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**BANK ALFALAH LIMITED - AFGHANISTAN
OPERATIONS
CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

INDEPENDENT AUDITORS' 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 statement of financial position of **Bank Alfalah Limited Afghanistan** (the 'Bank') as at **30 June 2017** and the related condensed statements of comprehensive income, changes in equity and cash flows for the six months period then ended and notes to the interim financial information (here-in-after referred to as the '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: 05 August 2017
Kabul, Afghanistan

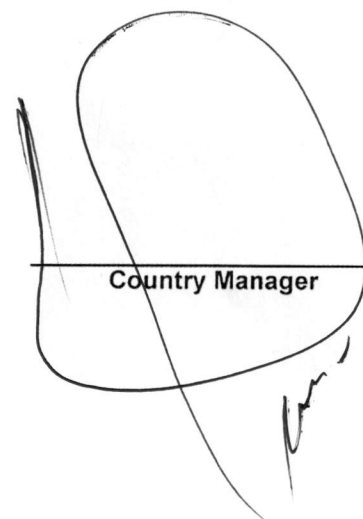
Bank Alfalah Limited Afghanistan
Condensed interim statement of financial position
As at 30 June 2017

		30 June 2017 (Un-audited) ----- (AFS '000') -----	31 December 2016 (Audited) -----
Assets			
Cash and cash equivalents		6,496,000	5,862,717
Investments - net	4	7,746,912	8,359,769
Loans and advances to banks - net		118,800	541,029
Loans and advances to customers - net	5	2,479	1,490
Property and equipment	6	8,628	8,807
Deferred tax asset		-	9,932
Advance tax - net		72,931	88,639
Other assets	7	939,031	999,926
Total assets		<u>15,384,781</u>	<u>15,872,309</u>
Liabilities			
Deposits from banks	8	113,639	242,795
Deposits from customers	9	13,533,096	14,170,142
Deferred tax liability - net		15,435	-
Other liabilities	10	137,981	98,798
Total liabilities		<u>13,800,151</u>	<u>14,511,735</u>
Equity			
Share capital		1,000,000	1,000,000
Capital reserve		19,611	19,611
Surplus on revaluation of available for sale investments		138,935	11,863
Retained earnings		426,084	329,100
Total equity		<u>1,584,630</u>	<u>1,360,574</u>
Total liabilities and equity		<u>15,384,781</u>	<u>15,872,309</u>
Contingencies	11		<i>Exhibit</i>

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



Country Finance Manager



Country Manager

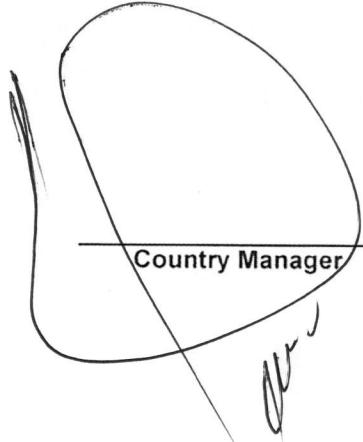
Bank Alfalah Limited Afghanistan
Condensed interim statement of comprehensive income
For six months ended 30 June 2017

	Six months ended 30 June 2017	Six months ended 30 June 2016	Three months ended 30 June 2017	Three months ended 30 June 2016
	(Un- audited)	(Un-audited)	(Un- audited)	(Un-audited)
	----- (AFS '000') -----			
Interest income	277,647	142,666	142,817	72,467
Interest expense	(72,328)	(17,852)	(38,325)	(9,384)
Net interest income	205,319	124,814	104,492	63,083
Fee and commission income	45,571	114,018	20,564	53,072
Fee and commission expense	(7,179)	(7,980)	(3,692)	(3,472)
Net fee and commission income	38,392	106,038	16,872	49,600
Income from dealing in foreign currencies	8,319	7,704	4,414	2,995
Other income	51,802	78,817	11,572	8,144
Total operating income	303,832	317,373	137,350	123,822
(Provisions) / reversals made	(67,499)	936	(72,353)	468
Net operating income	236,333	318,309	64,997	124,290
Personnel expenses	(50,930)	(53,864)	(21,194)	(26,661)
Depreciation	(1,918)	(2,275)	(971)	(1,117)
Other operating expenses	(62,237)	(114,676)	(16,379)	(27,124)
Total operating expenses	(115,085)	(170,815)	(38,544)	(54,902)
Profit before taxation	121,248	147,494	26,453	69,388
Taxation	(24,264)	(25,035)	(6,209)	(9,759)
Net profit	96,984	122,459	20,244	59,629
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Surplus on revaluation of available for sale investments	158,840	9,610	32,005	12,593
Related deferred tax	(31,768)	(2,520)	(6,401)	(3,117)
Other comprehensive income, net of tax	127,072	7,090	25,604	9,476
Total comprehensive income, net of tax	224,056	129,549	45,848	69,105

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



Country Finance Manager

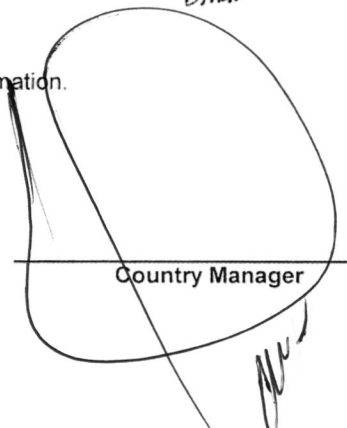

Country Manager

Bank Alfalah Limited Afghanistan
 Condensed interim statement of changes in equity
 For six months ended 30 June 2017

	Capital contributed by Head Office	(Deficit) / 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 six months ended 30 June 2016:					
Profit for the period	-	-	-	122,459	122,459
Other comprehensive income:					
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
Profits remitted to Head Office	-	-	-	(102,975)	(102,975)
As at 30 June 2016 (Un-audited)	<u>1,000,000</u>	<u>(50,248)</u>	<u>7,484</u>	<u>221,149</u>	<u>1,178,385</u>
Total comprehensive income for the six months ended 31 December 2016:					
Profit for the period	-	-	-	120,078	120,078
Other comprehensive income:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	76,892	-	-	76,892
Related tax	-	(14,781)	-	-	(14,781)
	-	62,111	-	-	62,111
Total comprehensive income	-	62,111	-	120,078	182,189
Transferred to Capital Reserve	-	-	12,127	(12,127)	-
Balance as at 31 December 2016 - (Audited)	<u>1,000,000</u>	<u>11,863</u>	<u>19,611</u>	<u>329,100</u>	<u>1,360,574</u>
Total comprehensive income for the six months ended 30 June 2017:					
Profit for the period	-	-	-	96,984	96,984
Other comprehensive income:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	158,840	-	-	158,840
Related tax	-	(31,768)	-	-	(31,768)
	-	127,072	-	-	127,072
Total comprehensive income	-	127,072	-	96,984	224,056
As at 30 June 2017 (Un-audited)	<u>1,000,000</u>	<u>138,935</u>	<u>19,611</u>	<u>426,084</u>	<u>1,584,630</u>

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


 Country Finance Manager

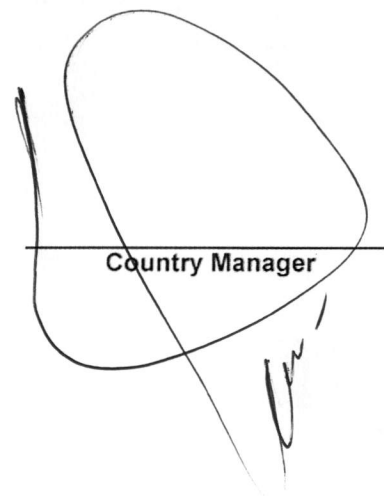

 Country Manager

Bank Alfalah Limited Afghanistan
Condensed interim statement of cash flows
For six months ended 30 June 2017

	Six months ended 30 June 2017 (Un-audited)	Six months ended 30 June 2016 (Un-audited)
	----- (AFS '000') -----	
Cash flows from operating activities		
Profit before taxation	121,248	147,494
Adjustments for:		
Depreciation	1,918	2,275
Provisions / (reversals)	67,499	(936)
Loss on disposal of property and equipment	3	-
Unrealised loss on hedged instrument	10,257	3,500
	<u>200,925</u>	<u>152,333</u>
Changes in:		
Loans and advances to banks	354,730	518,481
Loans and advances to customers	(989)	61,095
Advance tax - net	15,708	-
Other assets	60,895	51,708
Deposits from banks	(129,156)	197,997
Deposits from customers	(637,046)	(1,333,333)
Other liabilities	4,663	23,178
	<u>(331,195)</u>	<u>(480,874)</u>
Net cash used in operating activities	(130,270)	(328,541)
Cash flows from investing activities		
Decrease / (Increase) in investments - net	765,295	(2,152,185)
(Acquisition) / Disposal of property and equipment	(1,754)	1,046
Proceeds from disposal of property and equipment	12	-
Net cash generated from / (used in) investing activities	763,553	(2,151,139)
Cash flows from financing activities		
Remittances to Head Office	-	(102,975)
Net cash used in financing activities	-	(102,975)
Net increase / (decrease) in cash and cash equivalents	633,283	(2,582,655)
Cash and cash equivalent at beginning of the period	<u>5,862,717</u>	<u>7,778,009</u>
Cash and cash equivalents at end of the period	<u>6,496,000</u>	<u>5,195,354</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 six months ended 30 June 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 on 03 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 in Kabul and Herat. Sub-branch of the Bank in UN Compound Kabul was closed upon completion of the agreement on 20 June 2017.

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 period ended 30 June 2017 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 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 June 2017 (Un-audited) AFS '000'	31 December 2016 (Audited) AFS '000'
Available for sale investments:			
Foreign bonds	4.1	6,084,034	6,217,029
Held-to-maturity investments:			
Capital notes with DAB	4.2	1,051,026	1,546,427
Bonds	4.3	677,803	665,135
		1,728,829	2,211,562
General provision held		(65,951)	(68,822)
		<u>7,746,912</u>	<u>8,359,769</u>

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements
For six months ended 30 June 2017

4.1 The breakup of foreign bonds is as follows:

		30 June 2017	31 December 2016
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'
Pakistan Euro - Dollar Bond		806,876	756,654
Oman Sultanat		674,404	669,062
Kingdom Of Bahrain		355,567	348,729
Third Pakistan International Sukuk Company Limited		355,316	341,458
Kingdom Of Bahrain		351,641	343,620
Saudi International Bond		338,305	318,014
Saudi International Bond		338,289	318,014
Oman Sultanat		335,693	323,795
Republic of Indonesia		279,011	-
Oman International Bond		278,721	-
South Africa Sovereign		277,047	271,394
Turkey Sukuk		241,182	227,243
Kazakhstan		208,413	201,432
Republic of Indonesia		172,671	100,774
Indonesia Indon		167,060	-
Republic of Sri Lanka		137,358	-
Kingdom of Jordan		135,789	-
Arab Republic of Egypt		132,617	-
Arab Republic of Egypt		111,685	-
Republic of Sri Lanka		106,083	99,033
Kingdom of Jordan		69,864	-
Arab Republic of Egypt		69,800	-
Oman International Bond		67,158	-
United Mexican State		38,406	34,133
Republic of Indonesia		35,078	33,626
Abu Dhabi Commercial Bank (ADCB)		-	668,928
State of Qatar 2026		-	646,173
Indonesia Sovereign Bonds (Sukuks)		-	336,335
Indonesia Indon		-	143,449
Republic of Indonesia		-	35,163
	4.1.1	<u>6,084,034</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 These represent investments in capital notes issued by DAB up to a maximum period of one year carrying yield ranging from 5.15% to 6.66%. (31 December 2016: 4.33% to 6.67%) per annum receivable on maturity of respective notes.

4.3 This represents investment in The Islamic Republic of Pakistan and The State of Qatar bonds amounting to USD 10 million 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

		30 June 2017	31 December 2016
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'
Loans and advances to customers at amortized cost	5.1	2,504	1,490
Less: Impairment loss on loan and advances	5.2	(25)	-
Net loans and advances to customers		<u>2,479</u>	<u>1,490</u>

By/Date

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements
For six months ended 30 June 2017

5.1 Loans and advances to customers at amortized cost

	Gross amount	Allowance for impairment	Carrying amount	Gross amount	Allowance for impairment	Carrying amount
	30 June 2017			31 December 2016		
	(Un-audited)			(Audited)		
Advance against credit cards (5.1.1)	2,504	(25)	2,479	1,490	-	1,490

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

5.2 Allowance for impairment (General)

	30 June 2017	31 December 2016
	(Un-audited) AFS '000'	(Audited) AFS '000'
Movement in allowance for impairment		
Balance at beginning of the period / year	-	1,712
Reversal during the period / year	-	(1,699)
Charge for the period / year	25	-
Exchange adjustment	-	(13)
Balance at end of the period / year	25	-

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

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements
For six months ended 30 June 2017

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment	Vehicles	Total
Cost					
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>
Balance at 1 January 2017 - Audited	22 099	13,591	38,124	9,722	83,536
Additions	-	-	1,754	-	1,754
Disposals	-	-	(61)	-	(61)
Balance at 30 June 2017 - Un-audited	<u>22 099</u>	<u>13,591</u>	<u>39,817</u>	<u>9,722</u>	<u>85,229</u>
Depreciation					
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
Depreciation on disposals	-	-	-	-	-
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>
Balance at 1 January 2017 - Audited	21 154	10,691	33,162	9,722	74,729
Charge for the year	178	213	1,527	-	1,918
Depreciation on disposals	-	-	(46)	-	(46)
Balance at 30 June 2017 - Un-audited	<u>21 332</u>	<u>10,904</u>	<u>34,643</u>	<u>9,722</u>	<u>76,601</u>
Carrying amounts					
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 June 2017 - Un-audited	<u>767</u>	<u>2,687</u>	<u>5,174</u>	<u>-</u>	<u>8,628</u>
Depreciation rate	20%	10%	20%	25%	

7. OTHER ASSETS

	Note	30 June 2017 (Un-audited) AFS '000'	31 December (Audited) AFS '000'
Accrued interest		84,248	69,116
Accrued commission on bank guarantees		9,881	11,070
Advances, deposits and prepayments		6,917	7,118
Restricted deposits with DAB	7.1	834,620	835,727
Receivable against credit card transactions		13,041	13,999
Branch adjustment account		1,458	274
Commission receivable		1,294	6,399
Interest receivable on Interest Rate Swap (IRS)		1,758	1,324
Other asset	7.2	268,897	263,921
		<u>1,222,114</u>	<u>1,208,948</u>
Less: Provision against other assets		<u>(283,083)</u>	<u>(209,022)</u>
		<u>939,031</u>	<u>999,926</u>

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements
For six months ended 30 June 2017

- 7.1 Required reserve account is being maintained with DAB to meet minimum reserve requirement in accordance with Article Reserves Regulation" 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 (31 December 2016: USD 3,949,141) 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 June 2017	31 December 2016
	(Un-audited) AFS '000'	(Audited) AFS '000'
Citi Bank	105,529	223,716
The First MicroFinance Bank	8,110	19,079
	<u>113,639</u>	<u>242,795</u>

9. DEPOSITS FROM CUSTOMERS

	Note	30 June 2017	31 December 2016
		(Un-audited) AFS '000'	(Audited) AFS '000'
Current deposits		9,559,754	11,045,322
Saving deposits	9.1	1,271,934	610,340
Term deposits	9.2	2,563,867	2,322,009
Margin deposits		137,541	192,471
		<u>13,533,096</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 June 2017	31 December 2016
	(Un-audited) AFS '000'	(Audited) AFS '000'
Unearned commission on letter of credit and letter of guarantee	14,162	20,196
Unrealized loss on re-measurement of Interest Rate Swap	27,286	18,254
Interest payable on Interest Rate Swap	5,487	5,361
Accrued expenses	14,381	10,183
Interest payable	67,789	29,675
DAB assessment fee payable	1,560	2,900
Professional charges	1,675	7,112
Bills payable	4,938	4,849
Others	703	268
	<u>137,981</u>	<u>98,798</u>

Explain

Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements
For the six months ended 30 June 2017

12.2 Key management compensation

	Six months ended 30 June 2017	Six months ended 30 June 2016	Three months ended 30 June 2017	Three months ended 30 June 2016
	(Un-audited) AFS '000'	(Un-audited) AFS '000'	(Un-audited) AFS '000'	(Un-audited) AFS '000'
Salaries and benefits	<u>17,022</u>	18,220	<u>9,299</u>	<u>5,135</u>

In addition to their salaries, the Bank also provides non-cash benefit 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'			
Investments in bonds - available for sale investments				
As at 30 June 2017 (Un-audited)	<u>6,084,034</u>	-	-	<u>6,084,034</u>
As at 31 December 2016 (Audited)	<u>6,217,029</u>	-	-	<u>6,217,029</u>

During the period ended June 30, 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

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14. CORRESPONDING FIGURES

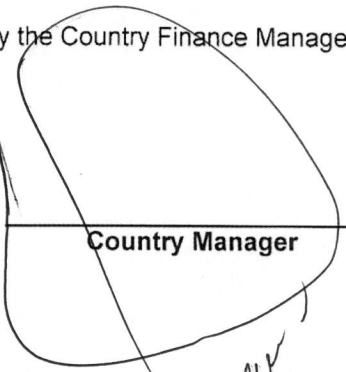
- 14.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the period.
- 14.2 The figures in this condensed interim financial information have been rounded off to the nearest thousands.

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 05-August-2017



Country Finance Manager

ETAW


Country Manager