

BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS ON MARCH 31, 2018

	Note	Un-Audited 31-Mar-18.....Afs	Audited 31-Dec-17 '000'.....
ASSETS			
Cash and cash equivalents	5	6,524,331	7,722,538
Loans and advances to customers	6	562,246	680,379
Investments	7	364,634	4,102,370
Property and equipment		393,694	397,876
Intangible assets		136,794	137,153
Non current assets held for sale		104,689	104,958
Deferred tax asset		126,955	126,955
Other assets	8	1,600,714	1,284,801
Total assets		9,814,057	14,557,030
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,725,000	1,725,000
Retained earning		(678,766)	(577,209)
Total equity		1,046,234	1,147,791
Liabilities			
Deposits from customers	10	8,432,011	12,168,896
Deposits from banks	11	-	904,333
Other liabilities	12	335,812	336,010
Total liabilities		8,767,823	13,409,239
Total equity and liabilities		9,814,057	14,557,030
Contingencies and commitments	13	-	-

The annexed notes 1 to 20 form an integral part of these financial statements.


 Chief Executive Officer


 Chief Finance Officer

BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

	Note	31-Mar-18.....Afs '000'.....	31-Mar-17.....Afs '000'.....
Interest income		27,960	66,839
Interest expense		(29,246)	(39,396)
Net interest income	14	(1,286)	27,443
Fee and commission income		40,554	61,082
Fee and commission expense		(2,771)	(5,525)
Net fee and commission income	15	37,783	55,557
Foreign exchange (loss) / gain	16	(48,265)	18,657
Other non-interest income	16	9,626	6,796
Operating income		(2,142)	108,453
Impairment (loss) on loans and advances		111,000	41,829
Provision against non-funded facilities		18,199	(38,949)
Employee benefit expenses	17	(80,938)	(62,158)
Operating lease expenses		(21,139)	(18,410)
Depreciation		(11,963)	(11,241)
Amortization		(1,802)	(1,802)
Other expenses	18	(112,773)	(98,465)
Operating expenses		(99,416)	(189,196)
Loss before taxation		(101,558)	(80,738)
Provision for taxation		-	59,359
Loss for the period		(101,558)	(21,379)
Other comprehensive income		-	-
Total comprehensive income for the year		(101,558)	(21,379)

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive Officer

Chief Finance Officer

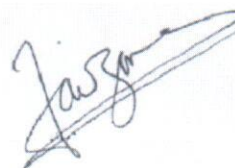
BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

	Share capital	Retained earnings	Total
	Afs '000'		
Balance as at 01 January 2017	1,575,000	(643,762)	931,238
Comprehensive income:			
Net loss for the period	-	(21,379)	(21,379)
Transactions with owners:			
Ordinary shares redeemed	150,000	-	150,000
Balance as at Mar 31, 2017	1,725,000	(665,141)	1,059,859
Balance as at 01 January 2018	1,725,000	(577,208)	1,147,792
Comprehensive income:			
Net loss for the period	-	(101,558)	(101,558)
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at March 31, 2018	1,725,000	(678,766)	1,046,234

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive Officer



Chief Finance Officer

BAKHTAR BANK

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017**

	31-Mar-18	31-Mar-17
Note	.....AFN '000'.....	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(101,558)	(80,738)
Adjustments for:		
Depreciation	11,963	11,241
Amortization	1,802	1,802
Accrued interest on cash and cash equivalents	(1,515)	(1,854)
Impairment (gain)/ loss on loans and advances	(111,000)	(41,829)
	(200,308)	(111,378)
Increase / decrease in operating assets and liabilities:		
Loans and advances to customers	229,133	193,569
Other assets	(314,398)	12,564
Deposits from customers	(3,736,885)	(1,200,657)
Deposits from banks	(904,333)	(115,703)
Other liabilities	(198)	46,935
Net cash generated from operating activities before interest and taxation	(4,926,989)	(1,174,670)
Net Withholding taxes (paid) / collected	-	-
Net cash generated from operating activities	(4,926,989)	(1,174,670)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of interest	3,737,736	2,384,756
Non-current assets held for sale	269	2,831
Acquisition of property and equipment - net of disposal	(9,223)	(13,461)
Net cash used in investing activities	3,728,782	2,374,126
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / Redemption of share capital	-	150,000
Net cash used in / generated from financing activities	-	150,000
Net increase in cash and cash equivalents	(1,198,207)	1,349,456
Cash and cash equivalents at beginning of the period	7,722,538	11,708,109
Cash and cash equivalents at the end of the period	6,524,331	13,057,565

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive Officer


Chief Finance Officer

BAKHTAR BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED MARCH 31, 2018

1. STATUS AND NATURE OF OPERATIONS

Bakhtar Bank ("the Bank") is a wholly owned subsidiary of Azizi Bank, Kabul, Afghanistan. The Bank has been licensed by Da Afghanistan Bank (DAB) ("the Central Bank of Afghanistan"). The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The registered office of the Bank is located at Malaki Zezhantoon Square, Quway-E-Markaz, Shahr-e-Naw, District 10, Kabul, Afghanistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB). Whenever, the requirements of the Law of Banking in Afghanistan differs with the requirements of IFRS, the requirement of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) takes precedence.

As a consequence of in principle permission secured by the bank for conversion to full-fledged Islamic bank on November 22, 2015, Bank had started the process of conversion as per letter no. 6786/6808 dated 26/10/1396 whereby the certain requirements were placed to be completed by Da Afghanistan Bank. Subsequently, bank had submitted the report on completion of the prerequisites which could be finalized on interim basis to Da Afghanistan Bank on February 14, 2018. Bank had started its system migration on April 01, 2018 and currently in process and in the ongoing phase of system migration and license will be secured during 2018 after completion of all post-facto items required in the above mentioned letter, in the name of "Islamic Bank of Afghanistan". However, bank had started officially using the name of "Islamic Bank of Afghanistan" since April 01, 2018. Hence for the upcoming quarter financial statements would be prepared in compliance with the Islamic Accounting Standards developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

2.3 Functional and presentation currency

These financial statements are presented in Afghani ("AFN") which is the bank's functional & National currency. Except or otherwise indicated, the financial information presented in AFN has been rounded to nearest thousand.

3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial years. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgment will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of following assets and liabilities have been taken into consideration:

- a) Provision for loan losses
- b) Provision for income taxes
- c) Useful life of property and equipment and intangible assets
- d) Held to maturity investments

4. SIGNIFICANT ACCOUNTING POLICIES

Summary of accounting policies will be read with the last year audited financial statements.

		31-Mar-2018	31-Dec-2017
	Note	.....Afs '000'.....	
5. CASH AND CASH EQUIVALENTS			
Cash in hand	5.1	1,883,308	2,833,922
Balances with banks:			
Balances with Da Afghanistan Bank		2,831,330	2,318,259
Balances with other banks	5.2	1,809,693	2,570,357
		4,641,023	4,888,616
		6,524,331	7,722,538
5.1 Cash in hand			
Local currency		905,338	1,143,322
Foreign currency		977,970	1,690,600
		1,883,308	2,833,922
5.2 Balances with other banks			
Aktif Bank		140,574	140,761
Axis Bank Limited		24,674	24,819
Azizi Bank		-	185,749
Yinzhou Bank		8	8
Development Credit Bank Ltd		27,830	36,612
BMCE Bank		1,175,002	1,882,301
Yes Bank India		141,605	106
Pashtany Bank		300,000	300,001
		1,809,693	2,570,357

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

				Note	31-Mar-2018.....Afs '000'.....	31-Dec-2017
6.	LOAN AND ADVANCES TO CUSTOMERS					
	Loans and advances to customers at amortized cost			6.1	<u>571,807</u>	<u>714,220</u>
6.1						
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	31 March 2018			31 December 2017		
	.....Afs '000'.....					
Retail customers- running finances	456,358	7,112	449,246	450,356	14,185	436,171
Long term commercial loans	89,051	2,288	86,763	202,345	5,685	196,660
Small and medium enterprise loan	12,269	-	12,269	33,575	10,282	23,293
Short term loans to employees	7,720	-	7,720	7,830	78	7,752
Other public consumer loans	6,410	161	6,248	20,114	3,611	16,503
	<u>571,807</u>	<u>9,561</u>	<u>562,246</u>	<u>714,220</u>	<u>33,841</u>	<u>680,379</u>
7.	INVESTMENTS					
				Note	31-Mar-2018.....Afs '000'.....	31-Dec-2017
Placement with ICD-MMF					347,746	-
Capital Notes with DAB				7.1	-	4,085,482
Investment in Afghanistan Payment System					<u>16,888</u>	<u>16,888</u>
					<u>364,634</u>	<u>4,102,370</u>
7.1	Capital Notes with DAB					
	Interest rate range					
Capital notes - 7 days	2017: 0.1400%				-	699,981
Capital notes - 28 days	2017: 0.135% - 0.230%				-	1,899,766
Capital notes - 91 days	2017: 1.440%				-	996,373.00
Capital notes -182 days	2017: 4.300%				-	489,362
					<u>-</u>	<u>4,085,482</u>

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	31-Mar-18	31-Dec-17
	..... Afs '000'	
8 OTHER ASSETS		
Prepayments	57,677	59,370
Receivable from DAB	3,828	5,104
Required reserve held with DAB	812,629	828,201
Security deposit	1,500	1,500
Advance income tax	148,382	145,196
Western union - In bound balance	166,551	51,938
Accrued interest	1,515	13,051
Others	408,632	180,441
	<u>1,600,714</u>	<u>1,284,801</u>
9 SHARE CAPITAL		
<i>Authorized</i>		
250,000 ordinary shares of Afs 10,000 each	<u>2,500,000</u>	<u>2,500,000</u>
<i>Issued and paid up</i>		
1,725,000 ordinary shares (2017: 1,725,000) of Afs 10,000 each	<u>1,725,000</u>	<u>1,725,000</u>
	Number of shares	
	31-Mar-18	31-Dec-17
9.1 Following is the reconciliation of number of shares:		
Number of shares at beginning of the period / year	172,200	157,200
Shares issued during the period / year	-	15,000
Number of shares at end of the period / year	<u>172,200</u>	<u>172,200</u>
	31-Mar-18	31-Dec-17
	..... Afs '000'	
9.2 Following is the reconciliation of amount of share capital:		
Share capital at beginning of the period / year	1,725,000	1,575,000
Shares issued during the period / year	-	150,000
Share capital at end of the period / year	<u>1,725,000</u>	<u>1,725,000</u>
10 DEPOSITS FROM CUSTOMERS		
Term deposits	2,024,706	2,281,885
Current deposits	3,810,953	7,461,549
Saving deposits	<u>2,596,352</u>	<u>2,425,462</u>
	<u>8,432,011</u>	<u>12,168,896</u>

BAKHITAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	Note	31-Mar-18.....Afs '000'.....	31-Dec-17
11 DEPOSITS FROM BANKS			
Azizi Bank		-	904,333
		<u>-</u>	<u>904,333</u>
12 OTHER LIABILITIES			
Withholding tax payable		9,109	5,326
Creditors and accruals		292,953	281,015
Interest Payable		394	-
Others		6,952	3,016
Provision against non-funded facilities		26,407	46,653
		<u>335,815</u>	<u>336,010</u>
13 CONTINGENCIES AND COMMITMENTS			
Guarantees and Letter of credit issued on behalf of cutomers		<u>4,035,802</u>	<u>4,665,318</u>
		31-Mar-18	31-Mar-17
		.....Afs '000'.....	
14 NET INTEREST INCOME			
Interest income			
Cash and cash equivalents		5,467	16,614
Loans and advances to customers		22,493	50,225
Total interest income		<u>27,960</u>	<u>66,839</u>
Interest expense			
Deposits from customers		29,246	39,396
Deposits from banks		-	-
Total interest expense		<u>29,246</u>	<u>39,396</u>
Net interest income		<u>(1,286)</u>	<u>27,443</u>

BAKHITAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	31-Mar-18	31-Mar-17
	.....Afs '000'.....	
15 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission income	40,423	60,755
Account servicing fee	131	327
Total fee and commission income	40,554	61,082
Fee and commission expense		
Inter-bank transaction fees	2,771	5,525
Total fee and commission expense	2,771	5,525
Net fee and commission income	37,783	55,557
16 OTHER NON-INTEREST INCOME		
Foreign exchange gain / (loss)	(48,265)	18,657
Others	9,626	6,796
	(38,639)	25,453
17 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	71,435	54,451
Staff welfare	9,503	7,707
	80,938	62,158
18 OTHER EXPENSES		
Repair and maintenance	8,484	6,874
Travelling expense	5,521	4,809
Advertising and publicity	11,552	21,523
Printing and stationery	5,569	4,007
Communication	836	670
Internet and connectivity	4,823	4,333
Electricity and power	7,726	6,883
Office supplies	742	776
Security expenses	48,094	37,049
Audit fee	254	254
Legal and professional charges	3,074	1,623
Postage and courier	28	3
Software maintenance fee	1,191	1,542
Deposit insurance premium	9,465	4,574
Others	5,414	3,545
	112,773	98,465

BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

19. Capital management

Regulatory capital

The Bank's regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be minimum 6% of risk weighted assets.

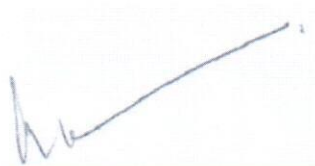
- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

The Bank's regulatory capital position at 31 March 2018 was as follows:

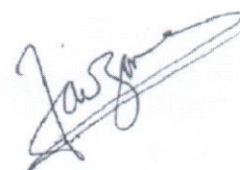
	31 March 2018	31 December 2017
	.....Afs '000'.....	
Tier 1 capital		
Total equity capital	1,046,234	931,238
Less: Intangible assets	(136,794)	(138,883)
Less: Deferred tax assets	(126,955)	(69,393)
Total tier 1 (core) capital	782,486	722,962
Tier 2 capital		
Total tier 2 (supplementary) capital	-	-
	-	-
Total regulatory capital	782,486	722,962

20. AUTHORIZATION

These financial statements were authorized for issue by the Board of Supervisors on _____ 2018.



Chief Executive Officer



Chief Finance Officer

BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS ON MARCH 31, 2018

	Note	Un-Audited 31-Mar-18.....Afs '000'.....	Audited 31-Dec-17
ASSETS			
Cash and cash equivalents	5	6,524,331	7,722,538
Loans and advances to customers	6	562,246	680,379
Investments	7	364,634	4,102,370
Property and equipment		393,694	397,876
Intangible assets		136,794	137,153
Non current assets held for sale		104,689	104,958
Deferred tax asset		126,955	126,955
Other assets	8	1,600,714	1,284,801
Total assets		9,814,057	14,557,030
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,725,000	1,725,000
Retained earning		(678,766)	(577,209)
Total equity		1,046,234	1,147,791
Liabilities			
Deposits from customers	10	8,432,011	12,168,896
Deposits from banks	11	-	904,333
Other liabilities	12	335,812	336,010
Total liabilities		8,767,823	13,409,239
Total equity and liabilities		9,814,057	14,557,030
Contingencies and commitments	13	-	-

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive Officer


Chief Finance Officer

BAKHTAR BANK

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2018

	Note	31-Mar-18.....Afs '000'.....	31-Mar-17
Interest income		27,960	66,839
Interest expense		(29,246)	(39,396)
Net interest income	14	(1,286)	27,443
Fee and commission income		40,554	61,082
Fee and commission expense		(2,771)	(5,525)
Net fee and commission income	15	37,783	55,557
Foreign exchange (loss) / gain	16	(48,265)	18,657
Other non-interest income	16	9,626	6,796
Operating income		(2,142)	108,453
Impairment (loss) on loans and advances		111,000	41,829
Provision against non-funded facilities		18,199	(38,949)
Employee benefit expenses	17	(80,938)	(62,158)
Operating lease expenses		(21,139)	(18,410)
Depreciation		(11,963)	(11,241)
Amortization		(1,802)	(1,802)
Other expenses	18	(112,773)	(98,465)
Operating expenses		(99,416)	(189,196)
Loss before taxation		(101,558)	(80,738)
Provision for taxation		-	59,359
Loss for the period		(101,558)	(21,379)
Other comprehensive income		-	-
Total comprehensive income for the year		(101,558)	(21,379)

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive Officer


Chief Finance Officer

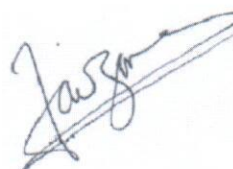
BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

	Share capital	Retained earnings	Total
	Afs '000'		
Balance as at 01 January 2017	1,575,000	(643,762)	931,238
Comprehensive income:			
Net loss for the period	-	(21,379)	(21,379)
Transactions with owners:			
Ordinary shares redeemed	150,000	-	150,000
Balance as at Mar 31, 2017	<u>1,725,000</u>	<u>(665,141)</u>	<u>1,059,859</u>
Balance as at 01 January 2018	1,725,000	(577,208)	1,147,792
Comprehensive income:			
Net loss for the period	-	(101,558)	(101,558)
Transactions with owners:			
Ordinary shares Issued	-	-	-
Balance as at March 31, 2018	<u>1,725,000</u>	<u>(678,766)</u>	<u>1,046,234</u>

The annexed notes 1 to 20 form an integral part of these financial statements.



Chief Executive Officer



Chief Finance Officer

BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2017

	31-Mar-18	31-Mar-17
Note	.....AFN '000'.....	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(101,558)	(80,738)
Adjustments for:		
Depreciation	11,963	11,241
Amortization	1,802	1,802
Accrued interest on cash and cash equivalents	(1,515)	(1,854)
Impairment (gain)/ loss on loans and advances	(111,000)	(41,829)
	(200,308)	(111,378)
Increase / decrease in operating assets and liabilities:		
Loans and advances to customers	229,133	193,569
Other assets	(314,398)	12,564
Deposits from customers	(3,736,885)	(1,200,657)
Deposits from banks	(904,333)	(115,703)
Other liabilities	(198)	46,935
Net cash generated from operating activities before interest and taxation	(4,926,989)	(1,174,670)
Net Withholding taxes (paid) / collected	-	-
Net cash generated from operating activities	(4,926,989)	(1,174,670)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - Net of interest	3,737,736	2,384,756
Non-current assets held for sale	269	2,831
Acquisition of property and equipment - net of disposal	(9,223)	(13,461)
Net cash used in investing activities	3,728,782	2,374,126
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / Redemption of share capital	-	150,000
Net cash used in / generated from financing activities	-	150,000
Net increase in cash and cash equivalents	(1,198,207)	1,349,456
Cash and cash equivalents at beginning of the period	7,722,538	11,708,109
Cash and cash equivalents at the end of the period	6,524,331	13,057,565

The annexed notes 1 to 20 form an integral part of these financial statements.


Chief Executive Officer


Chief Finance Officer

BAKHTAR BANK**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

1. STATUS AND NATURE OF OPERATIONS

Bakhtar Bank ("the Bank") is a wholly owned subsidiary of Azizi Bank, Kabul, Afghanistan. The Bank has been licensed by Da Afghanistan Bank (DAB) ("the Central Bank of Afghanistan"). The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The registered office of the Bank is located at Malalai Zezhantoon Square, Quway-E-Markaz, Shahr-e-Naw, District 10, Kabul, Afghanistan.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB). Whenever, the requirements of the Law of Banking in Afghanistan differs with the requirements of IFRS, the requirement of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) takes precedence.

As a consequence of in principle permission secured by the bank for conversion to full-fledged Islamic bank on November 22, 2015, Bank had started the process of conversion as per letter no. 6786/6808 dated 26/10/1396 whereby the certain requirements were placed to be completed by Da Afghanistan Bank. Subsequently, bank had submitted the report on completion of the prerequisites which could be finalized on interim basis to Da Afghanistan Bank on February 14, 2018. Bank had started its system migration on April 01, 2018 and currently in process and in the ongoing phase of system migration and license will be secured during 2018 after completion of all post-facto items required in the above mentioned letter, in the name of "Islamic Bank of Afghanistan". However, bank had started officially using the name of "Islamic Bank of Afghanistan" since April 01, 2018. Hence for the upcoming quarter financial statements would be prepared in compliance with the Islamic Accounting Standards developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

2.3 Functional and presentation currency

These financial statements are presented in Afghani ("AFN") which is the bank's functional & National currency. Except or otherwise indicated, the financial information presented in AFN has been rounded to nearest thousand.

3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial years. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgment will, by definition, rarely equal the related actual results. The material estimates, assumptions and judgments used to measure and classify the carrying amounts of following assets and liabilities have been taken into consideration:

- a) Provision for loan losses
- b) Provision for income taxes
- c) Useful life of property and equipment and intangible assets
- d) Held to maturity investments

4. SIGNIFICANT ACCOUNTING POLICIES

Summary of accounting policies will be read with the last year audited financial statements.

		<u>31-Mar-2018</u>	<u>31-Dec-2017</u>
Note		.....Afs '000'.....	
5. CASH AND CASH EQUIVALENTS			
Cash in hand	5.1	1,883,308	2,833,922
Balances with banks:			
Balances with Da Afghanistan Bank		2,831,330	2,318,259
Balances with other banks	5.2	1,809,693	2,570,357
		<u>4,641,023</u>	<u>4,888,616</u>
		<u>6,524,331</u>	<u>7,722,538</u>
5.1 Cash in hand			
Local currency		905,338	1,143,322
Foreign currency		<u>977,970</u>	<u>1,690,600</u>
		<u>1,883,308</u>	<u>2,833,922</u>
5.2 Balances with other banks			
Aktif Bank		140,574	140,761
Axis Bank Limited		24,674	24,819
Azizi Bank		-	185,749
Yinzhou Bank		8	8
Development Credit Bank Ltd		27,830	36,612
BMCE Bank		1,175,002	1,882,301
Yes Bank India		141,605	106
Pashtany Bank		<u>300,000</u>	<u>300,001</u>
		<u>1,809,693</u>	<u>2,570,357</u>

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

				Note	31-Mar-2018.....Afs '000'.....	31-Dec-2017	
6.	LOAN AND ADVANCES TO CUSTOMERS						
	Loans and advances to customers at amortized cost				6.1	571,807	714,220
6.1							

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	31-Mar-18	31-Dec-17
	..... Afs '000'.....	
8 OTHER ASSETS		
Prepayments	57,677	59,370
Receivable from DAB	3,828	5,104
Required reserve held with DAB	812,629	828,201
Security deposit	1,500	1,500
Advance income tax	148,382	145,196
Western union - In bound balance	166,551	51,938
Accrued interest	1,515	13,051
Others	408,632	180,441
	<u>1,600,714</u>	<u>1,284,801</u>
9 SHARE CAPITAL		
<i>Authorized</i>		
250,000 ordinary shares of Afs 10,000 each	<u>2,500,000</u>	<u>2,500,000</u>
<i>Issued and paid up</i>		
1,725,000 ordinary shares (2017: 1,725,000) of Afs 10,000 each	<u>1,725,000</u>	<u>1,725,000</u>
	Number of shares	
	31-Mar-18	31-Dec-17
9.1 Following is the reconciliation of number of shares:		
Number of shares at beginning of the period / year	172,200	157,200
Shares issued during the period / year	-	15,000
Number of shares at end of the period / year	<u>172,200</u>	<u>172,200</u>
	31-Mar-18	31-Dec-17
	..... Afs '000'.....	
9.2 Following is the reconciliation of amount of share capital:		
Share capital at beginning of the period / year	1,725,000	1,575,000
Shares issued during the period / year	-	150,000
Share capital at end of the period / year	<u>1,725,000</u>	<u>1,725,000</u>
10 DEPOSITS FROM CUSTOMERS		
Term deposits	2,024,706	2,281,885
Current deposits	3,810,953	7,461,549
Saving deposits	2,596,352	2,425,462
	<u>8,432,011</u>	<u>12,168,896</u>

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	Note	31-Mar-18.....Afs '000'.....	31-Dec-17
11 DEPOSITS FROM BANKS			
Azizi Bank		-	904,333
		-	904,333
12 OTHER LIABILITIES			
Withholding tax payable		9,109	5,326
Creditors and accruals		292,953	281,015
Interest Payable		394	-
Others		6,952	3,016
Provision against non-funded facilities		26,407	46,653
		335,815	336,010
13 CONTINGENCIES AND COMMITMENTS			
Guarantees and Letter of credit issued on behalf of cutomers		4,035,802	4,665,318
14 NET INTEREST INCOME			
Interest income			
Cash and cash equivalents		5,467	16,614
Loans and advances to customers		22,493	50,225
Total interest income		27,960	66,839
Interest expense			
Deposits from customers		29,246	39,396
Deposits from banks		-	-
Total interest expense		29,246	39,396
Net interest income		(1,286)	27,443

BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018**

	31-Mar-18	31-Mar-17
	.....Afs '000'.....	
15 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission income	40,423	60,755
Account servicing fee	131	327
Total fee and commission income	40,554	61,082
Fee and commission expense		
Inter-bank transaction fees	2,771	5,525
Total fee and commission expense	2,771	5,525
Net fee and commission income	37,783	55,557
16 OTHER NON-INTEREST INCOME		
Foreign exchange gain / (loss)	(48,265)	18,657
Others	9,626	6,796
	(38,639)	25,453
17 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	71,435	54,451
Staff welfare	9,503	7,707
	80,938	62,158
18 OTHER EXPENSES		
Repair and maintenance	8,484	6,874
Travelling expense	5,521	4,809
Advertising and publicity	11,552	21,523
Printing and stationery	5,569	4,007
Communication	836	670
Internet and connectivity	4,823	4,333
Electricity and power	7,726	6,883
Office supplies	742	776
Security expenses	48,094	37,049
Audit fee	254	254
Legal and professional charges	3,074	1,623
Postage and courier	28	3
Software maintenance fee	1,191	1,542
Deposit insurance premium	9,465	4,574
Others	5,414	3,545
	112,773	98,465

BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2018

19. Capital management

Regulatory capital

The Bank's regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be minimum 6% of risk weighted assets.

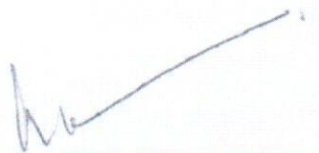
- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

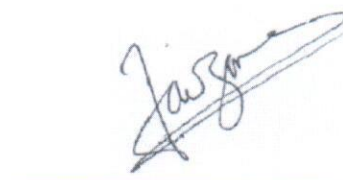
The Bank's regulatory capital position at 31 March 2018 was as follows:

	31 March 2018	31 December 2017
	.....Afs '000'.....	
Tier 1 capital		
Total equity capital	1,046,234	931,238
Less: Intangible assets	(136,794)	(138,883)
Less: Deferred tax assets	(126,955)	(69,393)
Total tier 1 (core) capital	782,486	722,962
Tier 2 capital		
Total tier 2 (supplementary) capital	-	-
	-	-
Total regulatory capital	782,486	722,962

20. AUTHORIZATION

These financial statements were authorized for issue by the Board of Supervisors on _____ 2018.


 Chief Executive Officer


 Chief Finance Officer