

## 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 September 2016** and the related condensed interim statements of comprehensive income, cash flow and changes in equity together with the notes forming part thereof (here-in-after referred to as the "the condensed interim financial information") for the nine month 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 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.

### *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 international accounting standard No. 34 "Interim Financial Reporting".

### *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 nine month 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 nine month ended 30 September 2015 was not reviewed.



Chartered Accountants

Engagement Partner: Shabbir Yunus

Date: 14 November 2016

Kabul, Afghanistan





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

	Note	30 September 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>Assets</b>			
Cash and cash equivalents	4	4,084,815	5,675,399
Lendings to financial institutions	5	1,297,107	511,820
Investments	6	2,069,137	2,133,668
Loans and advances to customers - net	7	36,282	80,481
Property and equipment		2,367	2,497
Other assets		98,252	27,481
<b>Total assets</b>		<b>7,587,960</b>	<b>8,431,346</b>
<b>Liabilities</b>			
Deposits from banks	8	692,544	1,299,030
Deposits from customers	9	5,619,006	5,785,513
Deferred tax liability		-	7
Taxation - net		51,910	32,864
Other liabilities		57,369	80,321
<b>Total liabilities</b>		<b>6,420,829</b>	<b>7,197,735</b>
<b>Equity</b>			
Capital contributed by head office		1,000,242	1,000,242
Retained earnings		166,889	233,369
<b>Total equity</b>		<b>1,167,131</b>	<b>1,233,611</b>
<b>Total liabilities and equity</b>		<b>7,587,960</b>	<b>8,431,346</b>
<b>Contingencies and commitments</b>	10		

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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**Country Finance Manager**


  
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**Country Manager**

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


	Note	Nine month ended		Three month ended	
		30 September 2016 Afs '000'	30 September 2015 Afs '000'	30 September 2016 Afs '000'	30 September 2015 Afs '000'
Interest income	11	170,967	158,082	58,195	55,571
Interest expense	12	(47,931)	(37,714)	(17,978)	(15,149)
<b>Net interest income</b>		<b>123,036</b>	<b>120,368</b>	<b>40,217</b>	<b>40,422</b>
Fee and commission income - net		30,767	19,005	6,470	6,973
Income from dealing in foreign currencies		22,145	13,495	8,820	8,568
Other income		4,200	8,158	1,131	1,270
		<b>180,148</b>	<b>161,026</b>	<b>56,638</b>	<b>57,233</b>
Provision on loans and advances		(821)	(9,437)	-	(9,437)
Personnel expenses		(32,881)	(34,793)	(10,552)	(15,051)
Occupancy expenses		(11,483)	(8,324)	(4,750)	(3,652)
Depreciation		(639)	(477)	(216)	(164)
Other operating expenses		(20,007)	(18,097)	(7,304)	(5,545)
		<b>(65,831)</b>	<b>(71,128)</b>	<b>(22,822)</b>	<b>(33,849)</b>
<b>Profit before taxation</b>		<b>114,317</b>	<b>89,898</b>	<b>33,816</b>	<b>23,384</b>
Taxation		(27,672)	(19,037)	(9,045)	(5,967)
<b>Profit after taxation</b>		<b>86,645</b>	<b>70,861</b>	<b>24,771</b>	<b>17,417</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income during the period</b>		<b>86,645</b>	<b>70,861</b>	<b>24,771</b>	<b>17,417</b>

The annexed notes 1 to 14 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 (Un-audited)**  
**For nine months ended 30 September 2016**

	Nine month ended 30 September 2016 Afs '000'	Nine month ended 30 September 2015 Afs '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	114,317	89,898
<b>Adjustment for non-cash item</b>		
Depreciation	639	477
	<u>114,956</u>	<u>90,375</u>
<b>Increase in operating assets</b>		
Lendings to financial institutions	(785,287)	(318,106)
Loans and advances to customers - net	44,199	39,889
Other assets	(70,771)	(81,467)
	<u>(811,859)</u>	<u>(359,684)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Deposits from banks	(606,486)	295,933
Deposits from customers	(166,507)	99,618
Other liabilities	(22,952)	137,695
	<u>(795,945)</u>	<u>533,246</u>
Income tax paid	(8,627)	(23,923)
<b>Net cash flows (used in) / from operating activities</b>	<u>(1,501,475)</u>	<u>240,014</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments	64,531	(150,668)
Acquisition of property and equipment	(515)	(810)
<b>Net cash flows from / (used in) investing activities</b>	<u>64,016</u>	<u>(151,478)</u>
Transfer to Head Office	(153,125)	(100,000)
<b>Net decrease in cash and cash equivalents during the period</b>	<u>(1,590,584)</u>	<u>(11,464)</u>
Cash and cash equivalents at the beginning of the period	5,675,399	5,555,361
<b>Cash and cash equivalents at the end of the period</b>	<u><u>4,084,815</u></u>	<u><u>5,543,897</u></u>

The annexed notes 1 to 14 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 (Un-audited)**  
**For nine months ended 30 September 2016**

	Capital contributed by head office	Retained earnings	Total
	Afs '000'		
<b>Balance as at 01 January 2015</b>	<b>1,000,242</b>	<b>107,133</b>	<b>1,107,375</b>
Payment to Head Office	-	(100,000)	(100,000)
Profit after taxation	-	70,861	70,861
Other comprehensive income	-	-	-
Total other comprehensive income during the period	-	-	-
<b>Balance as at 30 September 2015 - (Un-audited)</b>	<b>1,000,242</b>	<b>77,994</b>	<b>1,078,236</b>
Profit after taxation	-	155,375	155,375
Other comprehensive income	-	-	-
<b>Balance as at 31 December 2015 - (Audited)</b>	<b>1,000,242</b>	<b>233,369</b>	<b>1,233,611</b>
Payment to Head Office	-	(153,125)	(153,125)
Profit after taxation	-	86,645	86,645
Other comprehensive income	-	-	-
Total other comprehensive income during the period	-	-	-
<b>Balance as at 30 September 2016 - (Un-audited)</b>	<b>1,000,242</b>	<b>166,889</b>	<b>1,167,131</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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**Country Finance Manager**

  
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**Country Manager**

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

**1 STATUS AND NATURE OF BUSINESS**

Habib Bank Limited Afghanistan Branches (the Bank) is a foreign operation of Habib Bank Limited, Pakistan operating in Afghanistan. The Bank commenced its operations on 14 April 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 which was renewed on 21 September 2016 and is valid till 22 June 2017. 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 September 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 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 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.

		30 September 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>4 CASH AND CASH EQUIVALENTS</b>	Note		
<b>Cash in Hand</b>			
Local Currency - AFS		13,955	17,150
Foreign Currency - USD		18,095	86,447
Foreign Currency - EURO		3,679	4,357
		<u>35,729</u>	<u>107,954</u>
<b>Balances with Financial Institutions</b>			
Balances with DAB	4.1	832,960	495,896
Balances with HBL international branches - related party	4.2	3,166,881	3,977,629
Balances with other banks and financial institutions	4.3	49,245	1,093,920
		<u>4,049,086</u>	<u>5,567,445</u>
		<u>4,084,815</u>	<u>5,675,399</u>

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

	Note	30 September 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>4.1 Balances with DAB</b>			
<b>Foreign currency</b>			
Current accounts		1,500	9,668
<b>Local currency</b>			
Current accounts		406,596	63,271
Required reserve account	4.1.1	424,864	422,927
Overnight deposits		-	30
		<b>831,460</b>	<b>486,228</b>
		<b>832,960</b>	<b>495,896</b>
<b>4.1.1</b>	This represents the required reserve maintained with Da Afghanistan Bank (DAB) to meet minimum reserve requirements. This carries mark-up at the rate of Nil per annum (2015: Nil per annum).		
<b>4.2 Balances with HBL international branches - related party</b>			
<b>Foreign currency</b>			
Placements	4.2.1	<b>3,166,881</b>	3,977,629
<b>4.2.1</b>	This represents a portfolio of placements with HBL international branches (related party). These placements have different maturity periods starting from 14 days to 6 months and carry interest rate ranging from 1.5% to 3% per annum (2015: 0.8% to 3.64% per annum).		
<b>4.3 Balances with other banks and financial institutions</b>			
<b>Foreign currency</b>			
Placements	4.3.1	<b>49,245</b>	1,093,920
<b>4.3.1</b>	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 rates ranging from 1.35% to 2% per annum (2015: 1.5% to 2.05% per annum).		
<b>5 LENDINGS TO FINANCIAL INSTITUTIONS</b>			
<b>Foreign currency</b>			
Trade bills	5.1	<b>1,297,107</b>	511,820
<b>5.1</b>	This represents trade bills purchased at discount rate ranging from 2.3% to 3% per annum (2015: 1.5% to 2.6% per annum) maturity period from 3 to 6 months.		
<b>6 INVESTMENTS</b>			
<b>Investments classified as:</b>			
Available-for-sale	6.1	<b>328,300</b>	683,700
<b>Held-to-maturity:</b>			
Capital notes with DAB	6.2	<b>1,161,259</b>	1,053,434
Bonds	6.3	<b>579,578</b>	396,534
		<b>1,740,837</b>	1,449,968
		<b>2,069,137</b>	<b>2,133,668</b>

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

- 6.1 This represents investment amounting to AFS 328 million (2015: AFS 684 million) in variable rate subordinated loan
- 6.2 These are capital notes issued by DAB having face value of Afs 1,239,500,000 (2015: Afs 1,091,000,000) carry interest 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).
- 6.3 These represent investment in foreign currency bonds issued by Government of Pakistan and Government of Srilanka. These carry interest rates ranging from 6% to 7.25% per annum (2015: 7.125% to 7.25%) maturing on 31 March 2019 and 15 April 2019.

	Note	30 September 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>7 LOANS AND ADVANCES TO CUSTOMERS - NET</b>			
Corporate and commercial finances	7.1	38,252	81,712
Less: Provision against loans and advances	7.2	(1,970)	(1,231)
		<u>36,282</u>	<u>80,481</u>
7.1 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 USD 600,000 (Equivalent to Afs 39,396,000) (2015: Afs 68,038,000). Demand finance carry interest at Nil per annum (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 ranging from 12% to 14% per annum (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.			
<b>7.2 Provisions against loans and advances</b>			
Opening balance		1,231	8,978
Charge for the period / year	7.2.1	822	1,126
Exchange rate fluctuation		(83)	852
		739	1,978
Loan written off during the period / year		-	(9,725)
Closing balance		<u>1,970</u>	<u>1,231</u>
7.2.1 As at 30 September 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.			
<b>8 DEPOSITS FROM BANKS</b>			
Bank Alfalah Limited - Kabul		328,300	273,480
First Micro Finance Bank Limited - Afghanistan		117,264	1,025,550
Afghan United Bank		196,980	-
Azizi Bank		50,000	-
	8.1	<u>692,544</u>	<u>1,299,030</u>



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

- 8.1 These represent interest free current accounts 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% per annum (2015: 0.35% to 3.75% per annum).

		30 September 2016 (Un-audited) Afs '000'	31 December 2015 (Audited) Afs '000'
<b>9</b>	<b>DEPOSITS FROM CUSTOMERS</b>		
	<b>Local currency</b>		
	Term deposits	1,252,000	1,052,000
	Current deposits	188,696	174,075
	Saving deposits	46,923	44,880
		<b>1,487,619</b>	<b>1,270,955</b>
	<b>Foreign currency</b>		
	Term deposits	281,681	181,181
	Current deposits	3,406,416	4,044,901
	Saving deposits	443,290	288,476
		<b>4,131,387</b>	<b>4,514,558</b>
		<b>5,619,006</b>	<b>5,785,513</b>

- 9.1 These carry interest 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).
- 9.2 These carry interest rates ranging from 0.10 % to 2% per annum (2015: 0.10 % to 1.5% per annum) and have a maturity period ranging from 01 to 06 months (2015: 01 to 06 months).
- 9.3 These carry interest rates ranging from 1% to 1.75% per annum (2015: 1.75% per annum) and have maturity period of 01 year (2015: 01 year).

**10 CONTINGENCIES AND COMMITMENTS**

**10.1 Contingencies**

Guarantees	10.1.1	<b>1,149,027</b>	<b>1,120,363</b>
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- 10.1.1 These represent bid bonds and performance based guarantees issued by the Bank.

- 10.1.2 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 of the Bank are confident that outcome of the tax audit is not expected to result in any unfavorable outcome to the Bank.

**10.2 Commitments**

Letter of credit and acceptances		<b>39,406</b>	<b>38,345</b>
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Habib Bank Limited Afghanistan Branches  
Notes to the condensed interim financial statements (Un-audited)  
For nine months ended 30 September 2016

11	INTEREST INCOME	Nine months ended		Three months ended	
		30 September 2016 Afs '000'	30 September 2015 Afs '000'	30 September 2016 Afs '000'	30 September 2015 Afs '000'
	Mark-up on advance to customers	6,027	12,186	1,284	3,954
	Mark-up on advance to financial institutions - trade bills	22,335	4,489	8,561	1,618
	Interest on investment - available for sale	14,151	22,346	4,551	7,873
	Interest on investment - capital note	48,116	67,269	15,305	21,371
	Interest on investment - bonds	30,665	-	15,225	-
	Interest on placements	49,673	51,792	13,269	20,755
		<u>170,967</u>	<u>158,082</u>	<u>58,195</u>	<u>55,571</u>
12	INTEREST EXPENSE				
	Interest expense on customers deposit	40,379	28,824	14,620	11,634
	Interest expense on bank deposit	7,552	8,890	3,358	3,515
		<u>47,931</u>	<u>37,714</u>	<u>17,978</u>	<u>15,149</u>

13 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.

13.1 Transactions with other related parties

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

Name of group companies	Nature of transaction	Nine months ended		Three months ended	
		30 September 2016 Afs '000'	30 September 2015 Afs '000'	30 September 2016 Afs '000'	30 September 2015 Afs '000'
HBL Hong Kong	Placement made	3,357,569	3,131,345	855,984	1,300,110
	Placement matured	3,734,165	3,379,990	924,000	1,173,270
	Income earned on placements	8,847	8,389	2,565	2,419
HBL Singapore	Placement made	1,958,180	2,511,200	656,600	1,268,400
	Placement matured	2,709,480	2,511,200	722,260	1,268,400
	Income earned on placements	4,843	12,078	1,058	3,882
HBL Turkey	Placement made	612,510	627,500	99,000	475,650
	Placement matured	608,520	475,650	198,000	475,650
	Income earned on placements	382	958	191	479
HBL Bahrain	Placement made	3,806,560	-	792,000	-
	Placement matured	1,952,740	-	787,920	-
	Income earned on placements	14,704	-	5,143	-
HBL New York	Placement made	-	789,620	-	-
	Placement matured	-	789,620	-	-
	Income earned on placements	-	-	-	-
HBL Kenya	Placement made	4,109,735	3,027,130	1,267,200	1,300,110
	Placement matured	3,693,965	2,994,240	1,056,000	1,204,980
	Income earned on placements	5,970	5,025	2,519	1,405
HBL Srilanka	Placement made	549,280	253,680	-	253,680
	Placement matured	686,600	-	-	-
	Income earned on placements	2,001	-	-	-
HBL Pakistan - Treasury	Placement made	-	-	-	-
	Placement matured	-	-	-	-
	Income earned on placements	-	182	-	91
<b>Key management personnel compensation</b>					
Salaries and benefits		<u>7,297</u>	<u>5,700</u>	<u>1,910</u>	<u>1,998</u>

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 (Un-audited)**  
**For nine months ended 30 September 2016**


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

Name of group companies	Nature of balances	30 September	31 December
		2016 (Un-audited) Afs '000'	2015 (Audited) Afs '000'
HBL Srilanka	Placement	-	256,480
HBL Bahrain	Placement	1,444,520	-
HBL Singapore	Placement	262,640	1,282,400
HBL Hong Kong	Placement	853,071	865,620
HBL Kenya	Placement	459,620	480,900
Habib Allied International Bank	Available for sale investments	328,300	641,200
HBL Turkey	Placement	-	160,300
HBL Brussels	Current Account	19,946	30,418
Habib Allied International Bank	Current Account	105,996	1,232
HBL New York	Current Account	20,683	886,993
HBL Foreign Exchange Pakistan	Current Account	406	1,739,862

14 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

14-Nov-2016.  
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 Country Finance Manager

  
 Country Manager