

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE HEAD OF INTERNATIONAL BUSINESS OF BANK ALFALAH LIMITED PAKISTAN**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** (the Bank) as at **31 March 2024**, and the related condensed interim statement of comprehensive income, changes in equity and cash flows for the nine months then ended, and notes to the condensed interim financial information ('here-in-after referred to as the condensed interim financial information'). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the requirement of the Law of Banking in Afghanistan and International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information 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 condensed interim financial information 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 condensed interim financial information is not prepared in all material respects, in accordance with the requirements of Law of Banking in Afghanistan and International Accounting Standards 34 "Interim Financial Reporting".


Chartered Accountants**Engagement Partner:** Muhammad Saqlain Siddiqui**Date:** 11 May 2024**Place:** Kabul, Afghanistan

BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 31 MARCH 2024

		31-Mar-24 (Un-audited)	31-Dec-23 (Audited)
	Note AFN '000'	
ASSETS			
Cash and cash equivalents		3,229,242	3,389,921
Investments - net	4	3,544,158	3,441,043
Property and equipment	5	8,806	6,372
Deferred tax assets - net		51,468	65,728
Other assets	6	921,606	851,552
Total assets		<u>7,755,280</u>	<u>7,754,615</u>
LIABILITIES			
Deposits from customers	7	5,810,527	5,944,119
Lease liabilities		7,938	5,707
Other liabilities	8	392,971	333,481
Total liabilities		<u>6,211,436</u>	<u>6,283,307</u>
EQUITY			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		79,620	79,620
Retained earnings		407,407	377,246
Revaluation reserve on financial instruments at FVOCI		56,817	14,442
Total equity		<u>1,543,844</u>	<u>1,471,308</u>
Total liabilities and equity		<u>7,755,280</u>	<u>7,754,615</u>
Contingencies and commitments	9		

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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Country Finance Manager


Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

	Three months ended	
	31-Mar-24	31-Mar-23
	(Un-audited)	(Un-audited)
Note AFN '000'	
Interest income	72,350	77,812
Interest expense	(2,104)	-
Net interest income	70,246	77,812
Fee and commission income	2,639	2,824
Fee and commission expense	(2,491)	(1,824)
Net fee and commission income	148	1,000
Income from dealing in foreign currencies	793	(34,610)
Other income	-	19,181
Total operating income	71,186	63,383
Reversal of impairment losses on investments and off balance sheet items	6,368	2,790
Net gain on re-measurement of IRS	819	4,879
Net operating income	78,374	71,051
Personnel expenses	(32,182)	(32,212)
Depreciation	(2,284)	(3,008)
Other operating expenses	(9,797)	(10,078)
Finance cost on lease liability	(286)	(438)
Total operating expenses	(44,549)	(45,737)
Profit before taxation	33,825	25,314
Taxation	(3,664)	(10,765)
Profit for the period	30,161	14,550
Other comprehensive income		
Items that may be reclassified to profit or loss subsequently		
Mark to market adjustment on investments at FVOCI	11,490	28,603
Related deferred tax	(2,298)	(5,721)
Mark to market adjustment on interest rate SWAP	41,479	(72,896)
Related deferred tax	(8,296)	14,579
Other comprehensive income / (loss), net of tax	42,375	(35,434)
Total comprehensive income / (loss) for the period	72,536	(20,885)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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Country Finance Manager


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BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

	Capital contributed by Head Office	Revaluation reserve on financial instrument at FVOCI	Capital reserve	Retained earnings	Total
Note	AFN '000'				
Balance as at 01 January 2023 - (Audited)	1,000,000	(152,526)	75,654	301,878	1,225,005
Total comprehensive income:					
Profit for the period	-	-	-	14,550	14,550
Other comprehensive loss	-	(35,434)	-	-	(35,434)
	-	(35,434)	-	14,550	(20,885)
Transferred to capital reserve	-	-	-	-	-
Transactions with shareholders					
Profits remitted to Head Office	-	-	-	-	-
As at 31 March 2023 - (Un-audited)	<u>1,000,000</u>	<u>(187,961)</u>	<u>75,654</u>	<u>316,428</u>	<u>1,204,120</u>
Balance as at 01 January 2024 - (Audited)	1,000,000	14,442	79,620	377,246	1,471,308
Total comprehensive income:					
Profit for the period	-	-	-	30,161	30,161
Other comprehensive income	-	42,375	-	-	42,375
	-	42,375	-	30,161	72,536
Transferred to capital reserve	-	-	-	-	-
Transactions with shareholders					
Profits remitted to Head Office	-	-	-	-	-
As at 31 March 2024 (Un-audited)	<u>1,000,000</u>	<u>56,817</u>	<u>79,620</u>	<u>407,407</u>	<u>1,543,844</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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BANK ALFALAH LIMITED AFGHANISTAN
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2024

	Note	Three months ended	
		31-Mar-24	31-Mar-23
	 AFN '000'	
Cash flows from operating activities			
Profit before taxation		33,825	25,314
Adjustments for:			
Depreciation	5	2,284	3,008
Finance cost on lease liabilities		286	438
Impairment gain on investments		(4,457)	(2,770)
off balance sheet items		(10)	(20)
Nostro account balances		(1,902)	-
Net gain on re-measurement of IRS		(819)	(4,879)
		<u>29,208</u>	<u>21,092</u>
Adjustments for changes in operating assets and liabilities:			
Other assets		(26,934)	8,228
Deposits from customers		(133,592)	(743,830)
Other liabilities		(59,490)	(57,651)
		<u>(220,016)</u>	<u>(793,254)</u>
Net cash flow used in operating activities before tax		<u>(190,809)</u>	<u>(772,162)</u>
Tax paid		-	-
Net cash flow used in operating activities		<u>(190,809)</u>	<u>(772,162)</u>
Cash flows from investing activities			
Increase in investments - net		32,901	108,014
Acquisition of property and equipment		(46)	-
Net cash flow generated from investing activities		<u>32,855</u>	<u>108,014</u>
Cash flows from financing activities			
Payment against lease liabilities		(2,726)	(2,325)
Net cash used in financing activities		<u>(2,726)</u>	<u>(2,325)</u>
Net decrease in cash and cash equivalents		<u>(160,679)</u>	<u>(666,472)</u>
Cash and cash equivalent at beginning of the year		<u>3,389,921</u>	<u>4,598,711</u>
Cash and cash equivalents at end of the period		<u><u>3,229,242</u></u>	<u><u>3,932,239</u></u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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Country Finance Manager

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited Afghanistan ("the Bank") is a foreign branch of Bank Alfalah Limited, Pakistan and is registered and operating in Afghanistan as a commercial bank. The Bank obtained business license from Afghanistan Investment Support Agency which has been renewed by Ministry of Commerce and Industries (MoCI) on 20 August 2023. The Bank commenced its operations on 05 September 2005 under the license for commercial banking issued by Da Afghanistan Bank (DAB) under the Law of Banking in Afghanistan. Currently, the Bank has two conventional banking branches at Kabul and Herat.

The registered office of the Bank is located in Kabul, Afghanistan.

2. BASIS OF PREPARATION

- 2.1** This condensed interim financial information of the Bank for the three months period ended 31 March 2024 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IAS 34, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank takes precedence.
- 2.2** The disclosures made in this condensed interim financial information 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, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2023.
- 2.3** Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2023 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the three months period ended 31 March 2023.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2024 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

3. ACCOUNTING POLICIES

- 3.1** The accounting policies adopted in preparation of this condensed interim financial information are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2023.
- 3.2** The estimates / judgments assumptions used in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2023.
- 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 2023.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

		31-Mar-24 (Un-audited)	31-Dec-23 (Audited)
	Note AFN '000'	
4. INVESTMENTS - NET			
Debt instruments at fair value through OCI:			
Investment bonds	4.1	3,622,358	3,523,721
		3,622,358	3,523,721
Allowance for ECL / impairment losses		(78,200)	(82,677)
		3,544,158	3,441,044

4.1 The breakup of debt instruments at fair value through OCI is as follows:

	Rating	Rating Agency	31-Mar-24	31-Dec-23
Bonds at FVOCI:			AFN '000'	
African Finance Corp.	A3	Moody's	348,062	338,268
Pakistan Euro Bond	Caa3	Moody's	246,861	236,907
Islamic Republic of Pakistan 2031	Caa3	Moody's	225,755	183,597
Oman Government International Bond	Ba1	Moody's	456,813	447,311
South Africa	Ba2	Moody's	324,512	331,939
Republic of Italy	Baa3u	Moody's	35,373	34,396
Sharjah Sukuk	Ba1	Moody's	389,123	379,978
Kingdom of Saudi Sukuk	A1	Moody's	392,140	390,435
Italy Government International Bond	Baa3u	Moody's	255,451	252,699
Perusahaan Penerbit SBSN 2025	Baa2	Moody's	69,583	67,779
Perusahaan Penerbit SBSN 2030	Baa2	Moody's	319,083	317,913
Dubai DOF Sukuk	Unrated		332,045	321,283
Republic of Turkey	B3	Moody's	219,979	213,691
Republic of Chile	A2	Moody's	7,578	7,525
			3,622,358	3,523,721

4.1.1 These represent investments in sovereign bonds having maturity ranging from April 2024 to April 2031 (31 December 2023: April 2024 to April 2031) and carrying interest rates ranging from 1.625% to 8.25% (31 December 2023: 1.625% to 8.25%) per annum. These investments are managed by Treasury head office of Bank Alfalah.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Right-of-use Assets (Building)	Total
	(AFN '000')					
Cost						
Balance at 1 January 2023	28,342	8,934	31,698	20,155	44,816	133,944
Additions	-	-	-	-	343	343
Lease modifications	-	-	-	-	(1,124)	(1,124)
Lease derecognized	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 December 2023	28,342	8,934	31,698	20,155	44,034	133,163
Balance at 1 January 2024	28,342	8,934	31,698	20,155	44,034	133,163
Additions	-	-	46	-	4,671	4,717
Lease derecognized	-	-	-	-	-	-
Balance at 31 March 2024	28,342	8,934	31,744	20,155	48,705	137,880
Depreciation						
Balance at 1 January 2023	28,253	8,028	29,790	17,982	32,046	116,100
Charge for the period	33	250	765	2,172	7,471	10,692
Balance at 31 December 2023	28,287	8,278	30,556	20,155	39,517	126,792
Balance at 1 January 2024	28,287	8,278	30,556	20,155	39,517	126,792
Charge for the period	8	58	162	-	2,055	2,284
Lease derecognized	-	-	-	-	-	-
Balance at 31 March 2024	28,294	8,335	30,718	20,155	41,572	129,074
Carrying amounts						
Balance at 31 December 2023	55	656	1,142	0	4,517	6,371
Balance at 31 March 2024	47	599	1,026	0	7,133	8,806
Depreciation rate %	20	10 to 25	20 to 25	25	17 to 100	

- 5.1 The cost of property and equipment includes the fully depreciated assets that are still in use having cost of AFN 83,484 thousands (31 December 2023: AFN 83,423 thousands).

	Note	31-Mar-24 (Un-audited) AFN '000'	31-Dec-23 (Audited)
6. OTHER ASSETS			
Required reserve with DAB	6.1	435,060	438,853
Receivable from overseas units (Related party)	6.2	86,276	70,778
Accrued interest on bonds & capital notes		144,894	134,247
Interest receivable on interest rate swaps		29,810	25,763
Advance tax -net		4,517	4,517
Unrealized gain on IRS		316,159	273,039
Others		537	-
		1,017,251	947,196
Provision against other asset	6.3	(95,645)	(95,645)
		921,606	851,551

- 6.1 Required reserve account is being maintained with DAB which is denominated in respective currencies to meet minimum reserve requirement in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB. These balances are interest free.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

		31-Mar-24 (Un-audited)	31-Dec-23 (Audited)
	Note AFN '000'	
7. DEPOSITS FROM CUSTOMERS			
Current deposits		4,860,930	4,999,788
Saving deposits		926,122	921,242
Margin deposits	7.1	23,475	23,089
		5,810,527	5,944,119

7.1 This represents cash margin deposits from customers against issuance of letter of guarantees.

		31-Mar-24 (Un-audited)	31-Dec-23 (Audited)
	 AFN '000'	
8. OTHER LIABILITIES			
Call margin on Interest rate swaps	8.1	351,213	303,480
Interest payable on Interest Rate Swap		21,009	12,684
Accrued expenses		12,737	10,808
DAB assessment fee		1,890	1,512
Audit fee		4,540	3,640
Bills payable		791	779
Others		350	149
Provision for ECL - LG		441	431
		392,971	333,482

8.1 This represents call margin received from First Abu Dhabi Bank (FAB) against the interest rate swap agreements (IRS). These interest rate swaps hedge the foreign currency exposure of Head Office and its certain overseas branches, including Bank Alfalah Limited Afghanistan. Due to increase in LIBOR rates, gains accrued on interest rate swaps during the year. The call margin amount of AFN 351 Million (2023: 303 Million) represents the Bank's share in the call margin received from FAB to ensure the margin requirements.

		31-Mar-24 (Un-audited)	31-Dec-23 (Audited)
	Note AFN '000'	
9. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Financial guarantees	9.1	188,093	183,786
Commitments	9.2	2,688,922	2,627,350

9.1 These represent performance guarantees issued by the Bank in the normal course of business. These are 100% secured against counter guarantees. The Bank is also facing certain litigations on which no provision is required as per the opinion of legal advisor.

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BANK ALFALAH LIMITED AFGHANISTAN**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)****FOR THE THREE MONTHS ENDED 31 MARCH 2024**

- 9.2** This represents interest rate swap contract amounting to AFN 2.689 billion and contingency regarding IRS principal amount payable/receivable against notional amount of AFN 2.689 billion. The Bank has hedged 8 bonds which are Pakistan Euro Bond, Islamic Republic of Pakistan 2031, South Africa, Sharjah Sukuk, Kingdom of Saudi Sukuk, Italy Government International Bond, Perusahaan Penerbit SBSN 2030 - Indonesia and Dubai DOF Sukuk.

10 RELATED PARTY TRANSACTIONS

The Bank is a fully owned branch of Bank Alfalah Limited Pakistan. Related parties comprise associated undertakings, majority shareholders, retirement benefit plans, directors of the Head Office of the Bank and the key management personnel of the Bank and its Head Office. Transactions with key management personnel have been carried out as per terms of their employment. Details of transactions and balances with related parties are as follows:

10.1 Transactions with related parties**Name of group companies****Nature of transactions**

Bank Alfalah Limited - Pakistan Profit remitted to Head Office

Alfalah Insurance Company Ltd. Insurance premium

Three months ended	
31-Mar-24 (Un-audited)	31-Mar-23 (Un-audited)
----- (AFN '000') -----	

-	-
=====	=====
-	-
=====	=====

Three months ended	
31-Mar-24 (Un-audited)	31-Mar-23 (Un-audited)
----- (AFN '000') -----	

10.2 Key management compensation

Salaries and benefits

12,051	13,171
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In addition to their salaries, the Bank also provides non-cash benefits to executives which include furnished accommodation.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2024

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- 11.1** The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
	AFN '000'			
Investments in bonds - available for sale investments				
As at 31 March 2024 (Un-audited)	3,622,358	-	-	3,622,358
As at 31 December 2023 (Audited)	3,523,721	-	-	3,523,721

Valuation techniques and key inputs used for investment in bonds were quoted market bid price in active market.

12 CORRESPONDING FIGURES

- 12.1** Corresponding figures have been re-arranged / reclassified, wherever necessary, to facilitate comparisons. However, there were no significant re-arrangements / reclassifications made during the period.

- 12.2** The figures in this condensed interim financial information have been rounded off to the nearest thousands.

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Country Finance Manager and Country Manager of the Bank on May 12, 2024.

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Country Finance Manager


Country Manager