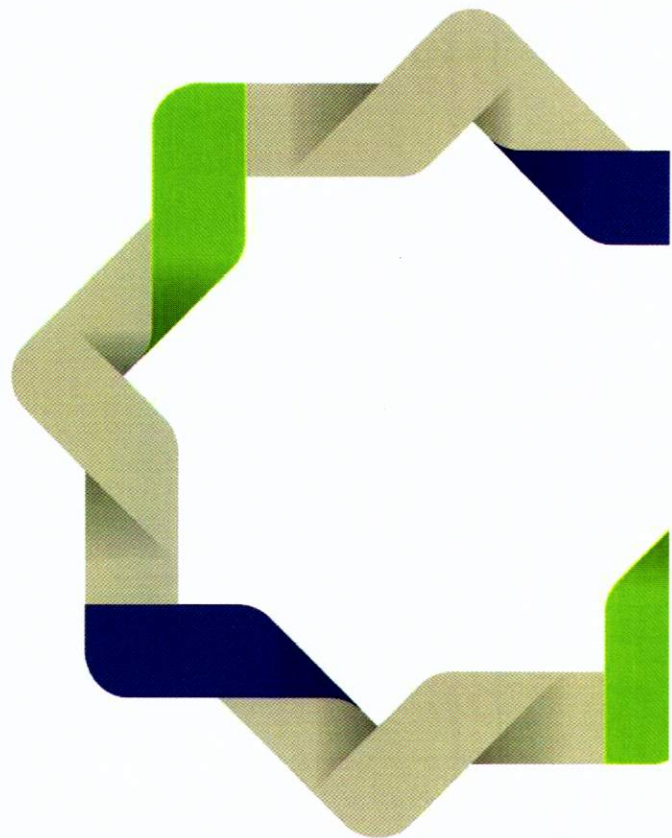


Bank Alfalah Limited  
Afghanistan – condensed  
interim financial statements  
and auditors' review report

For the nine months ended 30 September 2020





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# Independent Auditor's Report on Review of Interim Financial Information To the Shareholders of Bank Alfalah Limited Afghanistan

Grant Thornton Afghanistan

House # 611, Street # 12  
Qualle Fatehullah, Kabul  
Afghanistan  
T +93 202 202 475  
M+93 789 314 616  
[www.granthornton.af](http://www.granthornton.af)

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** ("the Bank") as at September 30, 2020 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), the requirements of the Law of Banking in Afghanistan and directives issued by the central bank of Afghanistan. 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.

CSA



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**Conclusion**

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at September 30, 2020, 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.

*Grant Thornton Afgh*

**Grant Thornton Afghanistan**

**Chartered Accountants**

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date *14th Nov, 2020*

**Bank Alfalah Limited  
Afghanistan  
Condensed Interim  
Financial Statements**

For the nine months ended 30 September 2020



**BANK ALFALAH LIMITED AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**


		30 September 2020 (Un-audited)	31 December 2019 (Audited)
	Note	----- (AFS '000') -----	
<b>ASSETS</b>			
Cash and cash equivalents	3	3,690,069	5,227,395
Investments - net	4	7,412,294	5,809,750
Loans and advances to banks - net		-	588,453
Loans and advances to customers - net		214	920
Property and equipment	5	48,781	23,262
Deferred tax asset		6,114	99
Advance tax - net		-	3,268
Other assets	6	1,299,284	1,034,419
<b>Total assets</b>		<b>12,456,755</b>	<b>12,687,566</b>
<b>LIABILITIES</b>			
Borrowing from banks	7	307,520	-
Deposits from customers	8	10,179,383	10,926,946
Current tax liabilities - net		3,169	-
Lease liability		37,374	9,670
Other liabilities	9	197,451	23,173
<b>Total liabilities</b>		<b>10,724,897</b>	<b>10,959,789</b>
<b>EQUITY</b>			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		64,154	59,905
Retained earnings		692,580	611,858
Revaluation reserve on financial instruments at FVOCI		(24,876)	56,014
<b>Total equity</b>		<b>1,731,858</b>	<b>1,727,777</b>
<b>Total liabilities and equity</b>		<b>12,456,755</b>	<b>12,687,566</b>

Contingencies and commitments

10

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

  
 Acting Country Finance Manager

  
 Country Manager

GIA

**BANK ALFALAH LIMITED AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

Note	Nine months ended		Three months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Un-audited) AFS '000'	(Un-audited) AFS '000'	(Un-audited) AFS '000'	(Un-audited) AFS '000'
Interest income	196,936	171,138	57,790	65,874
Interest expense	(13,383)	(681)	(4,394)	(284)
Net interest income	183,553	170,457	53,396	65,590
Fee and commission income	62,174	66,865	21,949	22,390
Fee and commission expense	(5,202)	(8,174)	(553)	(3,001)
Net fee and commission income	56,972	58,691	21,396	19,389
Income from dealing in foreign currencies	7,200	10,397	2,115	3,898
Total operating income	247,725	239,545	76,907	88,877
Other income	(5,799)	17,184	628	4,691
Reversal / (charge) of credit losses on:				
Cash and cash equivalents	4,017	(126)	(4)	(126)
Investments	(1,720)	(3,019)	(722)	(3,300)
Loans and advances to customers	-	22	-	-
Loans and advances to banks	1,347	2,009	-	3,108
Other assets	-	-	-	-
Off balance sheet items	3,616	1,618	1,245	(8)
<b>Net operating income</b>	<b>249,186</b>	<b>257,233</b>	<b>78,054</b>	<b>93,242</b>
Personnel expenses	(73,715)	(68,570)	(21,981)	(22,106)
Depreciation on operating fixed assets and right of use of assets	5 (15,458)	(12,272)	(5,361)	(4,111)
Finance cost on lease	(2,170)	(1,394)	(1,552)	(374)
Other operating expenses	(49,657)	(50,813)	(15,072)	(12,806)
Total operating expenses	(141,000)	(133,049)	(43,966)	(39,397)
<b>Profit before taxation</b>	<b>108,186</b>	<b>124,183</b>	<b>34,088</b>	<b>53,845</b>
Taxation	(23,215)	4,546	(7,122)	(10,615)
<b>Net profit</b>	<b>84,971</b>	<b>128,730</b>	<b>26,966</b>	<b>43,230</b>
<b>Other comprehensive income</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Mark to market adjustment on investments at FVOCI	61,491	15,096	90,872	8,525
Related deferred tax	(12,298)	(3,019)	(18,174)	(1,705)
	49,193	12,077	72,697	6,820
Mark to market adjustment on interest rate SWAP	6.2 (162,604)	-	9,153	-
Related deferred tax	32,521	-	(1,831)	-
	(130,083)	-	7,323	-
<b>Other comprehensive income, net of tax</b>	<b>(80,890)</b>	<b>12,077</b>	<b>80,020</b>	<b>6,820</b>
<b>Total comprehensive income, net of tax</b>	<b>4,081</b>	<b>140,806</b>	<b>106,986</b>	<b>50,050</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

  
Acting Country Finance Manager

  
Country Manager

**BANK ALFALAH LIMITED AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Capital contributed by Head Office	Revaluation reserve on financial instrument at FVOCI	Capital reserve	Retained earnings	Total
	AFS '000'				
<b>Balance as at 1 January 2019 (Audited)</b>	1,000,000	131	50,791	680,731	1,731,653
Profit for the period	-	-	-	128,730	128,730
Transferred to capital reserve	-	-	6,436	(6,436)	-
Total comprehensive income:					
Net change in fair value	-	15,096	-	-	15,096
Related tax	-	(3,019)	-	-	(3,019)
	1,000,000	12,077	6,436	122,293	140,806
Transactions with owners of the Bank					
Profits remitted to Head Office	-	-	-	(242,035)	(242,035)
<b>As at 30 September 2019 (Un-audited)</b>	2,000,000	12,208	57,227	560,989	1,630,424
<b>Balance as at 1 January 2020 (Audited)</b>	1,000,000	56,014	59,905	611,858	1,727,777
Profit for the period	-	-	-	84,971	84,971
Transferred to capital reserve	-	-	4,249	(4,249)	-
Other comprehensive income net of tax:					
Mark to market adjustment on investments at FVOCI	-	61,491	-	-	61,491
Related deferred tax on above	-	(12,298)	-	-	(12,298)
Mark to market adjustment on interest rate SWAP	-	(162,604)	-	-	(162,604)
Related deferred tax on above	-	32,521	-	-	32,521
	-	(80,890)	4,249	80,723	4,080
Profits remitted to Head Office	-	-	-	-	-
<b>As at 30 September 2020 (Un-audited)</b>	1,000,000	(24,876)	64,154	692,580	1,731,858

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

  
 Acting Country Finance Manager

  
 Country Manager



**BANK ALFALAH LIMITED AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

		Nine months ended 30 September 2020	Nine months ended 30 September 2019
		(Un-audited)	(Un-audited)
	Notes	----- (AFS '000') -----	-----
<b>Cash flows from operating activities</b>			
Profit before taxation		108,186	124,183
<b>Adjustments for:</b>			
Depreciation on operating fixed assets and right of use of assets	5	15,458	12,272
Finance cost on lease liability		2,170	1,394
Provisions/(reversals)			
Investments		1,720	3,019
Loans and advances to customers		-	(22)
Loans and advances to banks		(1,347)	(2,009)
Other assets		-	-
Off balance sheet items		(3,616)	(1,618)
Loss on settlement of Interest rate swaps - net		8,900	-
Unrealized loss on re-measurement of Interest Rate Swaps	9	161,088	-
		<u>292,559</u>	<u>137,219</u>
<b>Changes in:</b>			
Loans and advances to banks		589,800	(773,042)
Loans and advances to customers		706	1,316
Advance tax - net		(22,793)	(19,981)
Other assets		(275,358)	169,139
Borrowing from banks		307,520	-
Deposits from banks		-	501,620
Deposits from customers		(747,563)	(1,837,046)
Other liabilities		15,376	(3,644)
		<u>(132,312)</u>	<u>(1,961,638)</u>
<b>Net cash used in operating activities</b>		<u>160,247</u>	<u>(1,824,419)</u>
<b>Cash flows from investing activities</b>			
(Increase) / decrease in investments - net		(1,683,560)	(3,632,625)
Acquisition of property and equipment	5	(40,976)	(646)
Proceeds from disposal of property and equipment	5	-	666
<b>Net cash (used in) / generated from investing activities</b>		<u>(1,724,536)</u>	<u>(3,632,605)</u>
<b>Cash flows from financing activities</b>			
Lease liability		26,963	(12,465)
Remittances to the Head Office		-	(242,035)
<b>Net cash used in financing activities</b>		<u>26,963</u>	<u>(254,500)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(1,537,326)</u>	<u>(5,711,524)</u>
Cash and cash equivalent at beginning of the period		5,227,395	10,651,486
<b>Cash and cash equivalents at end of the period</b>	3	<u>3,690,069</u>	<u>4,939,962</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

  
 Acting Country Finance Manager

  
 Country Manager

GTA



## **BANK ALFALAH LIMITED AFGHANISTAN**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

#### **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 nine months period ended 30 September 2020 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the Banking Law of Afghanistan. In case, where requirements differ, the requirement of Law of Banking of Afghanistan takes precedence.

The disclosures made in this condensed interim financial information have been limited based on the requirements 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 2019.

- 2.2 Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2019 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 nine months period ended 30 September 2019.

- 2.3 **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 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

- 2.4 **Accounting policies, significant accounting judgements, estimates and assumptions**

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 2019.

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 2019.

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 2019. 61A

**BANK ALFALAH LIMITED AFGHANISTAN****NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)****FOR NINE MONTHS ENDED 30 SEPTEMBER 2020****3 CASH AND CASH EQUIVALENTS**

	30 September 2020 (Un-audited) AFS '000'	31 December 2019 (Audited) AFS '000'
<b>Cash in hand</b>		
Local currency	31,065	19,482
Foreign currency	59,100	45,601
	90,165	65,083
<b>Current accounts with Da Afghanistan Bank in:</b>		
Local currency	502,272	324,308
Foreign currency	595,258	900,249
	1,097,530	1,224,557
<b>Balances with other banks and financial institutions:</b>		
Current accounts	448,592	449,209
<b>Short term placements with banks:</b>		
Capital notes with DAB (maturity less than three months)	1,055,236	1,324,577
Time deposits with other banks	999,440	2,168,880
	2,054,676	3,493,457
	3,690,963	5,232,307
Less: Provision for expected credit losses	(894)	(4,911)
	<u>3,690,069</u>	<u>5,227,395</u>

**4 INVESTMENTS - NET****At FVOCI / AFS Investments:**

Foreign bonds	6,303,589	5,155,452
---------------	-----------	-----------

**At Amortizes cost:**

Foreign bonds	381,989	384,579
Capital notes with DAB	731,784	273,067

	7,417,362	5,813,098
Less: Provision for expected credit losses	(5,068)	(3,348)

	<u>7,412,294</u>	<u>5,809,750</u>
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**BANK ALFALAH LIMITED AFGHANISTAN**
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**
**4.1 The breakup of investments is as follows:**

	Rating	Rating Agency	Note	30 September 2020	31 December 2019
				(Un-audited)	(Audited)
				AFS '000'	AFS '000'
<b>Foreign bonds at FVOCI / AFS investments</b>			4.1.1		
African Finance Corporation	A3	Moody's		414,994	411,650
Pakistan EURO bond	B3	Moody's		525,824	554,207
African Import-Export	Baa1	Moody's		478,770	500,576
Oman Government International bond	BB+	Moody's		371,511	401,231
Oman Government International bond	BB+	Moody's		104,021	112,343
Asian Development Bank	AAA	Moody's		230,596	387,443
South Africa	BB	Moody's		110,622	116,398
Abu Dhabi Government	AA	Moody's		160,718	154,746
Abu Dhabi Government International	AA	Moody's		246,706	232,431
Korea Development Bank	Aa2	Moody's		-	77,216
South Africa	Baa3	Moody's		258,118	271,595
Republic of Italy	Baa3	Moody's		160,204	151,933
Sharjah Sukuk	A3	Moody's		320,110	294,187
Kingdom of Saudi Sukuk	A1	Moody's		475,340	465,262
Italy Government International Bond	Baa3	Moody's		78,322	467,883
China Government Bond	A1	Moody's		271,599	467,939
Export-Import Bank of Korea	Aa2	Moody's		80,009	-
Industrial Bank of Korea	Aa2	Moody's		396,766	-
Perusahaan Penerbit SBSN 2025	Baa2	Moody's		488,648	-
Perusahaan Penerbit SBSN 2030	Baa2	Moody's		489,866	-
Wakala Global Sukuk	A3	Moody's		158,364	-
Dubai DOF Sukuk	Unrated	Moody's		383,458	-
United Mexican State	A3	Moody's		46,140	-
Kazakhstan	Baa3	Moody's		43,394	43,039
United Mexican States	A3	Moody's		-	45,373
Republic of Chile	A1	Moody's		9,489	-
<b>Foreign bonds at Amortized cost:</b>					
Qatar Sovereign	Aa2	Moody's	4.1.2	381,989	384,579
<b>Capital notes at amortized cost:</b>					
with Da Afghanistan Bank			4.1.3	731,784	273,067
				<b>7,417,362</b>	<b>5,813,099</b>

**4.1.1** These bonds are listed on various stock exchanges including London Stock Exchange. The interest rate on these bonds ranges from 0.25% to 8.25% (31 December 2019: 0.6% to 8.25%) per annum maturing by 09 September 2030.

**4.1.2** This represents investment in the State of Qatar bonds amounting to USD 5 million (31 December 2019: USD 5 million bonds issued by Islamic Republic of Pakistan and State of Qatar) carrying interest rate of 3.25% (31 December 2019: 3.25%) per annum.

**4.1.3** These represent investments in capital notes issued by DAB having maturity up to one year (31 December 2019: six months) and these carry interest rate of 0.95% to 2.99% (31 December 2019: 1.4%) per annum.

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**BANK ALFALAH LIMITED AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

**5 PROPERTY AND EQUIPMENT**

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Right-to-use Assets (Buildings and offices)	Total
	(AFS '000')					
<b>Cost</b>						
Balance at 1 January 2019	22,099	11,121	38,926	9,722	-	81,868
Adjustment on transition to IFRS 16	-	-	-	-	23,541	23,541
Additions	-	127	877	10,433	-	11,437
Disposals	-	(204)	(666)	-	-	(870)
Transfer amongst asset categories	6,076	(2,110)	(3,966)	-	-	-
Assets written-off	-	-	(3,317)	-	-	(3,317)
Balance at 31 December 2019	28,175	8,934	31,854	20,155	23,541	112,659
<b>Balance at 1 January 2020</b>	<b>28,175</b>	<b>8,934</b>	<b>31,854</b>	<b>20,155</b>	<b>23,541</b>	<b>112,659</b>
Additions	167	-	361	-	40,449	40,977
Balance at 30 September 2020	28,342	8,934	32,215	20,155	63,990	153,636
<b>Depreciation</b>						
Balance at 1 January 2019	21,825	9,087	36,153	9,722	-	76,787
Charge for the year	274	349	1,352	429	14,386	16,790
Depreciation on disposals	-	(204)	(659)	-	-	(863)
Transfer amongst asset categories	6,076	(2,110)	(3,966)	-	-	-
Assets written-off	-	-	(3,317)	-	-	(3,317)
Balance at 31 December 2019	28,175	7,122	29,563	10,151	14,386	89,397
<b>Balance at 1 January 2020</b>	<b>28,175</b>	<b>7,122</b>	<b>29,563</b>	<b>10,151</b>	<b>14,386</b>	<b>89,397</b>
Charge for the year	1	237	891	1,958	12,371	15,458
Balance at 30 September 2020	28,176	7,359	30,454	12,109	26,757	104,855
<b>Carrying amounts</b>						
Balance at 31 December 2019	-	1,812	2,291	10,004	9,155	23,262
Balance at 30 September 2020	166	1,575	1,761	8,046	37,233	48,781
<b>Depreciation rate</b>	<b>20%</b>	<b>10% - 25%</b>	<b>20% - 25%</b>	<b>25%</b>		

5.1 Included in cost of property and equipment are fully depreciated assets still in use having cost of Afs 71,213 thousands (31 December 2019: Afs 69,681 thousands).

		30 September 2019 (Un-audited) AFS '000'	31 December 2019 (Audited) AFS '000'
<b>6 OTHER ASSETS</b>	<b>Note</b>		
Accrued interest		80,671	47,257
Advances, deposits and prepayments		3,090	598
Restricted deposits with DAB	6.1	1,023,280	965,279
Unrealized gain on re-measurement of Interest Rate Swaps		-	10,493
Receivable against credit card transactions		823	2,949
Branch adjustment account		3,828	807
Commission receivable		807	2,309
Interest receivable on Interest Rate Swap (IRS)		735	4,727
Call Margin	6.2	186,050	-
		1,299,284	1,034,419
Less: Provision against other assets		-	-
		1,299,284	1,034,419

6.1 Required reserve account is interest free balance maintained with DAB dominated in respective currencies to meet the minimum reserve requirement in accordance with revised "Reserve Requirement for Monetary Policy Purposes" of the Banking Regulations issued by DAB.

6.2 This represents the call margin deposit that Bank Alfalah Limited Afghanistan has paid to First Abu Dhabi Bank (FAB) as a collateral against the interest rate swaps agreement between Bank Alfalah Limited (Bahrain) on behalf of Bank Alfalah Limited Afghanistan and FAB. These interest rate swaps are to hedge the foreign currency floating interest rate exposure of Bank Alfalah Limited and its certain overseas branches, including Bank Alfalah Limited Afghanistan. The outrage of COVID-19 has caused decrease in LIBOR rates due to which the interest rate swaps have resulted in a loss of AFN 161m (Period ended September 30, 2019: Nil) during the period ended September 30, 2020. The call margin amount of AFN186m (year ended December 31, 2019: Nil) represents the Bank Alfalah Limited Afghanistan's share in the call margin deposit held as collateral with FAB.

6.2

**BANK ALFALAH LIMITED AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

**7 BORROWING FROM BANKS**

- 7.1 This represents amount borrowed from a financial institution having maturity of one month (31 December 2019: nil) and carry interest rate of 1.45% (31 December 2019: nil).

**8 DEPOSITS FROM CUSTOMERS**

	Note	30 September 2020 (Un-Audited) AFS '000'	31 December 2019 (Audited) AFS '000'
Current deposits		9,314,239	9,726,348
Saving deposits	8.1	173,398	488,368
Term deposits	8.2	668,856	673,902
Margin and other deposits		22,890	38,328
		<u>10,179,383</u>	<u>10,926,946</u>

- 8.1 Saving deposits carry interest rate at 0.1% (31 December 2019: 0.1%) per annum on both AFN and USD deposit accounts (31 December 2019: 0.25%).

- 8.2 Term deposits carry interest rate at 1.9% (31 December 2019: 1.9% to 2.0%) per annum and have maturity ranging from 3 to 7 (31 December 2019: 6 to 12) months.

**9 OTHER LIABILITIES**

	Note	30 September 2020 (Un-Audited) AFS '000'	31 December 2019 (Audited) AFS '000'
Unrealized loss on re-measurement of Interest Rate Swaps	6.2	161,088	-
Interest payable on Interest Rate Swap		12,011	4,200
Accrued expenses		9,547	5,503
Interest payable		7,726	2,072
DAB assessment fee payable		2,295	3,060
Professional charges		1,516	1,420
Bills payable		131	131
Others		2,495	2,529
Provision for expected credit loss provision on off balance sheet items		642	4,258
		<u>197,451</u>	<u>23,173</u>

**10 CONTINGENCIES**

- 10.1 Guarantees 10.1.1 362,790 395,006

- 10.1.1 These represent bid bonds and performance based guarantees issued by the Bank.

- 10.2 Commitments 10.2.1 1,993,997 2,246,340

- 10.2.1 These represent commitment regarding IRS principal amount payable/receivable amounting to AFN 1,922,000 thousands and commitment for forward exchange contracts amounting to AFN 71,997 thousands.

**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:

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**BANK ALFALAH LIMITED AFGHANISTAN**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR NINE MONTHS ENDED 30 SEPTEMBER 2020**

**11.1 Transactions with related parties**

Name of group companies	Nature of transactions	Nine months ended 30 September 2020	Nine months ended 30 September 2019	Three months ended 30 September 2020	Three months ended 30 September 2019
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		AFS '000'	AFS '000'	AFS '000'	AFS '000'
Bank Alfalah Limited Bahrain	Interest expense on Borrowing	-	-	-	-
	Interest income on Interest Rate Swap	-	-	-	-
	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	-	242,035	-	-
	Alfalah Insurance Company Limited Insurance premium paid	1,920	1,785	1,920	1,785

**11.2 Key management compensation**

Salaries and benefits	29,369	25,631	8,510	9,409
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**12 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**12.1** 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.

**12.2** 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
	AFS '000'			
Investments in bonds - debt instruments at fair value through other comprehensive income				
As at 30 September 2020 (Un-audited)	6,685,578	-	-	6,685,578
As at 31 December 2019 (Audited)	5,540,031	-	-	5,540,031

During the period ended 30 September 2020, there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

**13 CORRESPONDING FIGURES**

**13.1** Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were 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 14-Nov-2020.

  
Acting Country Finance Manager

  
Country Manager