

Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE COUNTRY MANAGER

We have audited the accompanying financial statements of National Bank of Pakistan - Afghanistan Operations (the Bank), which comprise the statement of financial position as at December 31, 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (here-in-after referred to "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting framework as stated in note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan, and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with accounting framework as stated in note 2 to the financial statements.

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Other matter

The financial statements of the bank for the year ended December 31, 2013 were audited by another firm of chartered accountants who had expressed an unqualified opinion on those statements vide their report dated March 27, 2014.

M. Yousuf Adil Saleem & Co
Chartered Accountants



Engagement Partner:
Nadeem Yousuf Adil

Date: 28 MAR 2015
Place: Kabul

Member of
Deloitte Touche Tohmatsu Limited

**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

| Note | 2014 | 2013 (Restated) | 2012 (Restated) |
|--------------------------------------|------------------|--------------------|--------------------|
| | Afs in '000' | | |
| Assets | | | |
| Cash and cash equivalents | 5 2,957,362 | 3,121,899 | 3,410,909 |
| Investment | 6 392,244 | - | - |
| Loans and advances to customers | 7 420,632 | 518,818 | 1,213,166 |
| Property and equipment | 8 9,143 | 10,642 | 12,318 |
| Deferred tax asset | 9 - | - | - |
| Other assets | 10 2,125 | 4,784 | 17,357 |
| Total assets | 3,781,506 | 3,656,143 | 4,653,750 |
| Liabilities | | | |
| Deposits from banks | 11 295,636 | 32,233 | 275,091 |
| Deposits from customers | 12 2,313,670 | 2,411,361 | 3,215,749 |
| Taxation - net | 1 1,951 | 11,352 | 27,374 |
| Other liabilities | 13 5,967 | 2,948 | 6,869 |
| Deferred tax liability | 9 40,032 | 33,517 | 14,712 |
| Total liabilities | 2,657,256 | 2,491,411 | 3,539,795 |
| Represented by (Equity): | | | |
| Head office equity - Capital account | 1,000,000 | 991,428 | 991,428 |
| Retained earnings | 124,250 | 173,304 | 122,527 |
| Total equity | 1,124,250 | 1,164,732 | 1,113,955 |
| Total equity and liabilities | 3,781,506 | 3,656,143 | 4,653,750 |
| Contingencies and commitments | 14 | | |

The annexed notes 1 to 27 form an integral part of these financial statements.

M. Yousuf Adil Saleem & Co
Deloitte
Chief Financial Officer

Country Manager

**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Note | 2014 | 2013 (Restated) |
|---|------------------|--------------------|
| | Afs in '000' | |
| Interest income | 93,097 | 126,758 |
| Interest expense | (9) | (11) |
| Net interest income | 93,088 | 126,747 |
| Fee and commission income | 16 27,098 | 34,256 |
| | 120,186 | 161,003 |
| (Impairment loss) / reversal of impairment on loans and advances to customers - net | 7.4 (4,650) | 17,061 |
| Exchange gain | 3,169 | 79,509 |
| Personnel expenses | 17 (61,438) | (63,542) |
| Depreciation | 8 (1,785) | (2,046) |
| Other expenses | 18 (39,392) | (39,517) |
| | (104,096) | (8,475) |
| Profit before taxation | 16,090 | 152,528 |
| Taxation | 19 (5,028) | (24,131) |
| Profit for the year | 11,062 | 128,397 |
| Other comprehensive income | | |
| Items that will be reclassified subsequently to profit and loss | - | - |
| Items that will not be classified subsequently to profit and loss | - | - |
| Total comprehensive income for the year | 11,062 | 128,397 |
| (Loss) / profit before un-realised exchange gain / loss and taxation | (4,858) | 64,758 |

The annexed notes 1 to 27 form an integral part of these financial statements.

M. Yousuf Adil Saleem & Co
Deloitte
Chief Financial Officer

Country Manager

**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Note | Head office equity capital account | Foreign exchange translation reserve | Retained earnings | Total |
|---|------------------------------------|--------------------------------------|-------------------|------------------|
| | Afs in '000' | | | |
| Balance as at January 01, 2013 - as previously reported | 991,428 | 86,214 | 53,121 | 1,130,763 |
| Effect of restatement | 2.3.2 - | (86,214) | 69,406 | (16,808) |
| Balance as at January 01, 2013 - Restated | 991,428 | - | 122,527 | 1,113,955 |
| Payment to Head Office during the year | - | - | (77,620) | (77,620) |
| Total comprehensive income for the year | | | | |
| Profit for the year - Restated | - | - | 128,397 | 128,397 |
| Other comprehensive income for the year - Restated | - | - | - | - |
| Total comprehensive income for the year - Restated | - | - | 128,397 | 128,397 |
| Balance as at December 31, 2013 - Restated | 991,428 | - | 173,304 | 1,164,732 |
| Payment to Head Office during the year | - | - | (51,544) | (51,544) |
| Transfer from retained earnings | 8,572 | - | (8,572) | - |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 11,062 | 11,062 |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | 11,062 | 11,062 |
| Balance as at December 31, 2014 | 1,000,000 | - | 124,250 | 1,124,250 |

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Financial Officer



Country Manager

**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Note | 2014 | 2013 (Restated) |
|---|------------------|--------------------|
| | Afs in '000' | |
| Cash flows from operating activities | | |
| Profit before taxation | 16,090 | 152,528 |
| Adjustments for: | | |
| Depreciation | 1,785 | 2,046 |
| Impairment loss on loans and advances to customers | 7,584 | - |
| | 25,459 | 154,574 |
| Changes in: | | |
| Loans and advances to customers | 90,602 | 694,348 |
| Other assets | 2,659 | 12,573 |
| Deposits from banks | 263,403 | (242,858) |
| Deposits from customers | (97,691) | (804,390) |
| Other liabilities | 3,019 | (4,122) |
| | 287,451 | (189,875) |
| Taxes paid | (7,914) | (21,145) |
| Net cash generated from / (used in) operating activities | 279,537 | (211,020) |
| Cash flows from investing activities | | |
| Investment in capital notes - held-to-maturity | (392,244) | - |
| Payments made for acquisition of property and equipment | (286) | (370) |
| Net cash used in investing activities | (392,530) | (370) |
| Cash flows from financing activities | | |
| Cash remitted to Head Office | (51,544) | (77,520) |
| Net cash used in financing activities | (51,544) | (77,520) |
| Net (decrease) / increase in cash and cash equivalents | (164,537) | (289,010) |
| Cash and cash equivalents at beginning of the year | 3,121,899 | 3,410,909 |
| Cash and cash equivalents at the end of the year | 2,957,362 | 3,121,899 |

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Financial Officer



Country Manager