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INDEPENDENT AUDITOR'S REPORT

To the Country Manager of National Bank of Pakistan - Afghanistan Operations

Opinion

We have audited the financial statements of National Bank of Pakistan - Afghanistan Operations (the Bank), which comprise of the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and Laws of Banking in Afghanistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements of our report. We are independent of the Bank and National Bank of Pakistan in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Pakistan (ICAP Code), and we have fulfilled our other ethical responsibilities in accordance with the ICAP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

In connection with our audit of the financial statements of the Bank, we have been informed by the management that there is no other information that is attached by them along with the financial statements and our auditor's report thereon.

Responsibilities of Management and the Country Manager for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and Laws of Banking in Afghanistan, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Country Manager is responsible for overseeing the Bank's financial reporting process.

Member of
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**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note	2016	2015
	Afs in '000'	
Interest income	96,196	94,426
Interest expense	(12)	(15)
Net interest income	96,184	94,411
Fee and commission income	27,190	27,132
	123,374	121,543
Reversal / (Impairment loss) on loans and advances to customers - net	8,531	(4,553)
Exchange (loss) / gain	(34,701)	83,071
Personnel expenses	(83,839)	(82,216)
Depreciation	(2,295)	(1,945)
Other expenses	(35,844)	(38,965)
	(120,148)	(24,608)
Profit before taxation	3,226	96,935
Taxation	(273)	19,936
Profit for the year	2,953	116,871
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
- Unrealised gain revaluation on available-for-sale instruments	1,500	-
- Less: tax thereon	(300)	-
	1,200	-
Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	4,153	116,871

The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Financial Officer

Country Manager

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Country Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Engagement Partner:
Naresh Kumar

Date: March 07, 2017
Place: Kabul Afghanistan

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**NATIONAL BANK OF PAKISTAN - AFGHANISTAN OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

Note	2016	2015
	Afs in '000'	
Assets		
Cash and cash equivalents	2,147,117	2,917,747
Investment	1,197,277	523,922
Loans and advances to customers	380,370	484,626
Advance tax	3,332	-
Property and equipment	8,208	10,376
Other assets	6,635	980
Total assets	3,742,939	3,937,651
Liabilities		
Deposits from banks	503	342,765
Deposits from customers	2,480,174	2,330,796
Taxation - net	-	17,934
Other liabilities	15,106	2,971
Deferred tax liability	1,882	2,064
Total liabilities	2,497,665	2,696,530
Equity		
Head office equity - Capital account	1,000,000	1,000,000
Retained earnings	244,074	241,121
Unrealised gain on available-for-sale instruments	1,200	-
Total equity	1,245,274	1,241,121
Total equity and liabilities	3,742,939	3,937,651
Contingencies and commitments	14	

The annexed notes 1 to 26 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, 2016**

Note	2016	2015
	Afs in '000'	
Cash flows from operating activities		
Profit before taxation	3,226	96,935
Adjustments for:	2,295	1,945
Depreciation	(8,531)	4,553
(Reversal) / Impairment loss on loans and advances to customers	(19,035)	(32,026)
Interest income on investment in capital notes	(12,204)	-
Interest income on investment in GOP euro bonds	-	28
Loss on disposal of property and equipment	(32,249)	71,435
Decrease / (Increase) in operating assets	110,787	(68,547)
Loans and advances to customers	(150)	1,145
Other assets		
(Decrease) / Increase in operating liabilities	(342,262)	47,129
Deposits from banks	149,378	17,126
Deposits from customers	12,135	(2,996)
Other liabilities		
Cash (used in) / generated from operations	(102,361)	85,292
Taxes paid	(22,021)	(2,049)
Net cash (used in) / generated from operating activities	(124,382)	83,243
Cash flows from investing activities		
Investment in capital notes - held-to-maturity	(487,422)	(499,652)
Sale proceeds from redemption of capital notes - held-to-maturity	541,928	400,000
Investment in GOP Euro Bonds - held-to-maturity	(488,397)	-
Investment in GOP Euro Bonds - available-for-sale	(218,929)	-
Coupon interest received - GOP euro bonds	6,899	-
Payments made for acquisition of property and equipment	(405)	(3,218)
Sale proceeds from disposal of property and equipment	278	12
Net cash used in investing activities	(646,248)	(102,858)
Cash flows from financing activities		
Net decrease in cash and cash equivalents	(770,630)	(39,615)
Cash and cash equivalents at beginning of the year	2,917,747	2,957,362
Cash and cash equivalents at the end of the year	2,147,117	2,917,747

The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Financial Officer

Country Manager