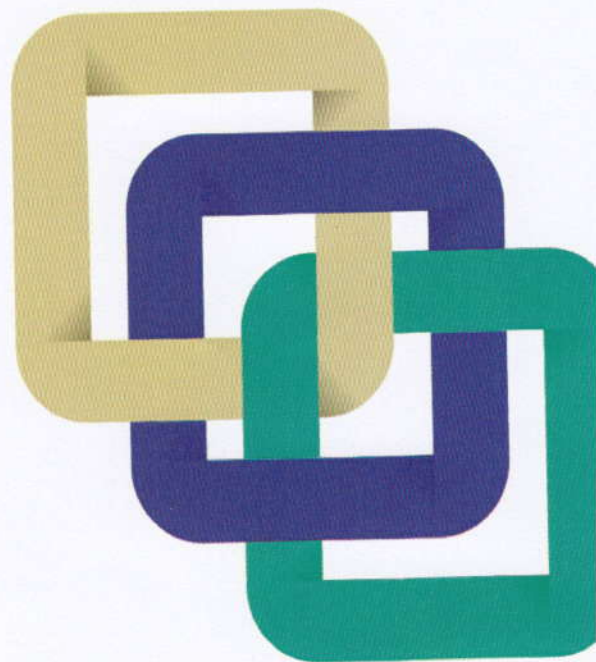


Bank Alfalah Limited  
Afghanistan– condensed  
interim financial statements  
and auditors’ review report

For the 2<sup>nd</sup> quarter ended June 30, 2020



## **Contents**

- 1. Auditors’ Review Report**
- 2. Condensed Interim Financial Statements**



**Grant Thornton**

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**Country Manager**

Bank Alfalah Limited Afghanistan  
Kabul, Afghanistan

July 25, 2020

Grant Thornton Afghanistan

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Dear Sir,

**CONDENSED INTERIM FINANCIAL STATEMENTS - FOR SIX MONTHS ENDED  
JUNE 30, 2020**

We are pleased to enclose four copies of the draft condensed interim financial statements of Bank Alfalah Limited Afghanistan ("the Bank"), for the six months ended June 30, 2020, prepared by the management, together with draft review report thereon. The condensed interim financial statements have been initialed by us for the purpose of identification only. We shall be pleased to sign our report in its present or amended form after:

- these condensed interim financial statements have been approved by the Board, with or without modification, and signed by the Country Manager and the Country Finance Manager of the Bank;
- we have received minutes of the meeting of the Board to evidence approval of the condensed interim financial statements; and
- we have received the management representation letter duly signed by the Country Manager and the Country Finance Manager of the Bank.

**2 RESPONSIBILITIES OF THE AUDITORS AND THE MANAGEMENT IN  
RELATION TO THE FINANCIAL STATEMENTS**

We have conducted the review of the interim financial statements of the Bank in accordance with the International Standard on Review Engagements (ISRE) 2410. 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 the 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. Our responsibility is to express a conclusion on the accompanying condensed interim financial information based on our review.

The responsibility for preparation and presentation of the condensed interim financial statements in accordance with the accounting standards as applicable to interim financial

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information is primarily that of the Bank's management. This includes maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Bank and prevention and detection of fraud and irregularities. The review of interim financial statements does not relieve the management of its responsibilities.

### **3 SIGNIFICANT MATTERS FOR THE ATTENTION OF BOARD**

#### **Fraud and errors**

We have been informed by management that to the best of their knowledge, there have been no instance of fraud or irregularity during the period.

#### **Contingencies and commitments**

We have been informed by management that there are no contingencies and commitments other than those disclosed in note 10 to the condensed interim financial statements.

#### **Related party transactions**

We have been informed by management that related party transactions have been properly disclosed in note 11 to the condensed interim financial statements and there are no other related party transactions which have not been recorded in the financial statements.

We also take this opportunity to place on record our appreciation for the co-operation extended to us by the management of the Bank during the course of our review.

Yours truly,

**Grant Thornton Afghanistan**

Chartered Accountants



**Grant Thornton**

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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

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## **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** ("the Bank") as at June 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 six 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.



**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 June 30, 2020, and of its financial performance and its cash flows for the six 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 Afghanistan*

**Grant Thornton Afghanistan**

Chartered Accountants

Engagement Partner: Saqib Rehman Qureshi

Location: Kabul, Afghanistan

Date 13-Aug-2020



*SQR*

**BANK ALFALAH LIMITED**  
**AFGHANISTAN**

**Condensed Interim Financial**  
**Statements**


For the 2<sup>nd</sup> quarter ended June 30, 2020

**BANK ALFALAH LIMITED AFGHANISTAN**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT 30 JUNE 2020**

	Note	30 June 2020 (Un-audited) ----- (AFN '000') -----	31 December 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	3	3,969,947	5,227,395
Investments - net	4	7,213,131	5,809,750
Loans and advances to financial institutions - net		-	588,453
Loans and advances to customers - net		128	920
Property and equipment	5	19,329	23,262
Deferred tax asset		26,358	99
Advance tax - net		3,364	3,268
Other assets	6	1,318,878	1,034,419
<b>Total assets</b>		<b>12,551,135</b>	<b>12,687,566</b>
<b>LIABILITIES</b>			
Borrowing from banks	7	154,640	-
Deposits from customers	8	10,561,410	10,926,946
Lease liabilities		7,427	9,670
Other liabilities	9	202,785	23,173
<b>Total liabilities</b>		<b>10,926,262</b>	<b>10,959,789</b>
<b>EQUITY</b>			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		62,805	59,905
Retained earnings		666,965	611,858
Revaluation reserve on financial instruments at FVOCI		(104,897)	56,014
<b>Total equity</b>		<b>1,624,873</b>	<b>1,727,777</b>
<b>Total liabilities and equity</b>		<b>12,551,135</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

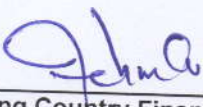
  
 Country Manager




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

	Six months ended		Three months ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AFN '000'		AFN '000'	
Interest income	139,147	105,264	64,860	52,997
Interest expense	(8,989)	(397)	(4,572)	(196)
Net interest income	130,158	104,867	60,287	52,801
Fee and commission income	40,225	44,475	20,623	22,026
Fee and commission expense	(4,649)	(5,173)	(1,741)	(2,720)
Net fee and commission income	35,576	39,302	18,882	19,306
Income from dealing in foreign currencies	5,085	6,499	2,412	5,392
Total operating income	170,819	150,668	81,581	77,499
Other income	(6,426)	12,492	(6,426)	6,381
Reversal / (charge) of credit losses on:				
Cash and cash equivalents	4,020	-	2,645	-
Investments	(998)	280	864	(23)
Loans and advances to customers	-	22	(1,142)	-
Loans and advances to financial institutions	1,347	(1,099)	1,347	(3,181)
Other assets	-	-	-	-
Off balance sheet items	2,371	1,626	542	671
Net operating income	171,133	163,989	79,411	81,347
Personnel expenses	(51,734)	(46,464)	(21,907)	(22,244)
Depreciation	(10,097)	(8,161)	(5,436)	(4,045)
Finance cost on lease	(618)	(1,021)	(400)	(461)
Other operating expenses	(34,585)	(38,006)	(7,178)	(15,695)
Total operating expenses	(97,034)	(93,652)	(34,921)	(42,445)
Profit before taxation	74,099	70,337	44,490	38,902
Taxation	(16,092)	15,161	(7,354)	(8,068)
Net profit	58,007	85,498	37,136	30,834
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Mark to market adjustment on investments at FVOCI	(29,381)	6,571	390,312	5,385
Related deferred tax	5,876	(1,314)	(78,062)	(1,077)
Mark to market adjustment on interest rate SWAP	(171,757)	-	(17,237)	-
Related deferred tax	34,351	-	3,447	-
Other comprehensive income, net of tax	(160,911)	5,257	298,460	4,308
Total comprehensive income, net of tax	(102,904)	90,755	335,596	35,142

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 SIX MONTHS ENDED 30 JUNE 2020**

	Capital contributed by Head Office	Revaluation reserve on financial instrument at FVOCI	Capital reserve	Retained earnings	Total
	----- AFN '000' -----				
Balance as at 1 January 2019 - (Audited)	1,000,000	131	50,791	680,731	1,731,653
Profit for the period	-	-	-	85,498	85,498
Transferred to capital reserve	-	-	4,275	(4,275)	-
Total comprehensive income:	-	-	-	-	-
Net change in fair value	-	6,571	-	-	6,571
Related tax	-	(1,314)	-	-	(1,314)
Reclassification adjustments relating to FVOCI / AFS investments disposed off during the period - net	-	-	-	-	-
Related tax on disposal of FVOCI / AFS investments during the year	-	-	-	-	-
Transactions with owners of the Bank Profits remitted to Head Office	-	5,257	4,275	81,223	90,755
	-	-	-	(242,035)	(242,035)
<b>As at 30 June 2019 (Un-audited)</b>	<b>1,000,000</b>	<b>5,388</b>	<b>55,066</b>	<b>519,919</b>	<b>1,580,373</b>
Balance as at 1 January 2020 - (Audited)	1,000,000	56,014	59,905	611,858	1,727,777
Profit for the period	-	-	-	58,007	58,007
Total comprehensive income:	-	-	2,900	(2,900)	-
Net change in fair value	-	(160,911)	-	-	(160,911)
Related tax	-	(160,911)	2,900	55,107	(102,904)
Transactions with owners of the Bank Profits remitted to Head Office	-	-	-	-	-
	-	-	-	-	-
<b>As at 30 June 2020 (Un-audited)</b>	<b>1,000,000</b>	<b>(104,897)</b>	<b>62,805</b>	<b>666,965</b>	<b>1,624,873</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 CASH FLOWS (UN-AUDITED)**  
**FOR SIX MONTHS ENDED 30 JUNE 2020**

		Six months ended 30 June 2020 (Un-audited)	Six months ended 30 June 2019 (Un-audited)
	Notes	----- (AFN '000') -----	
<b>Cash flows from operating activities</b>			
Profit before taxation		74,099	70,337
<b>Adjustments for:</b>			
Depreciation	5	10,097	8,161
Provisions/(reversals)			
Investments		998	(280)
Loans and advances to financial institutions		(1,347)	1,099
Loans and advances to the customers		-	(22)
Other assets		-	-
Off balance sheet items		(2,371)	(1,626)
Loss on settlement of Interest rate swaps - net		9,631	-
		<u>91,107</u>	<u>77,669</u>
<b>Changes in:</b>			
Loans and advances to financial institutions - net		589,800	(834,626)
Loans and advances to customers - net		792	479
Advance tax - net		(42,448)	(27,175)
Other assets		(284,459)	211,286
Borrowing from banks		154,640	(672)
Deposits from customers		(365,536)	(1,862,402)
Lease liability		(2,243)	16,796
Other liabilities		181,983	(1,319)
		<u>232,529</u>	<u>(2,497,633)</u>
<b>Net cash generated from / (used in) operating activities</b>		<b>323,636</b>	<b>(2,419,964)</b>
<b>Cash flows from investing activities</b>			
Decrease / (Increase) in investments - net		(1,574,922)	(60,623)
Acquisition of property and equipment	5	(6,162)	(24,132)
Proceeds from disposal of property and equipment		-	86
<b>Net cash used in investing activities</b>		<b>(1,581,084)</b>	<b>(84,669)</b>
<b>Cash flows from financing activities</b>			
Remittances to the Head Office		-	(242,035)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(242,035)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,257,448)</b>	<b>(2,746,668)</b>
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	<b>3,969,947</b>	<b>7,904,818</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**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR SIX MONTHS ENDED 30 JUNE 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 six months period ended 30 June 2020 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.

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 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 six months period ended 30 June 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.

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

**3 CASH AND CASH EQUIVALENTS**

	30 June 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
<b>Cash in hand:</b>		
Local currency	40,962	19,482
Foreign currency	61,696	45,601
	<u>102,658</u>	<u>65,083</u>
<b>Current accounts with Da Afghanistan Bank in:</b>		
Local currency	534,235	324,308
Foreign currency	473,365	900,249
	<u>1,007,600</u>	<u>1,224,557</u>
<b>Balances with other banks and financial institutions:</b>		
Current accounts	1,245,523	449,209
<b>Short term placements with banks:</b>		
Capital notes (maturity less than three months)	609,897	1,324,577
Time deposits with other banks	1,005,160	2,168,880
	<u>1,615,058</u>	<u>3,493,457</u>
Less: Provision for expected credit losses	(891)	(4,911)
	<u><u>3,969,947</u></u>	<u><u>5,227,395</u></u>

**4 INVESTMENTS - NET**

<b>At FVOCI</b>			
Foreign bonds	4.1	5,855,160	5,155,452
<b>At Amortizes cost:</b>			
Capital notes with DAB	4.2	978,240	273,067
Foreign bonds	4.3	384,077	384,579
		<u>7,217,477</u>	<u>5,813,098</u>
Less: Provision for expected credit losses		(4,346)	(3,348)
		<u><u>7,213,131</u></u>	<u><u>5,809,750</u></u>

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

4.1 The breakup of foreign bonds is as follows:

	Rating	Rating Agency		
African Finance Corp.	A3	Moody's	409,177	411,650
Pakistan Euro Bond	B3	Moody's	517,996	554,207
African Export-Import	Baa1	Moody's	481,372	500,576
Oman Government International Bond	Ba3	Moody's	374,414	401,231
Oman Government International Bond	Ba3	Moody's	104,834	112,343
Asian Development Bank	Aaa	Moody's	386,202	387,443
South Africa	Ba1	Moody's	110,600	116,398
Abu Dhabi Government	AA2u	Moody's	159,932	154,746
Abu Dhabi Government International	AA2u	Moody's	243,994	232,431
Korea Development Bank	-	Moody's	-	77,216
South Africa	Ba1	Moody's	258,066	271,595
Republic of Italy	Baa3u	Moody's	156,958	151,933
Sharjah Sukuk	Baa2	Moody's	468,893	294,187
Kingdom of Saudi Sukuk	A1	Moody's	488,800	465,262
Italy Government International Bond	Baa3u	Moody's	310,412	467,883
China Government Bonds	A1	Moody's	476,460	467,939
EXP-IMP Bank of Korea	AA2	Moody's	78,327	-
Industrial Bank of Korea	Aa2	Moody's	270,893	-
Perusahaan Penerbit SBSN 2025	Baa2	Moody's	77,518	-
Perusahaan Penerbit SBSN 2030	Baa2	Moody's	387,327	-
United Mexican States	Baa1	Moody's	43,481	45,373
Kazakhstan	Baa3	Moody's	40,503	43,039
Republic of Chile	A1	Moody's	9,001	-
			4.1.1	
<b>Foreign bonds at Amortized cost:</b>			<b>5,855,160</b>	<b>5,155,452</b>
Qatar Sovereign	AA3	Moody's	384,077	384,579
			<u>6,239,237</u>	<u>5,540,031</u>

4.1.1 These bonds are listed on various stock exchanges including London Stock Exchange. The interest rate on these bonds ranges from 0.6% to 8.25% (31 December 2019: 0.6% to 8.25%) per annum maturing by 23 June 2030.

4.2 These represent investments in capital notes issued by DAB having maturity up to seven months (31 December 2019: six months) and these carry interest rate of 1.43% to 2.2% (31 December 2019: 1.4%) per annum.

4.3 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.

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

**5 PROPERTY AND EQUIPMENT**

	30 June 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
<b>Cost</b>		
Opening balances	112,659	81,868
Recognition of right-of-use assets	5,948	23,541
Additions to fixed assets	216	11,437
Disposals	-	(870)
Assets written-off	-	(3,317)
Closing balances	<u>118,823</u>	<u>112,659</u>
<b>Accumulated Depreciation</b>		
Opening balances	89,397	76,787
Charge for the period / year	10,097	16,790
Depreciation on disposals	-	(863)
Assets written-off	-	(3,317)
Closing balances	<u>99,494</u>	<u>89,397</u>
<b>Carrying amounts</b>		
Balance at period / year end	<u>19,329</u>	<u>23,262</u>

5.1 Included in cost of property and equipment are fully depreciated assets still in use having cost of AFN 70,574 thousands (31 December 2019: AFN 69,681 thousands).

**6 OTHER ASSETS**

	30 June 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
Accrued interest	44,498	47,257
Advances, deposits and prepayments	1,981	598
Restricted deposits with DAB	1,070,667	965,279
Unrealized gain on re-measurement of Interest Rate Swaps	-	10,493
Call margin	187,114	-
Receivable against credit card transactions	7,724	2,949
Branch adjustment account	2,895	807
Commission receivable	12	2,309
Receivable from HO against currency forward contract	669	-
Interest receivable on Interest Rate Swaps	3,318	4,727
	<u>1,318,878</u>	<u>1,034,419</u>
Less: Provision against other assets	-	-
	<u>1,318,878</u>	<u>1,034,419</u>

6.1 Required reserve account is being maintained with DAB to meet minimum reserve requirement in accordance with revised "Reserve Requirement for Monetary Policy Purposes" of the Banking Regulations issued by DAB. These balances are interest free (31 December 2019: Interest free).

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

**7 BORROWING FROM BANKS**

This represents amount borrowed from a financial institution having maturity of one month (31 December 2019: nil) and carry interest rate of 1.5% (31 December 2019: nil).

**8 DEPOSITS FROM CUSTOMERS**

		30 June 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
	Note		
Current deposits		9,143,884	9,726,348
Saving deposits	8.1	722,037	488,368
Term deposits	8.2	672,684	673,902
Margin deposits		22,805	38,328
		<u>10,561,410</u>	<u>10,926,946</u>

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

8.2 Term deposits carry interest rate ranging from 1.9% to 2.0% (31 December 2019: 1.9% to 2.0%) per annum and have maturity ranging from 6 to 10 (31 December 2019: 6 to 12) months.

**9 OTHER LIABILITIES**

		30 June 2020 (Un-audited) AFN '000'	31 December 2019 (Audited) AFN '000'
	Note		
Unrealized loss on re-measurement of Interest Rate Swaps		171,024	-
Interest payable on Interest Rate Swap		5,626	4,200
Accrued expenses		11,525	5,503
Interest payable		4,282	2,072
DAB assessment fee payable		4,590	3,060
Professional charges		1,246	1,420
Bills payable		131	131
Lease liability		7,427	-
Provision for expected credit loss against off-balance sheet items		1,887	4,258
Others		2,474	2,529
		<u>210,212</u>	<u>23,173</u>

**10 CONTINGENCIES AND COMMITMENTS**

10.1 Guarantees	10.1.1	<u>522,761</u>	<u>395,006</u>
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10.1.1 These represent bid bonds and performance based guarantees issued by the Bank.

10.2 Commitments	10.2.1	<u>2,001,981</u>	<u>2,246,340</u>
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10.2.1 These represent commitment regarding IRS principal amount payable/receivable amounting to AFN 1,933,000 thousands and commitment for forward exchange contracts amounting to AFN 68,981 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 SIX MONTHS ENDED 30 JUNE 2020**

11.1 Transactions with related parties

Name of group companies	Nature of transactions	Six months ended 30 June 2020 (Un-audited) AFN '000'	Six months ended 30 June 2019 (Un-audited) AFN '000'	Three months ended 30 June 2020 (Un-audited) AFN '000'	Three months ended 30 June 2019 (Un-audited) AFN '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 to Alfalah Insurance Company Limited	-	-	-	-

11.2 Key management compensation

Salaries and benefits	20,859	16,222	11,638	7,886
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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
	AFN '000'			
Investments in bonds - debt instruments at fair value through other comprehensive income				
As at 30 June 2020 (Un-audited)	6,239,237	-	-	6,239,237
As at 31 December 2019 (Audited)	5,540,031	-	-	5,540,031

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 Acting Country Finance Manager and Country Manager of the Bank on 13-Aug-2020.

  
 Acting Country Finance Manager

  
 Country Manager

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