

## 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 **30 June 2018** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six 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: 15 August 2018  
Kabul, Afghanistan

**HABIB BANK LIMITED AFGHANISTAN BRANCH**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Note	30 June 2018 (Un-audited) AFN '000'	31 December 2017 (Audited) AFN '000'
<b>ASSETS</b>			
Cash and cash equivalents	4	2,898,800	3,444,007
Lending to financial institutions - net		-	804,563
Investments - net		-	1,640,972
Loans and advances to customers - net		-	6,376
Property and equipment	5	15,922	2,502
Other assets		16,426	22,853
Deferred tax asset		9,636	9,636
<b>Total assets</b>		<u><u>2,940,784</u></u>	<u><u>5,930,909</u></u>
<b>LIABILITIES</b>			
Borrowing from banks		-	348,550
Deposits from customers	6	1,448,959	4,146,518
Current tax liability		26,707	34,107
Other liabilities		14,541	26,591
<b>Total liabilities</b>		<u><u>1,490,207</u></u>	<u><u>4,555,766</u></u>
<b>EQUITY</b>			
Capital contributed by head office		1,000,242	1,000,242
Capital reserve		16,874	16,874
Retained earnings		433,461	358,027
<b>Total equity</b>		<u><u>1,450,577</u></u>	<u><u>1,375,143</u></u>
<b>Total liabilities and equity</b>		<u><u>2,940,784</u></u>	<u><u>5,930,909</u></u>
<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 THE PERIOD ENDED 30 JUNE 2018**

	Six months ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'
Note				
Interest income	30,251	161,057	12,256	86,169
Interest expense	(3,294)	(73,447)	(198)	(39,522)
<b>Net Interest Income</b>	<b>26,957</b>	<b>87,610</b>	<b>12,058</b>	<b>46,647</b>
Fee and commission income - net	1,356	27,352	837	14,817
Income from dealing in foreign currencies	60,627	18,343	56,838	14,239
Gain on sale of securities	13,547	5,857	-	-
Other income	1,231	3,999	576	2,395
	<b>103,718</b>	<b>143,161</b>	<b>70,309</b>	<b>78,098</b>
Reversal / (provision) on placements	258	(27,656)	806	(27,656)
Reversal / (provision) on lending to financial institutions	8,127	(1,926)	591	3,654
Reversal / (provision) on investments	16,575	(16,317)	-	(16,317)
Reversal on loans and advances to customers	349	-	-	-
(Provision) / reversal on other assets	(7)	(45)	46	(45)
Reversal / (provision) on off balance sheet items	5,284	(13,893)	3,600	(13,893)
Personnel expenses	(19,650)	(19,307)	(10,482)	(9,001)
Occupancy expenses	(7,310)	(8,270)	(3,721)	(4,258)
Depreciation	(1,053)	(464)	(765)	(251)
Penalty	(4,888)	-	(2,624)	-
Other operating expenses	(13,997)	(12,410)	(5,982)	(5,885)
<b>PROFIT BEFORE INCOME TAX</b>	<b>87,406</b>	<b>42,873</b>	<b>51,778</b>	<b>4,446</b>
Taxation	(11,972)	(15,628)	911	(7,381)
<b>PROFIT FOR THE PERIOD</b>	<b>75,434</b>	<b>27,245</b>	<b>52,689</b>	<b>(2,935)</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>75,434</b>	<b>27,245</b>	<b>52,689</b>	<b>(2,935)</b>

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



  
Country Finance Manager

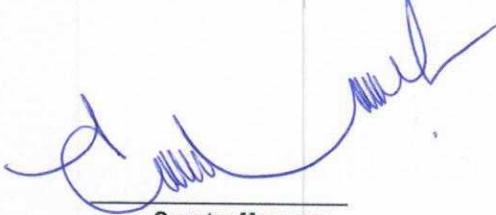
  
Country Manager

**HABIB BANK LIMITED AFGHANISTAN BRANCH**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR SIX MONTHS ENDED 30 JUNE 2018**

	Capital contributed by head office	Capital reserve	Retained earnings	Total
----- AFN '000' -----				
Balance as at 01 January 2017 - (Audited)	1,000,242	6,234	198,687	1,205,163
Profit for the period	-	-	27,245	27,245
Other comprehensive for six months	-	-	-	-
	-	-	27,245	27,245
Balance as at 30 June 2017 - (Un-audited)	<u>1,000,242</u>	<u>6,234</u>	<u>225,932</u>	<u>1,232,408</u>
Balance as at 01 January 2018 - (Audited)	1,000,242	16,874	358,027	1,375,143
Profit for the period	-	-	75,434	75,434
Other comprehensive for six months	-	-	-	-
Balance as at 30 June 2018 - (Un-audited)	<u>1,000,242</u>	<u>16,874</u>	<u>433,461</u>	<u>1,450,577</u>

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

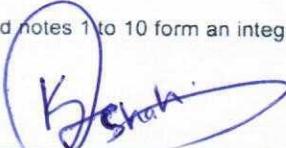
  
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**HABIB BANK LIMITED AFGHANISTAN BRANCH**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR SIX MONTHS ENDED 30 JUNE 2018**

	Note	Six months ended 30 June 2018 (Un-audited) AFN '000'	Six months ended 30 June 2017 (Un-audited) AFN '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		75,434	27,245
Adjustment for:			
Depreciation	5	1,053	464
(Reversal) / provision on lending to financial institutions		(8,127)	1,926
(Reversal) / provision on investments		(16,575)	16,317
Reversal on loans and advances to customers		(349)	-
Provision on other assets		7	45
(Reversal) / provision on off balance sheet items		(5,284)	13,893
Net interest income		(26,957)	(87,610)
Income tax expense		11,972	15,628
		<u>31,174</u>	<u>(12,092)</u>
<b>Changes in operating assets and liabilities</b>			
Lendings to financial institutions		812,690	163,816
Loans and advances to customers - net		6,725	(1,804)
Other assets		(3,783)	4,339
Borrowings from banks		(348,550)	456,054
Deposits from customers		(2,697,559)	(114,371)
Other liabilities		(145)	84,082
		<u>(2,199,448)</u>	<u>580,024</u>
Interest received		40,454	149,547
Interest paid		(9,915)	(56,523)
Income tax paid		(19,372)	(18,438)
<b>Net cash (used in) / generated from operating activities</b>		<u>(2,188,281)</u>	<u>654,610</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments matured / (made)		1,657,547	(471,513)
Acquisition of property and equipment	5	(14,473)	(1,423)
<b>Net cash generated from / (used in) investing activities</b>		<u>1,643,074</u>	<u>(472,936)</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) / increase in cash and cash equivalents</b>		<u>(545,207)</u>	<u>181,674</u>
Cash and cash equivalents at beginning of the period		<u>3,444,007</u>	<u>5,231,279</u>
<b>Cash and cash equivalents at end of the period</b>	4	<u><u>2,898,800</u></u>	<u><u>5,412,953</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 SIX MONTHS ENDED 30 JUNE 2018**

**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**

2.1 This condensed interim financial information of the Bank for the six months period ended 30 June 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.

4 CASH AND CASH EQUIVALENTS

		30 June 2018 (Un-audited) AFN '000'	31 December 2017 (Audited) AFN '000'
	Note		
<b>Cash in hand</b>			
Local currency		9,856	9,580
Foreign currency		15,286	29,629
		<u>25,142</u>	<u>39,209</u>
<b>Balances with financial institutions</b>			
Balances with Da Afghanistan Bank	4.1	667,591	1,081,905
Balances with HBL - related parties	4.2	2,206,067	2,322,893
		<u>2,873,658</u>	<u>3,404,798</u>
		<u>2,898,800</u>	<u>3,444,007</u>
<b>4.1 Balances with Da Afghanistan Bank</b>			
<b>Local currency</b>			
Current accounts		166,366	505,103
Required reserve account	4.1.1	1,040	25,733
Overnight deposits		250,796	796
		<u>418,202</u>	<u>531,632</u>
<b>Foreign currency</b>			
Current accounts		116,776	299,749
Required reserve account	4.1.1	132,613	250,524
		<u>249,389</u>	<u>550,273</u>
		<u>667,591</u>	<u>1,081,905</u>
<b>4.1.1</b> 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.			
<b>4.2 Balances with HBL - related parties</b>			
<b>Foreign currency</b>			
Nostro accounts		31,572	99,908
Placements	4.2.1	2,196,692	2,245,439
General provision held		(22,197)	(22,454)
		<u>2,206,067</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 2.3% (2017: 1.9% to 3.3%) per annum.

5 Property and equipment

	Note	30 June 2018 (Un-audited) AFN '000'	31 December 2017 (Audited) AFN '000'
Property and equipment - movement			
<i>Opening balance (Audited):</i>			
Cost		21,292	19,859
Accumulated depreciation		(18,790)	(17,718)
Net book amount		<u>2,502</u>	<u>2,141</u>
<i>Movement during the period / year:</i>			
Additions		14,473	1,433
Depreciation		(1,053)	(1,072)
		<u>13,420</u>	<u>361</u>
<i>Closing balance:</i>			
Cost		35,765	21,292
Accumulated depreciation		(19,843)	(18,790)
Net book amount		<u>15,922</u>	<u>2,502</u>

6 DEPOSITS FROM CUSTOMERS

<b>Local currency</b>			
Term deposits		-	50,000
Current deposits		80,953	208,831
Saving deposits	6.1	432	56,299
		<u>81,385</u>	<u>315,130</u>
<b>Foreign currency</b>			
Term deposits	6.2	2,930	717,316
Current deposits		1,295,136	2,062,210
Saving deposits	6.1	51,188	1,004,862
		<u>1,349,254</u>	<u>3,784,388</u>
Cash margin deposits		18,320	47,000
		<u>1,448,959</u>	<u>4,146,518</u>

6.1 These balances are interest free, (2017: 0.10% to 1.5% per annum), as during the period management decided to cease interest on these deposits due to overall decline in operations of the Bank, effective from 2 May 2018, available on demand basis, (2017: having maturity of 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

7.1 Contingencies

Letter of guarantees	7.1.1	<u>542,033</u>	<u>1,059,151</u>
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7.1.1 These represent bid bond and performance based guarantees issued by the Bank.

Letter of credit and acceptances		<u>10,623</u>	<u>10,108</u>
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7.2 Commitments

Undrawn loan and overdraft facilities		<u>-</u>	<u>246</u>
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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:

Name of group companies	Nature of transactions	Six months ended		Three months ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		(Un-audited) AFN '000	(Un-audited) AFN '000	(Un-audited) AFN '000	(Un-audited) AFN '000
HBL Hong Kong	Placement made	-	3,176,868	-	1,872,200
	Placement matured	-	2,905,348	-	1,667,960
	Income earned on placements	-	60,573	-	57,827
HBL Singapore	Placement made	-	1,490,560	-	885,040
	Placement matured	-	1,423,280	-	885,040
	Income earned on placements	-	2,004	-	1,245
HBL Turkey	Placement made	-	67,730	-	-
	Placement matured	-	67,590	-	67,590
	Income earned on placements	-	348	-	348
HBL Bahrain	Placement made	4,433,930	2,671,560	2,196,692	1,191,400
	Placement matured	4,597,780	3,182,160	2,372,956	1,702,000
	Placement sold	343,600	-	-	-
	Income earned on placements	24,008	28,468	12,221	14,837
HBL Kenya	Placement made	-	7,159,424	-	3,506,120
	Placement matured	-	7,293,584	-	3,472,080
	Income earned on placements	-	5,577	-	2,673
HBL Sri Lanka	Placement made	-	742,640	-	408,540
	Placement matured	-	746,490	-	408,540
	Income earned on placements	-	762	-	180
HBL London	Placement made	-	340,400	-	-
	Placement matured	343,600	340,400	-	-
	Income earned on placements	2,027	9,623	-	4,860
HBL Pakistan - Treasury	Sale of held to maturity investment bonds	1,328,056	-	-	-
	Placement made	-	714,840	-	714,840
	Placement matured	-	714,840	-	714,840
	Income earned on placements	-	153	-	153
FMFB - Afghanistan	Placement made	-	3,000,865	-	300,000
	Placement matured	-	2,677,910	-	-
	Income earned on placements	-	2,858	-	1,791
HBL KEPZ	Placement made	-	1,259,480	-	1,259,480
	Placement matured	-	1,191,400	-	1,191,400
	Income earned on placements	-	142	-	142
HBL Lebanon	Placement made	-	612,720	-	612,720
	Placement matured	-	612,720	-	612,720
	Income earned on placements	-	90	-	90
Tourism Promotion Services - KSH (Current Accounts)	Withdrawals	83,693	352,042	23,090	182,344
	Receipts	77,772	330,782	18,456	170,649
Telecom Development Co. Afghanistan (Current Accounts)	Withdrawals	2,502	153,619	2,502	150,720
	Receipts	661	289,386	39	288,745
French Medical Institute for Children (Current Accounts)	Withdrawals	2,654	44	1,402	42
	Receipts	3	12	-	12
Key management personnel compensation	Salaries and benefits	4,741	5,393	1,970	3,434

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 / year end are as follows:

Name of group companies	Nature of transactions	30 June	31 December
		2018 (Un-audited) AFN '000'	2017 (Audited) AFN '000'
HBL Bahrain	Placement	2,196,692	2,245,439
Habib Allied International Bank	Available for sale investments	-	348,550
HBL Brussels	Current Account	26,436	99,304
Habib Allied International Bank	Current Account	-	321
HBL Foreign Exchange Pakistan	Current Account	5,136	283
<b>Deposits from Customers</b>			
Tourism Promotion Services - KSH		11,472	16,973
French Medical Institute for Children (FMIC)		1,558	4,101
Telecom Development Company Afghanistan		340	2,173
<b>Key management personnel compensation</b>			
Accounts balances		5	2,890

9 GENERAL

9.1 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. No significant reclassifications were made during the period.

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 Aug 15, 2018

  
Country Finance Manager

  
Country Manager