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working world**

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

Independent auditors' review report

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Afghanistan

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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 September 2016** and the related interim 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 nine month 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

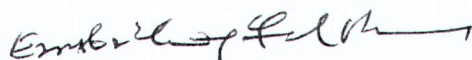
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible 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 nine month period ended condensed interim financial information by auditors is applicable from the current year, thus the condensed interim financial information of the Bank for the nine month period ended 30 September 2015 was not reviewed by the predecessor auditor.



Chartered Accountants
Engagement Partner: Shabbir Yunus
Date: 13 November 2016
Kabul, Afghanistan

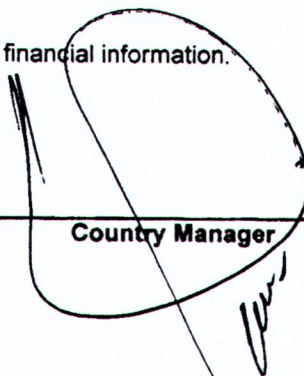
Bank Alfalah Limited Afghanistan
Condensed interim statement of financial position (Un-audited)
As at 30 September 2016

	Note	30 September 2016 (Un-audited) AFS '000'	31 December 2015 (Audited) AFS '000'
Assets			
Cash and cash equivalents			
Investments	4	3,541,588	7,778,009
Loans and advances to banks		7,501,993	4,225,347
Loans and advances to customers - net	5	771,606	990,189
Property and equipment		21,873	113,584
Deferred tax asset		7,874	9,172
Other assets		49,130	59,382
Total assets		1,170,732	1,171,594
		13,064,796	14,347,277
Liabilities			
Deposits from banks		244,131	364,609
Deposits from customers	6	11,244,537	12,702,839
Other liabilities		157,704	128,018
Total liabilities		11,646,372	13,195,466
Equity			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		7,484	7,484
Surplus / (Deficit) on revaluation of available for sale investments		133,213	(57,338)
Retained earnings		277,727	201,665
Total equity		1,418,424	1,151,811
Total liabilities and equity		13,064,796	14,347,277
Contingencies and commitments	7		

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



Country Operations Manager



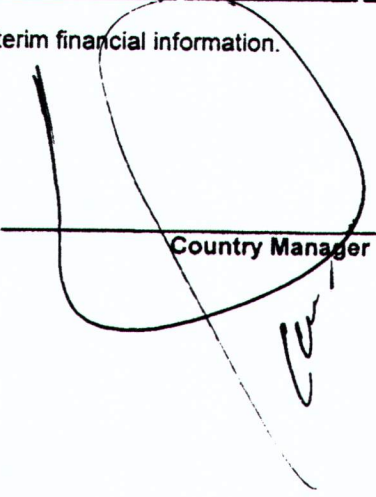
Country Manager

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

	Nine months ended	Nine months ended	Three months ended	Three months ended
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	----- (AFS '000') -----			
Interest income	237,931	225,337	95,264	71,540
Interest expense	(33,388)	(21,604)	(15,536)	(7,639)
Net interest income	204,543	203,733	79,728	63,901
Fee and commission income	139,713	132,456	25,697	42,267
Fee and commission expense	(8,579)	(8,212)	(599)	(2,389)
Net fee and commission income	131,134	124,244	25,098	39,878
Income from dealing in foreign currencies	9,477	19,683	1,773	6,769
	345,154	347,660	106,599	110,548
Other income	75,586	(149,525)	11,724	(166,976)
Reversal of provision against loans and advances	1,398	2,935	462	424
Provision on placements	(6,049)	-	(6,049)	-
Personnel expenses	(77,096)	(78,249)	(23,231)	(24,090)
Depreciation	(3,204)	(3,454)	(929)	(1,032)
Other operating expenses	(121,961)	(83,959)	(22,241)	(30,418)
Profit/(Loss) before taxation	213,828	35,408	66,335	(111,544)
Taxation	(34,791)	(5,763)	(9,756)	22,619
Profit/(Loss) after taxation	179,037	29,645	56,579	(88,925)
Other comprehensive income				
Items that are or may be reclassified to profit or loss in subsequent periods				
Surplus/(deficit) on revaluation of available for sale investments	228,661	(25,251)	219,051	3,463
Related deferred tax	(38,110)	5,050	(35,590)	(693)
Other comprehensive income/(loss)	190,551	(20,201)	183,461	2,770
Total comprehensive income/(loss)	369,588	9,444	240,040	(86,155)

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


 Country Operations Manager


 Country Manager

Bank Alfalah Limited Afghanistan
Condensed interim statement of changes in equity (Un-audited)
For the nine months ended 30 September 2016

	Capital contributed by Head Office	Capital reserve	Surplus/(Deficit) on revaluation of Capital available for sale	Retained earnings	Total
	1,000,000	-	(8,354)	269,471	1,261,117
	-	-	-	29,645	29,645
	-	-	(25,251)	-	(25,251)
	-	-	5,050	-	5,050
	-	-	(20,201)	-	(20,201)
	-	-	(20,201)	29,645	9,444
	-	-	-	(210,000)	(210,000)
	1,000,000	-	(28,555)	89,116	1,060,561

Balance as at 01 January 2015
 Total comprehensive income for the nine months ended 30 September 2015:
 Profit after taxation
 Other comprehensive income:
 Fair value reserve (available-for-sale financial assets):
 Net change in fair value
 Related tax
 Total comprehensive income
 Profits remitted to Head Office
 Balance as at 30 September 2015 - (Un-audited)

	-	-	-	120,033	120,033
	-	-	(35,978)	-	(35,978)
	-	-	7,195	-	7,195
	-	-	(28,783)	-	(28,783)
	-	-	(28,783)	120,033	91,250
	-	7,484	-	(7,484)	-
	-	-	-	-	-
	1,000,000	7,484	(57,338)	201,665	1,151,811

Total comprehensive income for the 3 months ended 31 December 2015:
 Profit after taxation
 Other comprehensive income:
 Fair value reserve (available-for-sale financial assets):
 Net change in fair value
 Related tax
 Total comprehensive income
 Transferred to capital reserves
 Profits remitted to Head Office
 Balance as at 31 December 2015 - (Audited)

	-	-	-	179,037	179,037
	-	-	228,661	-	228,661
	-	-	(38,110)	-	(38,110)
	-	-	190,551	-	190,551
	-	-	190,551	179,037	369,588
	-	-	-	(102,975)	(102,975)
	1,000,000	7,484	133,213	277,727	1,418,424

Total comprehensive income for the nine months ended 30 September 2016:
 Profit after taxation
 Other comprehensive income:
 Fair value reserve (available-for-sale financial assets):
 Net change in fair value
 Related tax
 Total comprehensive income
 Profits remitted to Head Office
 Balance as at 30 September 2016 - (Un-audited)

	-	-	-	179,037	179,037
	-	-	228,661	-	228,661
	-	-	(38,110)	-	(38,110)
	-	-	190,551	-	190,551
	-	-	190,551	179,037	369,588
	-	-	-	(102,975)	(102,975)
	1,000,000	7,484	133,213	277,727	1,418,424

Country Operations Manager

Country Manager

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

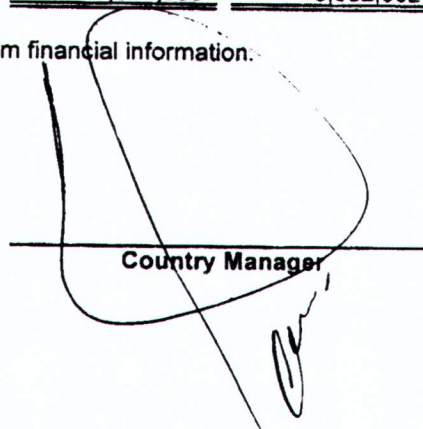
Bank Alfalah Limited Afghanistan
Condensed interim statement of cash flows (Un-audited)
For the nine months ended 30 September 2016

	Nine months ended 30 September 2016 AFS '000'	Nine months ended 30 September 2015 AFS '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	213,828	35,408
Adjustments for non-cash items		
Depreciation	3,204	3,454
Reversal of provision against non-performing advances	(1,398)	(2,935)
Loss on disposal of property and equipment	-	(186)
	<u>215,634</u>	<u>35,741</u>
Decrease / (Increase) in operating assets		
Loans and advances to banks	218,583	(345,669)
Loans and advances to customers - net	93,109	118,611
Other assets	862	(70,457)
	<u>312,554</u>	<u>(297,515)</u>
Decrease / (Increase) in operating liabilities		
Deposits from banks	(120,478)	390,162
Deposits from customers	(1,458,302)	713,435
Other liabilities	29,686	64,636
	<u>(1,549,094)</u>	<u>1,168,233</u>
Income tax paid	(24,539)	(42,558)
Net cash flows / (used in) from operating activities	<u>(1,045,445)</u>	<u>863,901</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investments - net	(3,086,095)	(950,706)
Acquisition in property and equipment	(1,906)	(369)
Sale proceeds from disposal of property and equipment	-	213
Net cash flows used in investing activities	<u>(3,088,001)</u>	<u>(950,862)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Remittances to Head Office	(102,975)	(210,000)
Net cash used in financing activities	<u>(102,975)</u>	<u>(210,000)</u>
Net decrease in cash and cash equivalents	(4,236,421)	(296,961)
Cash and cash equivalents at beginning of the period	7,778,009	6,229,863
Cash and cash equivalents at end of the period	<u>3,541,588</u>	<u>5,932,902</u>

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



Country Operations Manager



Country Manager

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial information (Un-audited)
For the nine months ended 30 September 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 2016. 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 nine months ended 30 September 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 September 2016	31 December 2015
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'
Available-for-sale investments:			
Foreign bonds	4.1	5,241,071	2,340,904
Held-to-maturity investments:			
Capital notes with DAB	4.2	1,600,127	839,478
State of Qatar 2026 Bond	4.3	328,654	-
Pakistan Euro Bond	4.4	332,141	1,044,965
		2,260,922	1,884,443
		7,501,993	4,225,347

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

4.1 The breakup of foreign bonds is as follows:

	30 September 2016	31 December 2016
	(Un-audited) AFS '000	(Audited) AFS '000
Abu Dhabi Commercial Bank Finance	665,670	685,335
Cayman Limited (ADCB) Bonds	332,293	343,181
Qatar National Bank Finance Limited (QNB) Bond	350,416	348,869
Indonesia Sovereign Bonds (Sukuks)	357,673	469,514
South Africa Sovereign Bonds (Sukuks)	275,887	264,294
Kazakhstan Sovereign Bonds	208,535	193,930
United Mexican State Bonds	38,406	35,781
Indonesia London Bond	160,259	-
Pakistan Euro - Dollar Bond	775,311	-
State of Qatar 2026 Bond	677,799	-
Turkey Sukuk	234,696	-
Oman International Bond 2021-2026	1,019,311	-
Republic of Sri Lanka Bond	106,098	-
Republic of Indonesia 2023 (Euro) Bond	38,817	-
	<u>5,241,071</u>	<u>2,340,904</u>

4.1.1 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 1.53% 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 rates ranging from 3.53% to 6.70% (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 at the 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 at the rate of 7.25% (2015: 7.13% to 7.25%) per annum maturing latest by April 2019.

5 LOANS AND ADVANCES TO CUSTOMERS - NET

Term loans	5.1	20,152	114,106
Advance against credit cards	5.2	2,023	1,190
		<u>22,175</u>	<u>115,296</u>
Less: Provision against loans and advances	5.3	(302)	(1,712)
		<u>21,873</u>	<u>113,584</u>

5.1 This represent term loans to Pakistan International Airlines that carry interest at the rate of 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 nine months ended 30 September 2016

5.3 Provision against loans and advances

	30 September 2016	31 December 2015
Opening balance	1,712	4,800
Charge for the period / year	-	293
Reversal of provision	(1,410)	(3,381)
Closing balance	302	1,712

5.4 As at 30 September 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

	6.1	6.2	
Current deposits	9,366,904		
Saving deposits	602,620		
Term deposits		1,053,120	
Margin deposits		221,993	
		11,244,637	
		12,702,839	

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

	7.1.1	7.1
Guarantees		1,159,516
Contingencies		1,274,892
		1,159,516

7.1.1 This represents 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. 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 authorized court of law to get a refund of amount paid in protest. Management is confident based on legal advisors 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 Comments

Letter of credit and acceptances

13,142

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial information (Un-audited)
For the nine months ended 30 September 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 September 2016	31 December 2015
		(Un-audited) AFS '000'	(Audited) AFS '000'
Bank Alfalah Limited Bahrain	Placement made	3,784,800	540,545
	Placement matured	4,249,600	717,185

Name of group companies	Nature of transactions	Nine months ended	Nine months ended	Three months ended	Three months ended
		30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
		AFS '000'	AFS '000'	AFS '000'	AFS '000'
Bank Alfalah Limited Bahrain	Income earned on placements	4,711	3,438	1,799	1,188
	Interest income on interest rate swap	5,495	2,106	1,937	798
	Interest receivable on interest rate swap	1,017	629	20	242
	Interest expense on interest rate swap	19,699	17,325	6,487	6,101
	Interest payable on interest rate swap	7,485	7,307	1,892	2,346
Bank Alfalah Limited Pakistan	Profit remitted to Head Office	102,975	210,000	-	-
Alfalah Insurance Company Limited	Reimbursement of insurance premium paid	6,984	2,530	-	-

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

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

8.2 Key management compensation

	Nine months ended	Nine months ended	Three months ended	Three months ended
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	AFS '000'	AFS '000'	AFS '000'	AFS '000'
Salaries and benefits	25,639,468	21,688,723	7,418,664	6,474,688

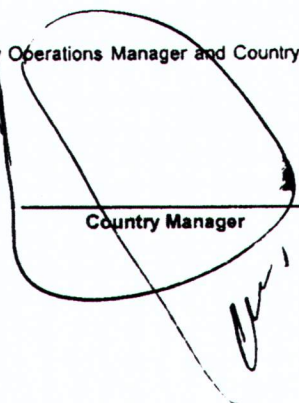
In addition to their salaries, the Bank also provides non-cash benefit to executives which include furnished accommodation.

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 _____.



 Country Operations Manager



 Country Manager