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THE BANK ALFALAH LIMITED AFGHANISTAN
REVIEW FOR THE THREE MONTHS ENDED 31 MRCH 2016

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 **31 March 2016** and the related condensed statements of comprehensive income, changes in equity and cash flows for the three months period then ended, and notes to the interim financial information ('the condensed interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with the accounting framework as stated in note 2 to the condensed interim financial information. 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 accounting framework as stated in note 2 to the condensed interim financial information.

Other Matters

1. 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.
2. The requirement to review quarterly condensed interim financial information by auditors is applicable from the current year, thus the condensed interim financial information of the Bank for the three months period ended 31st March 2015 was not reviewed by the predecessor auditor.



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Date: 12 May 2016
Kabul, Afghanistan
Engagement Partner: Shabbir Yunus Khairullah

Bank Alfalah Limited Afghanistan
 Condensed interim statement of financial position (Un-audited)
 As at 31 March 2016

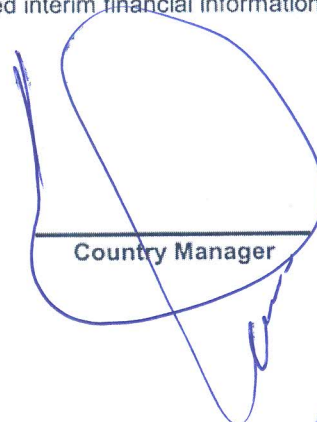
	Note	31 March 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Assets			
Cash and cash equivalents		7,590,284	7,778,009
Investments	4	4,089,716	4,225,347
Loans and advances to banks		664,659	990,189
Loans and advances to customers - net	5	82,933	113,584
Property and equipment		8,281	9,172
Deferred tax asset		49,131	59,382
Other assets		1,132,317	1,171,594
Total assets		13,617,321	14,347,277
Liabilities			
Deposits from banks		26,873	364,609
Deposits from customers	6	12,242,987	12,702,839
Other liabilities		130,786	128,018
Total liabilities		12,400,646	13,195,466
Equity			
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		(59,724)	(57,338)
Retained earnings		268,915	201,665
Total equity		1,216,675	1,151,811
Total liabilities and equity		13,617,321	14,347,277
Contingencies and commitments	7		

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

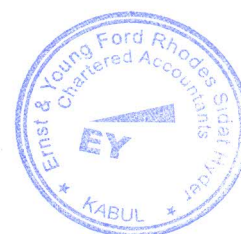
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Country Finance Manager



Country Manager



Bank Alfalah Limited Afghanistan
 Condensed interim statement of comprehensive income (Un-audited)
 For three months ended 31 March 2016

	Three months ended 31 March 2016	Three months ended 31 March 2015
	Afs '000'	Afs '000'
Interest income	70,200	82,314
Interest expense	<u>(8,468)</u>	<u>(7,782)</u>
Net interest income	61,732	74,532
Fee and commission income	<u>56,438</u>	<u>37,181</u>
Fee and commission expense	<u>(3,927)</u>	<u>(4,208)</u>
Net fee and commission income	52,511	32,973
Income from dealing in foreign currencies	<u>4,709</u>	<u>5,414</u>
	118,952	112,919
Other income	41,861	27,796
Reversal of provision against loans and advances	468	2,112
Personnel expenses	(27,203)	(29,046)
Depreciation	(1,158)	(1,209)
Other operating expenses	<u>(54,822)</u>	<u>(41,799)</u>
Profit before taxation	78,098	70,773
Taxation	<u>(10,848)</u>	<u>(14,253)</u>
Profit for the period	67,250	56,520
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	(2,983)	(3,463)
Related deferred tax	<u>597</u>	<u>693</u>
Other comprehensive income	<u>(2,386)</u>	<u>(2,770)</u>
Total comprehensive income	64,864	53,750

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

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Country Finance Manager

Country Manager



Bank Alfalah Limited Afghanistan
Condensed interim statement of changes in equity (Un-audited)
For three months ended 31 March 2016

	Capital contributed by Head Office	Deficit on revaluation of available for 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
Total comprehensive income for the three months ended 31 March 2015:					
Profit for the period	-	-	-	56,520	56,520
Other comprehensive income for three months:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	(3,463)	-	-	(3,463)
Related tax	-	693	-	-	693
	-	(2,770)	-	-	(2,770)
Total comprehensive income	-	(2,770)	-	56,520	53,750
Balance as at 31 March 2015 - (Un-audited)	1,000,000	(11,124)	-	325,991	1,314,867
Balance as at 01 January 2016 - (Audited)	1,000,000	(57,338)	7,484	201,665	1,151,811
Total comprehensive income for the three months ended 31 March 2016:					
Profit for the period	-	-	-	67,250	67,250
Other comprehensive income for three months:					
Fair value reserve (available-for-sale financial assets):					
Net change in fair value	-	(2,983)	-	-	(2,983)
Related tax	-	597	-	-	597
	-	(2,386)	-	-	(2,386)
Total comprehensive income	-	(2,386)	-	67,250	64,864
Balance as at 31 March 2016 - (Un-audited)	1,000,000	(59,724)	7,484	268,915	1,216,675

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

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Country Finance Manager

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Country Manager



Bank Alfalah Limited Afghanistan
Condensed interim statement of cash flows (Un-audited)
For three months ended 31 March 2016

	Three months ended 31 March 2016 Afs '000'	Three months ended 31 March 2015 Afs '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	78,098	70,773
Adjustments for non-cash items		
Depreciation	1,159	1,209
	<u>79,257</u>	<u>71,982</u>
(Increase) / decrease in operating assets		
Loans and advances to banks	325,530	424,711
Loans and advances to customers - net	30,651	143,646
Other assets	41,283	(3,968)
	<u>397,464</u>	<u>564,389</u>
Increase / (decrease) in operating liabilities		
Deposits from banks	(337,736)	(81,298)
Deposits from customers	(459,852)	(1,166,248)
Other liabilities	2,768	(10,358)
	<u>(794,820)</u>	<u>(1,257,904)</u>
Income tax paid	(2,006)	(4,060)
Net cash used in operating activities	<u>(320,105)</u>	<u>(625,593)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investments - net	132,648	941,035
Acquisition in property and equipment	(268)	(280)
Net cash flow generated from investing activities	<u>132,380</u>	<u>940,755</u>
Net (decrease) / increase in cash and cash equivalents	<u>(487,725)</u>	<u>315,162</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>7,590,284</u>	<u>6,545,025</u>

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

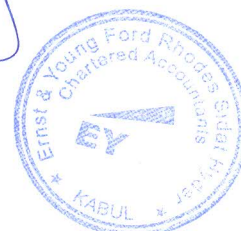
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Country Finance Manager



Country Manager



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 09 August 2014. 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 three months period ended 31 March 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 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

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Available for sale investments:			
Foreign bonds	4.1	2,375,292	2,340,904
Held-to-maturity investments:			
Capital notes with DAB	4.2	663,904	839,478
Pakistan Euro Bond	4.3	1,050,520	1,044,965
		<u>1,714,424</u>	<u>1,884,443</u>
		<u>4,089,716</u>	<u>4,225,347</u>



Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements (Un-audited)
For the three months ended 31 March 2016

4.1 The breakup of foreign bonds is as follows:

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Abu Dhabi Commercial Bank Finance Cayman Limited (ADCB) Bonds		687,496	685,335
Qatar National Bank Finance Limited (QNB) Bond		343,772	343,181
Kingdom of Bahrain Bond		346,236	348,869
Indonesia Sovereign Bonds (Sukuks)		491,754	469,514
South Africa Sovereign Bonds (Sukuks)		272,101	264,294
Kazakhstan Sovereign Bonds		196,723	193,930
United Mexican State Bonds		37,210	35,781
	4.1.1	<u>2,375,292</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 5.5% (2015: 1.63% to 5.5%) per annum maturing latest by 14 October 2024.

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 5.12% to 6.70% p.a. (2015: 5.12% to 6.70% p.a.) receivable on maturity of respective notes.

4.3 These represent investments amounting to USD 15,300 (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

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Term loans	5.1	83,238	114,106
Advance against credit cards	5.2	944	1,190
		<u>84,182</u>	<u>115,296</u>
Less: Provision against loans and advances	5.3	(1,249)	(1,712)
		<u>82,933</u>	<u>113,584</u>

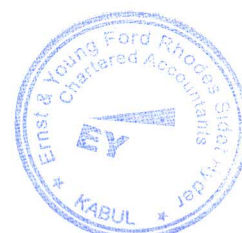
5.1 Term loans carry interest rates ranging from Libor + 4% (2015: Libor + 4%) per annum. Such facilities are extended for period ranging from 1 year to 4.5 years. This amount is secured against a guarantee issued by Citibank.

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

5.3 Provision against loans and advances

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Opening balance		1,712	4,800
Charge for the period / year		-	293
Reversal of provision		(463)	(3,381)
Closing balance	5.4.1	<u>1,249</u>	<u>1,712</u>

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Bank Alfalah Limited Afghanistan
Notes to the condensed interim financial statements (Un-audited)
For the three months ended 31 March 2016

5.4.1 As at 31 March, 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

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Current deposits		11,213,536	11,689,773
Saving deposits	6.1	794,155	772,792
Term deposits	6.2	54,920	54,762
Margin deposits		180,376	185,512
		<u>12,242,987</u>	<u>12,702,839</u>

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

6.2 Term deposits carry interest rate 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

7.1.1 Guarantees	<u>1,280,327</u>	<u>1,159,516</u>
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This represent bid bonds and performance based guarantees issued by the Bank.

7.1.2 During the period, the Bank received amended assessment notice as a result of tax audit conducted by Ministry of Finance with additional demand amounting to Afs 28,095 thousands and Afs 17,173 thousands for the tax years 2009 and 2010 respectively. The Bank has filed appeal against this amended assessment notice with Large Tax Payer Office (LTO), Afghanistan Revenue Department dated 07 December 2015. The Bank has already paid an amount of Afs 25,700 thousands on demand of Ministry of Finance against the aforementioned tax liabilities. No provision has been maintained in these financial statements for this amount as management is of the view that there is a likelihood of favorable decision from LTO.

7.2 Commitments

	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
7.2.1 Letter of credit and acceptances	<u>-</u>	<u>13,142</u>

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:

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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	31 March 2016	31 March 2015
		(Unaudited) Afs '000'	(Audited) Afs '000'
Bank Alfalah Limited Bahrain	Placement made	1,578,010	540,545
	Placement matured	1,565,780	717,185
		31 March 2016	31 March 2015
		(Unaudited) Afs '000'	(Unaudited) Afs '000'
Bank Alfalah Limited Bahrain	Income earned on placements	2,901	1,603
	Interest income on interest rate swap	1,696	615
	Interest receivable on interest rate swap	990	156
	Interest expense on interest rate swap	6,603	5,524
	Interest payable on interest rate swap	7,788	3,767

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

Name of group company	Nature of transaction	31 March 2016	31 December 2015
		(Unaudited) Afs '000'	(Audited) Afs '000'
Bank Alfalah Limited Bahrain	Placement	480,550	479,150

8.2 Key management compensation

	31 March 2016	31 March 2015
	(Unaudited) Afs '000'	(Unaudited) Afs '000'
Salaries and benefits	14,036	13,659

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 Finance Manager and Country Manger of the Bank on MAY 11, 2016

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Country Finance Manager


Country Manager

