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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 **Habib Bank Limited Afghanistan Branches** as at **31 March 2016** and the related condensed statements of comprehensive income, changes in equity and cash flows for the quarter ended, and notes to the quarter then ended ('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***


The financial statements for the year ended 31 December 2015 were audited by another firm of chartered accountants whose audit report, dated 28 March 2016, expressed an unqualified opinion thereon. 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 quarter ended 31<sup>st</sup> March 2015 was not reviewed.

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Date: 31 May 2016  
Kabul, Afghanistan  
Engagement Partner: Shabbir Yunus Khairullah

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

		31 March 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>Assets</b>			
		4,843,901	5,675,399
Cash and cash equivalents		1,091,527	511,820
Lendings to financial institutions		1,974,101	2,133,668
Investments	4	105,313	80,481
Loans and advances to customers - net	5	2,670	2,497
Property and equipment		90,650	27,481
Other assets		<u>8,108,162</u>	<u>8,431,346</u>
<b>Total assets</b>			
<b>Liabilities</b>			
		1,099,785	1,299,030
Deposits from banks		5,603,291	5,785,513
Deposits from customers	6	-	7
Deferred tax liability		18,629	32,864
Taxation - net		126,943	80,321
Other liabilities		<u>6,848,648</u>	<u>7,197,735</u>
<b>Total liabilities</b>			
<b>Equity</b>			
		1,000,242	1,000,242
Capital contributed by head office		259,272	233,369
Retained earnings		<u>1,259,514</u>	<u>1,233,611</u>
<b>Total equity</b>			
<b>Total liabilities and equity</b>		<u>8,108,162</u>	<u>8,431,346</u>
<b>Contingencies and commitments</b>	7		

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


  
 Country Finance Manager

  
 Country Manager

**Habib Bank Limited Afghanistan Branches**  
**Condensed interim statement of comprehensive income (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'
Interest income	54,840	50,062
Interest expense	(14,291)	(10,815)
<b>Net interest income</b>	<b>40,549</b>	<b>39,247</b>
Fee and commission income - net	8,456	6,138
Income from dealing in foreign currencies	6,181	1,798
Other income	1,341	3,180
	<b>56,527</b>	<b>50,363</b>
Provision on loans and advances	(206)	(172)
Personnel expenses	(11,683)	(9,383)
Occupancy expenses	(2,518)	(344)
Depreciation	(213)	(155)
Other operating expenses	(6,635)	(7,644)
<b>Profit before taxation</b>	<b>35,272</b>	<b>32,665</b>
Taxation	(9,369)	(7,763)
<b>Profit for the period</b>	<b>25,903</b>	<b>24,902</b>
<b>Other comprehensive income</b>		
Items that are or may be reclassified to profit or loss in subsequent periods	-	-
<b>Total comprehensive income for the period</b>	<b>25,903</b>	<b>24,902</b>

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

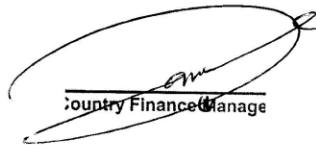
  
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 Country Finance Manager

  
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 Country Manager

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

	Capital contributed by head office	Retained earnings Afs '000'	Total
<b>Balance as at 01 January 2015 - (Audited)</b>	1,000,242	107,133	1,107,375
<b>Total comprehensive income for the three months ended 31 March 2015</b>			
Profit for the period	-	24,902	24,902
Other comprehensive income for three months	-	-	-
	-	24,902	24,902
<b>Balance as at 31 March 2015 - (Un-audited)</b>	1,000,242	132,035	1,132,277
<b>Total comprehensive income for the nine months ended 31 December 2015</b>			
Profit for the period	-	201,334	201,334
Payment to Head Office during the period	-	(100,000)	(100,000)
Other comprehensive income for three months	-	-	-
	-	101,334	101,334
<b>Balance as at 31 December 2015 - (Audited)</b>	1,000,242	233,369	1,233,611
<b>Total comprehensive income for the three months ended 31 March 2016</b>			
Profit for the period	-	25,903	25,903
Other comprehensive income for three months	-	-	-
	-	25,903	25,903
<b>Balance as at 31 March 2016 - (Un-audited)</b>	1,000,242	259,272	1,259,514

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

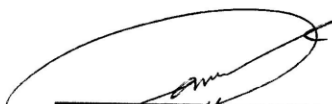
  
Country Finance Manager

  
Country Manager

Habib Bank Limited Afghanistan Branches  
 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'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	35,272	32,665
<b>Adjustment for non-cash item</b>		
Depreciation	213	155
	<u>35,485</u>	<u>32,820</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(579,707)	(160,799)
Loans and advances to customers - net	(24,832)	28,523
Other assets	(63,169)	(73,148)
	<u>(667,708)</u>	<u>(205,424)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Deposits from banks	(199,245)	(217,862)
Deposits from customers	(182,222)	(321,554)
Other liabilities	46,622	(11,554)
	<u>(334,845)</u>	<u>(550,970)</u>
Income tax paid	(23,612)	(15,110)
<b>Net cash used in operating activities</b>	<u>(990,680)</u>	<u>(738,684)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments	159,567	418,184
Acquisition in property and equipment	(385)	(18)
Net cash flow generated from investing activities	<u>159,182</u>	<u>418,166</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(831,498)</u>	<u>(320,518)</u>
Cash and cash equivalents at beginning of the period	5,675,399	5,555,361
<b>Cash and cash equivalents at end of the period</b>	<u>4,843,901</u>	<u>5,234,843</u>

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

  
 Country Finance Manager

  
 Country Manager

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

**1 STATUS AND NATURE OF BUSINESS**

Habib Bank Limited Afghanistan Branches ("the Bank") is a foreign operation of Habib Bank Limited, Pakistan operating in Afghanistan. The Bank commenced its operations on April 14, 2004 as "Banking Branch", registered with Da Afghanistan Bank ("DAB" or "the central bank"), for "Commercial Banking". The Bank obtained a business license from Afghanistan Investment Support Agency ("AISA") bearing No. I-10464 renewed on September 6, 2015 and valid till June 22, 2016. Currently, the Bank is operating with 2 conventional branches (2015: 2) in 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 requirements 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 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'
<b>Investments classified as:</b>			
Available for sale	4.1	343,300	683,700
Held to maturity:			
Capital notes with DAB	4.2	1,012,673	1,053,434
Bonds	4.3	618,128	396,534
		<u>1,630,801</u>	<u>1,449,968</u>
		<u>1,974,101</u>	<u>2,133,668</u>

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

4.1 This represents investment amounting to AFS 343 million (2015: AFS 684 million) in Variable Rate in Subordinated Loan Notes Class C, issued by Habib Allied International Bank PLC, United Kingdom, a subsidiary company of Habib Bank Limited. The notes carry mark-up ranging from 6.58% (2015: 6.33% to 6.58% above six months LIBOR) per annum and will mature up to June 28, 2016 (2015: December 28, 2015).

4.2 These are capital notes issued by DAB having face value of Afs 1,081,000,000 (2015: Afs 1,091,000,000) and carry interest rates ranging from 6.68% to 6.65% per annum (2015: 6.68% to 6.72% per annum). These have original maturity period of 364 days (2015: 364 days).

4.3 These represents investment in foreign currency bonds issued by Government of Pakistan and Government of Sri Lanka. These carry interest rates ranging from 6% and 7.25% per annum (2015: 7.125% to 7.25%).

**5 LOANS AND ADVANCES TO CUSTOMERS - NET**

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Corporate and commercial finances	5.1	106,756	81,712
Less: Provision against loans and advances	5.2	(1,442)	(1,231)
		<u>105,314</u>	<u>80,481</u>

5.1 These include demand finance amounting to USD 100,000 equivalent to Afs 6,868,000 (2015: USD 200,000 equivalent to Afs 13,674,000) and overdrafts amounting to Afs 99,888,000 (2015: Afs 68,038,000). Demand finance carry interest at 12% (2015: 12%) per annum having maturity for a maximum period of one year. Overdrafts are extended for a period of one year, subject to renewal at the end of loan term. Overdrafts carry interest rates from 12% to 14% (2015: 12% to 14%) per annum. Both the facilities are secured against immovable properties, stocks and receivables of the borrowers and personal guarantees in certain cases.

**5.2 Provisions against loans and advances**

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Opening balance		1,231	8,978
Charge for the period / year	5.2.1	207	1,126
Exchange rate fluctuation		4	852
		211	1,978
Loan written off during the year	5.2.2	-	(9,725)
Closing balance		<u>1,442</u>	<u>1,231</u>

5.2.1 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 of 1,000 USD per month.

5.2.2 During the period, the Bank has written off loans and advances amounting to Nil (2015: Afs 9.725 million).

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

**6 DEPOSITS FROM CUSTOMERS**

	Note	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
Local currency			
Term deposits	6.1	752,000	1,052,000
Current deposits		267,023	174,075
Saving deposits	6.2	133,222	44,880
		1,152,245	1,270,955
Foreign currency			
Term deposits	6.3	168,217	181,181
Current deposits		3,772,818	4,044,901
Saving deposits	6.2	510,011	288,476
		4,451,046	4,514,558
		5,603,291	5,785,513

- 6.1** These carry interest rates ranging from 3.75% to 5.17% per annum (2015: 3.5% to 5.17% per annum) and have a maturity period ranging from 03 to 06 months (2015: 03 to 06 months).
- 6.2** These carry interest rates ranging from 0.10% to 2% per annum (2015: 0.10 % to 1.5% per annum) and have a maturity period ranging from 01 to 06 months (2015: 01 to 06 months).
- 6.3** These carry interest rates ranging of 1.75% per annum (2015: 1.75% per annum) and have maturity period of 01 year (2015: 01 year).

**7 CONTINGENCIES AND COMMITMENTS**

	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>7.1 Contingencies</b>		
<b>7.1.1 Guarantees</b>	1,084,443	1,120,363

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

- 7.1.2** Tax audit of the Bank for the four years from 2009 to 2012 is currently in progress. Management and tax consultant of the Bank are confident that outcome of the tax audit is not expected to result in any unfavourable outcome to the Bank.

**7.2 Commitments**

	31 March 2016 (Unaudited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>7.2.1</b> Letter of credit and acceptances	71,388	38,345

**8 RELATED PARTY TRANSACTIONS**

The Bank is a branch office of Habib Bank Limited Pakistan. HBL Head Office, HBL overseas branches, HBL subsidiaries and associates are related parties to the Habib Bank Limited and therefore to the Branches. Other related parties include key management personnel of the Bank. The transactions with related parties are carried out as per agreed terms.



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

**8.1 Transactions with other related parties**

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

Name of group companies	Nature of transactions	31 March 2016	31 March 2015
		(Unaudited) Afs '000'	(Unaudited) Afs '000'
HBL Hong Kong	Placement made	1,270,025	1,132,725
	Placement matured	1,475,975	1,386,730
	Income earned on placements	3,717	3,551
HBL Singapore	Placement made	685,800	28,000
	Placement matured	1,303,020	28,000
	Income earned on placements	2,727	4,314
HBL Turkey	Placement made	102,990	-
	Placement matured	-	-
	Income earned on placements	-	-
HBL Bahrain	Placement made	1,167,220	-
	Placement matured	480,620	-
	Income earned on placements	4,418	-
HBL Kenya	Placement made	926,775	26,300
	Placement matured	1,132,725	27,800
	Income earned on placements	932	2,215
HBL Sibillance	Placement made	549,280	-
	Placement matured	686,600	-
	Income earned on placements	2,001	-
<b>Key management personnel compensation</b>			
Salaries and benefits		<u>3,437</u>	<u>1,818</u>

In addition to their salaries, the Bank also provides non-cash benefit to expatriates staff which includes furnished accommodation.

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

Name of group companies	Nature of transactions	31 March 2016	31 December 2015
		(Unaudited) Afs '000'	(Audited) Afs '000'
HBL Sri Lanka	Placement	274,640	273,480
HBL Bahrain	Placement	1,167,220	478,590
HBL Singapore	Placement	411,960	1,025,550
HBL Hong Kong	Placement	1,064,230	1,570,814
HBL Kenya	Placement	137,320	341,850
HBL Turkey	Placement	102,990	-
Habib Allied International Bank	Available for sale	343,300	683,700
HBL Brussels EU	Current Account	55,602	7,960
Habib Allied LO	Current Account	92,625	91,479
HBL New York	Current Account	317,892	344,021

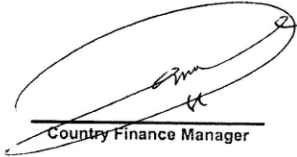
Habib Bank Limited Afghanistan Branches  
Notes to the condensed interim financial statements (Un-audited)  
For the three months ended 31 March 2016

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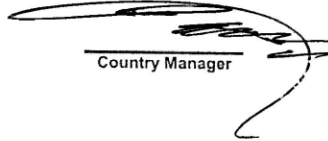
9 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue by the Country Finance Manager and Country Manger of the Bank on 31-May-2015.

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Country Finance Manager



Country Manager