



Grant Thornton

Condensed interim financial statements and auditors' review report to Afghan United bank

For the three months ended March 31, 2023

Auditors:

Grant Thornton Afghanistan

Chartered Accountants and Management Consultants



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Independent Auditor's Review Report on Condensed Interim Financial Statements

Grant Thornton Afghanistan
House #611, Street # 12
Qualle Fatehullah, Kabul
Afghanistan
T +93 202 202 475
M+93 789 314 616
www.grantthornton.af

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 March 31, 2023 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) and the Law of Banking in Afghanistan and other laws and regulations 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.

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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 March 31, 2023, and of its financial performance and its 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) and the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

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Grant Thornton Afghanistan

Engagement Partner: Saqib Rehman Qureshi
Kabul, Afghanistan

Date: *13th May, 2023*



AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Un-audited)

As at 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
	Note		
ASSETS			
Cash and balances with the Central Bank	4	4,464,686	1,941,982
Balances with other banks	5	6,654,909	6,768,499
Investments	6	1,077,617	1,057,162
Loans and advances to customers - net	7	4,735,273	4,807,993
Property and equipment	8	1,171,391	1,173,152
Intangible assets	9	10,902	13,602
Deferred tax asset - net		21,882	16,062
Other assets	10	2,662,388	2,369,155
Total assets		20,799,048	18,147,607
EQUITY AND LIABILITIES			
EQUITY			
Issued and paid up capital	11	1,925,210	1,925,210
Retained earnings		(132,979)	(97,907)
Revaluation reserve on property and equipment	12	638,491	660,319
Revaluation reserve on Available for Sale Investments		(43,698)	(75,903)
Total equity		2,387,024	2,411,719
LIABILITIES			
Deposits from customers	13	17,679,500	15,073,245
Borrowing from financial institution	14	187,973	192,881
Other liabilities	15	544,551	469,762
Total liabilities		18,412,024	15,735,888
Total equity and liabilities		20,799,048	18,147,607
CONTINGENCIES AND COMMITMENTS	16		CTA

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 three months ended 31 March 2023

	Note	Three months ended	
		31-Mar-23	31-Mar-22
		AFN '000'	
Mark-up/ return/ interest earned		5,812	26,511
Mark-up/ return/ interest expense		(5,074)	(16,075)
Net mark-up/ return/ interest income	17	738	10,436
Fee and commission income		163,342	133,777
Fee and commission expense		(1,020)	(2,435)
Net fee and commission income	18	162,322	131,342
Foreign exchange gain/ (loss) - net	19	(71,989)	(255,409)
Other income	20	12,293	10,073
Net operating (loss)/income		103,364	(103,558)
Provision against non-performing loans and advances to customers	7	343	(468,950)
Net provision against investment, off balance sheet items and other assets		-	5,156
Depreciation	8	(42,300)	(52,042)
Amortization of intangible	9	(2,700)	(2,787)
Employee compensation	21	(65,651)	(56,359)
Finance cost		(1,963)	(3,453)
Short term and low value leases		(560)	(1,138)
Other expenses	22	(61,659)	(66,852)
(Loss)/ Profit before tax		(71,125)	(749,984)
Income tax expense		14,225	149,997
(Loss)/ Profit for the period		(56,900)	(599,987)
Other comprehensive income			
Items that will be reclassified to profit and loss account in subsequent periods:			
Net Gain/(Loss) on remeasurement of available for sale investments		32,205	(5,329)
Total comprehensive (loss)/ income for the period		(24,695)	(605,316)

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

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER

AFGHAN UNITED BANK

Condensed Interim Statement of Changes in Equity (Un-audited)

For the three months ended 31 March 2023

	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 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	-	21,545	(21,545)	-	-
Total comprehensive income for the period					
Loss for the period	-	(599,987)	-	-	(599,987)
Other comprehensive income	-	-	-	(5,329)	(5,329)
	-	(599,987)	-	(5,329)	(605,316)
Balance as at 31 March 2022 - Unaudited	1,925,210	(33,101)	725,804	(2,783)	2,615,129
Balance as at 1 January 2023 - Audited	1,925,210	(97,907)	660,319	(75,903)	2,411,719
Adjustment for revaluation surplus	-	-	-	-	-
Incremental depreciation on revaluation surplus on property and equipment - net of tax	-	21,828	(21,828)	-	-
Total comprehensive income for the period					
Loss for the period	-	(56,900)	-	-	(56,900)
Other comprehensive income	-	-	-	32,205	32,205
	-	(56,900)	-	32,205	(24,695)
Balance as at 31 March 2023 - Unaudited	1,925,210	(132,979)	638,491	(43,698)	2,387,024

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

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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER

AFGHAN UNITED BANK

Condensed Interim Statement of Cash Flows (Un-audited)

For the three months ended 31 March 2023

		Three months ended	
		31-Mar-23	31-Mar-22
	Note	AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(71,125)	(749,984)
Adjustments for:			
Net provision against investments, off balance		(343)	468,950
Net provision against investments, off balance sheet items and other assets		-	(5,156)
Depreciation	8	42,300	52,042
Amortization	9	2,700	2,787
Finance cost		1,963	3,453
		(24,506)	(227,908)
(Increase)/ Decrease in assets			
Loans and advances to customers	7	73,063	406,393
Other assets	10	(293,233)	1,918,114
Increase/ (Decrease) in liabilities			
Deposits from customers	13	2,606,255	(2,747,258)
Other liabilities	15	(47,780)	(193,405)
Deferred tax		(5,820)	-
		2,307,979	(844,064)
Income tax paid		14,225	(50,790)
Net cash used in operating activities		2,322,204	(894,854)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(2,685)	(1,001)
Modification/Adjustment in right-of-use assets	8	323	-
Purchase of intangible assets		-	-
Investments	6	11,750	684,385
Net cash generated from investing activities		9,388	683,384
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		82,430	68,407
Borrowing from financial institution		(4,908)	-
Net cash generated from financing activities		77,522	68,407
Net decrease in cash and cash equivalents		2,409,114	(143,063)
Cash and cash equivalents at beginning of the year		8,710,481	8,224,763
Cash and cash equivalents at end of the period		11,119,595	8,081,700
Cash and cash equivalents comprise of:			
Cash and balances with the Central Bank	4	4,464,686	4,032,279
Balances with other banks	5	6,654,909	4,049,423
		11,119,595	8,081,702

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

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 CHIEF FINANCIAL OFFICER


 CHIEF EXECUTIVE OFFICER

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

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 fledged bank principally engaged in the business of commercial banking with a network of 25 branches including two full fledged 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.

2 BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Bank for the three months period ended 31 March, 2023 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 2022.

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 2022.
- 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 2022.
- 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 2022.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

4 CASH AND BALANCES WITH THE CENTRAL BANK**In hand:**

Local currency

Foreign currencies

With Da Afghanistan Bank in:

Local currency current accounts

Foreign currency current accounts

Overnight deposit with Central Bank

31-Mar-23	31-Dec-22
Un-audited	Audited
AFN '000'	
441,512	757,290
326,948	407,712
768,460	1,165,002
187,359	715,902
3,508,859	61,071
8	8
3,696,226	776,980
4,464,686	1,941,982

5 BALANCES WITH OTHER BANKS**In Afghanistan-current accounts**

National Bank of Pakistan

Pashtany Bank

New Kabul Bank

Maiwand Bank

In Afghanistan-saving accounts

Islamic Bank of Afghanistan

Outside Afghanistan

CSC Bank, Lebanon

Aktif Bank, Turkey

BMCE Bank, Spain

Nurol Bank, Turkey

Transkapital Bank, Russia

Ziraat Bank Uzbekistan

SBM Bank India

Al Salam Bank Bahrain

Orien Bank, Tajikistan

Yes Bank India

Turkmenbashi Bank, Turkmanistan

Siraj Finance PJSC, UAE

Zhejiang Chouzhou Commercial Bank, China

654	671
2,133	2,179
34	36
91,039	46,025
93,861	48,911
75,520	62,174
309,080	317,043
218,701	156,543
1,908,331	2,442,179
9,372	9,419
720,752	739,571
43,766	119,177
1,348,173	1,867,310
897,442	920,731
114,545	85,170
111,881	-
588,333	-
214,886	-
6,560,784	6,719,318
6,654,909	6,768,499

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
	Note	AFN '000'	
6 INVESTMENTS			
Placements - held to maturity			
Ziraat Bank Uzbekistan		173,880	178,420
AL Salam Bank Bahrain		260,820	267,630
	6.1	434,700	446,050
General provision on investments	6.5	(4,347)	(4,461)
Total placements-net of provision		430,353	441,590
Sovereign Sukuks			
Available For Sale	6.2	236,441	240,608
Investment in equity securities			
Available for sale	6.3	136,150	115,527
Investment in gold bullion			
Available for sale	6.4	274,673	259,437
Investment-net		1,077,617	1,057,162

6.1 These represent foreign currency fixed term placements with both foreign banks carrying interest rate ranging from 1.85% to 2.0% (2022: 1.85% to 2.0%) per annum and having maturity upto June 2023.

6.2 This represents investment in sukuks with Kindom of Saudi Arabia, UAE, and Dubai Islamic Bank having maturity ranging 2026 to 2030 (2022: 2026 to 2030) and carry profit rates ranging from 1.92% to 2.67% (2022: 1.92% to 2.67%) per annum.

6.3 This represents securities investment in autocallable notes with Barclays and Leonteq amounting to AFN 184.25 million (2022: AFN 187.34 million) with maturities during 2023 and carry interest ranging from 9.5% to 19.5% (2022: 9.5% to 19.5%) per annum.

6.4 This represents investment in gold, delivered under the custody of an specialized agent in UAE. The Bank can dispose the investment with ease and without incurring any other costs.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
Note		AFN '000'	
6.5 Particulars of provision against investments			
		4,461	8,298
		(114)	(3,838)
	6.6	4,347	4,461

6.6 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.

		<u>31-Mar-23</u>	<u>31-Dec-22</u>
		<u>Un-audited</u>	<u>Audited</u>
	<i>Note</i>	<u>AFN '000'</u>	
7 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	7.2	3,868,029	4,363,250
Term finance	7.3	<u>1,506,945</u>	<u>1,536,324</u>
		5,374,974	5,899,574
Islamic financing			
Murabaha	7.4	<u>156,492</u>	<u>160,578</u>
Total loans and advances to customers - gross	7.5	5,531,466	6,060,152
Provision against non-performing loans and advances	7.6	<u>(796,193)</u>	<u>(1,252,159)</u>
Loans and advances to customers - net of provision		<u>4,735,273</u>	<u>4,807,993</u>

7.1 Particulars of loans and advances to customers - gross

In local currency	3,142,489	3,602,395
In foreign currency	2,388,977	2,457,757
	5,531,466	6,060,152

7.2 These carry interest ranging between 10% to 15% (2022: 10% to 15%) 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 loans are secured against personal guarantees, mortgage of immoveable properties and hypothecation over stock in trade.

7.3 These carry interest rate at 10% to 15% (2022: 10% to 15%) per annum. These loans have been extended for periods ranging from one and a half year to five years (2022: 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.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

- 7.4 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% (2022: 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.

During the year, one Ijara facility relating to M/s Chela Bagh Limited with an outstanding balance of AFN 3.78 million was written off as on June 30, 2018. One other facility relating to M/s Faiz Nezam Limited with an outstanding balance of AFN 238.28 million was fully settled as on April 22, 2018.

Note	31-Mar-23	31-Dec-22
	Un-audited	Audited
	AFN '000'	
7.6 Particulars of provision against non-performing loans and advances to customers		
Opening balance	1,252,159	1,263,655
Charge for the period/ year	(343)	462,971
Write-off during the period/ year	(445,042)	(363,581)
Impact of translation	(10,581)	(110,886)
	(455,966)	(11,496)
Closing balance	796,193	1,252,159

- 7.5.1 On December 22, 2021, Da Afghanistan Bank provided exemption to all banks from implementation of "Asset Classification and Provisioning Regulations" (ACPR) from July 2021 till the end of June 2022 and since then extended multiple times till April, 2, 2024. The charge for the current year is due to subjective classification proposed by Da Afghanistan Bank.

This regulation deals with provisioning against the loans and advances, suspension of interest on non-performing loans, re-possessed assets, classification of off-balance sheet items, classification of investments and other assets, credit risk management, etc. The objective was to protect the banking sector from imminent risk of default and financial impact of current economic turmoil.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
	Note		
8	PROPERTY AND EQUIPMENT		
Fixed assets - owned	8.1	1,014,743	1,044,360
Right of use assets - buildings	8.2	156,648	128,794
		1,171,391	1,173,154
8.1	Fixed assets - owned		
Cost			
Opening balance		2,256,207	2,238,951
Additions during the period/ year		2,685	14,860
Revaluation adjustment during the period/year		-	2,396
Closing balance		2,258,892	2,256,207
Less: Accumulated depreciation			
Opening balance		1,211,847	1,078,664
Charge during the period/ year	8.3	32,302	129,746
Adjustment/Disposals during the period/ year		-	3,436
Closing balance		1,244,149	1,211,847
Written down value		1,014,743	1,044,360
8.2	Right of use assets - building		
Cost			
Opening balance		242,861	173,268
Additions during the period /year		38,176	35,258
Deletion during the period/year		-	(8,907)
Modification		-	8,906
Adjustment	9.3.1	(403)	34,336
Closing balance		280,634	242,861
Less: Accumulated depreciation			
Opening balance		114,067	128,749
Depreciation expense for the period/year	8.3	9,998	40,748
Deletion during the period/year		-	(8,907)
Adjustment	9.3.1	(78)	(46,523)
Closing balance		123,986	114,067
Written down value as of		156,648	128,794

9.3.1 The adjustment made during the year by the management was to re-adjust the cost and accumulated depreciation on ROU to comply with IFRS 16 requirements.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
8.3	Depreciation operating fixed assets		
	Fixed assets - owned	32,302	129,746
	Right of use assets - buildings	9,998	40,748
		42,300	170,494
9	INTANGIBLE ASSETS		
	Cost		
	Opening balance	277,016	271,619
	Additions during the period/ year	-	5,397
	Closing balance	277,016	277,016
	Less: Accumulated amortization		
	Opening balance	263,414	252,719
	Charge for the period/ year	2,700	10,695
	Closing balance	266,114	263,414
	Written down value as of	10,902	13,602
9.1	Intangible assets include computer software and licenses. The amortization rate of intangible assets is 33.33% (2022: 33.33%). The book value of fully amortized intangible assets still in use is AFN 244,624 thousand (2022: AFN 244,624 thousand).		
		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
	Note		
10	OTHER ASSETS		
	Advances to suppliers and employees	44,932	17,054
	Security deposits	614,129	628,887
	Prepayments	13,530	19,124
	Balances with Daman Investments	10,375	14,778
	Receivable from Money Gram	379,356	202,879
	Restricted deposits with Da Afghanistan Bank	1,352,018	1,233,086
	Income/ mark-up accrued	214,403	219,008
	Advance tax - net	23,317	23,317
	Others	10,329	11,022
		2,662,388	2,369,155

- 10.1 This includes payment for property under Sarqolfi contracts amounting to AFN 129 million for the use of property for an indefinite period. The contracts allow the Bank to sell the Sarqolfi rights to a third party. However, under the terms of the Sarqolfi contracts, the title (i.e., Sharia Qabala) is not transferred to the Bank. DAB guidelines require appropriate legal document (like Sharia Qabala) for an asset to be recorded as a fixed asset.

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

This also includes margin money of AFN 456.43 million deposited with Pashtany Bank for a guarantee in favour of Da Afghanistan Breshna Sherkat (DABS) for the collection of electricity bills by the Bank on behalf of DABS.

10.2 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. The minimum reserve rates on deposits for AFN reduced from 8% to 6% and for foreign currency from 10% to 8%.

10.3 This includes the AFN 209.99 million interest receivables on loan and advances which is outstanding from August 2021. The interest receivable is not reversed due to suspension of ACPR as disclosed fully in note 7.5.1.

11 SHARE CAPITAL

11.1 Authorized capital

2023	2022		2023	2022
Number of shares			AFN '000'	
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of AFN 250 each	<u>10,000,000</u>	<u>10,000,000</u>

11.2 Issued and paid up capital

2023	2022		2023	2022
			AFN '000'	
<u>7,700,840</u>	<u>7,700,840</u>	Ordinary shares of AFN 250 each fully paid in cash	<u>1,925,210</u>	<u>1,925,210</u>
			<u>31-Mar-23</u>	<u>31-Dec-22</u>
			<u>Un-audited</u>	<u>Audited</u>
			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	294,916
Building	979,904	979,904
	<u>1,452,952</u>	<u>1,452,952</u>
Accumulated incremental depreciation	(604,797)	(582,969)
Related deferred tax liability	(209,664)	(209,664)
	<u>(814,461)</u>	<u>(792,633)</u>
Net revaluation reserve	<u>638,491</u>	<u>660,319</u>

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
13	DEPOSITS FROM CUSTOMERS		
	Conventional		
	Current deposits	10,707,513	8,202,092
	Saving deposits	13.1 424,417	373,512
	Term deposits	13.2 483,234	496,440
	Margin deposits	2,979,876	3,041,346
		14,595,040	12,113,390
	Islamic		
	Current deposits	1,534,820	1,356,037
	Saving deposits	13.3 564,007	622,667
	Term deposits	13.4 454,825	449,006
	Margin deposits	530,808	532,145
		3,084,460	2,959,855
		17,679,500	15,073,245

13.1 Saving deposits carry zero interest rate (2022: 1% for USD and 3% for AFN)

13.2 Term deposits carry interest ranging from 1.6% to 4% per annum (2022: 1.6% to 4%) per annum, based on the term, with maturity ranging from three to twelve months (2022: three to twelve months).

13.3 The profit disbursed during the period on the Islamic saving deposits ranged from 0.17% to 0.26%(2022: 0.17% to 0.26%) per annum.

13.4 Profit distribution rates on Islamic term deposits during the period ranged from 1.25% to 2.43% (2022: 1.25% to 2.43%) per annum.

14 BORROWING FROM FINANCIAL INSTITUTION

The Bank obtained renewable Islamic financing from Daman Investments, UAE with lien on sukuk bonds, whereby the haircut and mark-up varies on quarterly basis.

		31-Mar-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
15	OTHER LIABILITIES		
	Creditors and accruals	63,018	38,254
	Withholding tax payable	2,902	4,702
	Properties lease liability	127,271	114,415
	Murabaha risk and equalization reserve	87,374	87,397
	Mark-up/ return/ interest payable	24,989	27,358
	Deferred income on bank guarantees and letter of credits	13,370	19,694
	Profit in suspense	153,962	155,865
	Others	71,665	22,077
		544,551	469,762

Note

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

16 CONTINGENCIES AND COMMITMENTS

LCs and BGs issued on behalf of the customers	16.1	<u>3,819,643</u>	<u>4,377,797</u>
Un-used commitments		<u>253,244</u>	<u>303,909</u>
16.1 This include outstanding BGs amounting to AFN 253 million (2022: AFN 518 million) issued under Islamic mode of finance.			

	Note	Three months ended	
		31-Mar-23	31-Mar-22
		Un-audited	Audited
		AFN '000'	
17 NET MARK-UP/ RETURN/ INTEREST INCOME			
Mark-up/ return/ interest earned			
- On loans and advances to customers		1,559	16,919
- On placements and balances with Da Afghanistan Bank		-	-
- On held to maturity investments		2,106	1,241
- On available for sale investments		1,801	2,769
- On overnight nostro deposits		347	5,582
		<u>5,812</u>	<u>26,511</u>
Mark-up/ return/ interest expense			
Deposits from customers		(5,074)	(16,075)
		<u>738</u>	<u>10,436</u>
18 NET FEE AND COMMISSION INCOME			
Fee and commission income			
- Commission and processing fee on guarantees issued		9,126	26,049
- Commission and processing fee on letters of credit issued and other service charges		-	327
		154,216	107,401
		<u>163,342</u>	<u>133,777</u>
Fee and commission expense			
- Inter bank transaction fee		(1,020)	(2,435)
		<u>162,322</u>	<u>131,342</u>
19 FOREIGN EXCHANGE (LOSS)/ GAIN - NET	19.1	<u>(71,992)</u>	<u>(255,409)</u>
19.1 Foreign exchange (loss)/ gain - net			
- On dealing in foreign currencies		51,023	336,527
- On translation of monetary assets and liabilities		(123,015)	(591,936)
		<u>(71,992)</u>	<u>(255,409)</u>

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

For the three months ended 31 March 2023

		Three months ended	
		31-Mar-23	31-Mar-22
		Un-audited	Audited
		AFN '000'	
20	OTHER INCOME		
	Recovery against loans written off	53	2,199
	Others	12,240	7,874
		12,293	10,073
21	EMPLOYEE COMPENSATION		
	Salaries and wages	54,862	46,071
	BOS remuneration and meeting expenses	2,454	3,612
	Other allowances and benefits	8,335	6,676
		65,651	56,359
22	OTHER EXPENSES		
	Communication	4,094	4,749
	Travelling and conveyance	849	667
	Insurance	5,485	15,149
	Advertisement	594	2,708
	Fuel expenses	7,290	3,710
	Food expenses	2,327	1,942
	Audit fee	2,092	2,012
	Repairs and maintenance	15,419	11,818
	Legal and professional charges	180	1,585
	Stationery and printing	2,880	3,122
	Staff training	197	-
	Utilities	3,357	4,288
	Security services	7,694	5,530
	Miscellaneous	9,201	9,572
		61,659	66,853

22.1 These represents charges against deposit insurance as required by the Central Bank and is payable to Afghan Deposit Insurance Corporation (ADIC) @ 0.15% (2022: at 0.15%) per annum of the total

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 Operating Officer, Chief Credit Officer, Chief Risk

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:

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

	Balances		Transactions	
	Un-audited three months ended	Audited Year ended	Un-audited three months ended	Un-audited three months ended
	31-Mar-23	31-Dec-22	31-Mar-23	31-Mar-22
	AFN '000'			
Shareholders				
Deposits	2,050	2,097	2	(295)
Transactions with key management personnel				
Salary and other benefits	-	-	11,954	5,196
Advance salary	1,530	137	-	-
Board of Supervisors meeting expense	-	-	2,454	3,612

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

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.

	<u>31-Mar-23</u>	<u>31-Dec-22</u>
	<u>Un-audited</u>	<u>Audited</u>
	<u>AFN '000'</u>	
The Bank's regulatory capital position at 31 March 2023 was as follows:		
Tier 1 capital		
Total Equity	2,387,024	2,411,719
Less:		
Intangible assets	10,902	13,602
Net Deferred Tax Assets	21,882	16,062
Profit for the year	-	-
Revaluation reserve on property and equipment	638,491	660,319
Revaluation reserve on Available for Sale Investments	(43,698)	(75,903)
	627,578	614,080
Total tier 1 (core) capital	1,759,447	1,797,639
Tier 2 capital		
Revaluation reserve on property and equipment	638,491	660,319
Revaluation reserve on Available for Sale Investments	(19,664)	(34,156)
Total tier 2 (supplementary) capital	618,827	626,163
Total regulatory capital	2,378,274	2,423,802
Risk-Weight Categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	768,460	1,165,002
Direct claims on DAB	5,048,243	2,010,066
Total	5,816,703	3,175,068
0% Risk-Weight Total (Above Total x 0%)	-	-

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

	31-Mar-23 Un-audited	31-Dec-22 Audited
	AFN '000'	
20% risk weight		
Direct Claims on banks licensed in Category A countries	218,701	156,543
Short-term Claims on Banks Licensed In Non-Category A Countries guaranteed by Multilateral Lending Institutions	6,870,908	7,058,006
Total	7,089,609	7,214,549
20% Risk-Weight Total (Above Total x 20%)	1,417,922	1,442,910
100% risk weight		
All Other Assets	8,717,956	9,038,997
Minus: Intangible Assets	10,902	13,602
Net Deferred Tax Assets	21,882	16,062
	32,784	29,664
Total	8,685,172	9,068,661
100% Risk-Weight Total (Above Total x 100%)	8,685,172	9,068,661
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	253,244	303,909
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	-	-
100% Risk Weight	-	-
Total	-	-
Risk-Weighted Total	-	-
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	-	-
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letter of Credits		
0 % Risk Weight	1,109,573	1,206,704
100% Risk Weight	2,710,069	3,171,094
Total	3,819,643	4,377,797
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	2,710,069	3,171,094
Total Risk-Weighted Assets	12,813,163	13,682,665
Tier 1 Capital Ratio	13.73%	13.14%
Regulatory Capital Ratio	18.56%	17.71%

AFGHAN UNITED BANK

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

For the three months ended 31 March 2023

25 GENERAL

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

26 APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements for the period have been approved and authorized for issue by the Board of Supervisors on 13-05-2022

CITA

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER