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**Bank Alfalah Limited Afghanistan  
Condensed interim financial information  
(Un-audited)  
For the nine months ended 30 September 2017**

**Independent auditor's review report**

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## **INDEPENDENT AUDITORS' REPORT TO THE COUNTRY MANAGER ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

### ***Introduction***

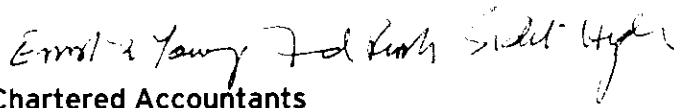
We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** (the Bank) as at **30 September 2017** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the nine months period then ended and notes to the interim financial information (here-in-after referred to as 'the condensed interim financial information'). Management is responsible for the preparation and 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 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 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*".

  
**Chartered Accountants**

**Engagement Partner: Shabbir Yunus**

**Date: 15 November 2017**

**Kabul, Afghanistan**

**Bank Alfalah Limited Afghanistan**  
**Condensed interim statement of financial position**  
**As at 30 September 2017**

		30 September 2017	31 December 2016
		(Un-audited)	(Audited)
	Note	----- (AFS '000') -----	-----
<b>Assets</b>			
Cash and cash equivalents		8,037,357	5,862,717
Investments - net	4	5,572,475	8,359,769
Loans and advances to banks - net		686,866	541,029
Loans and advances to customers - net	5	2,624	1,490
Property and equipment	6	8,054	8,807
Deferred tax asset		-	9,932
Advance tax - net		61,025	88,639
Other assets	7	1,189,638	999,926
<b>Total assets</b>		<b>15,558,039</b>	<b>15,872,309</b>
<b>Liabilities</b>			
Deposits from banks	8	450,459	242,795
Deposits from customers	9	13,541,811	14,170,142
Deferred tax liability - net		15,435	-
Other liabilities	10	108,791	98,798
<b>Total liabilities</b>		<b>14,116,496</b>	<b>14,511,735</b>
<b>Equity</b>			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		19,611	19,611
Surplus on revaluation of available for sale investments		142,725	11,863
Retained earnings		279,207	329,100
<b>Total equity</b>		<b>1,441,543</b>	<b>1,360,574</b>
<b>Total liabilities and equity</b>		<b>15,558,039</b>	<b>15,872,309</b>

**Contingencies and commitments**

11

The annexed notes 1 to 15 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**  
**For nine months ended 30 September 2017**

	Note	Nine months ended 30 September 2017 (Un-audited)	Nine months ended 30 September 2016 (Un-audited)	Three months ended 30 September 2017 (Un-audited)	Three months ended 30 September 2016 (Un-audited)
(AFS '000')					
Interest income		403,899	237,931	126,252	95,264
Interest expense		(105,573)	(33,388)	(33,245)	(15,536)
Net interest income		298,326	204,543	93,007	79,728
Fee and commission income		72,215	139,713	26,644	25,697
Fee and commission expense		(11,055)	(8,579)	(3,876)	(599)
Net fee and commission income		61,160	131,134	22,768	25,098
Income from dealing in foreign currencies		11,763	9,477	3,444	1,773
Other income		84,618	75,586	32,816	11,724
Total operating income		455,867	420,740	152,035	118,323
(Provision) / reversals on investments	4	(54,480)	(6,049)	11,471	(6,049)
(Provision) / reversals on loans and advances to customers	5.2	(112)	1,398	(87)	462
Provision on loans and advances to banks		(6,937)	-	(6,817)	-
(Provision) / reversals on off balance sheet items		(520)	-	883	-
<b>Net operating income</b>		<b>393,818</b>	<b>416,089</b>	<b>157,485</b>	<b>112,736</b>
Personnel expenses		(73,901)	(77,096)	(22,971)	(23,231)
Depreciation		(2,883)	(3,204)	(964)	(929)
Other operating expenses		(79,724)	(121,961)	(17,487)	(22,241)
Total operating expenses		(156,508)	(202,261)	(41,422)	(46,401)
<b>Profit before taxation</b>		<b>237,310</b>	<b>213,828</b>	<b>116,063</b>	<b>66,335</b>
Taxation		(47,383)	(34,791)	(23,119)	(9,756)
<b>Net profit</b>		<b>189,927</b>	<b>179,037</b>	<b>92,944</b>	<b>56,579</b>
<b>Other comprehensive income</b>					
<b>Items that are or may be reclassified to profit or loss</b>					
Surplus on revaluation of available for sale investments		163,578	228,661	4,738	219,051
Related deferred tax		(32,716)	(38,110)	(948)	(35,590)
Other comprehensive income, net of tax		130,862	190,551	3,790	183,461
<b>Total comprehensive income, net of tax</b>		<b>320,789</b>	<b>369,588</b>	<b>96,734</b>	<b>240,040</b>

The annexed notes 1 to 15 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**  
**For nine months ended 30 September 2017**

	Capital contributed by Head Office	Surplus on revaluation of available for sale investments	Capital reserve	Retained earnings	Total
	----- AFS '000' -----				
As at 01 January 2016 (Audited)	1,000,000	(57,338)	7,484	201,665	1,151,811
Total comprehensive income for the nine months ended 30 September 2016:					
Profit for the period	-	-	-	179,037	179,037
Other comprehensive income:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	228,661	-	-	228,661
Related tax	-	(38,110)	-	-	(38,110)
	-	190,551	-	-	190,551
Total comprehensive income	-	190,551	-	179,037	369,588
Profits remitted to Head Office	-	-	-	(102,975)	(102,975)
As at 30 September 2016 (Un-audited)	<u>1,000,000</u>	<u>133,213</u>	<u>7,484</u>	<u>277,727</u>	<u>1,418,424</u>
Balance as at 01 January 2017 - (Audited)	1,000,000	11,863	19,611	329,100	1,360,574
Total comprehensive income for the nine months ended 30 September 2017:					
Profit for the period	-	-	-	189,927	189,927
Other comprehensive income:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	163,578	-	-	163,578
Related tax	-	(32,716)	-	-	(32,716)
	-	130,862	-	-	130,862
Total comprehensive income	-	130,862	-	189,927	320,789
Profits remitted to Head Office	-	-	-	(239,820)	(239,820)
As at 30 September 2017 (Un-audited)	<u>1,000,000</u>	<u>142,725</u>	<u>19,611</u>	<u>279,207</u>	<u>1,441,543</u>

The annexed notes 1 to 15 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**  
**For nine months ended 30 September 2017**

	Note	Nine months ended 30 September 2017 (Un-audited)	Nine months ended 30 September 2016 (Un-audited)
----- (AFS '000') -----			
<b>Cash flows from operating activities</b>			
Profit before taxation		237,310	213,828
<b>Adjustments for:</b>			
Depreciation	6	2,883	3,204
Provision on investments	4	54,480	6,049
Provision / (reversal) on loans and advances to customers	5.2	112	(1,398)
Provision on loans and advances to banks		6,937	-
Provision on off balance sheet items		520	-
Loss on disposal of property and equipment		5	-
Unrealised loss on hedged instrument		4,220	6,516
		<u>306,467</u>	<u>228,199</u>
<b>Changes in:</b>			
Loans and advances to banks		(152,774)	218,583
Loans and advances to customers		(1,246)	93,109
Advance tax - net		27,614	-
Other assets		(189,712)	862
Deposits from banks		207,664	(120,478)
Deposits from customers		(628,331)	(1,458,302)
Other liabilities		(42,130)	23,170
		<u>(778,915)</u>	<u>(1,014,857)</u>
Income tax paid		(947)	(24,539)
<b>Net cash used in operating activities</b>		<u>(473,395)</u>	<u>(1,039,396)</u>
<b>Cash flows from investing activities</b>			
Decrease / (Increase) in investments - net		2,889,990	(3,092,144)
Acquisition of property and equipment	6	(2,147)	(1,906)
Proceeds from disposal of property and equipment		12	-
<b>Net cash generated from / (used in) investing activities</b>		<u>2,887,855</u>	<u>(3,094,050)</u>
<b>Cash flows from financing activities</b>			
Remittances to Head Office		(239,820)	(102,975)
<b>Net cash used in financing activities</b>		<u>(239,820)</u>	<u>(102,975)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		2,174,640	(4,236,421)
Cash and cash equivalent at beginning of the period		5,862,717	7,778,009
<b>Cash and cash equivalents at end of the period</b>		<u>8,037,357</u>	<u>3,541,588</u>

The annexed notes 1 to 15 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 statements**  
**For nine months ended 30 September 2017**

**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. Sub-branch of the Bank in UN Compound Kabul was closed upon completion of the agreement on 20 June 2017. During the period, the Bank has closed operations under Islamic banking window as per paragraph 7 of Article 19 of the Banking Law of Afghanistan.

The registered office of the Bank is located in Kabul, Afghanistan.

**2 BASIS OF PREPARATION**

This condensed interim financial information of the Bank for the nine months period ended 30 September 2017 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 2016.

**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 01 January 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in this condensed interim financial information.

**3 ACCOUNTING POLICIES**

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 2016.

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 2016.

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 2016.

**4. INVESTMENTS - NET**

	Note	30 September 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
<b>Available for sale investments:</b>			
Foreign bonds	4.1	4,946,900	6,217,029
<b>Held-to-maturity investments:</b>			
Capital notes with DAB		-	1,546,427
Bonds	4.2	680,055	665,135
		680,055	2,211,562
		(54,480)	(68,822)
General provision held		5,572,475	8,359,769

## 4.1 The breakup of foreign bonds is as follows:

	Note	30 September 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
Pakistan Euro - Dollar Bond		811,271	756,654
Oman Sultanat		684,924	669,062
Kingdom of Bahrain		353,542	348,729
Third Pakistan International Sukuk Company Limited		351,988	341,458
Oman International Bond		338,546	-
Saudi International Bond		337,888	318,014
Saudi International Bond		337,876	318,014
Republic of Indonesia		284,642	-
South Africa Sovereign		279,358	271,394
Kazakhstan		211,275	201,432
Indonesia Indon		177,971	143,449
Republic of Indonesia		174,699	100,774
Republic of Sri Lanka		144,794	-
Kingdom of Jordan		135,016	-
Republic of Sri Lanka		108,925	99,033
Kingdom of Jordan		69,599	-
Oman International Bond		67,708	-
United Mexican State		41,307	34,133
Republic of Indonesia		35,571	35,163
Kingdom Of Bahrain		-	343,620
Oman Sultanat		-	323,795
Turkey Sukuk		-	227,243
Republic of Indonesia		-	33,626
Abu Dhabi Commercial Bank (ADCB)		-	668,928
State of Qatar		-	646,173
Indonesia Sovereign Bonds (Sukuks)		-	336,335
	4.1.1	<u>4,946,900</u>	<u>6,217,029</u>

4.1.1 These bonds are listed at various stock exchanges including London Stock Exchange. The yield on the bonds ranges from 1.63% to 8.25% (31 December 2016: 1.53% to 8.25%) per annum maturing latest by 11 May 2027.

4.2 This represents investment in The Islamic Republic of Pakistan and The State of Qatar bonds amounting to USD 5 million equivalent to AFS 341,550 thousands each (2016: USD 5 million equivalent to AFS 334,150 thousands each) carrying yield 7.25% (31 December 2016: 7.13%) and 3.25% (31 December 2016: 3.25%) per annum respectively, maturing latest by 02 June 2026.

## 5. LOANS AND ADVANCES TO CUSTOMERS - NET

	Note	30 September 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
Loans and advances to customers at amortized cost	5.1	2,736	1,490
Less: Provision against loans and advances	5.2	(112)	-
<b>Net loans and advances to customers</b>		<u>2,624</u>	<u>1,490</u>

## 5.1 Loans and advances to customers at amortized cost

		30 September 2017			31 December 2016		
		Gross amount	Provision for loans and advances	Carrying amount	Gross amount	Provision for loans and advances	Carrying amount
		AFS '000'					
Advance against credit cards	5.1.1	<u>2,736</u>	<u>(112)</u>	<u>2,624</u>	<u>1,490</u>	<u>-</u>	<u>1,490</u>

5.1.1 These balances carry interest at the rate of 20% (31 December 2016: 20%) per annum. These are fully secured against cash margin

## 5.2 Provision for loans and advances (General)

	30 September 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
Balance at beginning of the period / year	-	1,712
Reversal during the period / year	-	(1,699)
Charge for the period / year	112	-
Exchange adjustment	-	(13)
<b>Balance at end of the period / year</b>	<u>112</u>	<u>-</u>

5.3 As at 30 September 2017, there is no overdue loan to be classified in the category of watch list, substandard, doubtful or loss



## 6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Electrical, office and computer equipment	Vehicles	Total
<b>Cost</b>					
Balance at 1 January 2016 - Audited	22,099	11,351	36,607	9,722	79,779
Additions	-	2,240	1,517	-	3,757
Balance at 31 December 2016 - Audited	<u>22,099</u>	<u>13,591</u>	<u>38,124</u>	<u>9,722</u>	<u>83,536</u>
<b>Balance at 1 January 2017 - Audited</b>	<b>22,099</b>	<b>13,591</b>	<b>38,124</b>	<b>9,722</b>	<b>83,536</b>
Additions	-	-	2,147	-	2,147
Disposals	-	(2,468)	(1,891)	-	(4,359)
Balance at 30 September 2017 - Un-audited	<u>22,099</u>	<u>11,123</u>	<u>38,380</u>	<u>9,722</u>	<u>81,324</u>
<b>Depreciation</b>					
Balance at 1 January 2016 - Audited	20,795	10,001	30,089	9,722	70,607
Charge for the year	359	690	3,073	-	4,122
Balance at 31 December 2016 - Audited	<u>21,154</u>	<u>10,691</u>	<u>33,162</u>	<u>9,722</u>	<u>74,729</u>
<b>Balance at 1 January 2017 - Audited</b>	<b>21,154</b>	<b>10,691</b>	<b>33,162</b>	<b>9,722</b>	<b>74,729</b>
Charge for the year	268	323	2,292	-	2,883
Depreciation on disposals	-	(2,468)	(1,874)	-	(4,342)
Balance at 30 September 2017 - Un-audited	<u>21,422</u>	<u>8,546</u>	<u>33,580</u>	<u>9,722</u>	<u>73,270</u>
<b>Carrying amounts</b>					
Balance at 31 December 2016 - Audited	<u>945</u>	<u>2,900</u>	<u>4,962</u>	<u>-</u>	<u>8,807</u>
Balance at 30 September 2017 - Un-audited	<u>677</u>	<u>2,577</u>	<u>4,800</u>	<u>-</u>	<u>8,054</u>
<b>Depreciation rate</b>	<u>20%</u>	<u>10%</u>	<u>20%</u>	<u>25%</u>	

## 7. OTHER ASSETS

	Note	30 September 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
Accrued interest		106,648	69,116
Accrued commission on bank guarantees		4,414	11,070
Advances, deposits and prepayments		5,637	7,118
Restricted deposits with DAB	7.1	1,066,956	835,727
Receivable against credit card transactions		1,054	13,999
Branch adjustment account		1,609	274
Commission receivable		2,405	6,399
Interest receivable on Interest Rate Swap (IRS)		915	1,324
Other asset	7.2	269,766	263,921
		<u>1,459,404</u>	<u>1,208,948</u>
Less: Provision against other asset	7.2	(269,766)	(209,022)
		<u>1,189,638</u>	<u>999,926</u>

- 7.1 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 2016: Interest free).
- 7.2 This represents an amount of USD 3,949,141 equivalent to AFS 269,766 thousands (31 December 2016: USD 3,949,141 equivalent to AFS 263,921 thousands) placed in nostro account in New York, United States of America which has been 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. There has been no change in the status of this balance since the last audited financials of the Bank.

#### 8. DEPOSITS FROM BANKS

	30 September 2017	31 December 2016
	(Un-audited) AFS '000'	(Audited) AFS '000'
Citi Bank	435,343	223,716
The First MicroFinance Bank	15,116	19,079
	<u>450,459</u>	<u>242,795</u>

#### 9. DEPOSITS FROM CUSTOMERS

	Note	30 September 2017	31 December 2016
		(Un-audited) AFS '000'	(Audited) AFS '000'
Current deposits		10,232,827	11,045,322
Saving deposits	9.1	1,014,695	610,340
Term deposits	9.2	2,146,058	2,322,009
Margin and other deposits		148,231	192,471
		<u>13,541,811</u>	<u>14,170,142</u>

- 9.1 Saving deposits carry interest rate ranging from 0.00% to 0.55% (31 December 2016: 0.55%) per annum.
- 9.2 Term deposits carry interest rate ranging from 0.75% to 6.25% (31 December 2016: 0.75% to 6.25%) per annum and have maturity period ranging from 01 to 12 months (31 December 2016: 01 to 12 months)

#### 10. OTHER LAIBILITIES

	30 September 2017	31 December 2016
	(Un-audited) AFS '000'	(Audited) AFS '000'
Unearned commission on letter of credit and letter of guarantee	11,317	20,196
Unrealized loss on re-measurement of Interest Rate Swap	21,278	18,254
Interest payable on Interest Rate Swap	4,342	5,361
Accrued expenses	10,277	4,637
Interest payable	46,433	29,675
DAB assessment fee payable	2,340	2,900
Professional charges	1,507	7,112
Bills payable	4,621	4,849
General provision against letter of guarantees	6,066	5,546
Others	610	268
	<u>108,791</u>	<u>98,798</u>

## 11. CONTINGENCIES AND COMMITMENTS

	Note	30 September 2017	31 December 2016
		(Un-audited) AFS '000'	(Audited) AFS '000'
<b>11.1 Contingencies</b>			
Letter of guarantees	11.1.1	<u>754,799</u>	<u>938,126</u>

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

11.1.2 Audit department of the Ministry of Finance (MoF) conducted audit of the Bank for the years 2009 and 2010 and imposed an additional demand amounting of AFS 45,269,600. The Bank has paid the full amount under protest i.e. AFS 25,700,000/- to MOF being additional tax amount on the basis of assessment and AFS 19,569,600/- being penalty for late submission of additional tax amount. The decision of the department was appealed by the Bank, however, due to lapse in the specified time mentioned in the Tax Administration Law (Tax Law), the department did not respond to the appeal. According to article 11 of the Tax Law, the Dispute Resolution Board of the MoF is the next stage of appeal, however, since the Dispute Resolution Board has not been established yet, therefore, as per the article 12 of the Tax Law, the Bank has filed the case in authorized court of law to get a refund of amount paid in protest.

The Court has issued an order dated 25 June 2017 and advised the MOF to perform re-audit to be completed within 2 months from the date of Court order. The re-audit was completed on time, however, MoF is yet to submit report to the Court and based on the legal opinion, the management is confident that additional amount and penalty paid will be refunded to the Bank, therefore, the same has been recorded as advance tax in the books of the Bank.

### 11.2 Commitments

There were no outstanding commitments as at 30 September 2017 (31 December 2016: None).

## 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 other related parties

Name of group companies	Nature of transactions	30 September 2017	31 December 2016
		(Un-audited) AFS '000'	(Audited) AFS '000'
Bank Alfalah	Placements made	-	3,809,310
Limited Bahrain	Placements matured	-	4,277,120
		<b>Nine months ended 30 September 2017</b>	<b>Nine months ended 30 September 2016</b>
		<b>(Un-audited) AFS '000'</b>	<b>(Un-audited) AFS '000'</b>
	Income earned on placements	-	4,711
	Interest expense on Borrowing	606	-
	Interest income on Interest Rate Swap	9,997	5,495
	Interest receivable on Interest Rate Swap	912	1,017
	Interest expense on Interest Rate Swap	19,610	19,699
	Interest payable on Interest Rate Swap	4,342	7,485
		<b>239,820</b>	<b>102,975</b>
Bank Alfalah Limited - Pakistan	Profit remitted to Head Office	-	-
	Insurance premium paid to Alfalah Insurance Company Limited	1,289	6,984

Balances with related parties as at period / year end are as follows:

Name of group company	Nature of transaction	30 September 2017	31 December 2016
		(Un-audited) AFS '000'	(Audited) AFS '000'
ADC Finance Cayman Ltd.	Investments in bonds	-	668,300

**12.2 Key management compensation**

	Nine months ended 30 September 2017 (Un-audited) AFS '000'	Nine months ended 30 September 2016 (Un-audited) AFS '000'	Three months ended 30 September 2017 (Un-audited) AFS '000'	Three months ended 30 September 2016 (Un-audited) AFS '000'
Salaries and benefits	<u>23,183</u>	<u>25,639</u>	<u>6,161</u>	<u>7,419</u>

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

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.4 (b) to the annual audited financial statements for the year ended 31 December 2016.

In the opinion of the management, the fair value of the remaining financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

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.

- 13.1 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'			
<b>On Balance Sheet Financial Instruments</b>				
Investments in bonds - available for sale investments				
<b>As at 30 September 2017 (Un-audited)</b>	<u>4,946,900</u>	<u>-</u>	<u>-</u>	<u>4,946,900</u>
<b>As at 31 December 2016 (Audited)</b>	<u>6,217,029</u>	<u>-</u>	<u>-</u>	<u>6,217,029</u>

During the period ended 30 September 2017, 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**

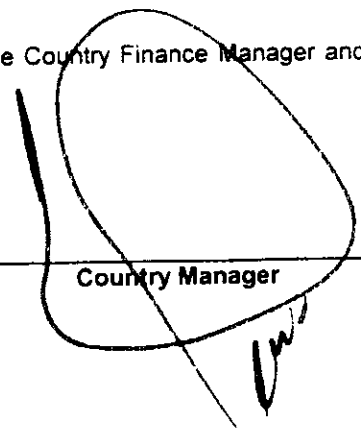
- 14.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the period.

- 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 Manger of the Bank on Nov 15, 2017.

  
Country Finance Manager

  
Country Manager