

Reviewed Financial Statement

**BANK ALFALAH LIMITED
AFGHANISTAN for the period
ended March 31, 2021**

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 2021 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 the accompanying interim financial statements do not give a true and fair view of the financial position of the Bank as at 31 March 2021, and of its financial performance and its 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.

Other Matters

The condensed interim financial statements for the three months ended 31 March 2020 and the financial statements for the year ended 31 December 2020 were reviewed and audited, respectively, by another auditor who expressed unqualified review conclusion on the condensed interim financial statements for the three months ended 31 March 2020 on 20th May 2020 and unqualified audit opinion on the financial statements for the year ended 31 December 2020 on 30th March 2021.

Crowe Horwath Afghanistan

Crowe Horwath Afghanistan

Engagement Partner: Muhammad Najmussaib Shah - FCA

Location: Kabul, Afghanistan

Date:



Bank Alfalah Limited AfghanistanCondensed Interim Statement of Financial Position (Un-Audited)
As at 31 March 2021

		31 March 2021	31 December 2020
		(Un-audited)	(Audited)
	Notes	----- (AFS '000') -----	-----
ASSETS			
Cash and cash equivalents		6,899,583	4,958,936
Investments - net	4	6,559,096	8,182,083
Loans and advances to customers - net	5	132	30
Property and equipment	6	42,626	46,158
Other assets	7	1,178,888	1,192,069
Total assets		14,680,325	14,379,276
LIABILITIES			
Borrowing from banks		-	154,200
Deposits from customers	8	12,596,683	12,106,227
Deferred tax liability		19,128	25,988
Current tax liabilities - net		14,634	9,920
Lease liabilities		31,630	34,655
Other liabilities	9	87,131	157,980
Total liabilities		12,749,206	12,488,970
EQUITY			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		68,920	65,500
Retained earnings		783,128	718,155
Revaluation (loss) / reserve on financial instruments at FVOCI		79,071	106,651
Total equity		1,931,119	1,890,306
Total liabilities and equity		14,680,325	14,379,276

Contingencies and commitments

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The annexed notes 1 to 14 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 2021

	Three months ended 31 March 2021	Three months ended 31 March 2020
	----- (AFS '000') -----	
Interest income	60,647	74,287
Interest expense	(10,647)	(4,635)
Net interest income	50,000	69,652
Fee and commission income	21,154	19,602
Fee and commission expense	(4,324)	(2,908)
Net fee and commission income	16,830	16,694
Income from dealing in foreign currencies	2,651	2,673
Total operating income	69,481	89,019
Other income	74,611	-
Reversal of credit losses on:		
Cash and cash equivalents	-	1,375
Investments	(171)	(1,862)
Loans and advances to banks	-	1,142
Loans and advances to customers	-	-
Bank guarantees	402	1,830
Net operating income	144,323	91,503
Personnel expenses	(28,786)	(29,827)
Depreciation	(3,655)	(4,661)
Other operating expenses	(26,354)	(27,407)
Total operating expenses	(58,795)	(61,895)
Profit before taxation	85,528	29,608
Taxation	(17,135)	(8,738)
Profit for the period	68,393	20,870
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Mark to market adjustment on investments at FVOCI	(138,081)	(419,693)
Related deferred tax	27,616	83,939
Mark to market adjustment on interest rate SWAP	103,607	(154,520)
Related deferred tax	(20,721)	30,904
Other comprehensive income, net of tax	(27,580)	(459,371)
Total comprehensive income, net of tax	40,813	(438,501)

The annexed notes 1 to 14 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 2021

	Capital contributed by Head Office	(Deficit) / surplus on revaluation of FVOCI / AFS	Capital reserve	Retained earnings	Total
----- AFS '000' -----					
Balance as at 1 January 2020 - (Audited)	1,000,000	56,014	59,905	611,858	1,727,777
Profit for the period	-	-	-	20,870	20,870
Total comprehensive income:	-	(459,371)	-	-	(459,371)
Transactions with with owners of the Bank	-	(459,371)	-	20,870	(438,501)
Transferred to capital reserve	-	-	1,043	(1,043)	-
Profits remitted to Head Office	-	-	-	-	-
As at 31 March 2020 (Un-audited)	1,000,000	(403,357)	60,948	631,684	1,289,276
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
Total comprehensive income:	-	(27,580)	-	-	(27,580)
Transactions with 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

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



Country Finance Manager



Country Manager

Bank Alfalah Limited Afghanistan

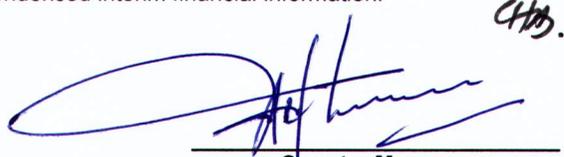
Condensed Interim Statement of Cash Flows (Un-Audited)

For three months ended 31 March 2021

		Three months ended 31 March 2021	Three months ended 31 March 2020
	Notes	----- (AFS '000') -----	
Cash flows from operating activities			
Profit before taxation		85,528	29,608
Adjustments for:			
Depreciation on operating fixed assets and right of use of assets	6	3,655	16,790
Finance cost on lease liabilities		1,009	219
Credit losses reversal on:			
Cash and cash equivalents		-	-
Investments		171	1,862
Loans and advances to financial institutions		-	(1,142)
Bank guarantees		(402)	(1,830)
Exchange loss on lease liabilities		(25)	245
(Gain) / loss on settlement of Interest rate swaps - net		(7,265)	10,064
Unrealized loss on re-measurement of Interest Rate Swaps		35,258	-
		117,928	55,815
Changes in:			
Loans and advances to financial institutions - net		-	467,300
Loans and advances to customers - net		(102)	578
Advance tax - net		(19,282)	(3,592)
Other assets		13,181	(255,605)
Borrowing from banks		(154,200)	306,720
Deposits from customers		490,456	(70,688)
Other liabilities		(70,447)	167,136
		259,606	611,850
Net cash used in operating activities		377,534	667,666
Cash flows from investing activities			
Increase in investments - net		1,567,243	(810,822)
Acquisition of property and equipment	6	(125)	(20)
Net cash (used in) / generated from investing activities		1,567,118	(810,841)
Cash flows from financing activities			
Payment against lease liabilities		(4,005)	(3,697)
Remittances to the Head Office		-	-
Net cash used in financing activities		(4,005)	(3,697)
Net (decrease) / increase in cash and cash equivalents		1,940,647	(146,872)
Cash and cash equivalent at beginning of the period		4,958,936	5,227,395
Cash and cash equivalents at end of the period		6,899,583	5,080,523

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


Country Finance Manager


Country Manager

Bank Alfalah Limited Afghanistan

Notes to the Condensed Interim Financial Information (Un-Audited)

For three months ended 31 March 2021

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 2021 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 2020.
- 2.3** Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2020 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 2020.

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 2021 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 2020.
- 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 2020.
- 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 2020.

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Bank Alfalah Limited Afghanistan

 Notes to the Condensed Interim Financial Information (Un-Audited)
 For three months ended 31 March 2021

4. INVESTMENTS - NET	Note	31 March	31 December
		2021	2020
		(Un-audited)	(Audited)
		AFS '000'	AFS '000'
At FVOCI			
Foreign bonds	4.1	4,256,725	6,457,254
At Amortized cost:			
Capital notes with DAB	4.2	2,312,922	1,352,028
Foreign bonds		-	383,181
		6,569,647	8,192,463
Less: Provision for expected credit losses		(10,550)	(3,348)
		6,559,096	8,189,115

4.1 The breakup of foreign bonds is as follows:

	Rating	Rating Agency		
African Finance Corp.	A3	Moody's	419,929	423,510
Pakistan Euro Bond	B3	Moody's	543,557	539,295
African Export-Import		Moody's	-	490,019
Oman Government International Bond	BB+	Moody's	404,150	394,185
Oman Government International Bond	BB+	Moody's	113,162	110,370
Asian Development Bank		Moody's	-	231,434
South Africa	BB	Moody's	116,845	122,820
Abu Dhabi Government		Moody's	-	162,228
Abu Dhabi Government International		Moody's	-	250,260
South Africa	Baa3	Moody's	272,639	286,581
Republic of Italy	Baa3	Moody's	40,388	162,407
Sharjah Sukuk	A3	Moody's	471,343	485,536
Kingdom of Saudi Sukuk	A1	Moody's	485,523	499,858
Italy Government International Bond	Baa3	Moody's	313,601	325,276
China Government Bonds		Moody's	-	476,348
Exp Imp Bank of Korea		Moody's	-	78,714
Industrial Bank of Korea		Moody's	-	273,023
Indonesia	Baa2	Moody's	79,545	80,761
Indonesia	Baa2	Moody's	388,402	409,497
Malaysia Sukuk		Moody's	-	157,495
Dubai DOF Sukuk		Moody's	383,101	390,909
United Mexican States	unrated	Moody's	-	49,179
Kazakhstan		Moody's	-	47,495
Republic of Chile	A1	Moody's	9,665	10,054
Republic of Turkey	B2	Moody's	65,921	-
Republic of Turkey	B2	Moody's	148,955	-
	4.1.1		4,256,725	6,457,254
Foreign bonds at Amortized cost:				
Qatar Sovereign			-	383,181
			4,256,725	6,840,435

4.1.1 These bonds are listed on various stock exchanges including London Stock Exchange. The yield on these bonds ranges from 1.625% to 8.25% (31 December 2020: 0.6% to 8.25%) per annum maturing by 9 September 2030.

4.2 These represent investments in capital notes issued by DAB having maturity ranging from six months to one year (31 December 2020: six months) and these carry interest rate ranging from 2.99% to 4.1% (31 December 2020: 1.4%) per annum.

5. LOANS AND ADVANCES TO CUSTOMERS - NET	Note	31 March	31 December
		2021	2020
		(Un-audited)	(Audited)
		AFS '000'	AFS '000'
Loans and advances to customers at amortized cost			
Less: Provision for expected credit losses	5.1	132	30
Net loans and advances to customers		132	30

5.1 Allowance for ECL / Impairment allowance for loans and advances to customers

	31 March 2021				31 December 2020			
	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Total
	----- AFS '000' -----							
Internal Rating Grade								
Performing	-	-	-	-	-	-	-	-
Investment Grade	-	-	-	-	-	-	-	-
Non-investment Grade	132	-	-	132	30	-	-	30
Non-Performing	132	-	-	132	30	-	-	30
Provision for expected credit losses	-	-	-	-	-	-	-	-
Provision for impairment losses as per ACPR	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Net Balance	132	-	-	132	30	-	-	30

5.1.1 These balances carry interest at the rate of 20% (31 December 2020: 20%) per annum and are fully secured against cash margin.

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Bank Alfalah Limited Afghanistan

 Notes to the Condensed Interim Financial Information (Un-Audited)
 For three months ended 31 March 2021

6 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Right-to-use Assets (Leased assets)	Total
	(AFS '000')					
Cost						
Balance at 1 January 2020	28,175	8,934	31,852	20,155	23,541	112,659
Adjustment on transition to IFRS 16	-	-	-	-	-	-
Additions	167	-	2,488	-	40,449	43,103
Disposals	-	-	-	-	-	-
Transfer amongst asset categories	-	-	-	-	-	-
Assets written-off	-	-	-	-	-	-
Balance at 31 December 2020	<u>28,342</u>	<u>8,934</u>	<u>34,340</u>	<u>20,155</u>	<u>63,990</u>	<u>155,762</u>
Balance at 1 January 2021	28,342	8,934	34,340	20,155	63,990	155,760
Additions	-	-	125	-	-	125
Disposals	-	-	(3,057)	-	(22,819)	(25,876)
Adjustments	-	-	-	-	-	-
Balance at 31 March 2021	<u>28,342</u>	<u>8,934</u>	<u>31,408</u>	<u>20,155</u>	<u>41,170</u>	<u>130,009</u>
Depreciation						
Balance at 1 January 2020	28,175	7,122	29,563	10,151	14,386	89,397
Charge for the year	5	317	1,145	2,608	16,132	20,207
Depreciation on disposals	-	-	-	-	-	-
Transfer amongst asset categories	-	-	-	-	-	-
Assets written-off	-	-	-	-	-	-
Balance at 31 December 2020	<u>28,180</u>	<u>7,439</u>	<u>30,708</u>	<u>12,759</u>	<u>30,518</u>	<u>109,604</u>
Balance at 1 January 2021	28,180	7,439	30,708	12,759	30,518	109,604
Charge for the year	4	77	336	649	2,588	3,655
Depreciation on disposals	-	-	(3,057)	-	(22,819)	(25,876)
Assets written-off	-	-	-	-	-	-
Balance at 31 March 2021	<u>28,184</u>	<u>7,516</u>	<u>27,988</u>	<u>13,409</u>	<u>10,287</u>	<u>87,383</u>
Carrying amounts						
Balance at 31 December 2020	<u>161</u>	<u>1,495</u>	<u>3,632</u>	<u>7,396</u>	<u>33,472</u>	<u>46,158</u>
Balance at 31 March 2021	<u>157</u>	<u>1,418</u>	<u>3,420</u>	<u>6,746</u>	<u>30,884</u>	<u>42,626</u>
Depreciation rate	20%	10% - 25%	20% - 25%	25%	20% - 50%	

6.1 Included in cost of property and equipment are fully depreciated assets still in use having cost of Afs 68,799 thousands (31 December 2020: Afs 71,606 thousands).

		31 March 2021	31 December 2020
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'
7. OTHER ASSETS			
Accrued interest		64,183	51,800
Advances, deposits and prepayments		936	1,411
Restricted deposits with DAB	7.1	1,060,753	1,001,428
Unrealized gain on re-measurement of Interest Rate Swaps		-	-
Call margin		49,878	132,612
Receivable against credit card transactions		2,438	115
Branch adjustment account		45	3,973
Commission receivable		13	-
Interest receivable on Interest Rate Swaps		642	730
		<u>1,178,888</u>	<u>1,192,069</u>
Less: Provision against other asset		-	-
		<u>1,178,888</u>	<u>1,192,069</u>

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Bank Alfalah Limited AfghanistanNotes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2021

- 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 Reserve Regulation" of the Banking Regulation issued by DAB. These balances are interest free.

8. DEPOSITS FROM CUSTOMERS

		31 March 2021	31 December 2020
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'
Current deposits		10,724,499	10,715,479
Saving deposits	8.1	176,510	197,192
Term deposits	8.2	1,672,771	1,170,770
Margin deposits		22,903	22,786
		<u>12,596,683</u>	<u>12,106,227</u>

- 8.1 Saving deposits carry interest rate ranging from 0.1% (31 December 2020: 0.1%) per annum on AFN deposit accounts and 0.1% (31 December 2020: 0.1%) per annum on USD deposit accounts.

- 8.2 Term deposits carry interest rate ranging from 1.9% to 4.5% (31 December 2020: 1.9% to 3.7%) per annum and have maturity ranging from 6 to 12 (31 December 2020: 6 to 12) months.

9. OTHER LIABILITIES

		31 March 2021	31 December 2020
		(Un-audited) AFS '000'	(Audited) AFS '000'
Unearned commission on letters of guarantee		2,041	1,085
Unrealized loss on re-measurement of Interest Rate Swaps		35,258	128,463
Interest payable on Interest Rate Swap		12,421	5,582
Accrued expenses		14,396	8,606
Interest payable		16,252	6,786
DAB assessment fee payable		3,825	3,060
Professional charges		1,215	720
Bills payable		119	118
Provision for expected credit loss against off-balance sheet items		614	1,016
Others		991	2,544
		<u>87,131</u>	<u>157,980</u>

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10 CONTINGENCIES AND COMMITMENTS

	Note	31 March 2021 (Un-audited) AFS '000'	31 December 2020 (Audited) AFS '000'
10.1 Guarantees	10.1.1	<u>274,639</u>	<u>395,006</u>
10.1.1 These represent bid bonds and performance based guarantees issued by the Bank.			
10.2 Commitments	10.2.1	<u>2,474,560</u>	<u>2,246,340</u>
10.2.1 These represent commitment regarding IRS principal amount payable/receivable.			

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:

11.1 Transactions with related parties

Name of group companies	Nature of transactions	Three months ended 31 March 2021 (Un-audited) AFS '000'	Three months ended 31 March 2020 (Un-audited) 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	-	-
	Insurance premium paid to Alfalah Insurance Company Limited	-	-
		-	-

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Bank Alfalah Limited Afghanistan

Notes to the Condensed Interim Financial Information (Un-Audited)
For three months ended 31 March 2021

11.2 Key management compensation

	Three months ended 31 March 2021	Three months ended 31 March 2020
	(Un-audited) AFS '000'	(Un-audited) AFS '000'
Salaries and benefits	<u>11,991</u>	<u>11,638</u>

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
	----- AFS '000' -----			
Investments in bonds - available for sale investments				
As at 30 March 2021 (Un-audited)	<u>4,256,725</u>	<u>-</u>	<u>-</u>	<u>4,256,725</u>
As at 31 December 2020 (Audited)	<u>6,840,435</u>	<u>-</u>	<u>-</u>	<u>6,840,435</u>

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 Acting Country Finance Manager and Officiating Country Manger of the Bank on 15-MAY-2021.



Country Finance Manager



Country Manager