

Bakhtar Bank

100% Subsidiary of Azizi Bank

Kabul, Afghanistan

Un-Audited Condensed Interim Financial
Statements along with accompanying
information

For the period ended as at March 31, 2016

Independent Practitioner's Review Report to Shareholders

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **Bakhtar Bank** ("the bank") as of **March 31, 2016**, and the related Statement of Condensed Interim Comprehensive Income, Statement of Condensed Interim Changes in Equity and Statement of Condensed Interim Cash Flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank (DAB).

Practitioner Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400, engagement to Review Historical Financial Statements (ISRE) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that cause to believe that accompanying interim financial information does not give a true and fair view of the condensed interim financial position of the bank as at March 31, 2016 and of its financial performance and its condensed interim cash flows for the three month period then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) rules and regulations.


Horwath MAK
Auditors & Business Advisors
Kabul



BAKHTAR BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS ON MARCH 31, 2016

Un-Audited 31-Mar-16US\$ '000'.....	Audited 31-Dec-15			Un-Audited 31-Mar-16Afs '000'.....	Audited 31-Dec-15
		Note			
ASSETS					
127,017	149,574			8,720,953	10,226,404
14,712	18,944	5	Cash and cash equivalents	1,010,183	1,295,179
40,245	55,322	6	Loans and advances to customers	2,763,225	3,782,358
1,409	2,465	7	Investments	96,751	168,550
2,042	2,047		Property and equipment	140,235	139,920
795	798		Intangible assets	54,554	54,554
17,398	16,663		Deferred tax asset	1,194,535	1,139,231
		8	Other assets		
203,618	245,813		Total assets	13,980,436	16,806,196
EQUITY AND LIABILITIES					
Equity					
22,939	22,305		Share capital	1,575,000	1,525,000
(5,521)	(4,571)	9	Retained earning	(379,043)	(312,544)
17,418	17,734		Total equity	1,195,957	1,212,456
Liabilities					
110,005	141,487	10	Deposits from customers	7,552,938	9,673,498
73,653	84,623	11	Deposits from banks	5,057,023	5,785,655
2,542	1,969	12	Other liabilities	174,518	134,587
186,200	228,079		Total liabilities	12,784,479	15,593,740
203,618	245,813		Total equity and liabilities	13,980,436	16,806,196
Contingencies and commitments					

The annexed notes 1 to 19 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, 2016

31-Mar-16US\$ '000'.....	31-Mar-15US\$ '000'.....		Note	31-Mar-16Afs '000'.....	31-Mar-15Afs '000'.....
1,371	1,871	Interest income		94,124	107,855
(531)	(879)	Interest expense		(36,488)	(50,684)
840	992	Net interest income	13	57,636	57,171
365	424	Fee and commission income		25,049	24,436
(181)	(113)	Fee and commission expense		(12,406)	(6,536)
184	311	Net fee and commission income	14	12,643	17,900
55	(134)	Foreign exchange gain / (loss)	15	3,780	(7,708)
224	121	Other non-interest income	15	15,369	6,993
1,303	1,290	Operating income		89,428	74,356
(117)	(1,010)	Impairment (loss) on loans and advances		(8,046)	(58,226)
(755)	(774)	Employee benefit expenses	16	(51,835)	(44,645)
(252)	(279)	Operating lease expenses		(17,302)	(16,070)
(141)	(153)	Depreciation		(9,704)	(8,805)
(7)	(2)	Amortization		(451)	(92)
(999)	(1,066)	Other expenses	17	(68,589)	(61,472)
(2,271)	(3,284)	Operating expenses		(155,927)	(189,310)
(969)	(1,994)	Profit before taxation		(66,499)	(114,954)
-	-	Provision for taxation		-	-
(969)	(1,994)	Profit for the year		(66,499)	(114,954)
-	-	Other comprehensive income		-	-
(969)	(1,994)	Total comprehensive income for the year		(66,499)	(114,954)

The annexed notes 1 to 19 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, 2016

Share capital	Retained earnings	Total		Share capital	Retained earnings	Total
US\$ '000'				Afs '000'		
23,148	(1,079)	22,069	Balance as at 01 January 2015	1,350,000	(44,605)	1,305,395
			Comprehensive income:			
-	315	315	Net loss for the period	-	(114,954)	(114,954)
			Transactions with owners:			
-	-	-	Ordinary shares redeemed	-	-	-
23,148	(764)	22,384	Balance as at Mar 31, 2015	1,350,000	(159,559)	1,190,441
22,211	(4,552)	17,659	Balance as at 01 January 2016	1,525,000	(312,544)	1,212,456
			Comprehensive income:			
-	(969)	(969)	Net loss for the period	-	(66,499)	(66,499)
			Transactions with owners:			
728	-	728	Ordinary shares Issued	50,000	-	50,000
22,939	(5,521)	17,418	Balance as at March 31, 2016	1,575,000	(379,043)	1,195,957

The annexed notes 1 to 19 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, 2016

31-Mar-16US\$ '000'.....	31-Mar-15AFN '000'.....		Note	31-Mar-16AFN '000'.....	31-Mar-15AFN '000'.....
CASH FLOWS FROM OPERATING ACTIVITIES					
(969)	(1,994)	Profit before taxation		(66,499)	(114,954)
		Adjustments for:			
141	153	Depreciation		9,704	8,805
7	2	Amortization		451	92
(1,412)	(1,273)	Accrued interest on cash and cash equivalents		(96,917)	(73,381)
117	1,010	Impairment (gain)/ loss on loans and advances		8,046	58,226
(2,116)	(2,102)			(145,215)	(121,212)
		Increase / decrease in operating assets and liabilities:			
4,034	547	Loans and advances to customers	6	276,950	31,523
(173)	(5,024)	Other assets	8	(11,877)	(289,662)
(30,885)	8,488	Deposits from customers	13	(2,120,560)	489,316
(10,612)	14,898	Deposits from banks	14	(728,632)	858,870
582	1,916	Other liabilities	15	39,931	110,463
(39,170)	18,722	Net cash generated from operating activities before interest and taxation		(2,689,403)	1,079,298
-	0	Net Withholding taxes (paid) / collected		-	-
(39,170)	18,721	Net cash generated from operating activities		(2,689,403)	1,079,298
CASH FLOWS FROM INVESTING ACTIVITIES					
16,255	(10,887)	Investments - Net of interest	7	1,116,099	(627,649)
-	-	Acquisition of intangible assets		-	-
260	(70)	Acquisition of property and equipment - net of disposal	8	17,853	(4,031)
16,515	(10,957)	Net cash used in investing activities		1,133,952	(631,680)
CASH FLOWS FROM FINANCING ACTIVITIES					
728	-	Issuance / Redemption of share capital	12	50,000	-
728	-	Net cash used in / generated from financing activities		50,000	-
(21,927)	7,763	Net increase in cash and cash equivalents		(1,505,451)	447,618
148,944	127,148	Cash and cash equivalents at beginning of the year		10,226,404	7,330,063
127,017	134,912	Cash and cash equivalents at the end of the year	5	8,720,953	7,777,681

The annexed notes 1 to 19 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, 2016

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 Charahi Sher Pur, Shahr-e-Naw, District 10, Kabul, Afghanistan.

The Bank has 59 branches & 2 Extension Counters (2015: 57 branches) and 622 staff members (2015: 570 staff members).

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.

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.



BAKHTAR BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016**

	Note	31-Mar-2016Afs '000'.....	31-Dec-2015
5. CASH AND CASH EQUIVALENTS			
Cash in hand	5.1	1,242,059	1,452,121
Balances with banks:			
Balances with Da Afghanistan Bank		1,201,704	3,046,013
Balances with other banks	5.2	6,277,190	5,728,270
		7,478,894	8,774,283
		8,720,953	10,226,404
5.1 Cash in hand			
Local currency		302,763	530,813
Foreign currency		939,296	921,308
		1,242,059	1,452,121
5.2 Balances with other banks			
Commerz Bank		23,409	8,178
Azizi Bank		5,621,968	5,190,151
Western Union International Bank GmbH		-	4,558
Aktif Bank		207,784	100,796
Yinzhou Bank		8	8
Development Credit Bank Ltd		18,534	3,328
BMCE Bank		82,216	121,147
Yes Bank India		107	104
Pashtany Bank		300,000	300,000
Axis Bank Limited Shanghai Branch		23,164	-
		6,277,190	5,728,270



BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016

	Note	31-Mar-2016Afs '000'.....	31-Dec-2015
6. LOAN AND ADVANCES TO CUSTOMERS			
Loans and advances to customers at amortized cost	6.1	<u>1,313,493</u>	<u>1,590,444</u>

All loans and advances are expected to be recovered within five years of the balance sheet date.

6.1

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	31 March 2016			31 December 2015		
Afs '000'.....					
Retail customers- running finances	639,124	74,301	564,823	938,010	66,504	871,506
Long term commercial loans	418,853	104,119	314,735	383,866	125,690	258,176
Small and medium enterprise loan	64,179	24,260	39,919	67,567	18,748	48,819
Short term loans to employees	2,060	-	2,060	10,016	-	10,016
Other public consumer loans	9,920	5,014	4,905	11,333	5,079	6,254
Residential mortgage loans	179,358	95,617	83,742	179,652	79,244	100,408
	1,313,493	303,311	1,010,183	1,590,444	295,265	1,295,179

7. INVESTMENTS	Note	31-Mar-2016Afs '000'.....	31-Dec-2015
Capital Notes with DAB	7.1	<u>2,419,925</u>	<u>3,440,508</u>
Placement with Aktif Bank		<u>343,300</u>	<u>341,850</u>
		<u>2,763,225</u>	<u>3,782,358</u>

7.1	Capital Notes with DAB		
	<u>Interest rate range</u>		
	Capital notes - 28 days	<u>2015: 3.535%</u>	- 997,258
	Capital notes -182 days	<u>5.15% to 5.19% (2015: 5.15% to 5.19%) per annum</u>	321,626 321,626
	Capital notes - 364 days	<u>6.678% to 6.679% (2015: 6.678% to 6.679%) per annum</u>	2,098,299 2,121,624
		<u>2,419,925</u>	<u>3,440,508</u>



BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016

	31-Mar-16	31-Dec-15
 Afs '000'	
8 OTHER ASSETS		
Prepayments	47,165	53,418
Receivable from DAB	14,037	15,313
Required reserve held with DAB	666,228	684,400
Security deposit	1,500	1,367
Advance income tax	87,189	85,151
Western union - In bound balance	100,029	202,452
Accrued interest	96,917	53,490
Others	181,469	43,640
	<u>1,194,534</u>	<u>1,139,231</u>

9 SHARE CAPITAL

Authorized

250,000 ordinary shares of Afs 10,000 each	<u>2,500,000</u>	<u>2,500,000</u>
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Issued and paid up

157,500 ordinary shares (2015: 152,500) of Afs 10,000 each	<u>1,575,000</u>	<u>1,525,000</u>
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Number of shares

	31-Mar-16	31-Dec-15
9.1 Following is the reconciliation of number of shares:		
Number of shares at beginning of the period	152,500	135,000
Shares issued during the year	<u>5,000</u>	<u>17,500</u>
Number of shares at end of the period	<u>157,500</u>	<u>152,500</u>

31-Mar-16	31-Dec-15
..... Afs '000'	

9.2 Following is the reconciliation of amount of share capital:

Share capital at beginning of the year	1,525,000	1,350,000
Shares issued during the year	<u>50,000</u>	<u>175,000</u>
Share capital at end of the year	<u>1,575,000</u>	<u>1,525,000</u>

10 DEPOSITS FROM CUSTOMERS

Term deposits	1,777,122	1,517,586
Current deposits	4,109,958	6,275,024
Saving deposits	<u>1,665,859</u>	<u>1,880,889</u>
	<u>7,552,939</u>	<u>9,673,499</u>



BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016

	31-Mar-16	31-Dec-15
NoteAfs '000'.....	
11 DEPOSITS FROM BANKS		
Azizi Bank	5,057,023	5,101,955
Pashtany Bank	-	683,700
	<u>5,057,023</u>	<u>5,785,655</u>
12 OTHER LIABILITIES		
Withholding tax payable	3,265	6,694
Creditors and accruals	140,067	104,767
Interest Payable	579	-
Others	30,607	23,126
	<u>174,518</u>	<u>134,587</u>
	<u>31-Mar-16</u>	<u>31-Mar-15</u>
Afs '000'.....	
13 NET INTEREST INCOME		
Interest income		
Cash and cash equivalents	51,400	65,098
Loans and advances to customers	42,724	42,757
Total interest income	<u>94,124</u>	<u>107,855</u>
Interest expense		
Deposits from customers	17,970	13,187
Deposits from banks	18,518	37,497
Total interest expense	<u>36,488</u>	<u>50,684</u>
Net interest income	<u>57,636</u>	<u>57,171</u>



BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016

	31-Mar-16Afs '000'.....	31-Mar-15Afs '000'.....
14 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission income	24,932	24,362
Account servicing fee	117	74
Total fee and commission income	25,049	24,436
Fee and commission expense		
Inter-bank transaction fees	12,406	6,536
Total fee and commission expense	12,406	6,536
Net fee and commission income	12,643	17,900
15 OTHER NON-INTEREST INCOME		
Foreign exchange gain / (loss)	3,780	(7,708)
Others	15,369	6,993
	19,149	(715)
16 EMPLOYEE BENEFIT EXPENSES		
Salaries and wages	45,480	39,853
Staff welfare	6,355	4,792
	51,835	44,645
17 OTHER EXPENSES		
Repair and maintenance	2,129	791
Travelling expense	2,224	1,945
Advertising and publicity	10,735	8,426
Printing and stationery	3,587	1,568
Communication	536	477
Internet and connectivity	4,061	3,722
Electricity and power	5,807	6,950
Office supplies	640	630
Security expenses	32,486	26,334
Audit fee	256	641
Legal and professional charges	290	-
Postage and courier	32	-
Software maintenance fee	60	3,165
Deposit insurance premium	4,714	5,662
Others	1,032	1,157
	68,589	61,468

17.1 This premium is paid to Afghanistan Deposit Insurance Corporation (ADIC) at the rate of 0.23% (2014: 0.23%) of total deposits as required by DAB.



BAKHTAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2016

18. 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 2016 was as follows:

	31 March 2016	31 December 2015
Afs '000'.....	
Tier 1 capital		
Total equity capital	1,195,957	1,212,456
Less: Intangible assets	(140,235)	(139,920)
Less: Deferred tax assets	(54,554)	(54,554)
Total tier 1 (core) capital	1,001,168	1,017,982
Tier 2 capital		
Total tier 2 (supplementary) capital		
	-	-
	-	-
Total regulatory capital	1,001,168	1,017,982

19. AUTHORIZATION

These financial statements were authorized for issue by the Board of Supervisors on _____ 2016.



Chief Executive Officer


Chief Finance Officer

