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Bank Alfalah Limited Afghanistan
Condensed interim financial information (Un-audited)
For the nine months ended 30 September 2018

Independent auditor's review report

Ernst & Young Ford Rhodes Sudat Hyder
Chartered Accountants
House 1013, Street 2
Shirpoor Road, Kabul
Afghanistan

Tel: +93 752 055 025
Ey.kbl@af.ey.com
ey.com/pk

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KB/44/18
10 November 2018

The Acting Country Manager
Bank Alfalah Limited Afghanistan (the Bank)
279-Chahrah-e-Sadarat, Shahr-e-Naw
Kabul - Afghanistan

Dear Sir

CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2018

We are pleased to enclose five copies of the **draft condensed interim financial information** of the Bank for the above period, together with the **draft review report** thereon, duly initialed by us for identification purposes. We shall be pleased to sign and issue our report in its present or amended form after:

a) this condensed interim financial information has been approved, with or without modification, and signed by the Country Finance Manager and Acting Country Manager of the Bank; and
b) we have received a representation letter duly signed by the Country Finance Manager and Acting Country Manager of the Bank.

1. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE CONDENSED INTERIM FINANCIAL INFORMATION

We have conducted the review of the interim financial information of the Bank in accordance with the International Standard on Review Engagements 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 information in accordance with the approved accounting standards applicable to interim financial 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 frauds and irregularities. The review of interim financial information does not relieve the management of its responsibilities.

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2. During the course of our review, following matter came to our notice which is reproduced hereunder for your kind attention:

2.1 New pronouncements issued by International Accounting Standards Board (IASB)

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 "Financial Instruments". The key change brought by IFRS 9 is in relation to the accounting provisions for loan losses which are required to be made using expected loss model under the IFRS 9. Currently, loan loss provisions are made when there is an objective evidence of impairment (i.e. incurred loss model). This is a fundamental shift in provisioning methodology and requires use of credit loss models taking into account credit risk parameters and factors such as probability of default, loss given default and exposure at risk etc. IFRS 9 also sets out the new requirements for classifying financial instruments. The focus of IFRS 9 is on the classification of financial assets as the classification of financial liabilities remains largely unchanged compared with IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 01 January 2018. Accordingly, the Bank has adopted the IFRS 9 with effect from 01 January 2018 in its financial statements for the period ended 30 June 2018. Upon adoption of IFRS 9, the changes to the accounting policies of the Bank are disclosed in note 2.4 to the financial statements.

With respect to Expected Credit Loss (ECL) computations, we recommend the management to consider following improvements:

- IFRS 9 requires estimation of forward looking probability of defaults (PDs). The Bank has made forward looking adjustment to PDs based on various judgmental percentages for economic outlook of countries (as high risk, medium risk, low and very low risk) in which investment are made. We recommend the Bank, to identify macroeconomic indicators to be incorporated into the ECL calculation and PD should be adjusted to reflect the forward looking trend of the selective indicators.

- IFRS 9 requires measurement of expected credit losses of financial instruments in a way that reflects probability weighted amount that is determined by evaluating a range of possible outcomes. In this regard, we noted that the Bank has only considered one scenario for ECL computation. We recommend the Bank to consider various scenarios for ECL computations.

3. TRANSACTIONS WITH RELATED PARTIES

We have been informed by the management that there were no transactions with related parties during the period other than those disclosed in the condensed interim financial information.

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4. FRAUD AND ERROR

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

5. CONTINGENCIES AND COMMITMENTS

We have been informed by the management that there were no contingencies and / or commitments other than those disclosed in the condensed interim financial information.

We wish to place on record our appreciation for the courtesies and co-operation extended to us by the officials of the Bank during the course of our review.

Yours faithfully

Ernst & Young Ford Rhodes

SYK:MS:MA.

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Chartered Accountants
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Shirpoor raod, Kabul
Afghanistan

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ey.kbl@af.ey.com
ey.com/pk

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE ACTING COUNTRY MANAGER

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** (the Bank) as at **30 September 2018** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the nine months then ended, and notes to the condensed interim financial information ('here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the requirements of the Law of Banking in Afghanistan and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with the requirements of Law of Banking in Afghanistan and International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of matter paragraph

We draw attention to note 2.2 to the financial statements which fully explains the matter relating to proposed sale of Afghanistan operations of the Bank to a potential buyer.

Our opinion is not modified in respect of this matter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Shabbir Yunus

Date: 10 November 2018

Kabul, Afghanistan

BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
		--------- (AFS '000') ---------	
ASSETS			
Cash and cash equivalents	3	**11,945,179**	9,935,867
Investments - net	4	**797,244**	5,011,272
Loans and advances to banks - net		**119,791**	698,592
Loans and advances to customers - net		**1,568**	1,459
Property and equipment	5	**5,535**	7,526
Advance tax - net		**-**	33,732
Other assets	6	**1,233,225**	1,221,515
Total assets		**14,102,542**	16,909,963
LIABILITIES			
Deposits from banks	7	**2,501**	2,018,941
Deposits from customers	8	**12,370,469**	13,445,364
Current tax liabilities - net		**14,046**	-
Deferred tax liability		**471**	307
Other liabilities	9	**38,337**	43,371
Total liabilities		**12,425,824**	15,507,983
EQUITY			
Capital contributed by Head Office		**1,000,000**	1,000,000
Capital reserve		**48,018**	30,813
Revaluation gain on debt instruments at fair value through other comprehensive income/ Surplus on revaluation of available for sale investments		**653**	69,051
Retained earnings		**628,047**	302,116
Total equity		**1,676,718**	1,401,980
Total liabilities and equity		**14,102,542**	16,909,963
Contingencies	11		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Country Finance Manager

Acting Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Nine months ended		Three months ended	
		30 September 2018 (Un-audited)	30 September 2017 (Un-audited)	30 September 2018 (Un-audited)	30 September 2017 (Un-audited)
		AFS '000'		AFS '000'	
Interest income		166,596	403,899	52,530	126,252
Interest expense		(13,606)	(105,573)	(1,929)	(33,245)
Net interest income		152,989	298,326	152,989	93,007
Fee and commission income		69,980	72,215	23,153	26,644
Fee and commission expense		(9,221)	(11,055)	(1,451)	(3,876)
Net fee and commission income		60,759	61,160	21,702	22,768
Income from dealing in foreign currencies		7,380	11,763	3,204	3,444
Total operating income		221,128	371,249	177,895	119,219
Other income	10	283,901	84,618	6,554	32,816
Reversal / (charge) of general provision on:					
Placements		16,942	-	-	-
Investments	4	49,998	(54,480)	269	11,471
Loans and advances to customers		14	(112)	(15)	(87)
Loans and advances to banks		6,847	(6,937)	555	(6,817)
Other assets		725	-	-	-
Off balance sheet items		1,111	(520)	960	883
Net operating income		580,666	393,818	186,218	157,485
Personnel expenses		(84,146)	(73,901)	(21,167)	(22,971)
Depreciation		(2,114)	(2,883)	(643)	(964)
Other operating expenses		(57,962)	(79,724)	(16,925)	(17,487)
Total operating expenses		(144,222)	(156,508)	(38,735)	(41,422)
Profit before taxation		436,444	237,310	147,483	116,063
Taxation		(92,344)	(47,383)	(21,497)	(23,119)
Net profit		344,100	189,927	125,986	92,944
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Debt instruments at fair value through other comprehensive income:					
Net (losses)/gains on debt instruments at fair value through other comprehensive income		(85,497)	-	734	
Related deferred tax		17,100	-	(146)	-
		(68,397)	-	588	-
Available-for-sale financial assets:					
Surplus on revaluation of available for sale investments		-	163,578	-	4,738
Related deferred tax		-	(32,716)	-	(948)
Other comprehensive income, net of tax		-	130,862	-	3,790
Total comprehensive income, net of tax		275,703	320,789	126,574	96,734

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Country Finance Manager

Acting Country Manager

BANK ALFALAH LIMITED AFGHANISTAN
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

	Capital contributed by Head Office	Surplus on revaluation of available for sale investments	Capital reserve	Retained earnings	Total
	AFS '000'				
Balance as at 01 January 2017 - (Audited)	1,000,000	11,863	19,611	329,100	1,360,574
Profit for the period	-	-	-	189,927	189,927
Transferred to capital reserve	-	-	-	-	-
Total comprehensive income:					
Other comprehensive income for nine months	-	163,578	-	-	163,578
Related tax	-	(32,716)	-	-	(32,716)
	-	130,862	-	189,927	320,789
Profits remitted to Head Office	-			(239,820)	(239,820)
As at 30 September 2017 (Un-audited)	1,000,000	142,725	19,611	279,207	1,441,543

	Capital contributed by Head Office	Revaluation gain on debt instruments at fair value through other comprehensive income	Capital reserve	Retained earnings	Total
	AFS '000'				
Balance as at 01 January 2018 - as previously reported (Audited)	**1,000,000**	**69,051**	**30,813**	**302,116**	**1,401,980**
Effect due to adoption of IFRS 9 - net of tax	-	-	-	(964)	(964)
Restated opening balance under IFRS 9	**1,000,000**	**69,051**	**30,813**	**301,152**	**1,401,016**
Profit for the period	-	-	-	344,100	344,100
Transferred to capital reserve	-	-	17,205	(17,205)	-
Total comprehensive income:					
Other comprehensive income for six months	-	(85,497)	-	-	(85,497)
Related tax	-	17,099	-	-	17,099
	-	(68,398)	17,205	326,895	275,702
As at 30 September 2018 (Un-audited)	**1,000,000**	**653**	**48,018**	**628,047**	**1,676,718**

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Country Finance Manager

Acting Country Manager

BANK ALFALAH LIMITED AFGHANISTAN

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Nine months ended 30 September 2018 (Un-audited)	Nine months ended 30 September 2017 (Un-audited)
		--------- (AFS '000') ---------	
Cash flows from operating activities			
Profit before taxation		**436,444**	237,310
Adjustments for:			
Depreciation		**2,114**	2,883
(Reversal) / provision on investments		**(49,998)**	54,480
(Reversal) / provision on loans and advances to customers		**(14)**	112
(Reversal) / provision on loans and advances to banks		**(6,847)**	6,937
(Reversal) of provision on other assets		**(725)**	-
(Reversal) / provision on off balance sheet items		**(1,111)**	520
Loss on disposal of property and equipment		**-**	5
Unrealised loss on hedged instrument		**-**	4,220
		379,863	306,467
Changes in:			
Loans and advances to banks		**585,648**	(152,774)
Loans and advances to customers		**(95)**	(1,246)
Advance tax - net		**(26,047)**	27,614
Other assets		**(10,985)**	(189,712)
Deposits from banks		**(2,016,440)**	207,664
Deposits from customers		**(1,074,895)**	(628,331)
Other liabilities		**(6,145)**	(42,130)
		(2,548,959)	(778,915)
Income tax paid		**-**	(947)
Net cash (used in) / generated from operating activities		**(2,169,096)**	(473,395)
Cash flows from investing activities			
Decrease in investments - net		**4,178,529**	2,889,990
Acquisition of property and equipment	5	**(121)**	(2,147)
Proceeds from disposal of property and equipment		**-**	12
Net cash generated from investing activities		**4,178,408**	2,887,855
Cash flows from financing activities			-
Outward remittances to Head office		**-**	(239,820)
Net cash used in financing activities		**-**	(239,820)
Net increase in cash and cash equivalents		**2,009,312**	2,174,640
Cash and cash equivalent at beginning of the period		**9,935,867**	5,862,717
Cash and cash equivalents at end of the period	3	**11,945,179**	8,037,357

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Country Finance Manager

Acting Country Manager

AFGHANISTAN INTERNATIONAL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

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 in 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 2018 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 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 2017.

2.2 During the year ended on 31 December 2017, the Board of Directors of Bank Alfalah Limited, Pakistan accorded its in-principle approval and authorized the management of the Bank to explore the possibility to sell the Afghanistan operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

Pursuant to receipt of a non-binding offer and in-principle approval from the State Bank of Pakistan, the Bank is in the process of completing all the above formalities.

The management believes that the proposed transaction will not have any material impact on the carrying values and classification of assets and liabilities as reflected in this condensed interim financial

2.3 Changes in accounting policies and disclosures

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

In this condensed interim financial information, the Bank has applied IFRS 9 effective for annual periods beginning on or after 1 January 2018, for the first time. The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Upon adoption of IFRS 9, the Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information of financial instruments for 2017 (wherever disclosed) is reported under IAS 39 and is not comparable to the information presented for 2018. Difference of AFN 964 thousands (net of tax) arising from the adoption of IFRS 9 has been recognised directly in retained earnings as of 01 January 2018.

The impact of these changes on the Bank's equity as at 01 January 2018 is as follows:

Retained earnings

	AFS '000'
Closing balance under IAS 39 (31 December 2017)	**302,116**
Recognition of IFRS 9 ECLs	**1,205**
Deferred tax in relation to the above	**(241)**
Opening balance under IFRS 9 (01 January 2018)	**301,152**

(a) Changes to Classification and measurement

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Under IFRS 9, the classification is based on two criteria: the Bank's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The new classification and measurement of the Bank's debt financial assets is "*Debt instruments at amortised cost*" for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

The assessment of the Bank's business models was made as of the date of initial application, 01 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 01 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As of 01 January 2018, the Bank did not have any debt instruments that did not meet the SPPI criterion within its available-for-sale and held-to-maturity portfolio. As a result of business model assessment the Bank concluded that the debt instruments currently classified as HTM are held within the business model of collecting cash flows and not selling such instruments, therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost. For AFS debt instruments, the Bank concluded that these are held within the business model of collecting cash flows from holding and selling such instruments for liquidity purpose and to obtain benefit from favourable market price, therefore, these are classified as debt instruments measured at fair value through OCI.

The Bank did not voluntarily designate any loans previously measured at amortised cost as financial assets measured at FVPL. Loan and advances to customers that were classified as Loans and Receivables and measured at amortized cost under IAS 39 are also measured at amortized cost under IFRS 9.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. Generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The bank applies low credit risk expedient, and consider all exposures in stage 1 that are externally rated by S&P, Moody's or Fitch at a rating equivalent to Investment Grade at reporting date.

The Bank considers a financial asset in default when contractual payment is 90 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Bank's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings as at 01 January 2018 amounting to AFN 964 thousands (decrease) - net of tax.

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 2017 except for adoption of IFRS-9.

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 2017.

The estimates / judgments and assumptions used in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2017, except as mentioned below:

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

'-The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.

'-Development of ECL models, including the various formulas and the choice of inputs to such models.

It is the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3 CASH AND CASH EQUIVALENTS

	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Cash in hand:			
Local currency		**11,564**	10,815
Foreign currency		**44,218**	111,800
		55,782	122,615
Current accounts with Da Afghanistan Bank in:			
Local currency		**783,461**	2,639,355
Foreign currency		**829,922**	883,877
		1,613,383	3,523,232
Balances with other banks and financial institutions:			
Current accounts		**1,384,469**	647,838
Short term placements with banks:			
Capital notes (maturity less than three months)		**1,999,830**	2,319,536
Time deposits with other banks		**6,891,715**	3,339,588
		8,891,545	5,659,124
Less: General provision held		**-**	(16,942)
		11,945,179	9,935,867

4 INVESTMENTS - NET

	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Available for sale investments:			
Foreign bonds	4.1	-	4,367,733
Held-to-maturity investments:			
Foreign bonds	4.2	-	694,158
		-	5,061,891
Debt instruments at fair value through other comprehensive income:			
Foreign bonds	4.1	**44,447**	-
Debt instruments at amortised cost:			
Foreign bonds	4.2	**753,418**	-
		797,865	-
Expected credit loss provision / (2017: general provision)		**(621)**	(50,619)
		797,244	5,011,272

4.1 The breakup of foreign bonds is as follows:

	Rating	Rating Agency	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Oman	Baa2	Moody's		-	698,106
The Islamic Republic of Pakistan	B3	Moody's		-	387,364
Third Pakistan International Sukuk Company Limited	B3	Moody's		-	352,473
Saudi Arabia	A1	Moody's		-	342,463
Abu Dhabi Government International	Aa2	Moody's		-	342,451
Oman	Baa2	Moody's		-	339,514
Indonesia Sovereign Bonds (Sukuks)	Baa3	Moody's		-	287,196
South Africa Sovereign Bonds (Sukuks)	Baa3	Moody's		-	283,141
Kazakhstan	B3	Moody's		-	217,765
Republic of Indonesia	Baa3	Moody's		-	188,302
Republic of Indonesia	Baa3	Moody's		-	177,188
Republic of Sri Lanka	B1	Moody's		-	147,512
Kingdom of Jordan	B1	Moody's		-	138,913
Abu Dhabi Government International	Aa2	Moody's		-	136,596
Republic of Sri Lanka	B1	Moody's		-	109,485
Kingdom of Jordan	B1	Moody's		-	71,985
Oman	Baa2	Moody's		-	67,905
United Mexican States	A3	Moody's		**44,447**	43,458
Republic of Indonesia	Baa3	Moody's		-	35,916
			4.1.1	**44,447**	4,367,733

4.1.1 These bonds are listed at various stock exchanges including London Stock Exchange. The interest rate on this bond is 1.63% (31 December 2017: 1.63% to 8.25%) per annum, having maturity on 6 March 2024.

4.2 This represents investment in the Islamic Republic of Pakistan and State of Qatar bonds amounting to USD 5 million equivalent to Afs 378,250 thousands each (31 December 2017: USD 5 million equivalent to Afs 378,250 thousands each) carrying interest rate of 7.25% and 3.25% (31 December 2017: 7.25% and 3.25%) per annum respectively.

5 PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Total
			(AFS '000')		
Cost					
Balance at 1 January 2017	22,099	13,591	38,124	9,722	83,536
Additions	-	-	2,449	-	2,449
Disposals	-	(2,468)	(1,909)	-	(4,377)
Balance at 31 December 2017	22,099	11,123	38,664	9,722	81,608
Balance at 1 January 2018	**22,099**	**11,123**	**38,664**	**9,722**	**81,608**
Additions	**-**	**-**	**121**	**-**	**121**
Adjustments	**-**	**-**	**(3,174)**	**-**	**(3,174)**
Balance at 30 September 2018	**22,099**	**11,123**	**35,611**	**9,722**	**78,555**
Depreciation					
Balance at 1 January 2017	21,154	10,691	33,162	9,722	74,729
Charge for the year	354	435	2,920	-	3,709
Disposals	-	(2,464)	(1,892)	-	(4,356)
Balance at 31 December 2017	21,508	8,662	34,190	9,722	74,082
Balance at 1 January 2018	**21,508**	**8,662**	**34,190**	**9,722**	**74,082**
Charge for the year	**242**	**318**	**1,552**	**-**	**2,112**
Adjustments	**-**	**-**	**(3,174)**	**-**	**(3,174)**
Balance at 30 September 2018	**21,750**	**8,980**	**32,568**	**9,722**	**73,020**
Carrying amounts					
Balance at 31 December 2017	591	2,461	4,474	-	7,526
Balance at 31 June 2018	**349**	**2,143**	**3,043**	**-**	**5,535**
Depreciation rate	**20%**	**10% - 25%**	**25%**	**- 25%**	

5.1 Included in cost of property and equipment are fully depreciated assets still in use having cost of Afs 62,418 thousands (31 December 2017: Afs 47,064 thousands).

6 OTHER ASSETS

	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Accrued interest		**24,892**	60,355
Advances, deposits and prepayments		**3,495**	2,838
Required reserved account with DAB	6.1	**1,192,961**	1,149,722
Receivable against credit card transactions		**3,907**	209
Branch adjustment account		**4,619**	5,308
Commission receivable		**3,351**	1,607
Interest receivable on Interest Rate Swap (IRS)		**-**	2,201
Other asset		**-**	275,334
		1,233,225	1,492,266
Expected credit loss provision / (2017: general provision)	10	**-**	(276,059)
		1,233,225	1,216,207

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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 2017: Interest free).

7. DEPOSITS FROM BANKS

	30 September 2018 (Un-Audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Citi Bank, New York	**2,475**	1,996,113
The First MicroFinance Bank - Afghanistan	**26**	22,828
	2,501	2,018,941

7.1 These represent current accounts maintained by the mentioned banks for their operational activities. These balances are interest free (31 December 2017: interest free).

8. DEPOSITS FROM CUSTOMERS

	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Current deposits		**11,255,864**	10,520,794
Saving deposits	8.1	**347,829**	1,210,302
Term deposits	8.2	**627,895**	1,542,696
Margin and other deposits		**138,881**	171,572
		12,370,469	13,445,364

8.1 Saving deposits carry interest rate ranging from 0% to 0.10% (31 December 2017: 0% to 0.40%) per annum.

8.2 Term deposits carry interest rate ranging from 0.75% to 1.25% (31 December 2017: 0.75% to 6.25%) per annum and have maturity period ranging from 06 to 12 months (31 December 2017: 06 to 12 months).

9 OTHER LIABILITIES

	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Unearned commission on letters of guarantee	**4,449**	8,897
Unrealized loss on re-measurement of Interest Rate Swaps	**-**	7,150
Interest payable on Interest Rate Swap	**-**	5,625
Payable against credit card transactions	**2,552**	-
Accrued expenses	**5,368**	5,241
Interest payable	**884**	3,390
DAB assessment fee payable	**2,295**	3,120
Professional charges	**1,177**	1,572
Bills payable	**4,009**	3,659
Bonus payable	**11,762**	-
General provision against letters of guarantee	**2,532**	2,437
Others	**3,309**	2,280
	38,337	43,371

10 OTHER INCOME

This includes recovery of the amount of USD 3,949,141, (equivalent in Afs 273.557 million), placed in nostro account in New York, United States of America which was previously put on hold by a commercial bank pursuant to receipt of notice of seizure based on the order passed by the District Court, District of Columbia, USA, against which the Bank had booked 100% provision in prior years. During the period the said amount was released due to order issued by the Department of Justice (DOJ) and credited into the Bank's nostro account.

11 CONTINGENCIES

	Note	30 September 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
11.1 Guarantees	13.1.1	**224,146**	640,392

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

12. 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:

12.1 Transactions with related parties

Name of group companies	Nature of transactions	Nine months ended 30 September 2018 (Un-audited) AFS '000'	Nine months ended 30 September 2017 (Un-audited) AFS '000'	Three months ended 30 Septmeber 2018 (Un-audited) AFS '000'	Three months ended 30 September 2017 (Un-audited) AFS '000'
Bank Alfalah Limited Bahrain	Interest expense on Borrowing	**437**	606	-	-
	Interest income on Interest Rate Swap	**3,353**	9,997	-	3,791
	Interest receivable on Interest Rate Swap	**172**	912	-	846
	Interest expense on Interest Rate Swap	**6,452**	19,610	-	6,583
	Interest payable on Interest Rate Swap	**2,130**	4,342	-	1,146
Bank Alfalah Limited - Pakistan	Profit remitted to Head Office	-	239,820	-	239,820
	Alfalah Insurance Company Limited Insurance premium paid	-	1,289	-	-

12.2 Key management compensation

Salaries and benefits	**24,426**	23,183	**5,895**	6,161

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

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS

13.1 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.

13.2 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 2018 (Un-audited)	**-**	**44,447**	**-**	**44,447**
Investments in bonds - available for sale investments				
As at 31 December 2017 (Audited)	-	4,367,733	-	4,367,733

During the period ended 30 September 2018, 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.

14 CORRESPONDING FIGURES

14.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the period.

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

15 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 ______________________.

Country Finance Manager

Acting Country Manager