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Independent Auditor's report

The Board of Supervisors
Ghazanfar Bank

We have audited the accompanying financial statements of Ghazanfar Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 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 our 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, we consider 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 principles 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 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan.

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KPMG Afghanistan Limited

Emphasis of matter

Without qualifying our audit opinion, we draw attention to the following:

1. As of reporting date, loans and advances to customers (note 5) includes overdraft loans amounting to Afs 291,589 thousands which have been renewed during the year by the Bank without mandatory clean up of four days as required by Da Afghanistan Bank.
2. As of reporting date, loans and advances includes overdraft loans to a group of related borrowers amounting to Afs 471,006 thousands which exceeds 15% of regulatory capital of the Bank in contravention of the Article 35 of the Law of Banking in Afghanistan.


KPMG Afghanistan Limited
15 April 2012
Kabul



Ghazanfar Bank
Statement of financial position
As at 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
Assets			
Cash and cash equivalents	4	2,068,403	2,014,841
Loans and advances to customers	5	2,062,386	1,968,341
Property and equipment	6	130,101	147,626
Intangible assets	7	385	2,631
Deferred tax assets	8	26,328	28,887
Other assets	9	356,283	233,218
Total assets		4,643,886	4,395,544
Liabilities			
Deposits from banks	10	-	685,100
Deposits from customers	11	4,051,382	3,112,896
Other liabilities	12	28,597	46,036
Total liabilities		4,079,979	3,844,032
Equity			
Share capital	13	667,620	667,620
Retained earnings		(103,713)	(116,108)
Total equity		563,907	551,512
Total liabilities and equity		4,643,886	4,395,544
Contingencies and Commitments	21		

The annexed notes 1 to 23 are an integral part of these financial statements.



[Signature]
 Director

Ghazanfar Bank
Statement of comprehensive income
For the year ended 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
Interest income			
Interest expense	14	332,225	342,131
Net interest income	14	<u>(102,911)</u>	<u>(173,819)</u>
		229,314	168,312
Fee and commission income	15	8,168	4,201
Fee and commission expense	15	(1,928)	(4,355)
Net fee and commission income		<u>6,240</u>	<u>(154)</u>
Other operating income	16	8,882	25,546
		<u>8,882</u>	<u>25,546</u>
Operating income		<u>244,436</u>	<u>193,704</u>
Impairment allowance		(9,918)	-
Personnel expenses	17	(68,336)	(70,513)
Operating lease expenses		(10,703)	(12,737)
Depreciation and amortization	6.7	(27,439)	(25,088)
Other expenses	18	(113,086)	(138,828)
Profit/(loss) before income tax		<u>14,954</u>	<u>(53,462)</u>
Income tax	19	(2,559)	10,580
Profit/(loss) for the year		<u>12,395</u>	<u>(42,882)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>12,395</u>	<u>(42,882)</u>

16/11/11

The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank
Statement of changes in equity
For the year ended 31 December 2011

	Share capital Afs '000'	Retained earnings Afs '000'	Total Afs '000'
Opening balance	567,620	(73,226)	494,394
Contributions by shareholders: Issuance of shares	100,000	-	100,000
Total comprehensive income for the period: Loss for the year	-	(42,882)	(42,882)
Balance as at 31 December 2010	<u>667,620</u>	<u>(116,108)</u>	<u>551,512</u>
Contributions by shareholders: Issuance of shares	-	-	-
Total comprehensive income for the period: Profit for the year		12,395	12,395
Balance as at 31 December 2011	<u><u>667,620</u></u>	<u><u>(103,713)</u></u>	<u><u>563,907</u></u>

2011

The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank
Statement of cash flows
For the year ended 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
Cash flows from operating activities			
Profit/(loss) before income tax		14,954	(53,462)
<i>Adjustments for:</i>			
Depreciation	6	25,218	22,834
Amortization	7	2,221	2,254
Gain on disposal of property and equipment	16	-	(26,911)
Exchange gain on cash and cash equivalents		30,682	(3,608)
Net Impairment allowance on financial assets	5	9,918	-
Write off		386	
Net interest income	14	(229,314)	(168,312)
		(145,935)	(227,205)
Change in loans and advances to customers-net	5	(103,963)	(1,128,660)
Change in other assets	9	(95,136)	(137,707)
Change in deposits from banks	10	(685,100)	685,100
Change in deposits from customers	11	938,486	1,727,111
Change in other liabilities	12	(12,946)	34,844
Interest received		(104,594)	953,483
Interest paid		304,296	326,054
Net cash from operating activities		92,298	1,114,383
Cash flows from investing activities			
Purchase of property and equipment	6	(8,054)	(23,499)
Proceeds from disposal of property and equipment	6	-	172,964
Net cash used in investing activities		(8,054)	149,465
Cash flows from financing activities			
Proceeds from issue of shares	13	-	100,000
Net cash from financing activities		-	100,000
Net increase in cash and cash equivalents		84,244	1,363,848
Cash and cash equivalent at beginning of the period		2,014,841	696,188
Effect of exchange difference on cash and cash equivalents held		(30,682)	3,608
Cash and cash equivalents at year end	4	2,068,403	2,063,644

The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director