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## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE COUNTRY MANAGER

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of **Habib Bank Limited Afghanistan Branch** (the Bank) as at **31 March 2018** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the three months then ended, and notes to the condensed interim financial information ('here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and fair 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 condensed 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 condensed 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.

### *Basis for Qualified Conclusion*

The International Financial Reporting Standard (IFRS) 9 "Financial Instruments" became applicable from 01 January 2018. However, this accompanying condensed interim financial information does not incorporate the impact of IFRS 9 which constitutes a departure from applicable financial reporting framework as disclosed in note 2 to the condensed interim financial information.

### *Qualified Conclusion*

Based on our review, with the exception of the matter described in the preceding paragraph, 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".

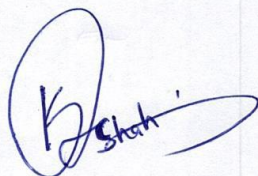
Chartered Accountants  
Engagement Partner: Shabbir Yunus  
Date: 11 August 2018  
Kabul, Afghanistan



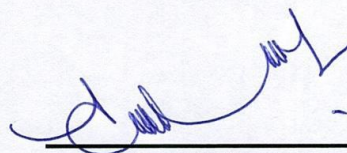
**Habib Bank Limited, Afghanistan Branch**  
**Condensed interim statement of financial position**  
**As at 31 March 2018**

|   | Note | 31 March<br>2018<br>(Un-audited)<br>AFN '000' | 31 December<br>2017<br>(Audited)<br>AFN '000' |
|---|------|---|---|
| <b>Assets</b>                           |      |   |   |
| Cash and cash equivalents               | 4    | 3,161,317                                     | 3,444,007                                     |
| Lending to financial institutions - net | 5    | 58,538  | 804,563                                       |
| Investments - net                       |      | -   | 1,640,972                                     |
| Loans and advances to customers - net   |      | -   | 6,376   |
| Property and equipment                  |      | 2,214   | 2,502   |
| Other assets                            |      | 21,309  | 22,853  |
| Deferred tax asset                      |      | 9,636   | 9,636   |
| <b>Total assets</b>                     |      | <b>3,253,014</b>                              | <b>5,930,909</b>                              |
| <b>Liabilities</b>                      |      |   |   |
| Borrowing from banks                    |      | -   | 348,550                                       |
| Deposits from customers                 | 6    | 1,813,605                                     | 4,146,518                                     |
| Income tax payable                      |      | 15,622  | 34,107  |
| Other liabilities                       |      | 15,539  | 26,591  |
| <b>Total liabilities</b>                |      | <b>1,844,766</b>                              | <b>4,555,766</b>                              |
| <b>Equity</b>                           |      |   |   |
| Capital contributed by head office      |      | 1,000,242                                     | 1,000,242                                     |
| Capital reserve                         |      | 16,874  | 16,874  |
| Retained earnings                       |      | 391,132                                       | 358,027                                       |
| <b>Total equity</b>                     |      | <b>1,408,248</b>                              | <b>1,375,143</b>                              |
| <b>Total liabilities and equity</b>     |      | <b>3,253,014</b>                              | <b>5,930,909</b>                              |
| <b>Contingencies and commitments</b>    | 7    |   |   |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.



Country Finance Manager



Country Manager



**Habib Bank Limited, Afghanistan Branch**  
**Condensed interim statement of comprehensive income**  
**For three months ended 31 March 2018**

|   | <b>Three months<br/>ended 31<br/>March 2018</b> | <b>Three months<br/>ended 31<br/>March 2017</b> |
|---|---|---|
|   | <b>(Un-audited)<br/>AFN '000'</b>               | <b>(Un-audited)<br/>AFN '000'</b>               |
| Interest income   | 17,995  | 77,445  |
| Interest expense  | <u>(3,096)</u>                                  | <u>(33,925)</u>                                 |
| <b>Net interest income</b>  | <b>14,899</b>                                   | <b>43,520</b>                                   |
| Fee and commission income - net   | 519   | 12,535  |
| Income from dealing in foreign currencies                                     | 3,789   | 4,104   |
| Gain on sale of securities  | 13,547  | 3,300   |
| Other income  | <u>655</u>                                      | <u>1,627</u>                                    |
|   | <b>33,409</b>                                   | <b>65,086</b>                                   |
| Provision on placements   | <b>(548)</b>                                    | -   |
| Reversal / (provision) on lendings to financial institutions                  | <b>7,536</b>                                    | (5,580)   |
| Reversal on investments   | <b>16,575</b>                                   | -   |
| Reversal / (provision) on loans and advances to customers                     | <b>349</b>                                      | (23)  |
| Provision on other assets   | <b>(53)</b>                                     | -   |
| Reversal on off balance sheet items   | <b>1,684</b>                                    | -   |
| Personnel expenses  | <b>(9,168)</b>                                  | (10,306)  |
| Occupancy expenses  | <b>(3,589)</b>                                  | (4,012)   |
| Depreciation  | <b>(288)</b>                                    | (213)   |
| Penalty   | <b>(2,264)</b>                                  | -   |
| Other operating expenses  | <b>(8,015)</b>                                  | (6,525)   |
| <b>Profit before taxation</b>   | <b>35,628</b>                                   | <b>38,427</b>                                   |
| Taxation  | <b>(2,523)</b>                                  | (8,247)   |
| <b>Profit for the period</b>  | <b>33,105</b>                                   | <b>30,180</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>33,105</b>                                   | <b>30,180</b>                                   |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

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**Country Finance Manager**



**Country Manager**



Habib Bank Limited, Afghanistan Branch  
 Condensed interim statement of changes in equity  
 For three months ended 31 March 2018

|  | Capital<br>contributed by<br>head office | Capital<br>reserve | Retained<br>earnings | Total            |
|--|--|--------------------|----------------------|------------------|
|  | AFN '000'                                |                    |                      |                  |
| Balance as at 01 January 2017 - (Audited)                                      | 1,000,242                                | 6,234              | 198,687              | 1,205,163        |
| <b>Total comprehensive income for the<br/>three months ended 31 March 2017</b> |  |                    |                      |                  |
| Profit for the period  | -  | -                  | 30,180               | 30,180           |
| Other comprehensive income for three months                                    | -  | -                  | -                    | -                |
| <b>Balance as at 31 March 2017 - (Un-audited)</b>                              | <b>1,000,242</b>                         | <b>6,234</b>       | <b>228,867</b>       | <b>1,235,343</b> |
| Balance as at 01 January 2018 - (Audited)                                      | 1,000,242                                | 16,874             | 358,027              | 1,375,143        |
| <b>Total comprehensive income for the<br/>three months ended 31 March 2018</b> |  |                    |                      |                  |
| Profit for the period  | -  | -                  | 33,105               | 33,105           |
| Other comprehensive income for three months                                    | -  | -                  | -                    | -                |
| <b>Balance as at 31 March 2018 - (Un-audited)</b>                              | <b>1,000,242</b>                         | <b>16,874</b>      | <b>391,132</b>       | <b>1,408,248</b> |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

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Country Finance Manager



Country Manager




Habib Bank Limited, Afghanistan Branch  
Condensed interim statement of cash flows  
For three months ended 31 March 2018

|   | Three months<br>ended 31 March<br>2018<br>(Un-audited)<br>AFN '000' | Three months<br>ended 31 March<br>2017<br>(Un-audited)<br>AFN '000' |
|---|---|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                      |   |   |
| Profit before taxation  | 35,628  | 38,427  |
| <b>Adjustment for non-cash item</b>                             |   |   |
| Depreciation  | 288   | 213   |
| (Reversal) / provision on lendings to financial institutions    | (7,536)   | 5,580   |
| Reversal on investments   | (16,575)  | -   |
| (Reversal) / provision on loans and advances to customers       | (349)   | 23  |
| Provision on other assets                                       | 53  | -   |
| Reversal on off balance sheet items                             | (1,684)   | -   |
|   | <u>9,825</u>  | <u>44,243</u>   |
| <b>(Increase) / decrease in operating assets</b>                |   |   |
| Lending to financial institutions                               | 753,561   | (540,018)   |
| Loans and advances to customers - net                           | 6,725   | (1,973)   |
| Other assets  | 1,491   | (52,744)  |
|   | <u>761,777</u>  | <u>(594,735)</u>  |
| <b>Increase / (decrease) in operating liabilities</b>           |   |   |
| Borrowing from banks  | (348,550)   | 817,238   |
| Deposits from customers   | (2,332,913)   | (284,621)   |
| Other liabilities   | (9,368)   | 79,821  |
|   | <u>(2,690,831)</u>  | <u>612,438</u>  |
| Income tax paid   | (21,008)  | (2,630)   |
| <b>Net cash (used in) / generated from operating activities</b> | <u>(1,940,237)</u>  | <u>59,316</u>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                      |   |   |
| Investments matured / (made)                                    | 1,657,547   | (417,564)   |
| Acquisition of property and equipment                           | -   | (458)   |
| <b>Net cash generated from / (used in) investing activities</b> | <u>1,657,547</u>  | <u>(418,022)</u>  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                      |   |   |
| Transfer to head office   | -   | -   |
| <b>Net cash used in financing activities</b>                    | <u>-</u>  | <u>-</u>  |
| <b>Net decrease in cash and cash equivalents for the period</b> | <u>(282,690)</u>  | <u>(358,706)</u>  |
| Cash and cash equivalents at the beginning of the period        | <u>3,444,007</u>  | <u>5,231,279</u>  |
| <b>Cash and cash equivalents at the end of the period</b>       | <u><u>3,161,317</u></u>   | <u><u>4,872,573</u></u>   |

The annexed notes 1 to 10 form an integral part of this condensed interim financial information.

  
Country Finance Manager

  
Country Manager



**Habib Bank Limited, Afghanistan Branch**  
**Notes to the condensed interim financial statements**  
**For three months ended 31 March 2018**

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**1 STATUS AND NATURE OF BUSINESS**

Habib Bank Limited Afghanistan Branch (the Bank) is a foreign operation of Habib Bank Limited, Pakistan operating in Afghanistan. The Bank obtained business license from Afghanistan Investment Support Agency on 14 April 2004 which has been renewed by Ministry of Commerce and Industries (MoCI) on 01 August 2017 and is valid till 30 July 2020. Currently, the Bank is operating with 1 conventional Banking Branch (2017: 1) in Kabul.

The registered office of the Bank is located in Kabul, Afghanistan.

**2 BASIS OF PREPARATION AND MEASUREMENT**

- 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 Law of Banking in Afghanistan. In case where requirements differ, the requirement of the Law of Banking in Afghanistan takes precedence.
- 2.2** The disclosures made in this condensed interim 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 2017.

**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**

- 3.1** 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.
- 3.2** The estimates / judgments 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.



Habib Bank Limited, Afghanistan Branch  
Notes to the condensed interim financial statements  
For three months ended 31 March 2018

| 4     | CASH AND CASH EQUIVALENTS  |       | 31 March<br>2018<br>(Un-audited)<br>AFN '000' | 31 December<br>2017<br>(Audited)<br>AFN '000' |
|-------|--|-------|---|---|
|       |  | Note  |   |   |
|       | <b>Cash in hand</b>  |       |   |   |
|       | Local currency   |       | 10,231  | 9,580   |
|       | Foreign currency   |       | 18,470  | 29,629  |
|       |  |       | <u>28,701</u>                                 | <u>39,209</u>                                 |
|       | <b>Balances with financial institutions</b>  |       |   |   |
|       | Balances with Da Afghanistan Bank  | 4.1   | 860,942                                       | 1,081,905                                     |
|       | Balances with HBL - related parties  | 4.2   | 2,271,674                                     | 2,322,893                                     |
|       |  |       | <u>3,132,616</u>                              | <u>3,404,798</u>                              |
|       |  |       | <u>3,161,317</u>                              | <u>3,444,007</u>                              |
| 4.1   | <b>Balances with Da Afghanistan Bank</b>   |       |   |   |
|       | <b>Local currency</b>  |       |   |   |
|       | Current accounts   |       | 387,305                                       | 505,103                                       |
|       | Required reserve account   | 4.1.1 | 12,915  | 25,733  |
|       | Overnight deposits   |       | 796   | 796   |
|       |  |       | <u>401,016</u>                                | <u>531,632</u>                                |
|       | <b>Foreign currency</b>  |       |   |   |
|       | Current accounts   |       | 310,219                                       | 299,749                                       |
|       | Required reserve account   | 4.1.1 | 149,707                                       | 250,524                                       |
|       |  |       | <u>459,926</u>                                | <u>550,273</u>                                |
|       |  |       | <u>860,942</u>                                | <u>1,081,905</u>                              |
| 4.1.1 | Required reserve account is being maintained with DAB in both Afghani and foreign currencies to meet minimum reserve requirement in accordance with Article 3 "Reserve Requirement for Monetary Policy Purposes" of the Banking Regulations issued by DAB. These balances are interest free. |       |   |   |
| 4.2   | <b>Balances with HBL - related parties</b>   |       |   |   |
|       | <b>Foreign currency</b>  |       |   |   |
|       | Nostro accounts  |       | 48,044  | 99,908  |
|       | Placements   | 4.2.1 | 2,246,632                                     | 2,245,439                                     |
|       | General provision held   |       | (23,002)                                      | (22,454)                                      |
|       |  |       | <u>2,271,674</u>                              | <u>2,322,893</u>                              |
| 4.2.1 | This represents a portfolio of placements with HBL international branches (related parties). These placements have maturity period up to 3 months and carry interest rate ranging from 2% to 2.2% (2017: 1.9% to 3.3%) per annum.  |       |   |   |
| 5     | <b>LENDING TO FINANCIAL INSTITUTIONS - NET</b>   |       | 31 March<br>2018<br>(Un-audited)<br>AFN '000' | 31 December<br>2017<br>(Audited)<br>AFN '000' |
|       |  | Note  |   |   |
|       | Trade bills  | 5.1   | 59,129  | 812,690                                       |
|       | General provision held   |       | (591)   | (8,127)                                       |
|       |  |       | <u>58,538</u>                                 | <u>804,563</u>                                |
| 5.1   | This represents trade bills purchased at discount rate of 2.65% (2017: 2% to 3%) per annum maturing in April 2018 (2017: maturity period 3 to 6 months).   |       |   |   |



Habib Bank Limited, Afghanistan Branch  
Notes to the condensed interim financial statements  
For three months ended 31 March 2018

| 6 | DEPOSITS FROM CUSTOMERS | 31 March<br>2018<br>(Un-audited)<br>AFN '000' | 31 December<br>2017<br>(Audited)<br>AFN '000' |
|---|-------------------------|---|---|
|   |                         | Note  |   |
|   | <b>Local currency</b>   |   |   |
|   | Term deposits           | -   | 50,000  |
|   | Current deposits        | 119,633                                       | 208,831                                       |
|   | Saving deposits         | 167,113                                       | 56,299  |
|   |                         | 6.1   | 315,130                                       |
|   |                         | <b>286,746</b>                                |   |
|   | <b>Foreign currency</b> |   |   |
|   | Term deposits           | 148,430                                       | 717,316                                       |
|   | Current deposits        | 1,337,860                                     | 2,062,210                                     |
|   | Saving deposits         | 993   | 1,004,862                                     |
|   |                         | 6.2   | 3,784,388                                     |
|   |                         | 6.1   |   |
|   |                         | <b>1,487,283</b>                              |   |
|   | Cash margin deposits    | 39,576  | 47,000  |
|   |                         | <b>1,813,605</b>                              | <b>4,146,518</b>                              |

6.1 These carry interest rates ranging from 0.10 % to 1.5% (2017: 0.10 % to 1.5%) per annum and have a maturity period ranging from 03 to 06 months (2017: 03 to 06 months).

6.2 These carry interest rates ranging from 1% to 1.75% (2017: 1% to 1.75%) per annum and have maturity period from 06 to 12 months (2017: 06 to 12 months).

| 7     | CONTINGENCIES AND COMMITMENTS  | 31 March<br>2018<br>(Un-audited)<br>AFN '000' | 31 December<br>2017<br>(Audited)<br>AFN '000' |
|-------|--|---|---|
|       |  | Note  |   |
| 7.1   | <b>Contingencies</b>   |   |   |
|       | Guarantees   | 898,732                                       | 1,059,151                                     |
| 7.1.1 | These represent bid bonds and performance based guarantees issued by the Bank. |   |   |
|       | Letter of credit and acceptances   | 10,057  | 10,108  |
| 7.2   | <b>Commitments</b>   |   |   |
|       | Undrawn loan and overdraft facilities  | -   | 246   |



**Habib Bank Limited, Afghanistan Branch**  
**Notes to the condensed interim financial statements**  
**For three months ended 31 March 2018**

**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 Bank. Other related parties include key management personnel of the Bank. The transactions with related parties are carried out as per agreed terms.

**8.1 Transactions with other related parties**

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

|  | 31 March 2018<br>(Un-audited)<br>AFN '000' | 31 March 2017<br>(Un-audited)<br>AFN '000' |
|--|--|--|
| <b>Name of group companies</b>                               |  |  |
| <b>HBL - Head office</b>                                     |  |  |
| Sale of held to maturity investment bonds                    | 1,328,056                                  | -  |
| <b>HBL Hong Kong</b>   |  |  |
| Placement made   | -  | 1,304,668                                  |
| Placement matured  | -  | 1,237,388                                  |
| Income earned on placements                                  | -  | 2,746                                      |
| <b>HBL Singapore</b>   |  |  |
| Placement made   | -  | 605,520                                    |
| Placement matured  | -  | 538,240                                    |
| Income earned on placements                                  | -  | 759  |
| <b>HBL Turkey</b>  |  |  |
| Placement made   | -  | 67,730                                     |
| <b>HBL Bahrain</b>   |  |  |
| Placement made   | 2,237,238                                  | 1,480,160                                  |
| Placement matured  | 2,224,824                                  | 1,480,160                                  |
| Placement sold   | 343,600                                    | 34,185                                     |
| Income earned on placements                                  | 11,787                                     | 13,631                                     |
| <b>HBL Kenya</b>   |  |  |
| Placement made   | -  | 3,653,304                                  |
| Placement matured  | -  | 3,821,504                                  |
| Income earned on placements                                  | -  | 2,904                                      |
| <b>HBL Sri Lanka</b>   |  |  |
| Placement made   | -  | 334,100                                    |
| Placement matured  | -  | 337,950                                    |
| Income earned on placements                                  | -  | 582  |
| <b>Habib Allied International Bank</b>                       |  |  |
| Income earned on placements                                  | -  | 4,763                                      |
| <b>HBL London</b>  |  |  |
| Placement matured  | 343,600                                    | 34,185                                     |
| Income earned on placements                                  | 2,027                                      | 5,036                                      |
| <b>FMFB - Afghanistan</b>                                    |  |  |
| Placement made   | -  | 2,700,865                                  |
| Placement matured  | -  | 2,677,910                                  |
| Income earned on placements                                  | -  | 1,067                                      |
| <b>Tourism Promotion Services - KSH (Current Account)</b>    |  |  |
| Withdrawals  | 60,603                                     | 53,812                                     |
| Receipts   | 59,316                                     | 54,098                                     |
| <b>Telecom Development Co Afghanistan (Current Accounts)</b> |  |  |
| Withdrawals  | -  | 1  |
| Receipts   | 622  | 640  |
| <b>French Medical Institute for Children (FMIC)</b>          |  |  |
| Withdrawals  | 1,252                                      | 2  |
| Receipts   | 3  | -  |
| <b>Key management personnel compensation</b>                 |  |  |
| Salaries and benefits  | 2,771                                      | 1,959                                      |

Salaries to key management personnel are paid as per the terms of their employment contract. In addition to their salaries, the Bank also provides non-cash benefit to expatriates staff which includes furnished accommodation.



**Habib Bank Limited, Afghanistan Branch**  
**Notes to the condensed interim financial statements**  
**For three months ended 31 March 2018**

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

| Name of group companies                      | Nature of transactions         | 31 March 2018             | 31 December 2017       |
|--|--------------------------------|---------------------------|------------------------|
|  |                                | (Un-audited)<br>AFN '000' | (Audited)<br>AFN '000' |
| HBL Bahrain                                  | Placement                      | 2,246,632                 | 2,245,439              |
| Habib Allied International Bank              | Available for sale investments | -                         | 348,550                |
| HBL Brussels                                 | Current Account                | 37,038                    | 99,304                 |
| Habib Allied International Bank              | Current Account                | -                         | 321                    |
| HBL Foreign Exchange Pakistan                | Current Account                | 11,006                    | 283                    |
| <b>Deposits from Customers</b>               |                                |                           |                        |
| Tourism Promotion Services - KSH             |                                | 15,667                    | 16,973                 |
| French Medical Institute for Children (FMIC) |                                | 2,827                     | 4,101                  |
| Telecom Development Co Afghanistan           |                                | 2,795                     | 2,173                  |
| <b>Key management personnel</b>              |                                |                           |                        |
| Current deposits                             |                                | 14                        | 2,890                  |

**9 GENERAL**

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

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

**10 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information has been authorized for issue by the Country Finance Manager and Country Manager of the Bank on 11 August, 2018.

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Country Finance Manager



Country Manager