

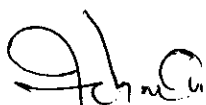
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 31 MARCH 2018**

		31 March 2018	31 December 2017
		(Un-audited)	(Audited)
	Notes	----- (AFS '000') -----	-----
ASSETS			
Cash and cash equivalents		12,741,375	9,935,867
Investments - net	4	864,052	5,011,272
Loans and advances to banks - net		353,466	698,592
Loans and advances to customers - net	5	2,365	1,459
Property and equipment	6	6,754	7,526
Deferred tax assets		21	-
Advance tax - net		12,709	33,732
Other assets	7	1,343,570	1,226,949
Total assets		15,324,312	16,915,397
LIABILITIES			
Deposits from banks	8	72,991	2,018,941
Deposits from customers	9	13,527,124	13,445,364
Deferred tax liability		-	307
Other liabilities	10	52,148	48,805
Total liabilities		13,652,263	15,513,417
EQUITY			
Capital contributed by Head Office		1,000,000	1,000,000
Capital reserve		48,146	30,813
(Deficit) / surplus on revaluation of available for sale investments		(7,550)	69,051
Retained earnings		631,453	302,116
Total equity		1,672,049	1,401,980
Total liabilities and equity		15,324,312	16,915,397

Contingencies 12

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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Country Finance Manager



Country Manager

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THREE MONTHS ENDED 31 MARCH 2018**

		Three months ended 31 March 2018 (Un-audited)	Three months ended 31 March 2017 (Un-audited)
	Notes	----- (AFS '000') -----	----- (AFS '000') -----
Interest income		72,020	134,830
Interest expense		(9,032)	(34,003)
Net interest income		62,988	100,827
Fee and commission income		23,682	25,007
Fee and commission expense		(4,199)	(3,487)
Net fee and commission income		19,483	21,520
Income from dealing in foreign currencies		2,903	3,905
Total operating income		85,374	50,227
Other income	11	283,788	19,948
Reversal of general provision on:			
Cash and cash equivalents		16,942	4,854
Investments	4	50,619	-
Loans and advances to customers	5.2	29	-
Loans and advances to banks		4,698	-
Other assets		725	-
Off balance sheet items		2,437	-
Net operating income		444,612	75,029
Personnel expenses		(40,273)	(29,736)
Depreciation		(771)	(947)
Other operating expenses		(16,443)	(25,576)
Total operating expenses		(57,487)	(56,259)
Profit before taxation		387,125	18,770
Taxation		(40,454)	(18,959)
Net profit		346,671	(189)
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
(Deficit) /surplus on revaluation of available for sale investments		(95,751)	126,832
Related deferred tax		19,150	(25,366)
Other comprehensive income, net of tax		(76,601)	101,466
Total comprehensive income, net of tax		270,070	101,277

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Country Finance Manager

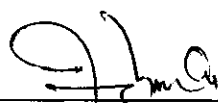

Country Manager

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THREE MONTHS ENDED 31 MARCH 2018**

	Capital contributed by Head Office	(Deficit) / surplus on revaluation of available for sale investments	Capital reserve	Retained earnings	Total
	----- AFS '000' -----				
Balance as at 01 January 2017 - (Audited)	1,000,000	11,863	19,611	329,100	1,360,574
Profit for the period	-	-	-	75,836	75,836
Transferred to capital reserve	-	-	3,792	(3,792)	-
Total comprehensive income:					
Other comprehensive income for three months	-	126,832	-	-	126,832
Related tax	-	(25,366)	-	-	(25,366)
Total comprehensive income net of tax	-	101,466	3,792	72,044	177,302
As at 31 March 2017 (Un-audited)	1,000,000	113,329	23,403	401,144	1,537,876
Balance as at 1 January 2018 - (Audited)	1,000,000	69,051	30,813	302,116	1,401,980
Profit for the period			-	346,671	346,671
Transferred to capital reserve			17,333	(17,333)	-
Total comprehensive income:					
Net change in fair value		(5,850)			(5,850)
Related tax		1,170			1,170
Reclassification adjustments relating to available for sale investments disposed off during the period - net	-	(89,901)	-	-	(89,901)
Related tax	-	17,980	-	-	17,980
	-	(76,601)	17,333	329,338	270,070
As at 31 March 2018 (Un-audited)	1,000,000	(7,550)	48,146	631,454	1,672,050

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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Country Finance Manager



Country Manager

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THREE MONTHS ENDED 31 MARCH 2018**

		Three months ended 31 March 2018	Three months ended 31 March 2017
	Notes	(Un-audited)	(Un-audited)
		----- (AFS '000') -----	-----
Cash flows from operating activities			
Profit before taxation		387,125	18,770
Adjustments for:			
Depreciation	6	771	947
Reversal of general provision on:			
Cash and cash equivalents	4	(16,942)	(4,854)
Investments	5.2	(50,619)	-
Loans and advances to banks		(4,698)	-
Loans and advances to the customers		(29)	-
Other assets		(725)	-
Off balance sheet items		(2,437)	-
Gain on disposal of property and equipment		-	4
Unrealised loss on hedged instrument		-	1,973
		312,446	92,865
Changes in:			
Loans and advances to banks		340,428	421,029
Loans and advances to customers		(934)	4,763
Advance tax - net		21,023	(10,624)
Other assets		(206,320)	(142,842)
Deposits from banks		(1,945,949)	570,666
Deposits from customers		81,760	(458,212)
Other liabilities		5,780	13,191
		(1,704,212)	397,971
Net cash (used in) / generated from operating activities		(1,391,766)	490,836
Cash flows from investing activities			
Decrease / (Increase) in investments - net		4,191,966	(858,597)
Acquisition of property and equipment	6	-	(1,402)
Proceeds from disposal of property and equipment		-	12
Net cash generated from / (used in) investing activities		4,191,966	(859,987)
Cash flows from financing activities			
Short term borrowings		-	338,550
Net cash generated from financing activities		-	338,550
Net increase / (decrease) in cash and cash equivalents		2,800,200	(30,601)
Cash and cash equivalent at beginning of the period		9,935,867	5,862,717
Cash and cash equivalents at end of the period		12,736,067	5,832,116

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Country Finance Manager



Country Manager

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THREE MONTHS ENDED 31 MARCH 2018

1 STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited Afghanistan ("the Bank") is a foreign branch of Bank Alfalah Limited, Pakistan and is registered and operating in Afghanistan as a commercial bank. The Bank obtained business license from Afghanistan Investment Support Agency which has been renewed by Ministry of Commerce and Industries (MoCI) on 23 July 2017. The Bank commenced its operations on 05 September 2005 under the license for commercial banking issued by Da Afghanistan Bank (DAB) under the Law of Banking in Afghanistan. Currently, the Bank has two conventional banking branches in Kabul and Herat. 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

- 2.1 This condensed interim financial information of the Bank for the three months period ended 31 March 2018 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and the Banking Law of Afghanistan. In case, where requirements differ, the requirement of Law of Banking of Afghanistan takes precedence.

The disclosures made in this condensed financial information have been limited based on the requirements prescribed by the International Accounting Standard (IAS) 34 - Interim Financial Reporting and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2017.

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

Pursuant to receipt of a non-binding offer and in-principle approval from the State Bank of Pakistan, the Bank is in the process of completing all the above formalities including the due diligence of its Afghanistan operations and the negotiations with the potential buyer.

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

- 2.3 **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 2018 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. IFRS 9 "Financial Instruments" became effective from 01 January 2018, however, this condensed interim financial information does not incorporate the impact of IFRS 9.

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 2017.

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

The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2017.

4. INVESTMENTS - NET

		31 March 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Available for sale investments:			
Foreign bonds	4.1	173,412	4,367,733
Held-to-maturity investments:			
Foreign bonds	4.2	690,640	694,158
		690,640	694,158
General provision held		-	(50,619)
		864,052	5,011,272

			31 March 2018	31 December 2017
			(Un-audited)	(Audited)
	Rating	Rating Agency	AFS '000'	AFS '000'
Oman	Baa2	Moody's	-	698,106
The Islamic Republic of Pakistan	B3	Moody's	-	387,364
Third Pakistan International Sukuk Company Limited	B3	Moody's	-	352,473
Saudi Arabia	A1	Moody's	-	342,463
Abu Dhabi Government International	Aa2	Moody's	-	342,451
Oman	Baa2	Moody's	-	339,514
Indonesia Sovereign Bonds (Sukuks)	Baa3	Moody's	-	287,196
South Africa Sovereign Bonds (Sukuks)	Baa3	Moody's	-	283,141
Kazakhstan	B3	Moody's	-	217,765
Republic of Indonesia	Baa3	Moody's	-	188,302
Republic of Indonesia	Baa3	Moody's	-	177,188
Republic of Sri Lanka	B1	Moody's	-	147,512
Kingdom of Jordan	B1	Moody's	-	138,913
Abu Dhabi Government International	Aa2	Moody's	-	136,596
Republic of Sri Lanka	B1	Moody's	-	109,485
Kingdom of Jordan	B1	Moody's	-	71,985
Oman	Baa2	Moody's	65,192	67,905
United Mexican States	A3	Moody's	43,025	43,458
Republic of Indonesia	Baa3	Moody's	-	35,916
Oman	Baa2	Moody's	65,195	-
			173,412	4,367,733

4.1.1

4.1.1 These bonds are listed at various stock exchanges including London Stock Exchange. The yield on the bonds ranges from 3.25% to 7.25% (31 December 2017: 1.63% to 8.25%) per annum, having maturity from 6 March 2024 to 15 June 2026.

4.2 This represents investment in the Islamic Republic of Pakistan and State of Qatar bonds amounting to USD 5 million equivalent to Afs 346,800 thousands each (31 December 2017: USD 5 million equivalent to Afs 348,600 thousands each) carrying interest rate of 7.25% and 3.25% (31 December 2017: 7.25% and 3.25%) per annum respectively.

5. LOANS AND ADVANCES TO CUSTOMERS - NET

		31 March 2018	31 December 2017
		(Un-audited)	(Audited)
	Note	AFS '000'	AFS '000'
Loans and advances to customers at amortized cost	5.1	2,365	1,488
Less: Impairment loss on loan and advances	5.2	-	(29)
Net loans and advances to customers		2,365	1,459

5.1 Loans and advances to customers at amortized cost

		31 March 2018			31 December 2017		
		Allowance			Allowance		
		Gross amount	for impairment	Carrying amount	Gross amount	for impairment	Carrying amount
		AFS '000'					
Advance against credit cards	5.1.1	2,365	-	2,365	1,488	(29)	1,459

5.1.1 These balances carry interest at the rate of 20% (31 December 2017: 20%) per annum. These are fully secured against cash margin.

5.2 Allowance for impairment (General)

	31 March 2018	31 December 2017
	(Un-audited)	(Audited)
	AFS '000'	AFS '000'
Movement in allowance for impairment		
Balance at beginning of the period / year	29	-
Reversal during the period / year	(29)	29
Charge for the period / year	-	-
Exchange adjustment	-	-
Balance at end of the period / year	-	29

5.3 As at 31 March 2018, there is no overdue loan to be classified in the category of watch list, substandard, doubtful or loss.

	Leasehold improvements	Furniture & fixtures	Electrical, office and computer equipment (AFS '000')	Vehicles	Total
Cost					
Balance at 1 January 2017	22,099	13,591	38,124	9,722	83,536
Additions	-	-	2,449	-	2,449
Disposals	-	(2,468)	(1,909)	-	(4,377)
Balance at 31 December 2017	<u>22,099</u>	<u>11,123</u>	<u>38,664</u>	<u>9,722</u>	<u>81,608</u>
Balance at 1 January 2018	22,099	11,123	38,664	9,722	81,608
Additions	-	-	-	-	-
Disposals	-	-	(3,174)	-	(3,174)
Balance at 31 March 2018	<u>22,099</u>	<u>11,123</u>	<u>35,490</u>	<u>9,722</u>	<u>78,434</u>
Depreciation					
Balance at 1 January 2017	21,154	10,691	33,162	9,722	74,729
Charge for the year	354	435	2,920	-	3,709
Depreciation on disposals	-	(2,464)	(1,892)	-	(4,356)
Balance at 31 December 2017	<u>21,508</u>	<u>8,662</u>	<u>34,190</u>	<u>9,722</u>	<u>74,082</u>
Balance at 1 January 2018	21,508	8,662	34,190	9,722	74,082
Charge for the year	86	102	584	-	772
Depreciation on disposals	-	-	(3,174)	-	(3,174)
Balance at 31 March 2018	<u>21,594</u>	<u>8,764</u>	<u>31,600</u>	<u>9,722</u>	<u>71,680</u>
Carrying amounts					
Balance at 31 December 2017	591	2,461	4,474	-	7,526
Balance at 31 March 2018	<u>505</u>	<u>2,359</u>	<u>3,890</u>	-	<u>6,754</u>
Depreciation rate	20%	10% - 25%	25%	25%	

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

7. OTHER ASSETS	Note	31 March	31 December
		2017 (Un-audited) AFS '000'	2017 (Audited) AFS '000'
Accrued interest		24,642	60,355
Advances, deposits and prepayments		3,550	2,838
Restricted deposits with DAB	7.1	1,293,613	1,149,722
Receivable against credit card transactions		20,254	10,951
Commission receivable		1,511	1,607
Interest receivable on Interest Rate Swap (IRS)		-	2,201
Other asset	7.2	-	275,334
		<u>1,343,570</u>	<u>1,503,008</u>
Less: Provision against other asset		-	(276,059)
		<u>1,343,570</u>	<u>1,226,949</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 2017: Interest free).

8. DEPOSITS FROM BANKS

	31 March 2018 (Un-Audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Citi Bank, New York	66,024	1,996,113
The First MicroFinance Bank - Afghanistan	6,967	22,828
	<u>72,991</u>	<u>2,018,941</u>

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

9. DEPOSITS FROM CUSTOMERS

	Note	31 March 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Current deposits		9,731,303	10,520,794
Saving deposits	9.1	951,782	1,210,302
Term deposits	9.2	1,373,328	1,542,696
Margin and other deposits		173,259	171,572
		<u>12,229,672</u>	<u>13,445,364</u>

- 9.1 Saving deposits carry interest rate ranging from 0% to 0.10% (31 December 2017: 0% to 0.40%) per annum.
- 9.2 Term deposits carry interest rate ranging from 0.75% to 1.25% (31 December 2017: 0.75% to 6.25%) per annum and have maturity period ranging from 06 to 12 months (31 December 2017: 06 to 12 months).

10. OTHER LIABILITIES

	31 March 2018 (Un-audited) AFS '000'	31 December 2017 (Audited) AFS '000'
Unearned commission on letters of guarantee	7,126	8,897
Unrealized loss on re-measurement of Interest Rate Swaps	-	7,150
Interest payable on Interest Rate Swap	-	5,625
Payable against credit card transactions	13,356	5,434
Accrued expenses	7,393	5,241
Interest payable	4,242	3,390
DAB assessment fee payable	906	3,120
Professional charges	998	1,572
Bills payable	3,687	3,659
Bonus payable	11,762	-
General provision against letters of guarantee	-	2,437
Others	2,678	2,280
	<u>52,148</u>	<u>48,805</u>

11. OTHER INCOME

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

12. CONTINGENCIES

		31 March 2018	31 December 2017	
	Note	(Un-audited) AFS '000'	(Audited) AFS '000'	
12.1	Guarantees	12.1.1	250,430	640,392

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

13. 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:

13.1 Transactions with related parties

Name of group companies	Nature of transactions	Three months ended 31 March 2018 (Un-audited) AFS '000'	Three months ended 31 March 2017 (Un-audited) AFS '000'
Bank Alfalah Limited Bahrain	Interest expense on Borrowing	-	169
	Interest income on Interest Rate Swap	3,622	2,853
	Interest receivable on Interest Rate Swap	-	1,586
	Interest expense on Interest Rate Swap	4,902	6,485
	Interest payable on Interest Rate Swap	-	7,617
Bank Alfalah Limited - Pakistan	Insurance premium paid to Alfalah Insurance Company Limited	-	1,289

	Three months ended 31 March 2018	Three months ended 31 March 2017
	(Un-audited) AFS '000'	(Un-audited) AFS '000'
Salaries and benefits	<u>10,611</u>	<u>7,723</u>

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

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

- 14.2 The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is

	Level 1	Level 2	Level 3	Total
	----- AFS '000' -----			
Investments in bonds - available for sale investments				
As at 30 March 2018 (Un-audited)	<u> </u>	<u>173,412</u>	<u>-</u>	<u>173,412</u>
As at 31 December 2017 (Audited)	<u> </u>	<u>4,367,733</u>	<u>-</u>	<u>4,367,733</u>

During the period ended 31 March 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

15 CORRESPONDING FIGURES

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

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

16 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 13 May 2018.

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Country Finance Manager



Country Manager