'	
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	11.2.1	294,916	231,996
Building	11.2.1	979,904	946,005
		<u>1,452,952</u>	<u>1,356,132</u>
Accumulated incremental depreciation	11.2.1	(517,484)	(475,317)
Related deferred tax liability		(209,664)	(209,664)
		<u>725,804</u>	<u>671,151</u>

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

13	DEPOSITS FROM CUSTOMERS	Note	Un-audited three months ended	Audited Year ended
			31-Mar-22	31-Dec-21
			AFN '000'	
	Conventional			
	Current deposits		9,740,747	8,998,402
	Saving deposits	13.1	386,484	427,360
	Term deposits	13.2	498,484	582,851
	Margin deposits		660,928	3,324,515
			11,286,643	13,333,128
	Islamic			
	Current deposits		1,837,619	1,950,670
	Saving deposits	13.3	812,730	950,089
	Term deposits	13.4	349,991	484,461
	Margin deposits		209,914	525,807
			3,210,254	3,911,027
			14,496,897	17,244,155

13.1 These do not carry interest.

13.2 Term deposits carry interest ranging from 1.6% to 4% per annum (2021: 1.6% to 4%) per annum, based on the term, with maturity ranging from three to twelve months (2021: three to twelve months).

13.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.25% to 0.30% (2021: 0.18% to 0.30%) per annum.

13.4 Profit distribution rates on Islamic term deposits during the period ranged from 0.75% to 2.10% (2021: 0.75% to 2.10%) per annum.

14	BORROWING FROM FINANCIAL INSTITUTION	2022	2021
		AFN '000'	
		243,717	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 twice, first on December 12, 2021 at 1.81% per annum and on March 18, 2022 for another term of 3 months at a revised mark-up rate of 1.136% per annum.

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Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

		Note	Un-audited three months ended	Audited Year ended
			31-Mar-22	31-Dec-21
			AFN '000'	
15	OTHER LIABILITIES			
	Creditors and accruals		38,368	31,924
	Withholding tax payable		2,239	2,432
	Properties lease liability		120,954	52,547
	Murabaha risk and equalization reserve		87,813	83,401
	Mark-up/ return/ interest payable		27,059	29,929
	Deferred income on bank guarantees and letter of credits		35,159	51,793
	Others		13,129	196,047
			<u>324,720</u>	<u>448,073</u>
16	CONTINGENCIES AND COMMITMENTS			
	LCs and BGs issued on behalf of the customers	16.1	<u>5,821,612</u>	<u>8,211,366</u>
	Un-used commitments		<u>208,189</u>	<u>294,498</u>
16.1	This include outstanding BGs amounting to AFN 991 million (2021: AFN 1,298 million) issued under Islamic mode of finance.			
17	NET MARK-UP/ RETURN/ INTEREST INCOME			
	Mark-up/ return/ interest earned			
	- On loans and advances to customers		16,919	194,623
	- On placements and balances with Da Afghanistan Bank		-	7,244
	- On held to maturity investments		1,241	10,437
	- On available for sale investments		2,769	51
	- On overnight nostro deposits		5,582	3,199
			<u>26,511</u>	<u>215,555</u>
	Mark-up/ return/ interest expense			
	Deposits from customers		<u>(16,075)</u>	<u>(21,773)</u>
			<u>(16,075)</u>	<u>(21,773)</u>
			<u>10,436</u>	<u>193,782</u>
18	NET FEE AND COMMISSION INCOME			
	Fee and commission income			
	- Commission and processing fee on guarantees issued		26,049	86,981
	- Commission and processing fee on letters of credit issued		327	512
	- Funds transfer, cheque books issuance fee and other service charges		-	-
			<u>107,401</u>	<u>36,688</u>
			<u>133,777</u>	<u>124,181</u>

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Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

Fee and commission expense			
- Inter bank transaction fee		(2,435)	(2,897)
		<u>131,342</u>	<u>121,284</u>
19 FOREIGN EXCHANGE (LOSS)/ GAIN - NET			
	19.1	(255,409)	575
19.1 Foreign exchange (loss)/ gain - net			
- On dealing in foreign currencies		336,527	10,924
- On translation of monetary assets and liabilities		(591,936)	(10,349)
		<u>(255,409)</u>	<u>575</u>
20 OTHER INCOME			
Recovery against loans written off		2,199	74,190
Loan processing fee		-	3,858
Others		7,874	3,925
		<u>10,073</u>	<u>81,973</u>
21 EMPLOYEE COMPENSATION			
Salaries and wages		46,071	52,001
BOS remuneration and meeting expenses		3,612	1,785
Other allowances and benefits		6,676	10,532
		<u>56,359</u>	<u>64,318</u>
22 OTHER EXPENSES			
Communication		4,749	6,162
Travelling and conveyance		667	515
Insurance		15,149	17,560
Advertisement		2,708	948
Fuel expenses		3,710	2,388
Food expenses		1,942	122
Audit fee		2,012	1,607
Repairs and maintenance		11,818	15,131
Legal and professional charges		1,585	206
Stationery and printing		3,122	2,128
Staff training		-	223
Utilities		4,288	3,941
Security services		5,530	17,660
Miscellaneous		9,572	1,514
		<u>66,852</u>	<u>70,108</u>

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Notes to the Condensed Interim Financial Statements
For the three months ended 31 March 2022

23 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 three months ended	Audited Year ended	Un-audited three months ended	Un-audited three months ended
	31-Mar-22	31-Dec-21	31-Mar-22	31-Mar-21
	AFN '000'			
Shareholders				
Deposits	2,096	2,391	(295)	-
Transactions with key management personnel				
Salary and other benefits	-	-	5,196	9,729
Advance salary	-	137	-	-
Board of Supervisors meeting expenses			3,612	1,785

24 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 three months ended 31 March 2022

Un-audited	Audited
31-Mar-22	31-Dec-21
AFN '000'	

The Bank's regulatory capital position at 31 March 2022 was as follows:

Tier 1 capital

Total Equity

2,615,130

3,220,445

Less:

Intangible assets

16,113

18,900

Profit for the period/ year

-

222,296

Other Equity Components (revaluation reserve)

723,021

673,697

739,134

914,893

Total tier 1 (core) capital

1,875,996

2,305,552

Tier 2 capital

Profit for the period/ year

-

222,296

Other Equity Components (revaluation reserve)

724,551

672,297

Total tier 2 (supplementary) capital

724,551

894,593

Total regulatory capital

2,600,547

3,200,145

Risk-Weight Categories**0% risk weight:**

Cash in Afghani and fully-convertible foreign currencies

1,822,570

884,727

Direct claims on DAB

3,583,927

2,339,081

Total

5,406,497

3,223,808

0% Risk-Weight Total (Above Total x 0%)

-

-

20% risk weight

Direct Claims on banks licensed in Category A countries

1,827,674

2,969,489

Short-term Claims on Banks Licensed In Non-Category A Countries
guaranteed by Multilateral Lending Institutions

2,488,118

4,469,899

Total

4,315,792

7,439,388

20% Risk-Weight Total (Above Total x 20%)

863,158

1,487,878

100% risk weight

All Other Assets

9,801,252

12,092,868

Minus: Intangible Assets

16,113

18,900

Total

9,785,139

12,073,968

100% Risk-Weight Total (Above Total x 100%)

9,785,139

12,073,968

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements

For the three months ended 31 March 2022

	Un-audited 31-Mar-22	Audited 31-Dec-21
	AFN '000'	
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	297,495	294,498
Total	297,495	294,498
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	25,626	14,269
100% Risk Weight	17,757	128,423
Total	43,383	142,692
Risk-Weighted Total	17,757	128,423
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	3,551	25,685
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	1,381,140	2,165,765
100% Risk Weight	4,099,594	5,902,908
Total	5,480,734	8,068,673
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	4,099,594	5,902,908
Total Risk-Weighted Assets	14,751,443	19,490,439
	31-Mar-22	31-Dec-21
	PERCENT	
<u>Tier 1 Capital Ratio</u>	12.72%	11.83%
<u>Regulatory Capital Ratio</u>	17.63%	16.42%

25 GENERAL

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

26 APPROVAL OF THE FINANCIAL STATEMENTSThese condensed interim financial statements for the period have been approved and authorized for issue by the Board of Supervisors on 14-May-22

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER(Deputy)