

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 September 2018** and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the nine 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, as disclosed in note 2 to the condensed interim financial information, this accompanying condensed interim financial information does not incorporate the impact of IFRS 9 which constitutes a departure from applicable financial reporting framework.

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".



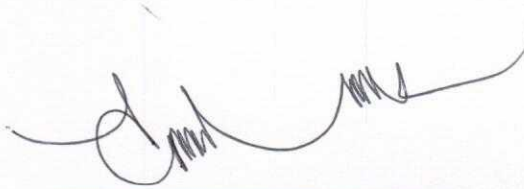
Chartered Accountants
Engagement Partner: Shabbir Yunus
Date: 14 November 2018
Kabul, Afghanistan

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

	Note	30 September 2018 (Un-audited) AFN '000'	31 December 2017 (Audited) AFN '000'
ASSETS			
Cash and cash equivalents	4	2,740,942	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	14,918	2,502
Other assets		12,103	22,853
Deferred tax asset		9,636	9,636
Total assets		2,777,599	5,930,909
LIABILITIES			
Borrowing from banks		-	348,550
Deposits from customers	6	1,263,815	4,146,518
Current tax liability		30,545	34,107
Other liabilities		11,382	26,591
Total liabilities		1,305,742	4,555,766
EQUITY			
Capital contributed by head office		1,000,242	1,000,242
Capital reserve		16,874	16,874
Retained earnings		454,741	358,027
Total equity		1,471,857	1,375,143
Total liabilities and equity		2,777,599	5,930,909
Contingencies and commitments	7		

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


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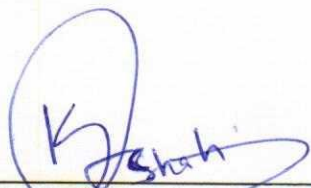

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HABIB BANK LIMITED AFGHANISTAN BRANCH
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Nine months ended		Three months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'	(Un-audited) AFN '000'
Note				
Interest income	42,779	246,520	12,528	79,606
Interest expense	(3,297)	(106,817)	(3)	(33,370)
Net Interest Income	39,482	139,703	12,525	46,236
Fee and commission income - net	1,944	37,231	588	9,879
Income from dealing in foreign currencies	97,584	49,867	36,957	31,524
Gain on sale of securities	13,547	-	-	-
Other income	1,757	5,177	526	1,178
	154,314	231,978	50,596	88,817
Reversal / (provision) on placements	1,173	(26,992)	915	664
Reversal / (provision) on lending to financial institutions	8,127	(2,390)	-	(464)
Reversal / (provision) on investments	16,575	(16,068)	-	249
Reversal of provision on loans and advances to customers	349	-	-	-
Reversal / (provision) on other assets	94	(110)	101	(65)
Reversal / (provision) on off balance sheet items	7,192	(14,316)	1,908	(423)
Personnel expenses	(31,313)	(29,474)	(11,663)	(10,167)
Occupancy expenses	(11,029)	(11,741)	(3,719)	(3,471)
Depreciation	(2,057)	(677)	(1,004)	(213)
Penalty	(5,376)	(1,233)	(488)	(1,233)
Other operating expenses	(24,765)	(22,123)	(10,768)	(9,713)
PROFIT BEFORE INCOME TAX	113,284	106,854	25,878	63,981
Taxation	(16,570)	(27,993)	(4,598)	(12,365)
PROFIT FOR THE PERIOD	96,714	78,861	21,280	51,616
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss in subsequent periods	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	96,714	78,861	21,280	51,616

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 CHANGES IN EQUITY
FOR NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	78,861	78,861
Transfer to Head office during the period	-	-	(42,813)	(42,813)
Other comprehensive income for nine months	-	-	-	-
			36,048	36,048
Balance as at 30 September 2017 - (Un-audited)	<u>1,000,242</u>	<u>6,234</u>	<u>234,735</u>	<u>1,241,211</u>
Balance as at 01 January 2018 - (Audited)	1,000,242	16,874	358,027	1,375,143
Profit for the period	-	-	96,714	96,714
Other comprehensive income for nine months	-	-	-	-
Balance as at 30 September 2018 - (Un-audited)	<u>1,000,242</u>	<u>16,874</u>	<u>454,741</u>	<u>1,471,857</u>

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

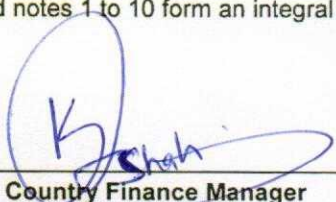

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HABIB BANK LIMITED AFGHANISTAN BRANCH
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	Nine months ended 30 September 2018 (Un-audited) AFN '000'	Nine months ended 30 September 2017 (Un-audited) AFN '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		96,714	78,861
Adjustment for:			
Depreciation	5	2,057	677
(Reversal) / provision on lending to financial institutions		(8,127)	2,390
(Reversal) / provision on investments		(16,575)	16,068
Reversal of provision on loans and advances to customers		(349)	-
(Reversal) / provision on other assets		(94)	110
(Reversal) / provision on off balance sheet items		(7,192)	14,316
Net interest income		(39,482)	(139,703)
Income tax expense		16,570	27,993
		<u>43,522</u>	<u>712</u>
Changes in operating assets and liabilities			
Lending to financial institutions		812,690	84,482
Loans and advances to customers - net		6,725	(1,411)
Other assets		691	(9,338)
Borrowing from banks		(348,550)	(251,846)
Deposits from customers		(2,882,703)	(1,071,363)
Other liabilities		(1,348)	34,141
		<u>(2,368,973)</u>	<u>(1,214,623)</u>
Interest received		52,908	196,340
Interest paid		(9,944)	(99,731)
Income tax paid		(20,130)	(2,831)
Net cash used in operating activities		<u>(2,346,139)</u>	<u>(1,120,845)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Investments matured / (made)		1,657,547	(427,230)
Acquisition of property and equipment	5	(14,473)	(1,433)
Net cash generated from / (used in) investing activities		<u>1,643,074</u>	<u>(428,663)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Transfer to head office		-	(42,813)
Net cash used in financing activities		<u>-</u>	<u>(42,813)</u>
Net decrease in cash and cash equivalents		<u>(703,065)</u>	<u>(1,592,321)</u>
Cash and cash equivalents at beginning of the period		3,444,007	5,231,279
Cash and cash equivalents at end of the period	4	<u><u>2,740,942</u></u>	<u><u>3,638,958</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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months period ended 30 September 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.

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4 CASH AND CASH EQUIVALENTS

		30 September 2018 (Un-audited) AFN '000'	31 December 2017 (Audited) AFN '000'
Cash in hand			
Local currency		7,251	9,580
Foreign currency		36,871	29,629
		<u>44,123</u>	<u>39,209</u>
Balances with financial institutions			
Balances with Da Afghanistan Bank	4.1	637,633	1,081,905
Balances with HBL - related parties	4.2	2,059,186	2,322,893
		<u>2,696,820</u>	<u>3,404,798</u>
		<u>2,740,942</u>	<u>3,444,007</u>
4.1 Balances with Da Afghanistan Bank			
Local currency			
Current accounts		113,654	505,103
Required reserve account	4.1.1	7,341	25,733
Overnight deposits		250,825	796
		<u>371,820</u>	<u>531,632</u>
Foreign currency			
Current accounts		142,457	299,749
Required reserve account	4.1.1	123,356	250,524
		<u>265,813</u>	<u>550,273</u>
		<u>637,633</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 Balances with HBL - related parties			
Foreign currency			
Nostro accounts		10,798	99,908
Placements	4.2.1	2,069,671	2,245,439
General provision held		(21,282)	(22,454)
		<u>2,059,186</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 2.3% to 2.6% (2017: 1.9% to 3.3%) per annum.

5 PROPERTY AND EQUIPMENT

	30 September 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	(2,057)	(1,072)
	<u>12,416</u>	<u>361</u>
<i>Closing balance:</i>		
Cost	35,765	21,292
Accumulated depreciation	(20,847)	(18,790)
Net book amount	<u>14,918</u>	<u>2,502</u>

6 DEPOSITS FROM CUSTOMERS

Local currency		
Term deposits	-	50,000
Current deposits	78,758	208,831
Saving deposits	5,742	56,299
	<u>84,500</u>	<u>315,130</u>
Foreign currency		
Term deposits	-	717,316
Current deposits	1,159,764	2,062,210
Saving deposits	743	1,004,862
	<u>1,160,507</u>	<u>3,784,388</u>
Cash margin deposits	18,808	47,000
	<u>1,263,815</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.

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>345,494</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>10,108</u>
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7.2 Commitments

Undrawn loan and overdraft facilities	-	<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	Nine months ended		Three months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
		AFN '000	AFN '000	AFN '000	AFN '000
HBL Hong Kong	Placement made	-	4,664,448	-	1,487,580
	Placement matured	-	5,558,426	-	2,653,078
	Income earned on placements	-	67,444	-	6,871
HBL Singapore	Placement made	-	1,901,560	-	411,000
	Placement matured	-	2,107,840	-	684,560
	Income earned on placements	-	3,164	-	1,160
HBL Turkey	Placement made	-	67,730	-	-
	Placement matured	-	67,590	-	-
	Income earned on placements	-	348	-	-
HBL Bahrain	Placement made	6,426,997	5,372,965	1,993,067	2,701,405
	Placement matured	6,782,178	5,028,690	2,184,398	1,846,530
	Placement sold	343,600	-	-	-
	Income earned on placements	36,908	42,260	12,900	13,792
HBL Kenya	Placement made	-	7,432,984	-	273,560
	Placement matured	-	8,285,239	-	991,655
	Income earned on placements	-	8,189	-	2,612
HBL Sri Lanka	Placement made	-	1,084,690	-	342,050
	Placement matured	-	1,088,540	-	342,050
	Income earned on placements	-	953	-	191
HBL London	Placement made	-	-	-	-
	Placement matured	343,600	-	-	-
	Income earned on placements	2,027	-	-	-
HBL Pakistan - Treasury	Sale of held to maturity investment bonds	1,328,056	-	-	-
	Placement made	-	714,840	-	-
	Placement matured	-	714,840	-	-
	Income earned on placements	-	153	-	-
FMFB - Afghanistan	Placement made	-	3,000,865	-	-
	Placement matured	-	2,977,910	-	300,000
	Income earned on placements	-	6,906	-	4,048
HBL KEPZ	Placement made	-	1,738,210	-	478,730
	Placement matured	-	1,977,885	-	786,485
	Income earned on placements	-	418	-	276
HBL Lebanon	Placement made	-	633,237	-	20,517
	Placement matured	-	653,754	-	41,034
	Income earned on placements	-	148	-	58
Tourism Promotion Services - KSH (Current Accounts)	Withdrawals	112,296	438,612	28,603	86,569
	Receipts	105,921	435,477	22,228	104,695
Telecom Development Co. Afghanistan (Current Accounts)	Withdrawals	2,502	153,619	-	-
	Receipts	688	289,586	27	201
French Medical Institute for Children (Current Accounts)	Withdrawals	2,978	269	324	226
	Receipts	3	12	-	-
Key management personnel compensation	Salaries and benefits	6,739	7,477	1,997	3,434

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

Name of group companies	Nature of transactions	30 September	31 December
		2018 (Un-audited) AFN '000'	2017 (Audited) AFN '000'
HBL Bahrain	Placement	2,069,671	2,245,439
Habib Allied International Bank	Available for sale investments	-	348,550
HBL Brussels	Current Account	9,972	99,304
Habib Allied International Bank	Current Account	-	321
HBL Foreign Exchange Pakistan	Current Account	826	283
Deposits from Customers			
Tourism Promotion Services - KSH		5,218	16,973
French Medical Institute for Children (FMIC)		1,257	4,101
Telecom Development Company Afghanistan		371	2,173
Key management personnel compensation			
Accounts Balances		1	2,890

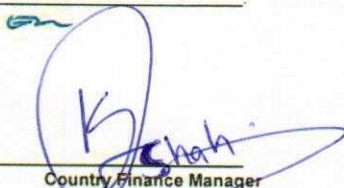
9 GENERAL

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


Country Finance Manager


Country Manager