

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 **30 June 2024**, and the related condensed interim statement of comprehensive income, changes in equity and cash flows for the six 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".

Mazars Afsharh limited

Chartered Accountants

Engagement Partner: Muhammad Saqlain Siddiqui

Date: 11 August 2024

Place: Kabul, Afghanistan



BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 30 JUNE 2024

	Note	30 June 2024 (Un-audited)	31 Dec 2023 (Audited)
	 AFN '000'	
ASSETS			
Cash and cash equivalents	4	3,005,527	3,389,921
Investments - net	5	3,263,301	3,441,043
Property and equipment	6	7,022	6,372
Deferred tax assets - net		45,137	65,728
Other assets	7	878,128	851,551
Total assets		7,199,115	7,754,615
LIABILITIES			
Deposits from customers	8	5,253,157	5,944,119
Lease liabilities		6,304	5,707
Other liabilities	9	370,750	333,481
Total liabilities		5,630,211	6,283,307
EQUITY			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		79,620	79,620
Retained earnings		437,732	377,246
Revaluation reserve on financial instruments at FVOCI		51,552	14,442
Total equity		1,568,904	1,471,308
Total liabilities and equity		7,199,115	7,754,615
Contingencies and commitments	10		

The annexed notes 1 to 14 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 COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

Note	Six months ended		Three months ended	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
 AFN '000' AFN '000'	
Interest income	138,025	158,852	65,675	81,040
Interest expense	(5,686)	-	(3,582)	-
Net interest income	132,339	158,852	62,093	81,040
Fee and commission income	4,407	6,253	1,768	3,429
Fee and commission expense	(5,109)	(12,457)	(2,617)	(10,633)
Net fee and commission income	(702)	(6,204)	(849)	(7,204)
Loss from dealing in foreign currencies	(550)	(41,795)	(1,343)	(7,185)
Other income	433	19,181	433	-
Total operating income	131,520	130,035	60,334	66,652
Impairment reversal/ (charge) on investments and off balance sheet items	15,676	1,229	9,308	(1,560)
Net gain on re-measurement of IRS	2,299	8,611	1,480	3,732
Net operating income	149,495	139,875	71,122	68,823
Personnel expenses	(53,618)	(55,541)	(21,437)	(23,329)
Depreciation	(4,555)	(6,008)	(2,271)	(3,000)
Other operating expenses	(19,012)	(19,213)	(9,215)	(9,135)
Finance cost on lease liability	(513)	(822)	(227)	(384)
Total operating expenses	(77,698)	(81,585)	(33,150)	(35,848)
Profit before tax	71,797	58,290	37,972	32,976
Taxation	(11,311)	(17,256)	(7,647)	(6,492)
Profit for the period	60,486	41,034	30,325	26,484
Other comprehensive income				
Items that may be reclassified to profit or loss subsequently				
Mark to market adjustment on investments at FVOCI	8,932	113,204	(2,558)	84,601
Related deferred tax	(1,786)	(22,641)	512	(16,920)
Mark to market adjustment on interest rate SWAP	37,456	(25,585)	(4,023)	47,311
Related deferred tax	(7,491)	5,117	805	(9,462)
Other comprehensive income / (loss), net of tax	37,110	70,095	(5,265)	105,530
Total comprehensive income for the period	97,596	111,129	25,060	132,013

The annexed notes 1 to 14 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 CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

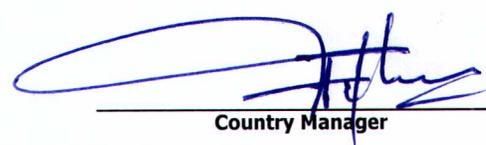
	Capital contributed by Head Office	Revaluation reserve on financial instrument at FVOCI	Capital reserve	Retained earnings	Total
Note	----- AFN '000' -----				
Balance as at 01 January 2023 - (Audited)	1,000,000	(152,526)	75,654	301,878	1,225,006
Total comprehensive income:					
Profit for the period	-	-	-	41,034	41,034
Other comprehensive income	-	70,095	-	-	70,095
	-	70,095	-	41,034	111,129
Transferred to capital reserve	-	-	2,052	(2,052)	-
As at 30 June 2023 - (Un-audited)	<u>1,000,000</u>	<u>(82,431)</u>	<u>77,706</u>	<u>340,860</u>	<u>1,336,135</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	-	-	-	60,486	60,486
Other comprehensive income	-	37,110	-	-	37,110
	-	37,110	-	60,486	97,596
Transferred to capital reserve	-	-	-	-	-
As at 30 June 2024 (Un-audited)	<u>1,000,000</u>	<u>51,552</u>	<u>79,620</u>	<u>437,732</u>	<u>1,568,904</u>

The annexed notes 1 to 14 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
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

	Six months ended 30 June 2024	Six months ended 30 June 2023
	(Un-audited)	(Un-audited)
Note AFN '000'	
Cash flows from operating activities		
Profit before taxation	71,797	58,290
Adjustments for:		
Depreciation	6	4,555
Finance cost on lease liabilities	513	822
Impairment gain on investments	(13,658)	(1,229)
Nostro account balances	(2,019)	-
Net gain on re-measurement of IRS	(2,299)	(8,611)
	<u>58,890</u>	<u>55,280</u>
Adjustments for changes in operating assets and liabilities:		
Other assets	(13,525)	(30,407)
Deposits from customers	(690,962)	(1,284,321)
Other liabilities	37,269	(48,841)
	<u>(667,218)</u>	<u>(1,363,568)</u>
Net cash flow used in operating activities before tax	(608,328)	(1,308,288)
Tax paid	-	-
Net cash flow used in operating activities	(608,328)	(1,308,288)
Cash flow from investing activities		
Proceeds from disposal of property and equipment	433	-
Acquisition of operating fixed assets	(247)	-
Acquisition of right of use assets	(4,958)	-
Investments	233,582	153,274
Net cash flow generated from investing activities	228,810	153,274
Cash flows from financing activities		
Payment against lease liabilities	(4,876)	(2,325)
Net cash used in financing activities	(4,876)	(2,325)
Net decrease in cash and cash equivalents	(384,394)	(1,157,339)
Cash and cash equivalent at beginning of the year	3,389,921	4,598,711
Cash and cash equivalents at end of the period	3,005,527	3,441,372

The annexed notes 1 to 14 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 SIX MONTHS PERIOD ENDED 30 JUNE 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 Industry and Commerce (MoIC) 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 six months period ended 30 June 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 six months period ended 30 June 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 SIX MONTHS PERIOD ENDED 30 JUNE 2024

	Note	30 June 2024 (Un-audited)	31-Dec-23 (Audited)
----- (AFN '000') -----			
4. Cash and cash equivalents			
Cash in hand	4.1	55,442	56,596
Balances with Da Afghanistan Bank	4.2	2,150,523	2,540,787
Balances with other banks	4.3	799,562	792,538
		3,005,527	3,389,921
4.1 Cash in hand			
Local currency		26,412	29,308
Foreign currency		29,031	27,288
		55,442	56,596
4.2 Balances with Da Afghanistan Bank			
Local currency		2,113,602	2,223,841
Foreign currency		36,922	316,946
		2,150,523	2,540,787
4.3 Balances with other banks			
Current accounts		799,562	792,538
		799,562	792,538
5. INVESTMENTS - NET			
Debt instruments at fair value through OCI:			
Investment bonds	5.1	3,332,320	3,523,720
		3,332,320	3,523,720
Allowance for ECL / impairment losses		(69,019)	(82,677)
		3,263,301	3,441,043

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

	Rating	Rating Agency	30 June 2024	31-Dec-23
AFN '000'				
Bonds at FVOCI:				
African Finance Corp.	A3	Moody's	343,835	338,268
Pakistan Euro Bond	Caa3	Moody's	-	236,907
Islamic Republic of Pakistan 2031	Caa3	Moody's	224,029	183,597
Oman Government International Bond	Ba1	Moody's	451,572	447,311
South Africa	Ba2	Moody's	327,281	331,939
Republic of Italy	Baa3u	Moody's	35,169	34,396
Sharjah Sukuk	Ba1	Moody's	380,662	379,978
Kingdom of Saudi Sukuk	A1	Moody's	386,501	390,435
Italy Government International Bond	Baa3u	Moody's	248,226	252,699
Perusahaan Penerbit SBSN 2025	Baa2	Moody's	68,876	67,779
Perusahaan Penerbit SBSN 2030	Baa2	Moody's	312,451	317,913
Dubai DOF Sukuk	Unrated		330,287	321,283
Republic of Turkey	B3	Moody's	215,975	213,691
Republic of Chile	A2	Moody's	7,456	7,525
			3,332,320	3,523,720

5.1.1 These represent investments in sovereign bonds having maturity ranging from October 2024 to April 2031 (31 December 2023: April 2024 to April 2031) and carrying interest rates ranging from 1.625% to 7.375% (31 December 2023: 1.625% to 8.25%) per annum. These investments are managed by Treasury head office of Alfalah Bank.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

6. 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)
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	-	-	247	-	4,958	5,205
Lease modifications	-	-	-	-	(343)	(343)
Lease derecognized	-	-	-	-	-	-
Disposals	-	-	(2,939)	-	-	(2,939)
Balance at 30 June 2024	28,342	8,934	29,006	20,155	48,650	135,086
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	30,555	20,155	39,517	126,791
Balance at 1 January 2024	28,287	8,278	30,555	20,155	39,517	126,791
Charge for the period	17	117	326	-	4,096	4,555
Lease modifications	-	-	-	-	(343)	(343)
Lease derecognized	-	-	-	-	-	-
Disposals	-	-	(2,939)	-	-	(2,939)
Balance at 30 June 2024	28,303	8,394	27,942	20,155	43,270	128,064
Carrying amounts						
Balance at 31 December 2023	55	656	1,143	0	4,517	6,372
Balance at 30 June 2024	38	540	1,063	0	5,380	7,022
Depreciation rate %	20	10 to 25	20 to 25	25	17 to 100	

7. OTHER ASSETS

	Note	30 June 2024 (Un-audited)	31 Dec 2023 (Audited)
	 AFN '000'	
Advances, Deposits and Prepayments		1,452	-
Required reserve with DAB	7.1	403,176	438,853
Receivable from overseas units (Related party)	7.2	104,631	70,778
Accrued interest on bonds & capital notes		130,399	134,247
Interest Receivable on IRS		16,458	25,763
Advance tax - net		4,517	4,517
Unrealized gain on IRS		313,140	273,039
		973,773	947,196
Provision against other asset	7.3	(95,645)	(95,645)
		878,128	851,551

- 7.1** 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.
- 7.2** This amount represents receivable from BAFL Dubai against interest received on bonds and from BAFL Bahrain against net interest received and call margin on IRS on behalf of Bank Alfalah Limited Afghanistan. Due to restrictions on transactions through NOSTRO, bank is not able to transfer these funds from counter parts to Afghanistan.
- 7.3** This represents 100% provision against interest receivable on capital notes from DAB.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

	Note	30 June 2024 (Un-audited)	31 Dec 2023 (Audited)
	 AFN '000'	
8. DEPOSITS FROM CUSTOMERS			
Current deposits		4,508,361	4,999,788
Saving deposits		721,531	921,242
Margin deposits	8.1	23,265	23,089
		<u>5,253,157</u>	<u>5,944,119</u>

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

	Note	30 June 2024 (Un-audited)	31 Dec 2023 (Audited)
	 AFN '000'	
9. OTHER LIABILITIES			
Call margin on Interest rate swaps	9.1	347,282	303,480
Interest payable on Interest Rate Swap		7,749	12,684
Accrued expenses		7,354	10,808
DAB assessment fee		2,268	1,512
Professional charges		4,733	3,640
Bills payable		784	779
Others		150	149
Provision for ECL - LG		431	431
		<u>370,750</u>	<u>333,481</u>

9.1 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 347 Million (2023: 303 Million) represents the Bank's share in the call margin received from FAB to ensure the margin requirements.

	Note	30 June 2024 (Un-audited)	31 Dec 2023 (Audited)
	 AFN '000'	
10. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Financial guarantees	10.1	<u>185,797</u>	183,786
Commitments	10.2	<u>2,414,639</u>	<u>2,627,350</u>

10.1 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.

10.2 This represents interest rate swap contracts amounting to AFN 2.415 billion and contingencies regarding IRS principal amount payable/receivable against notional amount of AFN 2.415 billion. The Bank has hedged 7 bonds which are 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.

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BANK ALFALAH LIMITED AFGHANISTAN
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

11. 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:

	Six months ended 30 June 2024 (Un-audited)	Six months ended 30 June 2023 (Un-audited)
	----- (AFN '000') -----	
11.1 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	-
11.2 Key management compensation		
Salaries and benefits	20,411	23,301

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

12. 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.

12.1 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 30 June 2024 (Un-audited)	3,332,320	-	-	3,332,320
As at 31 December 2023 (Audited)	3,523,720	-	-	3,523,720

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

13. CORRESPONDING FIGURES

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

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

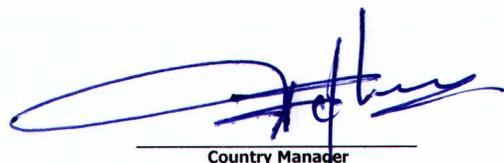
14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Country Finance Manager and Country Manager of the Bank on

August 11, 2024.

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Country Finance Manager


Country Manager