

INDEPENDENT AUDITOR'S REPORT TO SHAREHOLDERS

We have audited the accompanying financial statements of Ghazanfar Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2015, and statement of comprehensive income, statement of changes in equity and statement of 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 (IFRSs), the requirements of the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB) and the Islamic Accounting Standards developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), 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.

Auditor's 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' judgement, 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 unmodified audit opinion.

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2015 and of its financial performance and its cash flows for the year ended in accordance with the requirements of International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB) and the Islamic Accounting Standards developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI),

Other Matter

The financial statements of Ghazanfar Bank, for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 26, 2015.


Horwath MAK

Auditors and Business Advisors


Kabul 



GHAZANFAR BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

| 2015 | 2014 | 2013 | Note | Restated | | | |
|-------------------------------|----------------|----------------|-------------------------------------|-----------------------|------------------|------------------|------------------|
| | | | | 2015 | 2014 | 2013 | |
| USD '000' | | | | Afs '000' | | | |
| ASSETS | | | | | | | |
| 58,919 | 78,714 | 62,887 | Cash and cash equivalents | 5 | 4,043,040 | 4,602,430 | 3,531,753 |
| 250 | 250 | 250 | Investment in associate | 6 | 17,155 | 14,618 | 14,040 |
| 7,933 | 9,381 | - | Investment in capital notes | 7 | 544,391 | 548,482 | - |
| 39,106 | 43,700 | 62,957 | Loans and advances | 8 | 2,683,421 | 2,555,158 | 3,535,650 |
| 4,226 | 5,357 | 2,991 | Property and equipment | 9 | 290,003 | 313,246 | 167,972 |
| 29 | 45 | 108 | Intangible assets | 10 | 1,965 | 2,611 | 6,069 |
| 10,280 | 13,268 | 17,374 | Other assets | 11 | 705,402 | 775,786 | 973,718 |
| 120,743 | 150,715 | 146,567 | Total assets | | 8,285,377 | 8,812,331 | 8,231,202 |
| EQUITY AND LIABILITIES | | | | | | | |
| EQUITY | | | | | | | |
| 18,184 | 21,045 | 20,697 | Share capital | 12 | 1,247,800 | 1,230,511 | 1,162,370 |
| 334 | (418) | (348) | Retained earnings | | 22,935 | (24,421) | (19,533) |
| 18,518 | 20,627 | 20,349 | Total equity | | 1,270,735 | 1,206,089 | 1,142,837 |
| LIABILITIES | | | | | | | |
| 417 | 490 | 431 | Deferred tax liability-net | 13 | 28,640 | 28,640 | 24,193 |
| 100,583 | 128,301 | 122,858 | Deposits from customers | 14 | 6,902,006 | 7,501,739 | 6,899,697 |
| 821 | 894 | 2,929 | Other liabilities | 15 | 56,331 | 52,290 | 164,473 |
| 404 | 403 | - | Provision for non funded facilities | | 27,665 | 23,573 | - |
| 102,225 | 130,088 | 126,218 | Total liabilities | | 7,014,642 | 7,606,242 | 7,088,365 |
| 120,743 | 150,715 | 146,567 | Total equity and liabilities | | 8,285,377 | 8,812,331 | 8,231,202 |
| | | | Contingencies and commitments | 22 | | | |

These annexed notes 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER



GHAZANFAR BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

| 2015 | 2014 | | Note | 2015 | 2014 |
|-----------------------|---------|--|------|-----------------------|-----------|
| USD '000' | | | | Afs '000' | |
| 6,169 | 7,940 | Interest income | | 423,303 | 464,265 |
| (416) | (590) | Interest expense | | (28,522) | (34,495) |
| 5,753 | 7,350 | Net interest income | 16 | 394,781 | 429,770 |
| 2,720 | 2,585 | Fee and commission income | | 186,622 | 151,135 |
| (514) | (643) | Fee and commission expense | | (35,254) | (37,608) |
| 2,206 | 1,942 | Net fee and commission income | 17 | 151,368 | 113,527 |
| 864 | (106) | Other operating (loss) / income | 18 | 59,301 | (6,219) |
| 8,823 | 9,186 | Operating income | | 605,450 | 537,078 |
| (3,235) | (2,958) | Impairment allowances and charge off | 8.8 | (221,988) | (172,957) |
| (1,653) | (1,944) | Employee compensation | 19 | (113,435) | (113,694) |
| (352) | (506) | Operating lease expenses | | (24,156) | (29,607) |
| (507) | (611) | Depreciation | 9 | (34,821) | (35,714) |
| (19) | (85) | Amortization | 10 | (1,278) | (4,975) |
| (2,303) | (3,088) | Other expenses | 20 | (158,032) | (180,573) |
| (8,069) | (9,192) | | | (553,710) | (537,520) |
| 754 | (6) | Profit / (loss) before tax | | 51,740 | (442) |
| (151) | (76) | Tax expense | 21 | (10,348) | (4,447) |
| 603 | (82) | Profit / (Loss) for the year | | 41,392 | (4,889) |
| - | - | Other comprehensive income | | - | - |
| 603 | (82) | Total comprehensive income for the year | | 41,392 | (4,889) |

These annexed notes 1 to 28 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER



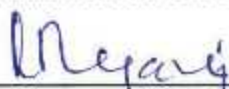
CHAIRMAN



GHAZANFAR BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

| 2015 | 2014 | | Note | 2015 | 2014 |
|---|-----------------|--|------|-----------------------|------------------|
| USD '000' | | | | Afs '000' | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| 754 | (8) | Profit / (loss) before tax | | 51,740 | (442) |
| Adjustments for: | | | | | |
| 3,235 | 2,958 | Net impairment loss on financial assets | 8.8 | 221,988 | 172,957 |
| 507 | 611 | Depreciation | 9 | 34,821 | 35,714 |
| 19 | 85 | Amortization | 10 | 1,278 | 4,975 |
| (9) | (1) | Gain on disposal of fixed assets | 18 | (592) | (58) |
| <u>4,506</u> | <u>3,645</u> | | | <u>309,235</u> | <u>213,146</u> |
| (Increase) / decrease in current assets | | | | | |
| (5,104) | 13,811 | Loans and advances | | (350,251) | 807,535 |
| 1,026 | 3,471 | Other assets | | 70,384 | 202,939 |
| Increase / (decrease) in current liabilities | | | | | |
| (8,740) | 10,297 | Deposits from customers | | (599,733) | 602,042 |
| 59 | (1,919) | Other liabilities | | 4,041 | (112,185) |
| 60 | 403 | Provision for non funded facilities | | 4,092 | 23,573 |
| <u>(12,699)</u> | <u>26,063</u> | | | <u>(871,467)</u> | <u>1,523,904</u> |
| (8,193) | 29,708 | | | (562,232) | 1,737,050 |
| (60) | (51) | Tax paid | | (4,101) | (3,006) |
| <u>(8,253)</u> | <u>29,657</u> | Net cash generated from operating activities | A | <u>(566,333)</u> | <u>1,734,044</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| (179) | (3,106) | Purchase of property and equipment | 9 | (12,306) | (181,592) |
| (13) | (26) | Purchase of intangible assets | 10 | (915) | (1,517) |
| 19 | 11 | Proceed from disposal of property and equipment | | 1,320 | 662 |
| 60 | (9,381) | Investment in capital notes | | 4,091 | (548,482) |
| (37) | (10) | Investment in associate | | (2,537) | (578) |
| <u>(150)</u> | <u>(12,512)</u> | Net cash used in investing activities | B | <u>(10,347)</u> | <u>(731,507)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| 252 | 1,165 | Capital injection | | 17,290 | 68,141 |
| <u>252</u> | <u>1,165</u> | Net cash used in financing activities | C | <u>17,290</u> | <u>68,141</u> |
| (8,152) | 18,312 | Net increase in cash and cash equivalents (A+B+C) | | (559,390) | 1,070,677 |
| 67,071 | 60,403 | Cash and cash equivalents, beginning of year | | 4,602,430 | 3,531,753 |
| <u>58,919</u> | <u>78,715</u> | Cash and cash equivalents, end of year | | <u>4,043,040</u> | <u>4,602,430</u> |

These annexed notes 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER

