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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 **30 June 2016** and the related condensed statements of comprehensive income, changes in equity and cash flow together with the notes forming part thereof (here-in-after referred to as the "the condensed interim financial information") for the six months period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the applicable financial reporting framework as stated in note 2 to the condensed interim financial information. 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 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 applicable financial reporting 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 six months period ended condensed interim financial information by auditors is applicable from the current year, thus the condensed interim financial information of the Bank for the six months ended 30 June 2015 was not reviewed.

Chartered Accountants

Engagement Partner: Shabbir Yunus

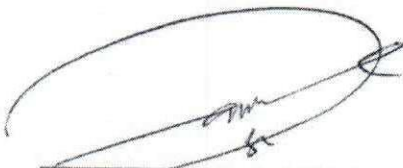
Date: 15 August 2016

Kabul, Afghanistan

Habib Bank Limited Afghanistan Branches
 Condensed interim statement of financial position (Un-audited)
 As at 30 June 2016

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Assets			
Cash and cash equivalents	4	4,414,153	5,675,399
Lendings to financial institutions		1,217,056	511,820
Investments	5	1,818,275	2,133,668
Loans and advances to customers - net	6	38,312	80,481
Property and equipment		2,518	2,497
Other assets		62,558	27,481
Total assets		7,552,872	8,431,346
Liabilities			
Deposits from banks	7	1,004,442	1,299,030
Deposits from customers	8	5,232,144	5,785,513
Deferred tax liability		-	7
Taxation - net		37,550	32,864
Other liabilities		130,252	80,321
Total liabilities		6,404,388	7,197,735
Equity			
Capital contributed by head office		1,000,242	1,000,242
Retained earnings		148,242	233,369
Total equity		1,148,484	1,233,611
Total liabilities and equity		7,552,872	8,431,346
Contingencies and commitments	9		

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

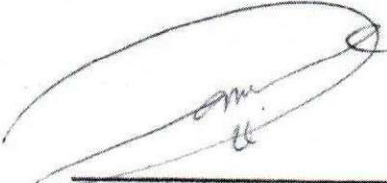

 Country Finance Manager

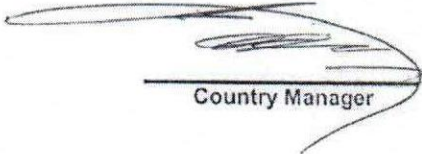

 Country Manager

Habib Bank Limited Afghanistan Branches
Condensed interim statement of comprehensive income (Un-audited)
For six months ended 30 June 2016

		Six months ended	Six months ended	Three months ended	Three months ended
		30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15
	Note	Afs '000'	Afs '000'	Afs '000'	Afs '000'
Interest income	10	112,772	102,511	57,932	52,449
Interest expense	11	(29,953)	(22,565)	(15,662)	(11,750)
Net interest income		82,819	79,946	42,270	40,699
Fee and commission income - net		24,297	12,032	15,841	5,894
Income from dealing in foreign currencies		13,325	4,927	7,144	3,129
Other income		3,069	6,888	1,728	3,881
		123,510	103,793	66,983	53,603
Provision on loans and advances		(822)	-	(615)	-
Personnel expenses		(22,329)	(19,742)	(10,646)	(10,359)
Occupancy expenses		(6,733)	(4,672)	(4,215)	(2,343)
Depreciation		(423)	(313)	(210)	(158)
Other operating expenses		(12,703)	(12,552)	(6,070)	(6,894)
		(43,010)	(37,279)	(21,756)	(19,754)
Profit before taxation		80,500	66,514	45,227	33,849
Taxation		(18,627)	(13,070)	(9,258)	(5,307)
Profit for the period		61,873	53,444	35,969	28,542
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		61,873	53,444	35,969	28,542

The annexed notes 1 to 12 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 six months ended 30 June 2016

	Six months ended 30-Jun-16 Afs '000'	Six months ended 30-Jun-15 Afs '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	80,500	66,514
Adjustment for non-cash item		
Depreciation	423	313
	<u>80,923</u>	<u>66,827</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(705,236)	(303,583)
Loans and advances to customers - net	42,169	21,113
Other assets	(35,077)	(68,822)
	<u>(698,144)</u>	<u>(351,292)</u>
Increase / (decrease) in operating liabilities		
Deposits from banks	(294,588)	(196,957)
Deposits from customers	(553,369)	353,831
Other liabilities	49,931	94,498
	<u>(798,026)</u>	<u>251,372</u>
Income tax paid	(13,956)	(952)
Net cash used in operating activities	<u>(1,429,203)</u>	<u>(34,045)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments	315,393	(257,855)
Acquisition of property and equipment	(436)	(810)
Net cash flow generated from / (used in) investing activities	<u>314,957</u>	<u>(258,665)</u>
Transfer to Head office	(147,000)	(100,000)
Net decrease in cash and cash equivalents	<u>(1,261,246)</u>	<u>(392,710)</u>
Cash and cash equivalents at the beginning of the period	5,675,399	5,555,361
Cash and cash equivalents at the end of the period	<u><u>4,414,153</u></u>	<u><u>5,162,651</u></u>

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



 Country Finance Manager


 Country Manager

Habib Bank Limited Afghanistan Branches
 Condensed interim statement of changes in equity (Un-audited)
 For six months ended 30 June 2016

	Capital contributed by head office	Retained earnings Afs '000'	Total
Balance as at 01 January 2015 - (Audited)	1,000,242	107,133	1,107,375
Profit for the six months ended 30 June 2015	-	53,444	53,444
Payment to Head Office	-	(100,000)	(100,000)
Balance as at 30 June 2015 - (Un-audited)	<u>1,000,242</u>	<u>60,577</u>	<u>1,060,819</u>
Profit for the six months ended 31 December 2015	-	172,792	172,792
Balance as at 31 December 2015 - (Audited)	<u>1,000,242</u>	<u>233,369</u>	<u>1,233,611</u>
Profit for the six months ended 30 June 2016	-	61,873	61,873
Payment to Head Office	-	(147,000)	(147,000)
Balance as at 30 June 2016 - (Un-audited)	<u>1,000,242</u>	<u>148,242</u>	<u>1,148,484</u>

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


 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 06, 2015 valid till June 22, 2016. However, the Bank has applied for renewal of license which is in process. 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 six months period ended 30 June 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 CASH AND CASH EQUIVALENTS	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Cash in Hand			
Local Currency - AFS		12,214	17,150
Foreign Currency - USD		19,614	86,447
Foreign Currency - EURO		5,418	4,357
		<u>37,246</u>	<u>107,954</u>
Balances with Financial Institutions			
Balances with DAB	4.1	658,010	495,896
Balances with HBL international branches - related p	4.2	3,582,057	3,977,629
Balances with other banks and financial institutions	4.3	136,840	1,093,920
		<u>4,376,907</u>	<u>5,567,445</u>
		<u>4,414,153</u>	<u>5,675,399</u>

ET/ASH

Habib Bank Limited Afghanistan Branches
Notes to the condensed interim financial statements (Un-audited)
For the six months ended 30 June 2016

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
4.1	Balances with DAB		
	Foreign currency		
	Current accounts	19,959	9,668
	Local currency		
	Current accounts	211,660	63,271
	Required reserve account	426,391	422,927
	Overnight deposits	-	30
		<u>638,051</u>	<u>486,228</u>
		<u>658,010</u>	<u>495,896</u>

4.1.1 This represent the required reserve maintained with Da Afghanistan Bank (DAB) to meet minimum reserves requirements. This carries mark-up at the rate of nil per annum (2015: nil per annum).

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
4.2	Balances with HBL international branches - related party		
	Foreign currency		
	Placements	3,582,057	3,977,629

4.2.1 This represent a portfolio of placements with HBL international (related party). These placements have different maturity period starting from 14 days to 6 months and carry interest at rate ranging from 0.5% to 2% per annum (2015: 0.8% to 3.64% per annum).

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
4.3	Balances with other banks and financial institutions		
	Foreign currency		
	Placements	136,840	1,093,920

4.3.1 This represent a portfolio of placements with Bank Alfalah Bahrain. These placements have different maturity period starting from 14 days to 6 months and carry interest rate ranging from 0.5% to 2% per annum.(2015: 1.5% to 2.05% per annum)

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
5	INVESTMENTS		
	Investments classified as:		
	Available for sale	342,100	683,700
	Held to maturity:		
	Capital notes with DAB	868,448	1,053,434
	Bonds	607,727	396,534
		<u>1,476,175</u>	<u>1,449,968</u>
		<u>1,818,275</u>	<u>2,133,668</u>

EXP/11

Habib Bank Limited Afghanistan Branches
Notes to the condensed interim financial statements (Un-audited)
For the six months ended 30 June 2016

- 5.1 This represents investment amounting to AFS 342 million (2015: AFS 684 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 mark-up at rates ranging from 5.85% to 6.30% plus six month Libor. (2015: 6.33% to 6.58% above six months Libor) per annum and will mature up to December 28, 2016 (2015: December 28, 2015).
- 5.2 These are capital notes issued by DAB having face value of Afs 927,000,000 (2015: Afs 1,091,000,000) and carry interest at rates ranging from 6.65% to 6.68% per annum (2015: 6.68% to 6.72% per annum). These have original maturity period of 364 days (2015: 364 days).
- 5.3 These represent investment in foreign currency bonds issued by Government of Pakistan and Government of Srilanka. These carry interest at rates ranging from 6% to 7.25% per annum (2015: 7.125% to 7.25%) maturing on March 31, 2019 and April 15, 2019.

6 LOANS AND ADVANCES TO CUSTOMERS - NET

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Corporate and commercial finances	6.1	40,365	81,712
Less: Provision against loans and advances	6.2	(2,053)	(1,231)
		<u>38,312</u>	<u>80,481</u>

- 6.1 These include demand finance amounting to USD Nil (Equivalent to Afs Nil) (2015: USD 200,000 Equivalent to Afs 13,674,000) and overdrafts amounting to Afs 41,052,000 (2015: Afs 68,038,000). Demand finance carry interest at Nil (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.

6.2 Provisions against loans and advances

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Opening balance		1,231	8,978
Charge for the period / year	6.2.1	822	1,126
Exchange rate fluctuation		-	852
		822	1,978
Loan written off during the period / year		-	(9,725)
Closing balance		<u>2,053</u>	<u>1,231</u>

- 6.2.1 As at 30 June 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.

7 DEPOSITS FROM BANKS

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Bank Alfalah Limited - Kabul		50,000	273,480
First Micro Finance Bank Limited - Afghanistan		699,182	-
First Micro Finance Bank Limited - Afghanistan		-	1,025,550
Azizi Bank		50,000	-
Afghan United Bank		205,260	-
	7.1	<u>1,004,442</u>	<u>1,299,030</u>

ET/2016

Habib Bank Limited Afghanistan Branches
Notes to the condensed interim financial statements (Un-audited)
For the six months ended 30 June 2016

7.1 This represented interest free current account deposits. These funds placed / maintained at current accounts so that they can easily withdraw funds in case of liquidity problem. These carry interest rates ranging from 0.35 to 4% (2015: 0.35% to 3.75%).

8 DEPOSITS FROM CUSTOMERS

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
Local currency			
Term deposits	8.1	910,000	1,052,000
Current deposits		206,912	174,075
Saving deposits	8.2	64,548	44,880
		1,181,460	1,270,955
Foreign currency			
Term deposits	8.3	290,785	181,181
Current deposits		3,438,579	4,044,901
Saving deposits	8.2	321,320	288,476
		4,050,684	4,514,558
		5,232,144	5,785,513

8.1 These carry interest at rates ranging from 3.5% to 5.15% 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).

8.2 These carry interest at 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).

8.3 These carry interest at rates ranging from 1 to 1.75% per annum (2015: 1.75% per annum) and have maturity period of 01 year (2015: 01 year).

9 CONTINGENCIES AND COMMITMENTS

	Note	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
9.1 Contingencies			
Guarantees	9.1.1	1,101,880	1,120,363

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

9.1.2 Tax audit (As per Ministry of Finance officials advise) of the Bank for the four years from 2010 to 2013 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 unfavorable outcome to the Bank.

9.2 Commitments

	30 June 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
9.2.1 Letter of credit and acceptances	52,208	38,345

EXPAN

Habib Bank Limited Afghanistan Branches
Notes to the condensed interim financial statements (Un-audited)
For the six months ended 30 June 2016

10 INTEREST INCOME	Six months ended	Six months ended	Three months ended	Three months ended
	30-Jun-16 Afs '000'	30-Jun-15 Afs '000'	30-Jun-16 Afs '000'	30-Jun-15 Afs '000'
Mark-up on advance to customers	4,742	8,232	1,477	3,913
Mark-up on advance to financial institutions – trade bills	13,604	2,871	8,566	1,796
Interest on investment - available for sale	21,799	14,473	4,563	7,380
Interest on investment - capital note	22,715	45,898	15,576	26,524
Interest on investment - bonds	13,508	-	8,300	-
Interest on placements	36,404	31,037	19,450	12,836
	<u>112,772</u>	<u>102,511</u>	<u>57,932</u>	<u>52,449</u>
11 INTEREST EXPENSE				
Interest expense on customers deposit	25,759	17,190	13,072	9,564
Interest expense on bank deposit	4,194	5,375	2,590	2,186
	<u>29,953</u>	<u>22,565</u>	<u>15,662</u>	<u>11,750</u>

11 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.

11.1 Transactions with other related parties

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

Name of group companies	Nature of transaction	Six months ended	Six months ended	Three months ended	Three months ended
		30-Jun-16 Afs '000'	30-Jun-15 Afs '000'	30-Jun-16 Afs '000'	30-Jun-15 Afs '000'
HBL Hong Kong	Placement made	2,501,585	1,831,235	1,231,560	698,510
	Placement matured	2,810,165	2,206,720	1,334,190	819,990
	Income earned on placements	6,607	6,132	2,890	2,581
HBL Singapore	Placement made	1,301,580	1,242,800	615,780	1,214,800
	Placement matured	1,987,220	1,242,800	684,200	1,214,800
	Income earned on placements	3,561	7,492	834	3,178
HBL Turkey	Placement made	513,510	151,850	410,520	151,850
	Placement matured	410,520	-	410,520	-
	Income earned on placements	348	164	348	164
HBL Bahrain	Placement made	3,014,560	-	1,847,340	-
	Placement matured	1,164,820	-	684,200	-
	Income earned on placements	14,354	-	9,936	-
HBL New York	Placement made	-	789,620	-	789,620
	Placement matured	-	789,620	-	789,620
	Income earned on placements	-	1,965	-	1,965
HBL Kenya	Placement made	2,842,535	1,727,020	1,915,760	1,700,720
	Placement matured	2,637,965	1,789,260	1,505,240	1,761,460
	Income earned on placements	1,961	4,197	1,029	1,982
HBL Sri Lanka	Placement made	549,280	-	102,630	-
	Placement matured	686,600	-	102,630	-
	Income earned on placements	2,341	-	340	-
HBL Pakistan - Treasury	Placement made	1,642,080	-	1,642,080	-
	Placement matured	1,642,080	-	1,642,080	-
	Income earned on placements	16	-	16	-
Key management personnel compensation					
Salaries and benefits		5,387	3,702	1,950	1,654

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

ET/AS/11

Habib Bank Limited Afghanistan Branches
 Notes to the condensed interim financial statements (Un-audited)
 For the six months ended 30 June 2016

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

Name of group companies	Nature of balances	30 June 2016	31 December 2015
		(Un-audited) Afs '000'	(Audited) Afs '000'
HBL Sri Lanka	Placement	-	273,480
HBL Bahrain	Placement	1,505,240	478,590
HBL Singapore	Placement	342,100	1,025,550
HBL Hong Kong	Placement	957,880	1,570,814
HBL Kenya	Placement	547,360	341,850
HBL Turkey	Placement	102,630	-
Habib Allied International Bank	Available for sale investments	342,100	663,700
HBL Brussels	Current Account	137,988	7,960
Habib Allied London	Current Account	111,478	91,479
HBL New York	Current Account	10,758	344,021

12 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

15-Aug-2016 


 Country Finance Manager


 Country Manager