

Report on Review of Condensed Interim Financial Statements to the Shareholders of Afghan United Bank

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Afghan United Bank** ("the Bank") as at 30 June 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 six months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

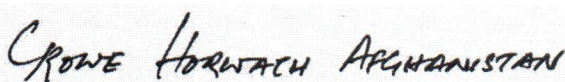
We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial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

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 has resulted in significant reduction in income of the Bank. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2, indicate that material uncertainty exist relating to going concern for which management has implemented mitigating plans. Significant steps taken by Da Afghanistan Bank which include strict limits on cash withdrawals, reduction in mandatory reserve requirements provide essential support for sustainability of the Bank. 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 30 June 2022, and of its condensed interim financial performance and its condensed interim statement of cash flows for the six months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Law of Banking in Afghanistan and the directives issued by the Da Afghanistan Bank.



Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaib Shah - FCA

Location: Kabul, Afghanistan

Date:



AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Un-audited)

As at 30 June 2022

		30 June 2022 Un-audited	31 December 2021 Audited
	Note	AFN '000'	
ASSETS			
Cash and balances with the Central Bank	4	1,832,609	1,615,302
Balances with other banks	5	7,658,223	6,609,461
Investments	6	1,229,604	1,682,671
Loans and advances to customers - net	7	4,835,945	5,767,935
Property and equipment	8	1,210,056	1,204,805
Intangible assets	9	13,414	18,900
Advance tax - net		191,791	-
Other assets	10	2,399,169	4,568,144
Total assets		19,370,811	21,467,218
EQUITY AND LIABILITIES			
EQUITY			
Issued and paid up capital	11	1,925,210	2,022,030
Retained earnings		(85,182)	524,718
Revaluation reserve on property and equipment	12	703,976	671,151
Revaluation reserve on Available for Sale Investments		4,222	2,546
Total equity		2,548,226	3,220,445
LIABILITIES			
Deposits from customers	13	15,864,586	17,244,155
Borrowing from financial institution	14	267,371	296,533
Deferred tax liability - net		202,997	203,097
Provision for tax		-	54,915
Other liabilities	15	487,631	448,073
Total liabilities		16,822,585	18,246,773
Total equity and liabilities		19,370,811	21,467,218
CONTINGENCIES AND COMMITMENTS			
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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 (Un-audited)
For the six months ended 30 June 2022

		Six months ended		Three months ended	
		30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Note		AFN '000'			
Mark-up/ return/ interest earned		45,540	393,523	19,029	177,968
Mark-up/ return/ interest expense		(23,620)	(32,555)	(7,545)	(10,782)
Net mark-up/ return/ interest income	17	21,920	360,968	11,484	167,186
Fee and commission income		283,290	238,289	149,513	114,108
Fee and commission expense		(4,271)	(5,421)	(1,836)	(2,524)
Net fee and commission income	18	279,019	232,868	147,677	111,584
Foreign exchange gain/ (loss) - net	19	(358,115)	(11,663)	(102,706)	(12,238)
Other income	20	19,444	121,433	9,371	39,460
Net operating (loss)/ income		(37,732)	703,606	65,826	305,992
Provision against non-performing loans and advances to customers	7	(462,121)	(255,344)	6,829	(225,409)
Net provision against investment, off balance sheet items and other assets		3,437	1,149	(1,719)	376
Depreciation	8	(95,189)	(74,020)	(43,147)	(32,745)
Amortization of intangible	9	(5,486)	(4,575)	(2,699)	(2,382)
Employee compensation	21	(114,630)	(127,983)	(58,271)	(63,665)
Finance cost		(5,366)	(838)	(1,913)	(107)
Short term and low value leases		(2,509)	(3,762)	(1,371)	(1,838)
Other expenses	22	(122,773)	(162,383)	(55,921)	(92,276)
(Loss)/ Profit before tax		(842,369)	75,850	(92,385)	(112,054)
Income tax expense		168,474	(15,169)	18,477	22,412
(Loss)/ Profit for the period		(673,895)	60,681	(73,908)	(89,642)
Other comprehensive income					
<i>Items that will be reclassified to profit and loss account in subsequent periods:</i>					
Surplus/ (Deficit) on revaluation of AFS investments		1,676	832	7,005	832
Total comprehensive (loss)/ income for the period		(672,219)	61,513	(66,903)	(88,810)

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



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CHIEF EXECUTIVE OFFICER (Deputy)

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Condensed Interim Statement of Changes in Equity (Un-audited)
For the six months ended 30 June 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	-	42,808	(42,808)	-	-
Total comprehensive income for the period	-	60,681	-	-	60,681
Profit for the period	-	-	-	832	832
Other comprehensive income	-	60,681	-	832	61,513
Balance as at 30 June 2021 - Unaudited	<u>2,022,030</u>	<u>320,294</u>	<u>713,959</u>	<u>832</u>	<u>3,057,115</u>
Balance as at 1 January 2022 - Audited	2,022,030	524,718	671,151	2,546	3,220,445
Adjustment for revaluation surplus	(96,820)	20,622	76,198	-	-
Incremental depreciation on revaluation surplus on property and equipment - net of tax	-	43,373	(43,373)	-	-
Total comprehensive income for the period	-	-	-	-	-
Loss for the period	-	(673,895)	-	-	(673,895)
Other comprehensive income	-	-	-	1,676	1,676
	-	(673,895)	-	1,676	(672,219)
Balance as at 30 June 2022-Unaudited	<u>1,925,210</u>	<u>(85,182)</u>	<u>703,976</u>	<u>4,222</u>	<u>2,548,226</u>

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

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Condensed Interim Statement of Cash Flows (Un-audited)

For the six months ended 30 June 2022

		Six months ended 30 June 2022 (Un-audited)	Six months ended 30 June 2021 (Un-audited)
	Note	AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before tax		(842,369)	75,850
Adjustments for:			
Net impairment loss on loans and advances to customers		462,121	255,344
Provision against financial assets and off balance sheet items		(3,437)	(1,149)
Depreciation	8	95,189	74,020
Amortization	9	5,486	4,575
Finance cost		5,366	-
		(277,644)	408,640
(Increase)/ Decrease in assets			
Loans and advances to customers	7	469,869	470,987
Other assets	10	2,168,975	(434,371)
Increase/ (Decrease) in liabilities			
Deposits from customers	13	(1,379,569)	(1,524,991)
Other liabilities	15	(27,835)	(203,755)
		953,796	(1,283,490)
Tax paid		(78,332)	(10,807)
Net cash generated from / (used in) operating activities		875,464	(1,294,297)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(6,505)	(11,581)
Purchase of intangible assets		-	(7,287)
Investments	6	458,180	(1,024,877)
Net cash generated from / (used in) investing activities		451,675	(1,043,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(31,908)	(11,979)
Borrowing from financial institution		(29,162)	-
Net cash used in financing activities		(61,070)	(11,979)
Net increase / (decrease) in cash and cash equivalents		1,266,069	(2,350,021)
Cash and cash equivalents at beginning of the year		8,224,763	9,740,403
Cash and cash equivalents at end of the period		9,490,832	7,390,382
Cash and cash equivalents comprise of:			
Cash and balances with the Central Bank	4	1,832,609	5,556,380
Balances with other banks	5	7,658,223	1,834,002
Total		9,490,832	7,390,382

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


 CHIEF FINANCIAL OFFICER


 CHIEF EXECUTIVE OFFICER(Deputy)

AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 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 capital notes and overnight deposits constituted major sources of income for the Bank and currently, DAB has suspended interest on capital notes and overnight deposits pending further decision by the Cabinet. These events or conditions indicate material uncertainties exist that may cast significant doubt on the Bank's ability to continue as a going concern.

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

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

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

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Bank for the six months period ended 30 June 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.

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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

- 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. *Chen*

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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
4 CASH AND BALANCES WITH THE CENTRAL BANK	Note		
In hand:			
Local currency		620,381	444,806
Foreign currencies		800,281	439,921
		<u>1,420,662</u>	<u>884,727</u>
With Da Afghanistan Bank in:			
Local currency current accounts		258,286	301,715
Foreign currency current accounts		153,653	428,852
Overnight deposit with Central Bank	4.1	8	8
		<u>411,947</u>	<u>730,575</u>
		<u><u>1,832,609</u></u>	<u><u>1,615,302</u></u>

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

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
5 BALANCES WITH OTHER BANKS	Note		
In Afghanistan			
National Bank of Pakistan		660	775
Pashtany Bank		2,155	2,467
New Kabul Bank		9,039	42
Maiwand Bank		45,269	-
		<u>57,122</u>	<u>3,284</u>
Outside Afghanistan			
CSC Bank, Lebanon		77,497	110,826
Aktif Bank, Turkey		311,893	501,173
Ziraat Bank Uzbekistan		727,302	1,067,405
BMCE Bank, Spain		2,972,202	2,969,489
Nurol Bank, Turkey		2,910,470	1,307,916
Transkapital Bank, Russia		523,373	603,691
SBM Bank India		44,250	16,424
Al Salam Bank Bahrain		34,113	29,253
		<u>7,601,100</u>	<u>6,606,177</u>
	5.1	<u><u>7,658,223</u></u>	<u><u>6,609,462</u></u>

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

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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
6 INVESTMENTS	Note		
Placements - held to maturity			
Ziraat Bank Uzbekistan		175,460	-
Islamic Bank of Afghanistan		-	518,650
AL Salam Bank Bahrain		263,190	311,190
	6.1	438,650	829,840
Sovereign Sukuks			
Available For Sale		398,551	518,165
Held to Maturity		-	40,712
		398,551	558,877
Investment in gold-(Available For Sale)		296,310	302,166
Investment in equity securities - (Available For Sale)		100,213	-
Islamic Bank of Afghanistan - Saving Deposit		266	86
		396,790	302,252
General provision on investments	6.2	(4,387)	(8,298)
Investments - net of provision		1,229,604	1,682,671

6.1 These represent foreign currency fixed term placements with both foreign banks carrying interest rate ranging from 1.85% to 2.0% (2021: 1.5% to 4.40%) per annum and having maturity upto June 2023.

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
6.2 Particulars of provision against investments	Note		
Opening balance		8,298	16,577
Reversal for the period/ year		(3,911)	(8,279)
Closing balance	6.3	4,387	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.

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
7 LOANS AND ADVANCES TO CUSTOMERS	Note		
Conventional financing			
Running finance	7.1	4,369,950	5,148,498
Term finance	7.2	1,571,392	1,696,378
		5,941,342	6,844,876
Islamic financing			
Murabaha	7.3	157,914	186,714
Total loans and advances to customers - gross	7.4	6,099,256	7,031,590
Provision against non-performing loans and advances	7.5	(1,263,311)	(1,263,655)
Loans and advances to customers - net of provision		4,835,945	5,767,935

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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

- 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.

	30 June 2022 Un-audited	31 December 2021 Audited
	AFN '000'	
7.4 Particulars of loans and advances to customers - gross		
In local currency	3,639,150	3,662,480
In foreign currencies	2,460,106	3,369,110
	6,099,256	7,031,590
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	462,121	314,775
Write-off during the period/ year	(349,962)	(1,490,009)
Impact of translation	(112,503)	409,564
	(344)	(765,670)
Closing balance	1,263,311	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.

The relief with regard to asset classification and provisioning was initially effective until 30 June 2022 which has been further extended for 2 months.

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Notes to the Condensed Interim Financial Statements - (Un-audited)
For the six months ended 30 June 2022

			30 June 2022 Un-audited	31 December 2021 Audited
			AFN '000'	
8	PROPERTY AND EQUIPMENT	Note		
	Operating fixed assets			
	Owned	8.1	1,101,562	1,160,286
	Leased			
	- Right of use asset - building	8.2	108,494	44,519
			<u>1,210,056</u>	<u>1,204,805</u>
8.1	Cost			
	Opening balance		2,238,951	2,206,467
	Additions during the period/ year		6,505	32,225
	Revaluation adjustment during the period/year		-	259
	Closing balance		<u>2,245,456</u>	<u>2,238,951</u>
	Less: Accumulated depreciation			
	Opening balance		1,078,665	945,666
	Charge during the period/ year	8.3	65,229	131,697
	Disposals during the period/ year		-	1,302
	Closing balance		<u>1,143,894</u>	<u>1,078,665</u>
	Written down value as of		<u>1,101,562</u>	<u>1,160,286</u>
8.2	Right of use assets - building			
	Cost			
	Opening balance		173,268	164,229
	Additions during the period /year		97,389	23,215
	Deletion during the period/year		(5,605)	(14,176)
	Closing balance		<u>265,052</u>	<u>173,268</u>
	Less: Accumulated depreciation			
	Opening balance		128,749	110,628
	Depreciation expense for the period/year	8.3	29,960	32,297
	Deletion during the period/year		(2,152)	(14,176)
	Closing balance		<u>156,557</u>	<u>128,749</u>
	Written down value as of		<u>108,494</u>	<u>44,519</u>
8.3	Depreciation operating fixed assets			
	Owned		65,229	131,697
	Leased			
	- Right of use asset - building		29,960	32,297
			<u>95,189</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>
	Less: Accumulated amortization			
	Opening balance		252,719	242,978
	Charge for the period/ year		5,486	9,741
	Closing balance		<u>258,205</u>	<u>252,719</u>
	Written down value as of		<u>13,414</u>	<u>18,900</u>

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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

- 9.1 Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2021: 33.33%). The book value of fully amortized intangible assets still in use is AFN 239,775 thousand (2021: AFN 238,165 thousand).

		30 June 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
10 OTHER ASSETS	Note		
Advances to suppliers and employees		23,786	16,416
Security deposits	10.1	636,584	759,427
Prepayments		41,888	10,607
Balances with Daman Investments	10.2	5,641	56,113
Receivable from Xpress Money and Money Gram		302,406	1,776,410
Restricted deposits with Da Afghanistan Bank	10.3	1,110,498	1,608,506
Income/ mark-up accrued		229,488	257,738
BG Commission receivable		42,660	50,440
Others	10.4	6,219	32,487
		2,399,169	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 gaurantee issued by Pashtany Bank in favour of Da Afghanistan Breshna Sherkat (DABS) for the bills collection by the Bank on behalf of DABS.

- 10.2 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%.

	30 June 2022 Un-audited	31 December 2021 Audited
	AFN '000'	
10.4 Others		
Gross amount	25,244	49,380
Provision against other assets	(19,025)	(16,893)
	6,219	32,487

11 SHARE CAPITAL

11.1 Authorized capital

2022	2021		2022	2021
Number of shares			AFN '000'	
40,000,000	40,000,000	Ordinary shares of AFN 250 each	10,000,000	10,000,000

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			
7,700,840	8,088,120		1,925,210	2,022,030

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

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.

		30 June 2022 Un-audited	31 December 2021 Audited
	Note	AFN '000'	
12 REVALUATION RESERVE ON PROPERTY AND EQUIPMENT			
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		294,916	231,996
Building		979,904	946,005
		1,452,952	1,356,132
Accumulated incremental depreciation		(539,312)	(475,317)
Related deferred tax liability		(209,664)	(209,664)
		703,976	671,151
13 DEPOSITS FROM CUSTOMERS			
Conventional			
Current deposits		11,419,190	8,998,402
Saving deposits	13.1	374,468	427,360
Term deposits	13.2	488,214	582,851
Margin deposits		528,675	3,324,515
		12,810,547	13,333,128
Islamic			
Current deposits		1,812,927	1,950,670
Saving deposits	13.3	787,085	950,089
Term deposits	13.4	315,547	484,461
Margin deposits		138,480	525,807
		3,054,039	3,911,027
		15,864,586	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.

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)
For the six months ended 30 June 2022

	30 June 2022	31 December 2021
	Un-audited	Audited
	AFN '000'	
14 BORROWING FROM FINANCIAL INSTITUTION	267,371	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, 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. The contract was renewed on June 18, 2022 for another term of 3 months at an mark-up rate of 3.15%.

	30 June 2022	31 December 2021
	Un-audited	Audited
	AFN '000'	
15 OTHER LIABILITIES		
Creditors and accruals	42,355	31,924
Withholding tax payable	2,927	2,432
Properties lease liability	119,445	52,547
Murabaha risk and equalization reserve	87,108	83,401
Mark-up/ return/ interest payable	26,519	29,929
Deferred income on bank guarantees and letter of credits	21,449	51,793
Others	187,828	196,047
	487,631	448,073

16 CONTINGENCIES AND COMMITMENTS

LCs and BGs issued on behalf of the customers	16.1	4,515,924	8,211,366
Un-used commitments		277,884	294,498
16.1 This include outstanding BGs amounting to AFN 991 million (2021: AFN 1,298 million) issued under Islamic mode of finance.			

	Six months ended 30 June 2022 (Un-audited)	Six months ended 30 June 2021 (Un-audited)
	AFN '000'	
17 NET MARK-UP/ RETURN/ INTEREST INCOME		
Mark-up/ return/ interest earned		
- On loans and advances to customers	26,163	343,868
- On placements and balances with Da Afghanistan Bank	-	20,768
- On held to maturity investments	3,496	20,215
- On available for sale investments	5,748	2,092
- On overnight nostro deposits	10,133	6,498
- On Saving deposits	-	83
	45,540	393,523
Mark-up/ return/ interest expense		
Deposits from customers	(23,620)	(32,555)
	(23,620)	(32,555)
	21,920	360,968

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)
For the six months ended 30 June 2022

		Six months ended 30 June 2022 (Un-audited)	Six months ended 30 June 2021 (Un-audited)
		AFN '000'	
18	NET FEE AND COMMISSION INCOME		
	Fee and commission income		
	- Commission and processing fee on guarantees issued	40,208	163,099
	- Commission and processing fee on letters of credit issued	183	1,513
	- Funds transfer, cheque books issuance fee and other service charges	242,899	73,677
		<u>283,290</u>	<u>238,289</u>
	Fee and commission expense		
	- Inter bank transaction fee	(4,271)	(5,421)
		<u>279,019</u>	<u>232,868</u>
19	FOREIGN EXCHANGE (LOSS)/ GAIN - NET	<u>(358,118)</u>	<u>(11,663)</u>
19.1	Foreign exchange (loss)/ gain - net		
	- On dealing in foreign currencies	490,763	28,949
	- On translation of monetary assets and liabilities	(848,881)	(40,612)
		<u>(358,118)</u>	<u>(11,663)</u>
20	OTHER INCOME		
	Recovery against loans written off	2,427	94,314
	Loan processing fee	-	14,205
	Others	17,017	12,914
		<u>19,444</u>	<u>121,433</u>
21	EMPLOYEE COMPENSATION		
	Salaries and wages	95,256	104,777
	BOS remuneration and meeting expenses	5,357	3,525
	Other allowances and benefits	14,017	19,681
		<u>114,630</u>	<u>127,983</u>
22	OTHER EXPENSES		
	Communication	9,160	12,046
	Travelling and conveyance	1,543	2,026
	Insurance	23,254	33,652
	Advertisement	3,118	3,612
	Fuel expenses	6,712	4,218
	Food expenses	3,658	445
	Audit fee	4,998	4,424
	Repairs and maintenance	23,730	33,325
	Legal and professional charges	1,943	682
	Stationery and printing	5,471	4,003
	Staff training	66	983
	Utilities	8,158	7,759
	Security services	11,363	35,586
	Miscellaneous	19,598	19,623
		<u>122,773</u>	<u>162,384</u>

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

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

The Bank is owned by individual shareholders who own Bank's shares in different proportions.

Key management personnel

Key management personnel includes Board of Supervisors, Chief Executive Officer, 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 six months ended	Audited Year ended	Un-audited six months ended	Un-audited six months ended
	30-Jun-22	31-Dec-21	30-Jun-22	30-Jun-21
	AFN '000'			
Shareholders				
Deposits	2,074	2,391	-	52
Transactions with key management personnel				
Salary and other benefits	-	-	20,382	17,914
Advance salary	2,506	137	-	404
Board of Supervisors meeting expenses	-	-	5,357	3,525

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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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

30 June 2022	31 December 2021
Un-audited	Audited
AFN '000'	

The Bank's regulatory capital position at 30 June 2022 was as follows:

Tier 1 capital

Total Equity	2,548,226	3,220,445
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Less:

Intangible assets	13,414	18,900
Profit for the period/ year	-	222,296
Other Equity Components (revaluation reserve)	708,198	673,697

Total tier 1 (core) capital

	721,612	914,893
	1,826,614	2,305,552

Tier 2 capital

Profit for the period/ year	-	222,296
Other Equity Components (revaluation reserve)	705,876	672,297

Total tier 2 (supplementary) capital

	705,876	894,593
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Total regulatory capital

	2,532,490	3,200,145
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Risk-Weight Categories**0% risk weight:**

Cash in Afghani and fully-convertible foreign currencies	1,420,662	884,727
Direct claims on DAB	1,522,445	2,339,081

Total

	2,943,107	3,223,808
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0% Risk-Weight Total (Above Total x 0%)

	-	-
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20% risk weight

Direct Claims on banks licensed in Category A countries	2,972,202	2,969,489
Short-term Claims on Banks Licensed In Non-Category A Countries guaranteed by Multilateral Lending Institutions	5,124,936	4,469,899

Total

	8,097,139	7,439,388
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20% Risk-Weight Total (Above Total x 20%)

	1,619,428	1,487,878
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100% risk weight

All Other Assets	9,617,286	12,092,868
Minus: Intangible Assets	13,414	18,900

Total

	9,603,872	12,073,968
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100% Risk-Weight Total (Above Total x 100%)

	9,603,872	12,073,968
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Off-balance-sheet items with 0% Credit Conversion Factor

Unused Portions of Commitments with Original Maturity of 1 Year or Less	277,884	294,498
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Total

	277,884	294,498
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0% Credit Conversion Factor Total (Above Total x 0%)

	-	-
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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)

For the six months ended 30 June 2022

	30 June 2022 Un-audited	31 December 2021 Audited
	AFN '000'	
Off-balance-sheet items with 20% Credit Conversion Factor		
Commercial Letter of Credits		
0 % Risk Weight	-	14,269
100% Risk Weight	-	128,423
Total	-	142,692
 Risk-Weighted Total	-	128,423
 20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	-	25,685
 Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	746,950	2,165,765
100% Risk Weight	3,768,974	5,902,908
Total	4,515,924	8,068,673
 100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	3,768,974	5,902,908
 Total Risk-Weighted Assets	14,992,274	19,490,439
 Tier 1 Capital Ratio	12.18%	11.83%
 Regulatory Capital Ratio	16.89%	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 13th Aug 2022

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER(Deputy)