



Afghan United bank

Condensed interim financial statements and auditors' review report
for the nine months ended September 30, 2023

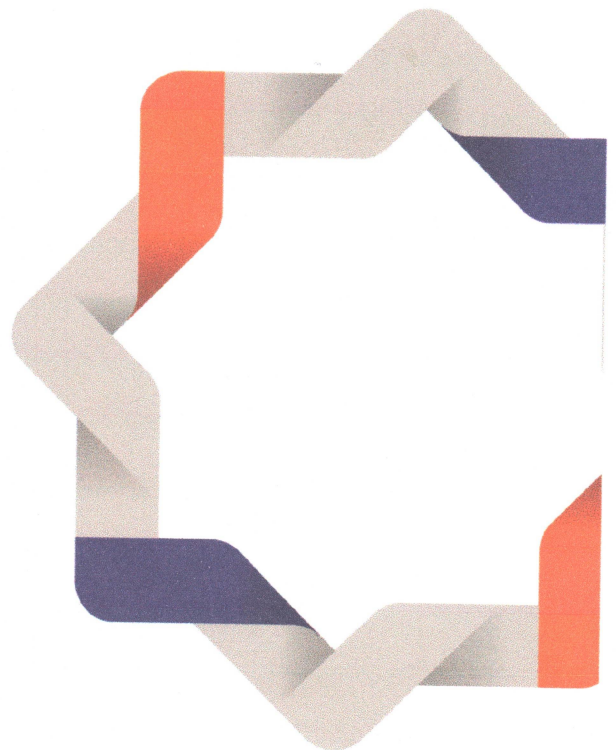
Auditors:

Grant Thornton Afghanistan

Chartered Accountants and Management Consultants

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Independent Auditor's Review Report on Condensed Interim Financial Statements

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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 September 30, 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 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) 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.



Grant Thornton

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 September 30, 2023, 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) 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: *November 8th, 2023*



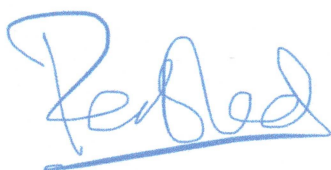
AFGHAN UNITED BANK

Condensed Interim Statement of Financial Position (Un-audited)

As at 30 September 2023

		30-Sep-23	31-Dec-22
		Un-audited	Audited
	Note	AFN '000'	
ASSETS			
Cash and balances with the Central Bank	4	4,961,466	1,941,982
Balances with other banks	5	8,017,534	6,768,499
Investments	6	1,267,870	1,057,162
Loans and advances to customers - net	7	4,497,884	4,807,993
Property and equipment	8	1,154,942	1,173,152
Intangible assets	9	5,743	13,602
Deferred tax asset - net		95,408	16,062
Other assets	10	2,841,882	2,369,155
Total assets		22,842,729	18,147,607
EQUITY AND LIABILITIES			
EQUITY			
Issued and paid up capital	11	1,925,210	1,925,210
Retained earnings		(383,546)	(97,907)
Revaluation reserve on property and equipment	12	594,836	660,319
Revaluation reserve on Available for Sale Investments		(42,310)	(75,903)
Total equity		2,094,190	2,411,719
LIABILITIES			
Deposits from customers	13	20,186,841	15,073,245
Borrowing from financial institution	14	49,064	192,881
Other liabilities	15	512,634	469,762
Total liabilities		20,748,539	15,735,888
Total equity and liabilities		22,842,729	18,147,607
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 2023

		Nine months ended		Three months ended	
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
Note		AFN '000'			
Mark-up/ return/ interest earned		36,473	65,353	26,530	19,813
Mark-up/ return/ interest expense		(14,739)	(32,142)	(4,218)	(8,522)
Net mark-up/ return/ interest income	17	21,734	33,211	22,312	11,291
Fee and commission income		620,495	494,205	218,961	210,915
Fee and commission expense		(52,556)	(9,035)	(26,226)	(4,764)
Net fee and commission income	18	567,939	485,170	192,735	206,151
Loss on sale of foreign currency bonds - net		(10,996)	(11,399)	(10,996)	(11,399)
Foreign exchange gain/ (loss) - net	19	(492,604)	(481,224)	(380,911)	(123,109)
Other income	20	33,819	26,751	11,091	7,307
		(469,781)	(465,872)	(380,816)	(127,201)
Net operating (loss)/income		119,892	52,509	(165,769)	90,241
Provision against non-performing loans and advances to customers	7	(451)	(460,660)	(905)	1,461
Net provision against investment, off balance sheet items and other assets		(5,046)	3,437	(6,784)	-
Depreciation	8	(121,581)	(136,429)	(39,846)	(41,240)
Amortization of intangible	9	(6,372)	(8,161)	(1,522)	(2,675)
Employee compensation	21	(208,729)	(176,177)	(71,342)	(61,547)
Finance cost		(6,944)	(6,746)	(2,475)	(1,381)
Short term and low value leases		(3,259)	(3,816)	(1,043)	(1,307)
Other expenses	22	(206,414)	(200,229)	(80,368)	(77,456)
		(558,796)	(988,781)	(204,285)	(184,145)
(Loss)/ Profit before tax		(438,904)	(936,272)	(370,054)	(93,904)
Income tax expense		87,781	187,254	74,011	18,780
(Loss)/ Profit for the period		(351,123)	(749,018)	(296,043)	(75,124)
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		33,593	(56,746)	309	(58,422)
Total comprehensive (loss)/ income for the period		(317,531)	(805,764)	(295,735)	(133,546)

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

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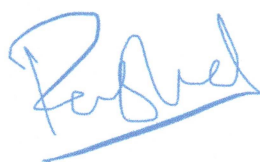
AFGHAN UNITED BANK

Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months ended 30 September 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	-	64,212	(64,212)	-	-
Total comprehensive income for the period					
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 Sep 2022 - Unaudited	1,925,210	(139,466)	683,137	(54,200)	2,414,681
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	-	65,484	(65,484)	-	-
Total comprehensive income for the period					
Loss for the period	-	(351,123)	-	-	(351,123)
Other comprehensive income	-	-	-	33,593	33,593
	-	(351,123)	-	33,593	(317,530)
Balance as at 30 Sep 2023 - Unaudited	1,925,210	(383,546)	594,835	(42,311)	2,094,189

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

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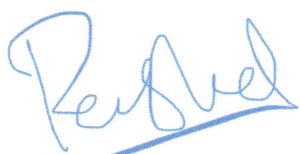
AFGHAN UNITED BANK

Condensed Interim Statement of Cash Flows (Un-audited)
For the nine months ended 30 September 2023

	Note	Nine months ended	
		30-Sep-23	30-Sep-22
		AFN '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(438,904)	(936,272)
Adjustments for:			
Net provision against investments, off balance		451	460,660
Net provision against investments, off balance sheet items and other assets		5,046	(3,437)
Depreciation	8	121,581	136,429
Amortization	9	6,372	8,161
Loss on de-recognition of ROU asset		-	3,453
Finance cost		6,944	6,746
		(298,510)	(324,260)
(Increase)/ Decrease in assets			
Loans and advances to customers	7	309,658	480,002
Other assets	10	(472,727)	2,322,922
Increase/ (Decrease) in liabilities			
Deposits from customers	13	5,113,596	(2,513,143)
Other liabilities	15	(81,106)	(31,016)
Deferred tax		(79,346)	-
		4,491,565	(65,495)
Income tax paid		84,969	(55,016)
Net cash used in operating activities		4,576,534	(120,511)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	8	(28,123)	(12,013)
Purchase of intangible assets		(1,122)	(1,117)
Reclassification Adjustment		2,608	-
Investments	6	(182,162)	428,299
Net cash generated from investing activities		(208,799)	415,169
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		44,601	(44,053)
Borrowing from financial institution		(143,817)	44,843
Net cash generated from financing activities		(99,216)	790
Net decrease in cash and cash equivalents		4,268,519	295,449
Cash and cash equivalents at beginning of the year		8,710,481	8,224,763
Cash and cash equivalents at end of the period		12,979,000	8,520,212

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

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AFGHAN UNITED BANK

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

For the nine months ended 30 September 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 Nine months period ended 30 September 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 nine months ended 30 September 2023

	30-Sep-23 Un-audited	31-Dec-22 Audited
	AFN '000'	
4 CASH AND BALANCES WITH THE CENTRAL BANK		
In hand:		
Local currency	1,077,527	757,290
Foreign currencies	2,157,522	407,712
	3,235,049	1,165,002
With Da Afghanistan Bank in:		
Local currency current accounts	423,412	715,902
Foreign currency current accounts	1,302,997	61,071
Overnight deposit with Central Bank	8	8
	1,726,417	776,981
	4,961,466	1,941,983
5 BALANCES WITH OTHER BANKS		
Current account - Afghanistan		
National Bank of Pakistan	579	671
Pashtany Bank	1,941	2,179
New Kabul Bank	31	36
Maiwand Bank	44,130	46,025
	46,681	48,911
Saving Account - Afghanistan		
Islamic Bank of Afghanistan	-	271
Outside Afghanistan		
CSC Bank, Lebanon	55,574	62,174
Aktif Bank, Turkey	45,293	317,043
BMCE Bank, Spain	294,346	156,543
Nurol Bank, Turkey	532,825	2,442,179
Transkapital Bank, Russia	10,814	9,419
Ziraat Bank Uzbekistan	795,412	739,571
SBM Bank India	57,177	119,177
Al Salam Bank Bahrain	2,672,909	1,867,310
Orien Bank, Tajikistan	792,672	920,731
Yes Bank India	85,063	85,170
Turkmenbashi Bank, Turkmanistan	2,182,057	-
Siraj Finance PJSC, UAE	94,775	-
Zhejiang Chouzhou Commercial Bank, China	351,936	-
	7,970,853	6,719,317
	8,017,534	6,768,499

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

		30-Sep-23	31-Dec-22
		Un-audited	Audited
	Note	AFN '000'	
6 INVESTMENTS			
Placements - held to maturity			
Ziraat Bank Uzbekistan	6.1	-	178,420
AL Salam Bank Bahrain	6.1	231,000	267,630
Aktif Bank "Turkey"	6.1	206,500	-
Siraj Finance P JSC	6.2	387,474	-
		824,974	446,050
General provision on investments	6.5	(8,250)	(4,460)
Total placements-net of provision		816,724	441,590
Sovereign Sukuks			
Available For Sale	6.3	203,416	240,608
Investment in gold bullion			
Available for sale	6.4	232,921	259,437
Investment in equity securities			
Available for sale		14,809	115,527
Investment-net		1,267,870	1,057,162

6.1 These represent foreign currency fixed term placements with both foreign banks carrying interest rate ranging from 3% to 4.5% (2022: 1.85% to 2.0%) per annum and having maturity up to 10 June 2024.

6.2 This represents Wakala placements with Siraj Finance PJSC, UAE, having maturity in February 2024 and carrying a profit rate ranging from 4% to 4.5% per annum. Under the Wakala agreement, the bank allows Siraj Finance to act as its agent and invest the deposited amount in sharia-compliant products.

6.3 This represents investment in Sukuks issued by Saudi Arabia, UAE, and Dubai Islamic Bank having maturity ranging between 2026 to 2030 (2022: 2026 to 2030) and carry profit rates ranging from 1.96% to 2.76% (2022: 1.92% to 2.67%) 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 nine months ended 30 September 2023

		30-Sep-23	31-Dec-22
		Un-audited	Audited
	Note	AFN '000'	
6.5 Particulars of provision against investments			
Opening balance		4,460	8,298
(Reversal) / Charge for the year		3,790	(3,838)
Closing balance	6.5.1	<u>8,250</u>	<u>4,460</u>

6.5.1 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-Sep-23	31-Dec-22
		Un-audited	Audited
	Note	AFN '000'	
7 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	7.2	3,661,311	4,363,250
Term finance	7.3	1,451,711	1,536,324
		<u>5,113,022</u>	<u>5,899,574</u>
Islamic financing			
Murabaha	7.4	138,600	160,578
Total loans and advances to customers - gross	7.5	<u>5,251,622</u>	<u>6,060,152</u>
Provision against non-performing loans and advances	7.6	(753,738)	(1,252,159)
Loans and advances to customers - net of provision		<u>4,497,884</u>	<u>4,807,993</u>

7.1 Particulars of loans and advances to customers - gross

In local currency	3,140,434	3,602,395
In foreign currency	2,111,188	2,457,757
	<u>5,251,622</u>	<u>6,060,152</u>

7.2 These carry interest rate 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 immovable properties and hypothecation over stock in trade.

7.3 These carry interest rate ranging between 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 immovable commercial and residential properties and assignment of receivables.

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 which is 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.

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AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

		30-Sep-23 Un-audited	31-Dec-22 Audited
	Note	AFN '000'	
7.5 Particulars of provision against non-performing loans and advances to customers			
Opening balance		1,252,159	1,263,655
Charge for the period/ year	7.5.1	451	462,971
Write-off during the period/ year		(445,042)	(363,581)
Impact of translation		(53,830)	(110,886)
		(498,421)	(11,496)
Closing balance		753,738	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 the exemption has been extended multiple times till April, 2, 2024.

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.

		30-Sep-23 Un-audited	31-Dec-22 Audited
	Note	AFN '000'	
8 PROPERTY AND EQUIPMENT			
Fixed assets - owned	8.1	987,043	1,044,361
Right of use assets - buildings	8.2	167,899	128,794
		1,154,942	1,173,155

8.1 Fixed assets - owned

Cost

Opening balance		2,256,207	2,238,951
Additions during the period/ year		25,418	14,860
Reclassification Adjustment		2,608	-
Revaluation adjustment during the period/year		-	2,396
Closing balance		2,284,233	2,256,207

Less: Accumulated depreciation

Opening balance		1,211,846	1,078,664
Charge during the period/ year	8.3	85,343	129,746
Adjustment/Disposals during the period/ year		-	3,436
Closing balance		1,297,189	1,211,846
Written down value		987,043	1,044,361

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

		30-Sep-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
8.2	Right of use assets - building		
	Cost		
	Opening balance	242,861	173,268
	Additions during the period /year	72,433	35,258
	Deletion during the period/year	-	(8,907)
	Modification	-	8,906
	Adjustment	(403)	34,336
	Closing balance	314,891	242,861
	Less: Accumulated depreciation		
	Opening balance	114,067	128,749
	Depreciation expense for the period/year	33,426	40,748
	Deletion during the period/year	-	(8,907)
	Adjustment	(501)	(46,523)
	Closing balance	146,992	114,067
	Written down value as of	167,899	128,794
8.3	Depreciation operating fixed assets		
	Fixed assets - owned	85,343	129,746
	Right of use assets - buildings	33,426	40,748
		118,769	170,494
9	INTANGIBLE ASSETS		
	Cost		
	Opening balance	277,016	271,619
	Additions during the period/ year	1,122	5,397
	Reclassification Adjustment	(2,608)	-
	Closing balance	275,530	277,016
	Less: Accumulated amortization		
	Opening balance	263,414	252,719
	Charge for the period/ year	6,373	10,695
	Closing balance	269,787	263,414
	Written down value as of	5,743	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 275,531 thousand (2022: AFN 277,016 thousand).

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

		30-Sep-23	31-Dec-22
	Note	Un-audited	Audited
		AFN '000'	
10 OTHER ASSETS			
Advances to suppliers and employees		46,919	17,054
Security deposits	10.1	548,410	628,887
Prepayments		15,521	19,124
Balances with Daman Investments		349	14,778
Receivable from Money Gram		206,927	202,879
Receivable from UN		13,741	-
Restricted deposits with Da Afghanistan Bank	10.2	1,755,815	1,233,086
Interest / mark-up accrued	10.3	207,499	219,008
Advance tax - net		23,512	23,317
Others		23,189	11,022
		2,841,882	2,369,155

- 10.1 This includes payment for property under Sarqolfi contracts amounting to AFN 102 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.

This also includes margin money of AFN 445 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 8% and for foreign currency 10%.

- 10.3 This includes AFN 187 million net 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		30-Sep-23	31-Dec-22
Number of shares			Un-audited	Audited
			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

			30-Sep-23	31-Dec-22
			Un-audited	Audited
			AFN '000'	
7,700,840	7,700,840	Ordinary shares of AFN 250 each fully paid in cash	1,925,210	1,925,210

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

	Note	30-Sep-23 Un-audited	31-Dec-22 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	294,916
Building		979,904	979,904
		1,452,951	1,452,952
Accumulated incremental depreciation		(648,453)	(582,969)
Related deferred tax liability		(209,664)	(209,664)
		(858,117)	(792,633)
Net revaluation reserve		594,834	660,319
13 DEPOSITS FROM CUSTOMERS			
Conventional			
Current deposits		13,572,456	8,202,092
Saving deposits	13.1	396,566	373,512
Term deposits	13.2	427,985	496,440
Margin deposits		2,816,067	3,041,346
		17,213,074	12,113,390
Islamic			
Current deposits		1,601,924	1,356,037
Saving deposits	13.3	740,250	622,667
Term deposits	13.4	112,287	449,006
Margin deposits		519,306	532,145
		2,973,767	2,959,855
		20,186,841	15,073,245

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

13.2 Term deposits carry zero interest rate (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 is zero (2022: 0.17% to 0.26%) per annum.

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

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

14 BORROWING FROM FINANCIAL INSTITUTION

The Bank obtained renewable Islamic financing from Daman Investments, UAE which is marked against the sukuk bonds held as collateral (see note no.6).

		30-Sep-23	31-Dec-22
		Un-audited	Audited
		AFN '000'	
15 OTHER LIABILITIES	Note		
Creditors and accruals		43,924	38,254
Withholding tax payable		4,918	4,702
Lease liability		128,680	114,415
Murabaha risk and equalization reserve		86,344	87,397
Mark-up/ return/ interest payable		21,926	27,358
Deferred income on bank guarantees and letter of credits		13,743	19,694
Profit in suspense		145,664	155,865
Others		67,435	22,077
		512,634	469,762

16 CONTINGENCIES AND COMMITMENTS

LCs and BGs issued on behalf of the customers	16.1	3,480,182	4,377,797
Un-used commitments		257,839	303,909
16.1 This include outstanding BGs amounting to AFN 392 million (2022: AFN 518 million) issued under Islamic mode of finance.			

	Nine months ended	
	30-Sep-23	30-Sep-22
	AFN '000'	

17 NET MARK-UP/ RETURN/ INTEREST INCOME**Mark-up/ return/ interest earned**

- On loans and advances to customers
- On held to maturity investments
- On available for sale investments
- On overnight nostro deposits

2,919	33,140
24,752	5,675
5,291	8,485
3,511	18,053
36,473	65,353

Mark-up/ return/ interest expense

- Borrowing from financial institution
- Deposits from customers

(10,102)	-
(4,637)	(32,142)
(14,739)	(32,142)
21,734	33,211

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

For the nine months ended 30 September 2023

		Nine months ended	
		30-Sep-23	30-Sep-22
		AFN '000'	
18	NET FEE AND COMMISSION INCOME		
	Fee and commission income		
	- Commission and processing fee on guarantees issued	32,712	51,654
	- Commission and processing fee on letters of credit issued	289	183
	- Funds transfer, cheque books issuance fee and other service charges	587,494	442,368
		620,495	494,205
	Fee and commission expense		
	- Inter bank transaction fee	(52,556)	(9,035)
		567,939	485,170
19	FOREIGN EXCHANGE (LOSS)/ GAIN - NET	(492,604)	(481,224)
19.1	Foreign exchange (loss)/ gain - net		
	- On dealing in foreign currencies	266,138	629,112
	- On translation of monetary assets and liabilities	(758,742)	(1,110,336)
		(492,604)	(481,224)
20	OTHER INCOME		
	Recovery against loans written off	163	2,490
	Others	33,656	24,261
		33,819	26,751
21	EMPLOYEE COMPENSATION		
	Salaries and wages	172,725	146,585
	BOS remuneration and meeting expenses	7,154	7,821
	Other allowances and benefits	28,850	21,771
		208,729	176,177
22	OTHER EXPENSES		
	Communication	14,567	13,897
	Travelling and conveyance	2,886	2,297
	Insurance	18,483	33,269
	Advertisement	9,154	3,472
	Fuel expenses	13,719	13,786
	Food expenses	6,146	5,638
	Audit fee	6,027	7,608
	Repairs and maintenance	53,699	45,971
	Legal and professional charges	537	2,122
	Stationery and printing	9,193	8,707
	Staff training	598	(101)
	Utilities	15,298	12,713
	Security services	24,124	23,033
	Miscellaneous	31,983	27,817
		206,414	200,229

AFGHAN UNITED BANK

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

For the nine months ended 30 September 2023

- 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 deposits.

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 Officer and Chief Compliance Officer.

Transactions with related parties

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

Balances		Transactions	
Un-audited Nine months ended	Audited Year ended	Un-audited Nine months ended	Un-audited Nine months ended
30-Sep-23	31-Dec-22	30-Sep-23	30-Sep-22
AFN '000'			

Shareholders

Deposits	3,256	2,097		
Bank charges			2	-

Transactions with key management personnel

Salary and other benefits	-	-	31,668	33,541
Advance salary	1,361	137	-	-
Board of Supervisors fee	-	-	7,154	7,821

AFGHAN UNITED BANK

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

For the nine months ended 30 September 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.

30-Sep-23	31-Dec-22
Un-audited	Audited
AFN '000'	

The Bank's regulatory capital position at 30 September 2023 was as follows:

Tier 1 capital

Total Equity	2,094,190	2,411,719
Less:		
Intangible assets	5,743	13,602
Net Deferred Tax Assets	95,408	16,062
Profit for the year	-	-
Revaluation reserve on property and equipment	594,836	660,319
Revaluation reserve on Available for Sale Investments	(42,310)	(75,903)
	653,677	614,080
Total tier 1 (core) capital	1,440,513	1,797,639
Tier 2 capital		
Revaluation reserve on property and equipment	594,836	660,319
Revaluation reserve on Available for Sale Investments	(19,040)	(34,156)
Total tier 2 (supplementary) capital	575,796	626,163
Total regulatory capital	2,016,309	2,423,802
Risk-Weight Categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	3,235,049	1,165,002
Direct claims on DAB	3,482,232	2,010,066
Total	6,717,281	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 six months ended 30 June 2023

	30-Jun-23 Un-audited	31-Dec-22 Audited
	AFN '000'	
20% risk weight		
Direct Claims on banks licensed in Category A countries	108,480	156,543
Short-term Claims on Banks Licensed In Non-Category A Countries guaranteed by Multilateral Lending Institutions	6,363,199	7,058,006
Total	6,471,679	7,214,549
20% Risk-Weight Total (Above Total x 20%)	1,294,336	1,442,910
100% risk weight		
All Other Assets	9,269,806	9,038,997
Minus: Intangible Assets	7,266	13,602
Net Deferred Tax Assets	21,397	16,062
	28,663	29,664
Total	9,241,143	9,009,333
100% Risk-Weight Total (Above Total x 100%)	9,241,143	9,009,333
Off-balance-sheet items with 0% Credit Conversion Factor		
Unused Portions of Commitments with Original Maturity of 1 Year or Less	271,471	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	1,080,791	1,206,704
100% Risk Weight	1,947,823	3,171,094
Total	3,028,614	4,377,797
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	1,947,823	3,171,094
Total Risk-Weighted Assets	12,483,301	13,623,336
Tier 1 Capital Ratio	14.32%	13.20%
Regulatory Capital Ratio	19.10%	17.79%

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AFGHAN UNITED BANK

Notes to the Condensed Interim Financial Statements - (Un-audited)
For the nine months ended 30 September 2023

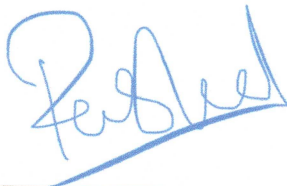
25 GENERAL

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 8-Nov-2023

CTA



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE OFFICER