

**BANK ALFALAH LIMITED
AFGHANISTAN**

**Condensed Interim financial
statements for three months
period ended**

31 March 2022

Report on Review of Condensed Interim Financial Statements to the Shareholders of Bank Alfalah Limited Afghanistan

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** ("the Bank") as at 31 March 2022 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows, and the 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), Law of Banking in Afghanistan and the directives issued by Da Afghanistan Bank. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these accompanying interim financial statements do not give a true and fair view of the condensed interim statement of financial position of the Bank as at 31 March 2022, and of its condensed interim financial performance and its condensed interim statement of 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), Law of Banking in Afghanistan and the directives issued by the Da Afghanistan Bank.

Crowe Horwath Afghanistan

Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaqlb Shah - FCA

Location: Kabul, Afghanistan

Date:



Bank Alfalah Limited Afghanistan
Condensed Interim Statement of Financial Position (Un-Audited)
As at 31 March 2022

		31 March 2022 (Un-audited)	31 December 2021 (Audited)
	Notes	----- (AFN '000) -----	-----
ASSETS			
Cash and cash equivalents		5,702,953	6,596,740
Investments - net	4	4,543,191	5,850,358
Property and equipment	5	38,889	44,663
Deferred tax Asset		81,379	46,658
Advance Tax - Net		4,517	4,517
Other assets	6	1,290,523	1,117,483
Total assets		<u>11,661,452</u>	<u>13,660,419</u>
LIABILITIES			
Deposits from customers	7	10,000,575	11,955,820
Lease liabilities		32,894	37,826
Other liabilities	8	238,274	132,259
Total liabilities		<u>10,271,743</u>	<u>12,125,905</u>
EQUITY			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		73,376	75,654
Retained earnings		299,821	343,099
Revaluation reserve on financial instruments at FVOCI		16,512	115,761
Total equity		<u>1,389,709</u>	<u>1,534,514</u>
Total liabilities and equity		<u>11,661,452</u>	<u>13,660,419</u>

Contingencies and commitments

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



 Country Finance Manager




 Country Manager

Bank Alfalah Limited Afghanistan
Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the three months ended 31 March 2022

	Three months ended 31 March 2022	Three months ended 31 March 2021
	----- (AFN '000') -----	
Interest income	45,402	60,647
Interest expense	(4,808)	(10,647)
Net interest income	<u>40,594</u>	<u>50,000</u>
Fee and commission income	3,365	21,154
Fee and commission expense	(817)	(4,324)
Net fee and commission income	<u>2,548</u>	<u>16,830</u>
Income from dealing in foreign currencies	(58,173)	2,651
Total operating income	<u>(15,031)</u>	<u>69,481</u>
Other income	10,463	74,611
Reversal of credit losses on:		
Investments	2,474	(171)
Bank guarantees	(107)	402
Provision against interest receivable	(6,312)	-
Net operating income	<u>(8,513)</u>	<u>144,323</u>
Personnel expenses	(29,926)	(28,786)
Depreciation	(3,562)	(3,655)
Other operating expenses	(13,463)	(26,354)
Total operating expenses	<u>(46,951)</u>	<u>(58,794)</u>
Profit before taxation	<u>(55,464)</u>	<u>85,528</u>
Taxation	9,908	(17,135)
Profit for the period	<u>(45,556)</u>	<u>68,393</u>
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Mark to market adjustment on investments at FVOCI	(356,778)	(138,081)
Related deferred tax	71,356	27,616
Mark to market adjustment on interest rate SWAP	232,716	103,607
Related deferred tax	(46,543)	(20,721)
Other comprehensive income, net of tax	<u>(99,249)</u>	<u>(27,580)</u>
Total comprehensive income, net of tax	<u>(144,805)</u>	<u>40,813</u>

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



 Country Finance Manager



 Country Manager

Bank Alfalah Limited Afghanistan
Condensed Interim Statement of Changes In Equity (Un-Audited)
For three months ended 31 March 2022

	Capital contributed by Head Office	(Deficit) / surplus on revaluation of FVOCI / AFS	Capital reserve	Retained earnings	Total
----- AFN '000' -----					
Balance as at 1 January 2021 - (Audited)	1,000,000	106,651	65,500	718,155	1,890,306
Profit for the period	-	-	-	68,393	68,393
Other comprehensive income	-	(27,580)	-	-	(27,580)
Transactions with owners of the Bank	-	(27,580)	-	68,393	40,813
Transferred to capital reserve	-	-	3,420	(3,420)	-
Profits remitted to Head Office	-	-	-	-	-
As at 31 March 2021 (Un-audited)	1,000,000	79,071	68,920	783,128	1,931,119
Balance as at 1 January 2022 - (Audited)	1,000,000	115,761	75,654	343,099	1,534,514
Profit for the period	-	-	-	(45,556)	(45,556)
Other comprehensive income	-	(99,249)	-	-	(99,249)
Transactions with owners of the Bank	-	(99,249)	-	(45,556)	(144,805)
Transferred to capital reserve	-	-	(2,278)	2,278	-
Profits remitted to Head Office	-	-	-	-	-
As at 31 March 2022 (Un-audited)	1,000,000	16,512	73,376	299,821	1,389,709

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 Cash Flows (Un-Audited)
For three months ended 31 March 2022

		Three months ended 31 March 2022	Three months ended 31 March 2021
	Notes	----- (AFN '000') -----	
Cash flows from operating activities			
Profit before taxation		(55,464)	85,528
Adjustments for:			
Depreciation on operating fixed assets and right of use of assets	6	3,562	3,655
Finance cost on lease liabilities		1,034	1,009
Credit losses reversal on:			
Investments		(2,474)	171
Bank guarantees		107	(402)
Provision against interest receivable		6,312	-
Exchange loss on lease liabilities		-	(25)
(Gain) / loss on settlement of Interest rate swaps - net		(10,464)	(7,265)
Unrealized loss on re-measurement of Interest Rate Swaps		-	35,258
		<u>(57,387)</u>	<u>117,927</u>
Changes in:			
Loans and advances to customers - net		-	(102)
Advance tax - net		-	(19,282)
Other assets		14,593	13,181
Borrowing from banks		-	(154,200)
Deposits from customers		(1,955,245)	490,456
Other liabilities		105,908	(70,447)
		<u>(1,834,743)</u>	<u>259,606</u>
Income tax paid		-	-
Net cash used in operating activities		<u>(1,892,130)</u>	<u>377,534</u>
Cash flows from investing activities			
Increase in investments - net		1,002,097	1,567,243
Acquisition of property and equipment	6	-	(125)
Net cash generated from investing activities		<u>1,002,097</u>	<u>1,567,118</u>
Cash flows from financing activities			
Payment against lease liabilities		(3,753)	(4,005)
Net cash used in financing activities		<u>(3,753)</u>	<u>(4,005)</u>
Net (decrease) / increase in cash and cash equivalents		(893,787)	1,940,647
Cash and cash equivalent at beginning of the year		6,596,740	4,958,936
Cash and cash equivalents at end of the period		<u><u>5,702,953</u></u>	<u><u>6,899,583</u></u>

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


Country Finance Manager


Country Manager

Bank Alfalah Limited Afghanistan
Notes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2022

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 23 July 2017. 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 2022 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 2021.
- 2.3 Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2021 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 2021.

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 2022 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 2021.
- 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 2021.
- 3.3 The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2021.

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Bank Alfalah Limited Afghanistan
Notes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2022

4. INVESTMENTS - NET

		31 March 2022 (Un-audited)	31 December 2021 (Audited)
	Note	----- (AFN '000') -----	
At FVOCI			
Foreign bonds	4.1	4,561,080	5,729,254
At Amortized cost:			
Capital notes with DAB		-	141,467
		4,561,080	5,870,721
Less: Provision for expected credit losses		(17,889)	(20,363)
		4,543,191	5,850,358

4.1 The breakup of foreign bonds is as follows:

	Rating	Rating Agency		
African Finance Corp.	A3	Moody's	479,092	560,635
Pakistan Euro Bond	B3	Moody's	257,150	376,428
Islamic Republic of Pakistan 2031	B3	Moody's	188,375	309,612
Oman Government International Bond	Ba1	Moody's	451,673	540,999
Oman Government International Bond	Ba1	Moody's	126,469	151,480
South Africa	Ba2	Moody's	129,733	160,638
South Africa	Ba2	Moody's	302,710	374,822
Republic of Italy	Baa3	Moody's	43,525	53,147
Sharjah Sukuk	A3	Moody's	511,251	655,690
Kingdom of Saudi Sukuk	A1	Moody's	529,160	654,831
Italy Government International Bond	Baa3	Moody's	334,322	423,389
Republic of chilli sukuk	A1	Moody's	9,918	11,868
Perusahaan Penerbit SBSN 2025	Baa2	Moody's	87,292	106,737
Perusahaan Penerbit SBSN 2030	Baa2	Moody's	433,089	535,703
Dubai DOF sukuk	unrated		432,721	526,725
Republic of Turkey	B2	Moody's	74,539	87,303
Republic of Turkey	B2	Moody's	170,061	199,248
			4,561,080	5,729,254
Foreign bonds at Amortized cost:			-	-
			4,561,080	5,729,254

4.1.1 These bonds are listed on various stock exchanges including London Stock Exchange. The interest rate on these bonds ranges from 1.625% to 8.25% (31 December 2021: 1.625% to 8.25%) per annum maturing by 08 April 2031.

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Bank Alfalah Limited Afghanistan
Notes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2022

5 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Right-to-use Assets (Leased assets)	Total
(AFN '000')						
Cost						
Balance at 1 January 2021	28,342	8,934	34,344	20,155	63,990	155,765
Additions	-	-	411	-	5,654	6,065
Remeasurement of existing rental contracts	-	-	-	-	11,847	11,847
Disposals	-	-	(3,057)	-	(23,541)	(26,598)
Balance at 31 December 2021	28,342	8,934	31,698	20,155	57,950	147,079
Balance at 1 January 2022	28,342	8,934	31,698	20,155	57,950	147,079
Adjustments	-	-	-	-	(2,212)	(2,212)
Balance at 31 March 2022	28,342	8,934	31,698	20,155	55,738	144,867
Depreciation						
Balance at 1 January 2021	28,180	7,439	30,707	12,759	30,518	109,603
Charge for the year	17	308	1,230	2,615	15,241	19,411
Depreciation on disposals	-	-	(3,057)	-	(23,541)	(26,598)
Balance at 31 December 2021	28,197	7,747	28,880	15,374	22,218	102,416
Balance at 1 January 2022	28,197	7,747	28,880	15,374	22,218	102,416
Charge for the year	30	69	231	643	2,589	3,562
Balance at 31 March 2022	28,227	7,816	29,111	16,017	24,807	105,978
Carrying amounts						
Balance at 31 December 2021	145	1,187	2,818	4,781	35,732	44,663
Balance at 31 March 2022	115	1,118	2,587	4,138	30,931	38,889
Depreciation rate	20%	10% - 25%	20%-25%	25%	17% - 100%	

5.1 Included in cost of property and equipment are fully depreciated assets still in use having cost of AFN 71,330 thousands (31 December 2021: AFN 70,138 thousands).

6 OTHER ASSETS

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
(AFN '000')			
Accrued interest		166,254	56,999
Advances, deposits and prepayments		644	107
Restricted deposits with DAB	6.1	707,229	883,104
Unrealized gain on re-measurement of Interest Rate Swaps		187,633	-
Call margin		-	105,808
Reveivable from overseas units-net		321,407	70,799
Interest receivable on Interest Rate Swaps		2,240	666
		1,385,407	1,117,483
Less: Provision against other asset		(94,884)	-
		1,290,523	1,117,483

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 three months ended 31 March 2022

7 DEPOSITS FROM CUSTOMERS

	31 March 2022	31 December 2021
Note	(Un-audited) ----- (AFN '000') -----	(Audited) -----
Current deposits	8,782,852	10,719,500
Saving deposits	1,190,305	705,302
Term deposits	-	500,000
Margin deposits	27,418	31,018
	<u><u>10,000,575</u></u>	<u><u>11,955,820</u></u>

8 OTHER LIABILITIES

Call margin	160,529	-
Unrealized loss on re-measurement of Interest Rate Swaps	-	55,285
Interest payable on Interest Rate Swap	24,801	12,026
Payable to overseas units	-	19,484
Accrued expenses	6,750	4,248
Interest payable	41,000	37,268
DAB assessment fee payable	1,890	1,512
Professional charges	1,665	720
Bills payable	1,004	1,153
Provision for expected credit loss against off-balance sheet items	468	360
Others	167	203
	<u><u>238,274</u></u>	<u><u>132,259</u></u>

9 CONTINGENCIES AND COMMITMENTS

9.1 Guarantees	9.1.1	<u><u>281,097</u></u>	<u><u>329,398</u></u>
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9.1.1 These represent advance payment and performance based guarantees issued by the Bank.

	31 March 2022	31 December 2021
Note	(Un-audited) ----- (AFN '000') -----	(Audited) -----
9.2 Commitments	<u><u>3,540,800</u></u>	<u><u>4,149,200</u></u>

9.2.1 These represent commitment regarding IRS against notional amount payable/receivable.

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:

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Bank Alfalah Limited Afghanistan
Notes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2022

10.1 Transactions with related parties

Name of group companies	Nature of transactions	Three months ended 31 March 2022	Three months ended 31 March 2021
		(Un-audited)	(Un-audited)
		----- (AFN '000') -----	
	Interest expense on Borrowing	-	-
	Interest income on Interest Rate Swap	-	-
Bank Alfalah Limited Bahrain	Interest receivable on Interest Rate Swap	-	-
	Interest expense on Interest Rate Swap	-	-
	Interest payable on Interest Rate Swap	-	-
Bank Alfalah Limited - Pakistan	Profit remitted to Head Office	-	-
	Insurance premium paid to Alfalah Insurance Company Limited	-	-

10.2 Key management compensation

	Three months ended 31 March 2022	Three months ended 31 March 2021
	(Un-audited)	(Un-audited)
----- (AFN '000') -----		
Salaries and benefits	11,610	11,991

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 three months ended 31 March 2022

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 2022 (Un-audited)	4,561,080	-	-	4,561,080
As at 31 December 2021 (Audited)	5,729,254	-	-	5,729,254

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
and Country Manger of the Bank on May 14, 2022.

Country Finance Manager

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Country Finance Manager



Country Manager