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**Habib Bank Limited - Afghanistan Branches
Condensed interim financial information
(Un-audited)
For three months ended 31 March 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 interim statement of financial position of **Habib Bank Limited, Afghanistan Branches** (the 'Bank') as at **31 March 2017** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the three months period then ended and notes to the condensed 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 No. 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 No. 34 "Interim Financial Reporting".

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Engagement Partner: Shabbir Yunus Khairullah

Date: 15 May 2017

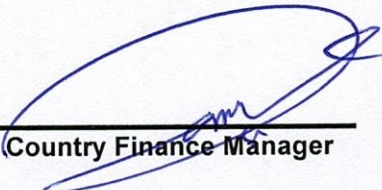
Kabul, Afghanistan

Habib Bank Limited, Afghanistan Branches
Condensed interim statement of financial position
As at 31 March 2017

	Note	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
Assets			
Cash and cash equivalents		4,872,573	5,231,279
Lending to financial institutions - net		2,114,740	1,580,302
Investments	4	2,943,670	2,526,106
Loans and advances to customers - net	5	38,104	36,154
Property and equipment		2,385	2,141
Other assets		102,156	49,412
Deferred tax asset		6,293	6,293
Total assets		10,079,921	9,431,687
Liabilities			
Borrowings from banks		712,948	979,070
Deposits from banks		1,083,360	-
Deposits from customers	6	6,858,669	7,143,290
Taxation - net		38,620	27,101
Other liabilities		150,981	77,063
Total liabilities		8,844,578	8,226,524
Equity			
Capital contributed by head office		1,000,242	1,000,242
Retained earnings		235,101	204,921
Total equity		1,235,343	1,205,163
Total liabilities and equity		10,079,921	9,431,687
Contingencies and commitments	7		

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

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 Country Finance Manager



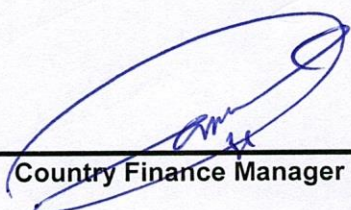
 Country Manager

Habib Bank Limited, Afghanistan Branches
Condensed interim statement of comprehensive income
For three months ended 31 March 2017

	Note	Three months ended 31 March 2017 (Un-audited) AFN '000'	Three months ended 31 March 2016 (Un-audited) AFN '000'
Interest income		77,445	54,840
Interest expense		(33,925)	(14,291)
Net interest income		43,520	40,549
Fee and commission income - net		12,535	8,456
Income from dealing in foreign currencies		4,104	6,181
Sale of securities	8	3,300	-
Other income		1,627	1,341
		65,086	56,527
Provision on loans and advances		(23)	(206)
Provision on lending to financial institutions		(5,580)	-
Personnel expenses		(10,306)	(11,683)
Occupancy expenses		(4,012)	(2,518)
Depreciation		(213)	(213)
Other operating expenses		(6,525)	(6,635)
Profit before taxation		38,427	35,272
Taxation		(8,247)	(9,369)
Profit for the period		30,180	25,903
Other comprehensive income			
Items that are or may be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income for the period		30,180	25,903

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

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 Country Finance Manager



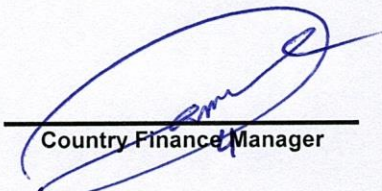
 Country Manager

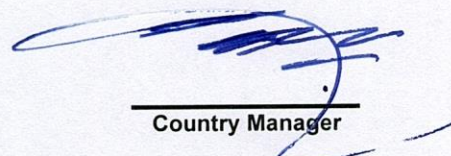
Habib Bank Limited, Afghanistan Branches
 Condensed interim statement of changes in equity
 For three months ended 31 March 2017

	Capital contributed by head office	Retained earnings	Total
	AFN '000'		
Balance as at 01 January 2016	1,000,242	233,369	1,233,611
Total comprehensive income for the three months ended 31 March 2016			
Profit for the period	-	25,903	25,903
Other comprehensive income for three months	-	-	-
	-	25,903	25,903
Balance as at 31 March 2016 - (Un-audited)	1,000,242	259,272	1,259,514
Balance as at 01 January 2017	1,000,242	204,921	1,205,163
Total comprehensive income for the three months ended 31 March 2017			
Profit for the period	-	30,180	30,180
Other comprehensive income for three months	-	-	-
	-	30,180	30,180
Balance as at 31 March 2017 - (Un-audited)	1,000,242	235,101	1,235,343

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

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 Country Finance Manager

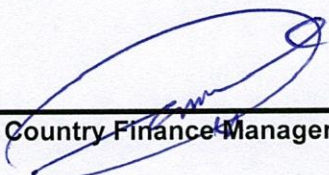

 Country Manager

Habib Bank Limited, Afghanistan Branches
 Condensed interim statement of cash flows
 For three months ended 31 March 2017

	Three months ended 31 March 2017 (Un-audited) AFN '000'	Three months ended 31 March 2016 (Un-audited) AFN '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	38,427	35,272
Adjustment for non-cash item		
Depreciation	213	213
	<u>38,640</u>	<u>35,485</u>
(Increase) in operating assets		
Lending to financial institutions	(534,438)	(579,707)
Loans and advances to customers - net	(1,950)	(24,832)
Other assets	(52,744)	(63,169)
	<u>(589,132)</u>	<u>(667,708)</u>
Increase / (decrease) in operating liabilities		
Borrowings from banks	(266,122)	-
Deposits from banks	1,083,360	(199,245)
Deposits from customers	(284,621)	(182,222)
Other liabilities	79,821	46,622
	<u>612,438</u>	<u>(334,845)</u>
Income tax paid	(2,630)	(23,612)
Net cash flows generated from / (used in) operating activities	<u>59,316</u>	<u>(990,680)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	(417,564)	159,567
Acquisition in property and equipment	(458)	(385)
Net cash flows (used in) / generated from investing activities	<u>(418,022)</u>	<u>159,182</u>
Net decrease in cash and cash equivalents during the period	<u>(358,706)</u>	<u>(831,498)</u>
Cash and cash equivalents at the beginning of the period	<u>5,231,279</u>	<u>5,675,399</u>
Cash and cash equivalents at the end of the period	<u><u>4,872,573</u></u>	<u><u>4,843,901</u></u>

The annexed notes 1 to 12 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

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, 2016 and valid till June 22, 2017. Currently, the Bank is operating with 2 conventional branches (2016: 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 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 requirements of Law of Banking of Afghanistan takes precedence.

The disclosures made in this condensed interim 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.

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.

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.

4 INVESTMENTS

	Note	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
Investments classified as:			
Available-for-sale	4.1	338,550	334,100
Held to maturity:			
Capital notes with DAB	4.2	1,657,951	1,594,775
Bonds	4.3	947,169	597,231
		<u>2,605,120</u>	<u>2,192,006</u>
		<u>2,943,670</u>	<u>2,526,106</u>

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Habib Bank Limited, Afghanistan Branches
Notes to the condensed interim financial statements
For three months ended 31 March 2017

- 4.1 This represents investment amounting to USD 5 million (2016: USD 5 million) in variable rate subordinated loan notes Class C, issued by Habib Allied International Bank Plc, United Kingdom, a subsidiary company of Habib Bank Limited. The notes carry yield ranging from 5.83% to 6.78% (6 months LIBOR + 5%) per annum (2016: 5.83% to 6.32% (6 months LIBOR + 5%) per annum) and will mature up to 28 December 2017 (2016: 28 December 2017).
- 4.2 These are capital notes issued by DAB having face value of AFN 1,784,500,000 (2016: AFN 1,677,500,000) and carry yield ranging from 5.15% to 6.67% (2016: 6.65% to 6.7%) per annum. These have original maturity period ranging from 180 to 364 days (2016: 364 days).
- 4.3 These represent investments in foreign currency bonds issued by the Government of Islamic Republic of Pakistan and the Government of Democratic Socialist Republic of Srilanka. These carry yield ranging from 6% and 7.25% (2016: 6% to 7.25%) per annum maturing on 15 April 2019 and 14 January 2019 respectively. These investments are managed by Habibsons Bank Limited on behalf of the Bank.

5 LOANS AND ADVANCES TO CUSTOMERS - NET

	Note	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
Corporate and commercial finances	5.1	39,932	37,959
Less: Provision against loans and advances	5.2	(1,828)	(1,805)
		<u>38,104</u>	<u>36,154</u>

- 5.1 These include overdrafts amounting to AFN 39,932,413 (2016: AFN 99,888,000). 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 13% (2016: 12% to 13%) per annum. These 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 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
Opening balance		1,805	1,231
Charge for the period / year	5.2.1	20	1,732
Reversal during the period / year		-	(1,130)
Exchange rate fluctuation		3	(28)
		23	574
Closing balance		<u>1,828</u>	<u>1,805</u>

- 5.2.1 As at 31 March 2017, the provisioning has been made in accordance with the 'Asset Classification Regulation' issued by Da Afghanistan Bank (DAB) during last year which has been effective from 30 September 2016.

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Habib Bank Limited, Afghanistan Branches
Notes to the condensed interim financial statements
For three months ended 31 March 2017

6 DEPOSITS FROM CUSTOMERS

	Note	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
Local currency			
Term deposits	6.1	1,687,082	1,420,000
Current deposits		161,314	164,236
Saving deposits	6.2	10,000	196,792
		1,858,396	1,781,028
Foreign currency			
Term deposits	6.3	1,125,951	1,088,498
Current deposits		3,590,617	4,263,579
Saving deposits	6.2	283,705	10,185
		5,000,273	5,362,262
		6,858,669	7,143,290

6.1 These carry interest rates ranging from 3.6% to 5% (2016: 3.6% to 5%) per annum and have a maturity period ranging from 03 to 06 months (2016: 03 to 06 months).

6.2 These carry interest rates ranging from 0.10 % to 2% (2016: 0.10 % to 2%) per annum and have a maturity period ranging from 01 to 06 months (2016: 01 to 06 months).

6.3 These carry interest rates ranging from 1% to 1.78% (2016: 1% to 1.78%) per annum and have maturity period from 03 to 06 months (2016: 03 to 06 months).

7 CONTINGENCIES AND COMMITMENTS

	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
7.1 Contingencies		
7.1.1 Guarantees	1,551,359	1,260,971

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

7.2 Commitments

	31 March 2017 (Un-audited) AFN '000'	31 December 2016 (Audited) AFN '000'
7.2.1 Letter of credit and acceptances	9,817	10,346

8 SALE OF SECURITIES

This represents income earned on sale of capital note issued by Da Afghanistan Bank.

9 RELATED PARTY TRANSACTIONS

The Bank is a branch office of Habib Bank Limited Pakistan, therefore, HBL Head office, HBL overseas branches, HBL subsidiaries and associates are related parties to the Bank. 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
For three months ended 31 March 2017

9.1 Transactions with other related parties

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

Name of group companies	Nature of transactions	31 March 2017 (Un-audited) AFN '000'	31 March 2016 (Un-audited) AFN '000'
HBL Hong Kong			
	Placement made	1,304,668	1,270,025
	Placement matured	1,237,388	1,475,975
	Income earned on placements	2,746	3,717
HBL Singapore			
	Placement made	605,520	685,800
	Placement matured	538,240	1,303,020
	Income earned on placements	759	2,727
HBL Turkey			
	Placement made	67,730	102,990
HBL Bahrain			
	Placement made	1,480,160	1,167,220
	Placement matured	1,480,160	480,620
	Income earned on placements	13,631	4,418
HBL Kenya			
	Placement made	3,653,304	926,775
	Placement matured	3,821,504	1,132,725
	Income earned on placements	2,904	932
HBL Sri Lanka			
	Placement made	334,100	549,280
	Placement matured	337,950	686,600
	Income earned on placements	582	2,001
Habib Allied International Bank			
	Income earned on placements	4,763	-
HBL London			
	Placement made	34,185	-
	Placement matured	34,185	-
	Income earned on placements	5,036	-
FMFB - Afghanistan			
	Placement made	2,700,865	-
	Placement matured	2,677,910	-
	Income earned on placements	1,067	-
Tourism Promotion Services - KSH (Current Account)			
	Withdrawals	53,812	-
	Receipts	54,098	-
Telecom Development Co Afghanistan (Current Accounts)			
	Withdrawals	1	-
	Receipts	640	-
Key management personnel compensation			
	Salaries and benefits	1,959	3,437

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

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Habib Bank Limited, Afghanistan Branches
Notes to the condensed interim financial statements
For three months ended 31 March 2017

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

Name of group companies	Nature of transactions	31 March 2017	31 December 2016
		(Un-audited) AFN '000'	(Audited) AFN '000'
HBL Bahrain	Placement	1,875,973	1,470,040
HBL Singapore	Placement	270,840	267,280
HBL Hong Kong	Placement	1,063,571	982,400
HBL Kenya	Placement	677,100	701,610
HBL Treasury HOK	Placement	541,680	200,460
HBL Lebanon	Placement	20,313	20,046
HBL Kepz	Placement	67,710	-
Habib Allied International Bank	Available for Sale investments	338,550	334,100
HBL Brussels	Current Account	13,283	137,990
Habib Allied International Bank	Current Account	160	113,484
HBL New York	Current Account	71,270	212,103
HBL Foreign Exchange Pakistan	Current Account	1,739	1,704
HBL Bangladesh	Lending to financial institutions	-	323,535
Borrowings from banks			
FMFB		611,383	578,150
HBL Mauritius		101,565	-
Deposits from Customers			
Tourism Promotion Services - KSH		8,210	13,154
French Medical Institute for Children (FMIC)		3,412	3,408
Telecom Development Co Afghanistan		71,008	2,653
Key management personnel compensation			
Accounts Balances		693	1,250

10 CORRESPONDING FIGURES

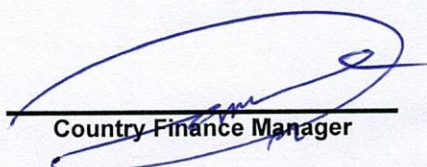
Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation.

11 GENERAL

Figures have been rounded off to the nearest thousand unless otherwise stated.

12 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 15-May-2017.


 Country Finance Manager


 Country Manager