

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 September 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 related notes to the condensed interim financial statements for the nine months then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at 30 September 2022, and of its financial performance and its cash flows for the nine months period then ended in accordance International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Law of Banking in Afghanistan and the directives issued by the central bank of Afghanistan.

**Crowe Horwath Afghanistan**

Engagement Partner: Muhammad Najmussaib Shah - FCA



AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Un-audited)

As at 30 September 2022

		30 September 2022 Un-audited	31 December 2021 Audited
	Note	AFN '000'	
ASSETS			
Cash and balances with the Central Bank	4	2,465,478	1,615,302
Balances with other banks	5	6,054,734	6,609,461
Investments	6	1,201,063	1,682,671
Loans and advances to customers - net	7	4,827,273	5,767,935
Property and equipment	8	1,179,509	1,204,805
Intangible assets	9	11,856	18,900
Other assets	10	2,245,222	4,568,144
Total assets		17,985,135	21,467,218
EQUITY AND LIABILITIES			
EQUITY			
Issued and paid up capital	11	1,925,210	2,022,030
Retained earnings		(138,477)	524,718
Revaluation reserve on property and equipment	12	682,148	671,151
Revaluation reserve on Available for Sale Investments		(54,200)	2,546
Total equity		2,414,681	3,220,445
LIABILITIES			
Deposits from customers	13	14,731,012	17,244,155
Borrowing from financial institution	14	341,376	296,533
Deferred tax liability - net		15,742	203,097
Provision for tax		-	54,915
Other liabilities	15	482,324	448,073
Total liabilities		15,570,454	18,246,773
Total equity and liabilities		17,985,135	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

AFGHAN UNITED BANK

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months ended 30 September 2022

		Nine months ended		Three months ended	
		30-Sep-22 (Un-audited)	30-Sep-21 (Un-audited)	30-Sep-22 (Un-audited)	30-Sep-21 (Un-audited)
	Note	AFN '000'			
Mark-up/ return/ interest earned		65,353	608,683	19,813	215,160
Mark-up/ return/ interest expense		(32,142)	(42,877)	(8,522)	(10,322)
Net mark-up/ return/ interest income	17	33,211	565,806	11,291	204,838
Fee and commission income		494,205	293,808	210,915	55,519
Fee and commission expense		(9,035)	(8,366)	(4,764)	(2,945)
Net fee and commission income	18	485,170	285,442	206,151	52,574
Loss on sale of foreign currency bonds - net		(11,399)	-	(11,399)	-
Foreign exchange gain/ (loss) - net	19	(481,224)	89,142	(123,109)	100,805
Other income	20	26,751	130,854	7,307	9,421
Net operating income		52,509	1,071,244	101,640	367,638
Provision against non-performing loans and advances to customers	7	(460,660)	(345,937)	1,461	(90,593)
Net provision against investment, off balance sheet items and other assets		3,437	5,416	-	4,267
Depreciation	8	(136,429)	(120,239)	(41,240)	(46,219)
Amortization of intangible	9	(8,161)	(7,053)	(2,675)	(2,478)
Employee compensation	21	(176,177)	(185,436)	(61,547)	(57,453)
Finance cost		(6,746)	(1,497)	(1,381)	(659)
Short term and low value leases		(3,816)	(5,327)	(1,307)	(1,565)
Other expenses	22	(200,229)	(234,829)	(77,456)	(72,446)
(Loss)/ Profit before tax		(936,272)	176,342	(82,504)	100,492
Income tax expense		187,254	(35,267)	18,780	(20,098)
(Loss)/ Profit for the period		(749,018)	141,075	(63,724)	80,394
Other comprehensive income					
Items that will be reclassified to profit and loss account in subsequent periods:					
Deficit on revaluation of available for sale investments		(56,746)	(3,840)	(58,422)	(4,673)
Total comprehensive (loss)/ income for the period		(805,764)	137,235	(122,146)	75,721

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 Changes in Equity (Un-audited)
For the nine months ended 30 September 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	-	64,213	(64,213)	-	-
<i>Total comprehensive income for the period</i>					
Profit for the period	-	141,075	-	-	141,075
Other comprehensive income	-	-	-	(3,840)	(3,840)
	-	141,075	-	(3,840)	137,235
Balance as at 30 September 2021 - Unaudited	<u>2,022,030</u>	<u>422,093</u>	<u>692,554</u>	<u>(3,840)</u>	<u>3,132,837</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)	21,611	75,209	-	-
Incremental depreciation on revaluation surplus on property and equipment - net of tax	-	64,212	(64,212)	-	-
<i>Total comprehensive income for the period</i>					
Loss for the period	-	(749,018)	-	-	(749,018)
Other comprehensive income	-	-	-	(56,746)	(56,746)
	-	(749,018)	-	(56,746)	(805,764)
Balance as at 30 September 2022 - Unaudited	<u>1,925,210</u>	<u>(138,477)</u>	<u>682,148</u>	<u>(54,200)</u>	<u>2,414,681</u>

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

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CHIEF EXECUTIVE OFFICER

AFGHAN UNITED BANK

Condensed Interim Statement of Cash Flows (Un-audited)

For the nine months ended 30 September 2022

		Nine months ended 30 September 2022 (Un-audited)	Nine months ended 30 September 2021 (Un-audited)
	Note	AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before tax		(936,272)	176,342
Adjustments for:			
Net impairment loss on loans and advances to customers		460,660	345,937
Provision against financial assets and off balance sheet items		(3,437)	(5,416)
Depreciation	8	136,429	120,239
Amortization	9	8,161	7,053
Loss on derecognition of ROU asset		3,453	-
Finance cost		6,746	1,497
		(324,260)	645,652
(Increase)/ Decrease in assets			
Loans and advances to customers	7	480,002	217,296
Other assets	10	2,322,922	(76,390)
Increase/ (Decrease) in liabilities			
Deposits from customers	13	(2,513,143)	(3,798,343)
Other liabilities	15	(31,016)	1,791
		(65,494)	(3,009,994)
Tax paid		(55,016)	(11,644)
Net cash used in operating activities		(120,510)	(3,021,638)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(12,013)	(27,845)
Purchase of intangible assets		(1,117)	(7,287)
Investments	6	428,299	30,468
Net cash used in investing activities		415,169	(4,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(44,053)	(11,919)
Borrowing from financial institution		44,843	-
Cash used in from financing activities		790	(11,919)
Net decrease in cash and cash equivalents		295,449	(3,038,221)
Cash and cash equivalents at beginning of the year		8,224,763	9,740,403
Cash and cash equivalents at end of the period		8,520,212	6,702,182
Cash and cash equivalents comprise of:			
Cash and balances with the Central Bank	4	2,465,478	2,061,052
Balances with other banks	5	6,054,734	4,641,130
		8,520,212	6,702,182

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER

AFGHAN UNITED BANK

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

For the nine months ended 30 September 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 It is more than a year since the Regime change in Afghanistan. The banking sector and the economy are taking baby steps to limp back to normalcy. The Interim Government is also taking steps to facilitate the same. The humanitarian aid by the multilateral agencies, Western Governments and the UN agencies have helped in sustaining the economy. Other redeeming features are growing signs of international trade, exports of coal and minerals from the country, keen interest shown by several countries to help the Afghan economy and the people. The Ministries have started awarding domestic contracts where several local and international firms are participating.

The Central Bank of Afghanistan (DAB) on its parts continue to support the banking sector. They have helped stem the run on banks by

- ▶ Imposing strict limits on the cash withdrawals,
- ▶ Imposed restrictions on international transactions to stem capital outflows,
- ▶ Frozen the ACPR as on 30 June 2020 till 28 Feb 2023
- ▶ Imposed ban on BG invocations
- ▶ Reduced 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.

However, several challenges still persist.

- ▶ Interest income on capital notes and overnight deposits have been suspended pending further decision by the Cabinet.
- ▶ Due to hard impact on the financials and cash flows of corporates most of them have defaulted and the NPLs are on the rise and the interest income on loans have all but vanished
- ▶ There are huge unsettled receivables of corporates from the previous Government which have an impact on bank's loan quality
- ▶ There is uncertainty on recoverability of interest due to the insistence on Shariah compliance
- ▶ The courts and legal and other support system so essential for selling the collaterals to recover the bad loans are not functional

Management is closely monitoring the situation and has implemented several measures 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 ensuring continued liquidity by broad basing its clientele and providing cash withdrawals as per DAB regulations.
- ▶ Money Gram continue to provide services in Afghanistan, and international money transfer services are also provided by the Bank through Money Gram. AUB is the sole authorized agent for MG and has received steady inward USDs to the tune of \$250 mil during the current year.
- ▶ The Bank currently holds sufficient liquid assets to make payments against deposit withdrawals. All the telecom operators in the country have accounts with the Bank and provide liquid cash in AFS and USD locally.
- ▶ The Bank also provides FTT services to its customers like Breshna and MTN and also other major customers via their Nostro Accounts. The bank is efficiently managing its NOSTRO accounts to ensure FTTs and this year have effected nearly \$280 million for its customers helping in the nation building efforts.

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

For the nine months ended 30 September 2022

► The Bank's loan portfolio though under huge stress has the ability to service the defaults because of the strong collateral security it has. The FSV of the collaterals far exceed the loan outstanding's giving the ability to recover those once the courts start functioning.

► The shareholder has also give a commitment to infuse the required capital from his receivables from the Government.

Based on above, the financial statements have been prepared on a going concern basis and the Bank is confident of meeting the solvency and liquidity challenges even if the central bank lifts the present restrictions.

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Bank for the nine months period ended 30 September, 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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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the nine months ended 30 September 2022

		30 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
6 INVESTMENTS	Note		
Placements - held to maturity			
Ziraat Bank Uzbekistan		176,460	-
Islamic Bank of Afghanistan		-	518,650
AL Salam Bank Bahrain		264,690	311,190
	6.1	441,150	829,840
Sovereign Sukuks			
Available For Sale		237,460	518,165
Held to Maturity		-	40,712
		237,460	558,877
Investment in gold-(Available For Sale)		235,438	302,166
Investment in equity securities - (Available For Sale)		291,159	-
Islamic Bank of Afghanistan - Saving Deposit		268	86
		526,865	302,252
General provision on investments	6.2	(4,412)	(8,298)
Investments - net of provision		1,201,063	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 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
6.2 Particulars of provision against investments	Note		
Opening balance		8,298	16,577
Reversal for the period/ year		(3,886)	(8,279)
Closing balance	6.3	4,412	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 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
7 LOANS AND ADVANCES TO CUSTOMERS	Note		
Conventional financing			
Running finance	7.1	4,364,931	5,148,498
Term finance	7.2	1,554,216	1,696,378
		5,919,147	6,844,876
Islamic financing			
Murabaha	7.3	158,814	186,714
Total loans and advances to customers - gross	7.4	6,077,961	7,031,590
Provision against non-performing loans and advances	7.5	(1,250,688)	(1,263,655)
Loans and advances to customers - net of provision		4,827,273	5,767,935

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

For the nine months ended 30 September 2022

- 7.1 These carry interest ranging between 10% to 15% (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 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
7.4	Particulars of loans and advances to customers - gross		
	In local currency	3,622,473	3,662,480
	In foreign currency	2,455,488	3,369,110
		6,077,961	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	460,660	314,775
	Write-off during the period/ year	(363,424)	(1,490,009)
	Impact of translation	(110,203)	409,564
		(12,967)	(765,670)
	Closing balance	1,250,688	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. Cosequently 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 was extended for 2 months till August 2022 and has been further extended for 6 months till 28 February 2023 under letter No. 3101 dated 29 September 2022.

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

For the nine months ended 30 September 2022

		<div>30 September 2022</div> <div>Un-audited</div>		<div>31 December 2021</div> <div>Audited</div>	
		AFN '000'			
8	PROPERTY AND EQUIPMENT	Note			
	Operating fixed assets				
	Owned	8.1	1,074,839		1,160,286
	Leased				
	- Right of use asset - building	8.2	104,670		44,519
			<u>1,179,509</u>		<u>1,204,805</u>
8.1	Cost				
	Opening balance		2,238,951		2,206,467
	Additions during the period/ year		12,013		32,225
	Revaluation adjustment during the period/year		-		259
	Adjustments/Disposals during the period/ year		4,704		-
	Closing balance		<u>2,255,668</u>		<u>2,238,951</u>
	Less: Accumulated depreciation				
	Opening balance		1,078,665		945,666
	Charge during the period/ year	8.3	97,460		131,697
	Adjustment/Disposals during the period/ year		4,704		1,302
	Closing balance		<u>1,180,829</u>		<u>1,078,665</u>
	Written down value as of		<u>1,074,839</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		102,573		23,215
	Deletion during the period/year		(65,018)		(14,176)
	Closing balance		<u>210,824</u>		<u>173,268</u>
	Less: Accumulated depreciation				
	Opening balance		128,749		110,628
	Depreciation expense for the period/year	8.3	38,969		32,297
	Deletion during the period/year		(61,564)		(14,176)
	Closing balance		<u>106,153</u>		<u>128,749</u>
	Written down value as of		<u>104,670</u>		<u>44,519</u>
8.3	Depreciation operating fixed assets				
	Owned		97,460		131,697
	Leased				
	- Right of use asset - building		38,969		32,297
			<u>136,429</u>		<u>163,994</u>
9	INTANGIBLE ASSETS				
	Cost				
	Opening balance		271,619		260,621
	Additions during the period/ year		1,117		10,998
	Closing balance		<u>272,736</u>		<u>271,619</u>
	Less: Accumulated amortization				
	Opening balance		252,719		242,978
	Charge for the period/ year		8,161		9,741
	Closing balance		<u>260,880</u>		<u>252,719</u>
	Written down value as of		<u>11,856</u>		<u>18,900</u>

- 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).

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AFGHAN UNITED BANK

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

For the nine months ended 30 September 2022

		30 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
10	OTHER ASSETS	Note	
	Advances to suppliers and employees		20,74016,416
	Security deposits	10.1	640,290759,427
	Prepayments		30,33510,607
	Balances with Daman Investments	10.2	47,82656,113
	Receivable from Money Gram		127,3151,776,410
	Required Reserve balance with Da Afghanistan Bank	10.3	1,073,0641,608,506
	Income/ mark-up accrued		232,828257,738
	BG Commission receivable		42,90350,440
	Advance tax - net		23,317-
	Others	10.4	6,60432,487
			2,245,2224,568,144

10.1 This includes present value of grawe advance of Mazar branch amounting to USD 202,455. 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 September 2022	31 December 2021
		Un-audited	Audited
		AFN '000'	
10.4	Others		
	Gross amount	12,951	49,380
	Provision against other assets	(6,347)	(16,893)
		6,604	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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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the nine months ended 30 September 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 21,611 thousand has been realized in the retained earnings as per accounting policy followed by the Bank by reducing the revaluation surplus.

	Note	30 September 2022	31 December 2021
		Un-audited	Audited
		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		(561,140)	(475,317)
Related deferred tax liability		(209,664)	(209,664)
		682,148	671,151
13 DEPOSITS FROM CUSTOMERS			
Conventional			
Current deposits		7,962,381	8,998,402
Saving deposits	13.1	373,883	427,360
Term deposits	13.2	490,993	582,851
Margin deposits		2,906,059	3,324,515
		11,733,316	13,333,128
Islamic			
Current deposits		1,412,734	1,950,670
Saving deposits	13.3	630,312	950,089
Term deposits	13.4	455,160	484,461
Margin deposits		499,490	525,807
		2,997,696	3,911,027
		14,731,012	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 0.17% to 0.26% (2021: 0.18% to 0.30%) per annum.
- 13.4 Profit distribution rates on Islamic term deposits during the period ranged from 1.25% to 2.43% (2021: 0.75% to 2.10%) per annum.



AFGHAN UNITED BANK

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

		30 September 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
14	BORROWING FROM FINANCIAL INSTITUTION	341,376	296,533
<p>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%. The same contract was renewed on September 18, 2022 for another term of 3 months at a mark-up rate of 4.25% with haircut of 10% on bonds values.</p>			
		30 September 2022 Un-audited	31 December 2021 Audited
		AFN '000'	
15	OTHER LIABILITIES		
	Creditors and accruals	43,205	31,924
	Withholding tax payable	3,754	2,432
	Properties lease liability	117,814	52,547
	Murabaha risk and equalization reserve	87,295	83,401
	Mark-up/ return/ interest payable	27,260	29,929
	Deferred income on bank guarantees and letter of credits	14,598	51,793
	Others	188,397	196,047
		482,324	448,073
16	CONTINGENCIES AND COMMITMENTS		
	LCs and BGs issued on behalf of the customers	3,753,354	8,211,366
	Un-used commitments	280,717	294,498
16.1	This include outstanding BGs amounting to AFN 443 million (2021: AFN 1,298 million) issued under Islamic mode of finance.		
		Nine months ended 30 Sept 2022 (Un-audited)	Nine months ended 30 Sept 2021 (Un-audited)
		AFN '000'	
17	NET MARK-UP/ RETURN/ INTEREST INCOME		
	Mark-up/ return/ interest earned		
	- On loans and advances to customers	33,140	532,000
	- On placements and balances with Da Afghanistan Bank	-	32,261
	- On held to maturity investments	5,675	29,609
	- On available for sale investments	8,485	4,995
	- On overnight nostro deposits	18,053	9,640
	- On Saving deposits	-	178
		65,353	608,683
	Mark-up/ return/ interest expense		
	Deposits from customers	(32,142)	(42,877)
		(32,142)	(42,877)
		33,211	565,806

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AFGHAN UNITED BANK

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

		Nine months ended 30 Sept 2022 (Un-audited)	Nine months ended 30 Sept 2021 (Un-audited)
		AFN '000'	
18	NET FEE AND COMMISSION INCOME		
	Fee and commission income		
	- Commission and processing fee on guarantees issued	51,654	194,669
	- Commission and processing fee on letters of credit issued	183	2,097
	- Funds transfer, cheque books issuance fee and other service charges	442,368	97,042
		494,205	293,808
	Fee and commission expense		
	- Inter bank transaction fee	(9,035)	(8,366)
		485,170	285,442
19	FOREIGN EXCHANGE (LOSS)/ GAIN - NET	(481,227)	89,142
19.1	Foreign exchange (loss)/ gain - net		
	- On dealing in foreign currencies	629,112	62,788
	- On translation of monetary assets and liabilities	(1,110,339)	26,354
		(481,227)	89,142
20	OTHER INCOME		
	Recovery against loans written off	2,490	94,875
	Loan processing fee	-	16,814
	Others	24,261	19,165
		26,751	130,854
21	EMPLOYEE COMPENSATION		
	Salaries and wages	146,585	152,388
	BOS remuneration and meeting expenses	7,821	5,850
	Other allowances and benefits	21,771	27,198
		176,177	185,436
22	OTHER EXPENSES		
	Communication	13,897	18,790
	Travelling and conveyance	2,297	2,473
	Insurance	33,269	49,163
	Advertisement	3,472	4,963
	Fuel expenses	13,786	7,585
	Food expenses	5,638	1,778
	Audit fee	7,608	8,431
	Repairs and maintenance	45,971	49,646
	Legal and professional charges	2,122	904
	Stationery and printing	8,707	4,914
	Staff training	(101)	1,779
	Utilities	12,713	11,084
	Security services	23,033	53,352
	Miscellaneous	27,817	19,968
		200,229	234,830
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.

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AFGHAN UNITED BANK

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

For the nine months ended 30 September 2022

Transactions with related parties

Transactions and balances with related parties, including remuneration and benefits paid to key management personnel under the terms of their employment are as follows:

	Balances		Transactions	
	Un-audited nine months ended 30-Sep-22	Audited Year ended 31-Dec-21	Un-audited nine months ended 30-Sep-22	Un-audited nine months ended 30-Sep-21
	AFN '000'			
Shareholders				
Deposits	2,081	2,391	-	126
Transactions with key management personnel				
Salary and other benefits	-	-	33,541	27,790
Advance salary	440	137	-	404
Board of Supervisors meeting expenses	-	-	7,821	5,850

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 nine months ended 30 September 2022

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

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

Tier 1 capital

Total Equity	2,414,681	3,220,445
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Less:

Intangible assets	11,856	18,900
Profit for the period/ year	-	222,296
Other Equity Components (revaluation reserve)	627,948	673,697

639,804	914,893
1,774,877	2,305,552

Total tier 1 (core) capital**Tier 2 capital**

Profit for the period/ year	-	222,296
Other Equity Components (revaluation reserve)	657,758	672,297

Total tier 2 (supplementary) capital	657,758	894,593
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Total regulatory capital	2,432,635	3,200,145
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Risk-Weight Categories**0% risk weight:**

Cash in Afghani and fully-convertible foreign currencies	1,040,619	884,727
Direct claims on DAB	2,497,923	2,339,081

Total	3,538,542	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	1,416,854	2,969,489
Short-term Claims on Banks Licensed In Non-Category A Countries guaranteed by Multilateral Lending Institutions	5,079,298	4,469,899

Total	6,496,152	7,439,388
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20% Risk-Weight Total (Above Total x 20%)	1,299,230	1,487,878
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100% risk weight

All Other Assets	9,224,641	12,092,868
Minus: Intangible Assets	11,856	18,900

Total	9,212,785	12,073,968
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100% Risk-Weight Total (Above Total x 100%)	9,212,785	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	280,717	294,498
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Total	280,717	294,498
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0% Credit Conversion Factor Total (Above Total x 0%)	-	-
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Notes to the Condensed Interim Financial Statements - (Un-audited)

For the nine months ended 30 September 2022

	30 September 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	1,081,634	2,165,765
100% Risk Weight	2,671,720	5,902,908
Total	3,753,354	8,068,673
 100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	2,671,720	5,902,908
 Total Risk-Weighted Assets	13,183,735	19,490,439
 <u>Tier 1 Capital Ratio</u>	13.46%	11.83%
 <u>Regulatory Capital Ratio</u>	18.45%	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 14-11-2022 *cm*


CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER