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**Bank Alfalah Limited - Afghanistan  
Condensed interim financial information  
(Un-audited)  
For the six months ended 30 June 2016**

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**Independent auditors' review report**

Ernst & Young Ford Rhodes Sidat Hyder  
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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

### ***Introduction***

We have reviewed the accompanying condensed interim statement of financial position of **Bank Alfalah Limited Afghanistan** as at **30 June 2016** and the related condensed statements of comprehensive income, changes in equity and cash flows together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the six months period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the applicable financial reporting framework as stated in note 2 to the condensed interim financial information. 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 Auditors 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 applicable financial reporting framework as stated in note 2 to the condensed interim financial information.

### ***Other Matters***

The financial statements for the year ended 31 December 2015 were audited by another firm of chartered accountants whose audit report, dated 29 March 2016, expressed an unqualified opinion thereon. The requirement to review condensed interim financial information by auditors is applicable from the current year, thus the condensed interim financial information of the Bank for the six months period ended 30 June 2015 was not reviewed by the predecessor auditor.



**Chartered Accountants**  
**Date: 16 August 2016**  
**Kabul, Afghanistan**  
**Engagement Partner: Shabbir Yunus**

**Bank Alfalah Limited Afghanistan**  
**Condensed interim statement of financial position (Un-audited)**  
**As at 30 June 2016**

	Note	30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
<b>Assets</b>			
Cash and cash equivalents		5,195,354	7,778,009
Investments	4	6,377,532	4,225,347
Loans and advances to banks		471,708	990,189
Loans and advances to customers - net	5	52,489	113,584
Property and equipment		8,126	9,172
Deferred tax asset		49,130	59,382
Other assets		1,119,886	1,171,594
<b>Total assets</b>		<b>13,274,225</b>	<b>14,347,277</b>
<b>Liabilities</b>			
Deposits from banks		562,606	364,609
Deposits from customers	6	11,369,506	12,702,839
Other liabilities		163,728	128,018
<b>Total liabilities</b>		<b>12,095,840</b>	<b>13,195,466</b>
<b>Equity</b>			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		7,484	7,484
Deficit on revaluation of available for sale investments		(50,248)	(57,338)
Retained earnings		221,149	201,665
<b>Total equity</b>		<b>1,178,385</b>	<b>1,151,811</b>
<b>Total liabilities and equity</b>		<b>13,274,225</b>	<b>14,347,277</b>

**Contingencies and commitments**

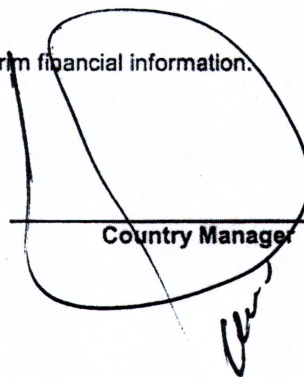
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The annexed notes 1 to 9 form an integral part of this condensed interim financial information.

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Country Operations Manager



Country Manager

**Bank Alfalah Limited Afghanistan**  
**Condensed interim statement of comprehensive income (Un-audited)**  
**For the six months ended 30 June 2016**

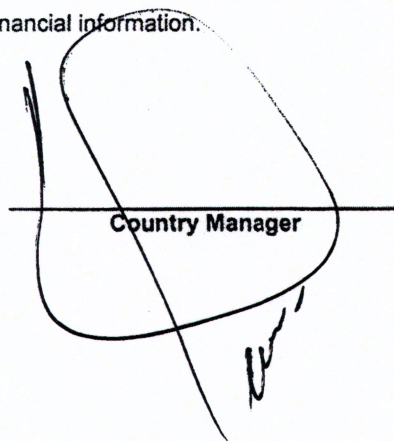
	Six months ended 30 June 2016	Six months ended 30 June 2015	Three months ended 30 June 2016	Three months ended 30 June 2015
	(AFS '000')			
Interest income	142,666	153,797	72,467	72,225
Interest expense	(17,852)	(13,965)	(9,384)	(6,927)
<b>Net interest income</b>	<b>124,814</b>	<b>139,832</b>	<b>63,083</b>	<b>65,298</b>
Fee and commission income	114,018	87,800	53,072	48,016
Fee and commission expense	(7,980)	(5,744)	(3,472)	(3,141)
<b>Net fee and commission income</b>	<b>106,038</b>	<b>82,056</b>	<b>49,600</b>	<b>44,875</b>
Income from dealing in foreign currencies	7,704	12,913	2,995	7,500
	<b>238,556</b>	<b>234,801</b>	<b>115,678</b>	<b>117,673</b>
Other income	78,817	17,450	8,144	11,210
Reversal of provision against loans and advances	936	2,511	468	399
Personnel expenses	(53,864)	(54,159)	(26,661)	(25,112)
Depreciation	(2,275)	(2,422)	(1,117)	(1,212)
Other operating expenses	(114,676)	(53,541)	(27,124)	(29,090)
<b>Profit before taxation</b>	<b>147,494</b>	<b>144,640</b>	<b>69,388</b>	<b>73,868</b>
Taxation	(25,035)	(28,383)	(9,759)	(14,130)
<b>Profit for the period</b>	<b>122,459</b>	<b>116,257</b>	<b>59,629</b>	<b>59,738</b>
<b>Other comprehensive income</b>				
Items that are or may be reclassified to profit or loss in subsequent periods				
Surplus on revaluation of available for sale investments	9,610	10,727	12,593	14,190
Related deferred tax	(2,520)	(2,145)	(3,117)	(2,838)
<b>Other comprehensive income</b>	<b>7,090</b>	<b>8,582</b>	<b>9,476</b>	<b>11,352</b>
<b>Total comprehensive income</b>	<b>129,549</b>	<b>124,839</b>	<b>69,105</b>	<b>71,090</b>

The annexed notes 1 to 9 form an integral part of this condensed interim financial information.

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Country Operations Manager



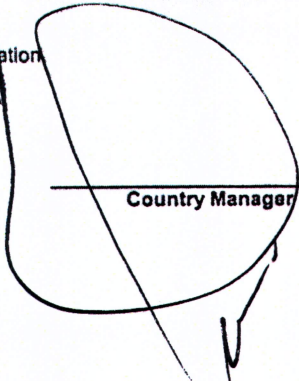
Country Manager

**Bank Alfalah Limited Afghanistan**  
**Condensed Interim statement of changes in equity (Un-audited)**  
**For the six months ended 30 June 2016**

	Capital contributed by Head Office	Deficit on revaluation of sale investments	Capital reserve	Retained earnings	Total
	AFS '000'				
Balance as at 01 January 2015 - (Audited)	1,000,000	(8,354)	-	269,471	1,261,117
<b>Total comprehensive income for the six months ended 30 June 2015:</b>					
Profit for the period	-	-	-	116,257	116,257
Other comprehensive income for the six months:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	10,727	-	-	10,727
Related tax	-	(2,145)	-	-	(2,145)
	-	8,582	-	-	8,582
Total comprehensive income	-	8,582	-	116,257	124,839
Profits remitted to Head Office	-	-	-	(210,000)	(210,000)
<b>Balance as at 30 June 2015 - (Un-audited)</b>	<b>1,000,000</b>	<b>228</b>	<b>-</b>	<b>175,728</b>	<b>1,175,956</b>
<b>Total comprehensive income for the six months ended 31 December 2015:</b>					
Profit for the period	-	-	-	33,421	33,421
Other comprehensive income for the six months:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	(71,957)	-	-	(71,957)
Related tax	-	14,391	-	-	14,391
	-	(57,566)	-	-	(57,566)
Total comprehensive income	-	(57,566)	-	33,421	(24,145)
Transferred to capital reserves	-	-	7,484	(7,484)	-
Profits remitted to Head Office	-	-	-	-	-
<b>Balance as at 31 December 2015 - (Audited)</b>	<b>1,000,000</b>	<b>(57,338)</b>	<b>7,484</b>	<b>201,665</b>	<b>1,151,811</b>
<b>Total comprehensive income for the six months ended 30 June 2016:</b>					
Profit for the period	-	-	-	122,459	122,459
Other comprehensive income for the six months:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	9,610	-	-	9,610
Related tax	-	(2,520)	-	-	(2,520)
	-	7,090	-	-	7,090
Total comprehensive income	-	7,090	-	122,459	129,549
Transferred to capital reserves	-	-	-	-	-
Profits remitted to Head Office	-	-	-	(102,975)	(102,975)
<b>Balance as at 30 June 2016 - (Un-audited)</b>	<b>1,000,000</b>	<b>(50,248)</b>	<b>7,484</b>	<b>221,149</b>	<b>1,178,385</b>

The annexed notes 1 to 9 form an integral part of this condensed interim financial information.

  
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 Country Operations Manager


  
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 Country Manager

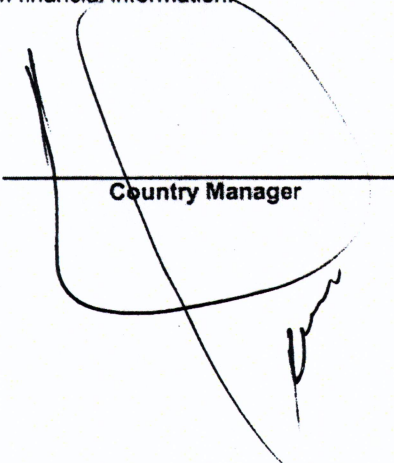
**Bank Alfalah Limited Afghanistan**  
**Condensed interim statement of cash flows (Un-audited)**  
**For the six months ended 30 June 2016**

	<u>Six months ended</u> 30 June 2016 AFS '000'	<u>Six months ended</u> 30 June 2015 AFS '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	147,494	144,640
<b>Adjustments for non-cash items</b>		
Depreciation	2,275	2,421
Reversal of provision against non-performing advances	(936)	2,511
Loss on disposal of property and equipment	-	117
	<u>148,833</u>	<u>149,689</u>
<b>(Increase) / decrease in operating assets</b>		
Loans and advances to banks	518,481	-
Loans and advances to customers - net	61,095	1,066,135
Other assets	51,708	(18,408)
	<u>631,284</u>	<u>1,047,727</u>
<b>Increase / (decrease) in operating liabilities</b>		
Deposits from banks	197,997	(390,060)
Deposits from customers	(1,333,333)	(676,801)
Other liabilities	35,710	14,306
	<u>(1,099,626)</u>	<u>(1,052,555)</u>
Income tax paid	(9,032)	(3,171)
<b>Net cash (used in) / generated from operating activities</b>	<u>(328,541)</u>	<u>141,690</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments - net	(2,152,185)	681,984
Acquisition in property and equipment	1,046	(718)
<b>Net cash (used in) / generated from investing activities</b>	<u>(2,151,139)</u>	<u>681,266</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Remittances to Head Office	(102,975)	(210,000)
<b>Net cash used in financing activities</b>	<u>(102,975)</u>	<u>(210,000)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(2,582,655)</u>	<u>612,956</u>
Cash and cash equivalents at beginning of the period	<u>7,778,009</u>	<u>6,229,863</u>
Cash and cash equivalents at end of the period	<u><u>5,195,354</u></u>	<u><u>6,842,819</u></u>

The annexed notes 1 to 9 form an integral part of this condensed interim financial information.

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 Country Operations Manager

  
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 Country Manager

**Bank Alfalah Limited Afghanistan**  
**Notes to the condensed interim financial information (Un-audited)**  
**For the six months ended 30 June 2016**

**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 on 01 August 2015. 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 including one sub-branch in UN Compound Kabul.

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 six months ended 30 June 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the Law of Banking in Afghanistan. In case, where requirements differ, the requirement of Law of Banking of Afghanistan takes precedence.

The disclosures made in this condensed interim financial information have been limited based on the 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 2015.

**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 2015.

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 2015.

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 2015.

**4 INVESTMENTS**

		30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
Available for sale investments:			
Foreign bonds	4.1	5,117,760	2,340,904
Held-to-maturity investments:			
Capital notes with DAB	4.2	580,029	839,478
State of Qatar 2026 Bond	4.3	338,033	-
Pakistan Euro Bond	4.4	341,710	1,044,965
		<u>1,259,772</u>	<u>1,884,443</u>
		<u>6,377,532</u>	<u>4,225,347</u>

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**Bank Alfalah Limited Afghanistan**  
**Notes to the condensed interim financial information (Un-audited)**  
**For the six months ended 30 June 2016**

4.1 The breakup of foreign bonds is as follows:

		30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
	Note		
Abu Dhabi Commercial Bank Finance Cayman Limited (ADCB) Bonds		683,974	685,335
Qatar National Bank Finance Limited (QNB) Bond Kingdom of Bahrain Bond		342,001	343,181
Indonesia Sovereign Bonds (Sukuks)		351,148	348,869
South Africa Sovereign Bonds (Sukuks)		349,771	469,514
Kazakhstan Sovereign Bonds		276,098	264,294
United Mexican State Bonds		204,047	193,930
Indonesia London Bond		37,536	35,781
Pakistan Euro - Dollar Bond		152,742	-
State of Qatar 2026 Bond		743,360	-
Turkey Sukuk		684,692	-
Oman International Bond 2021-2026		237,861	-
Republic of Indonesia 2023 (Euro) Bond		1,016,798	-
		37,732	-
	4.1.1	<u>5,117,760</u>	<u>2,340,904</u>

4.1.1 These bonds are listed at London Stock Exchange. The rate of profit on QNB Bonds and ADCB bonds ranges from 3 months US LIBOR + 125 bps to 3 months US LIBOR + 130 bps per annum, whereas rate of profit on other bonds ranges from 1.63% to 8.25% (2015: 1.63% to 5.5%) per annum maturing latest by 02 June 2026.

4.2 These represent investments in capital notes issued by DAB up to a maximum period of one year (2015: one year) carrying yield at rates ranging from 3.53% to 6.70% per annum (2015: 5.12% to 6.70% per annum) receivable on maturity of respective notes.

4.3 These represent investments amounting to USD 5,000 (2015: nil) thousand in State of Qatar 2026 Bond. These carry interest rate of 3.25% (2015: nil) per annum maturing latest by June 2026.

4.4 These represent investments amounting to USD 5,000 (2015: USD 15,300) thousand in Pakistan Euro Bond. These carry interest rate of 7.25% (2015: 7.13% to 7.25%) per annum maturing latest by April 2019.

5 LOANS AND ADVANCES TO CUSTOMERS - NET

		30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
	Note		
Term loans	5.1	51,779	114,106
Advance against credit cards	5.2	1,487	1,190
		53,266	115,296
Less: Provision against loans and advances	5.3	(777)	(1,712)
		<u>52,489</u>	<u>113,584</u>

5.1 This represent term loans to Pakistan International Airlines that carry interest at rates ranging from Libor + 4% (2015: Libor + 4%) per annum. Such facilities are extended for period ranging from 1 year to 4.5 years. This amount is secured against a guarantee issued by Citibank.

5.2 These advances carry interest at the rate of 20% (2015: 20%) per annum and are fully secured against cash margins.

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**Bank Alfalah Limited Afghanistan**  
**Notes to the condensed interim financial information (Un-audited)**  
**For the six months ended 30 June 2016**

**5.3 Provision against loans and advances**

	30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
Opening balance	1,712	4,800
Charge for the period / year	-	293
Reversal of provision	(935)	(3,381)
	(935)	(3,088)
Closing balance	<u>777</u>	<u>1,712</u>

5.4 As at 30 June 2016, there is no overdue loan to be classified in the category of watch list, substandard, doubtful or loss. However, on prudence basis, the management of the Bank has recorded general provision at the rate of 1.5% of the total advances (excluding credit card loans). Credit card loans are fully secured against cash margins.

**6 DEPOSITS FROM CUSTOMERS**

		30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
	Note		
Current deposits		10,446,023	11,689,773
Saving deposits	6.1	685,404	772,792
Term deposits	6.2	54,648	54,762
Margin deposits		183,431	185,512
		<u>11,369,506</u>	<u>12,702,839</u>

6.1 Saving deposits carry interest at rates ranging from 0.25% to 0.40% (2015: 0.25% to 0.40%) per annum.

6.2 Term deposits carry interest at rates ranging from 0.75% to 5.22% (2015: 0.75% to 5.22%) per annum and have maturity period ranging from 01 to 12 months (2015: 01 to 12 months).

**7 CONTINGENCIES AND COMMITMENTS**

**7.1 Contingencies**

		30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
	Note		
Guarantees	7.1.1	<u>1,298,172</u>	<u>1,159,516</u>

7.1.1 This represent bid bonds and performance based guarantees issued by the Bank.

7.1.2 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 accepted the demand of Afs 25,700,000 and same was paid to MoF. Subsequent to the period end, on 27 July 2016 the remaining amount of Afs 19,569,600 was paid under protest by the Bank. 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 authorised court of law to get a refund of amount paid in protest. Management is confident based on tax advisor's opinion that there are good chances that the case will be decided in favor of the Bank and accordingly no provision has been made in this regard in this condensed interim financial information.

**7.2 Commitments**

	30 June 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
Letter of credit and acceptances	-	<u>13,142</u>

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**Bank Alfalah Limited Afghanistan**  
**Notes to the condensed interim financial information (Un-audited)**  
**For the six months ended 30 June 2016**

**8 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, 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:

**8.1 Transactions with other related parties**

Details of transactions with the related parties during the period / year are as follows:

Name of group companies	Nature of transactions	30-Jun-16		31-Dec-15	
		(Un-audited)		(Audited)	
		AFS '000'		AFS '000'	
Bank Alfalah Limited Bahrain	Placement made	2,539,730		540,545	
	Placement matured	2,607,820		717,185	
		Six months ended	Six months ended	Three months ended	Three months ended
		30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		AFS '000'	AFS '000'	AFS '000'	AFS '000'
Bank Alfalah Limited Bahrain	Income earned on placements	2,605	451	955	82
	Interest income on interest rate swap	3,558	1,308	1,862	694
	Interest receivable on interest rate swap	997	386	997	386
	Interest expense on interest rate swap	13,212	11,223	6,609	5,699
	Interest payable on interest rate swap	5,593	4,961	5,593	4,961
Bank Alfalah Limited Pakistan	Profit remitted to Head Office	102,975	210,000	-	-
Alfalah Insurance Company Limited	Reimbursement of insurance premium paid	-	2,530	-	-

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

Name of group company	Nature of transaction	30-Jun-16		31-Dec-15	
		(Un-audited)		(Audited)	
		AFS '000'		AFS '000'	
Bank Alfalah Limited Bahrain	Placement	409,860		479,150	


**8.2 Key management compensation**

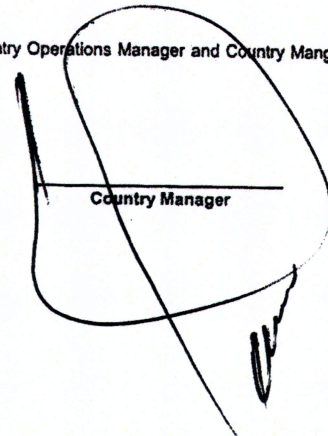
	Six months ended		Three months ended	
	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AFS '000'	AFS '000'	AFS '000'	AFS '000'
Salaries and benefits	18,220,804	15,214,035	9,219,848	5,135,612

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

**9 Date of authorization for issue**

This condensed interim financial information has been authorized for issue by the Country Operations Manager and Country Manager of the Bank on August 16, 2016.

  
 Country Operations Manager

  
 Country Manager