



## FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN AFGHANISTAN

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## **Declaration of Authorship**

I hereby declare that:

- This thesis for the MBA degree at the American University of Afghanistan is my original work. I have written it under the supervision of the faculty assigned to me by the MBA Director in consultation with the Provost.
- To the best of my knowledge, I have cited accurately all sources I have used for this thesis.
- I have acknowledged those parts of this thesis which are based on the collaborative work with third parties other than my supervisor.
- I have not submitted this thesis or substantial parts of it for a degree or any other qualification at another institution.

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## **Abstract**

Banking industry plays a pivotal role due to its extensive contribution to the overall economy of a country. This is in specific due to the magnitude of transactions from the proliferating believe of private investors, the government and other individuals. These financial institutions revolve funds along different sectors that enriches and fortifies the overall economic situation of a nation. The institutions operate in a complex system wherein many individuals natural or legal have undoubtedly vested interests.

Therefore, this study identifies the determinants of profitability in commercial banks of Afghanistan and it also evaluates the contemporary performance of major Afghan banks during the years from 2012-2016 following the crises of Kabul bank in 2010. The study identifies and compares the financial position of various Commercial Banks on year to year basis and contrasts it among themselves. To perform the study financial parameters specific to banking sector also known as the CAMEL framework is used. This includes parameters such as — Return on Asset, Liquidity, Capital Adequacy and Asset Quality. Determinants of profitability have been identified using multiple regression model and using Analysis of Variance (ANOVA). The results show that internal factors including management efficiency is a significant diver of profitability of commercial banks in Afghanistan rather than the macroeconomic factor of GDP growth. Banks can improve profitability by improving their management efficiency, some are making more returns on lower assets and vice verse.

## **List of Acronyms**

|        |                                |
|--------|--------------------------------|
| AB:    | Arian Bank                     |
| ACB:   | Afghanistan Commercial Bank    |
| AIB:   | Afghanistan International Bank |
| ANOVA: | Analysis of Variance           |
| AQ:    | Asset Quality                  |
| AUB:   | Afghan United Bank             |
| AZB:   | Azizi Bank                     |
| BAL:   | Bank Alfalah Limited           |
| BB:    | Bakhtar Bank                   |
| BMA:   | Bank-e-Millie Afghan           |
| CAR:   | Capital adequacy Ratio         |
| DAB:   | Da Afgahanistan Bank           |
| FMFB:  | First Micro Finance Bank       |
| GB:    | Ghazanfar Bank                 |

|        |                                    |
|--------|------------------------------------|
| GDP:   | Gross Domestic Product             |
| HBL:   | Habib Bank Limited                 |
| MB:    | Maiwand Bank                       |
| ME:    | Management Efficiency              |
| MoF:   | Ministry of Finance                |
| NBP:   | National Bank of Pakistan          |
| NIM:   | Net Interest Margin                |
| NKB:   | New Kabul Bank                     |
| NPBIT: | Net Profit Before Interest and Tax |
| PB:    | Pashtany Bank                      |
| ROA:   | Return on Assets                   |
| ROE:   | Return on Equity                   |

## Table of Contents

|      |  |    |
|------|--|----|
| 1.   | Introduction .....                                 | 1  |
| 1.1  | Study Background .....                             | 1  |
| 1.2  | Contribution to Research .....                     | 3  |
| 1.3  | Objectives.....                                    | 3  |
| 1.4  | Importance of the Study .....                      | 3  |
| 2    | Literature Review .....                            | 4  |
| 2.1  | Background .....                                   | 4  |
| 2.2  | Determinants of Bank Profitability in Greece ..... | 5  |
| 2.3  | Governance and Profitability of Uganda Banks ..... | 6  |
| 2.4  | Commercial Banks in Malaysia and China .....       | 7  |
| 2.5  | Profitability Determinants of Banks in Turkey..... | 8  |
| 2.6  | Indicators of Profitability in Pakistan .....      | 9  |
| 2.7  | Profitability in Commercial Banks of Kenya .....   | 10 |
| 2.8  | Financial Performance of Banks in Oman .....       | 11 |
| 2.9  | Profitability at Banks in South Africa .....       | 12 |
| 2.10 | Performance of Banks in India .....                | 13 |
| 2.11 | Commercial Banks in Nepal .....                    | 14 |
| 2.12 | Financial Performance of Banks in Palestine .....  | 15 |
| 2.13 | Banking Sector in Afghanistan .....                | 16 |
| 3    | Knowledge Gap .....                                | 24 |
| 4    | Methodology.....                                   | 25 |
| 4.1  | Research Design .....                              | 25 |
| 4.2  | Sample Design.....                                 | 26 |
| 4.3  | Data Source and Analysis .....                     | 26 |
| 4.4  | Theoretical Framework.....                         | 27 |
| 4.5  | Hypothesis.....                                    | 27 |
| 4.6  | Measurements for Variables.....                    | 28 |
| 4.7  | Statistical Tools Used for Data Analysis .....     | 35 |
| 5    | Findings .....                                     | 39 |

|        |   |    |
|--------|---|----|
| 5.1    | Determinants of Bank Profitability in Afghanistan ..... | 40 |
| 5.2    | Impact of GDP Growth on Profitability .....             | 46 |
| 5.3    | Performance of Banking Industry in Afghanistan .....    | 47 |
| 5.3.1  | Mean Performance Ratios .....                           | 47 |
| 5.3.2  | Trend Analysis .....                                    | 47 |
| 5.4    | Performance of Individual Banks in Afghanistan .....    | 50 |
| 5.4.1  | Mean Performance Ratios .....                           | 51 |
| 5.4.2  | Ranking of Banks .....                                  | 55 |
| 6      | Conclusion .....  | 56 |
| 7      | References .....  | 60 |
| 8      | Appendix .....  | 62 |
| 8.1    | Audited Financial Statements .....                      | 62 |
| 8.1.1  | Afghanistan International Bank .....                    | 62 |
| 8.1.2  | Afghan United Bank .....                                | 64 |
| 8.1.3  | First Micro Finance Bank.....                           | 65 |
| 8.1.4  | Bakhter Bank.....                                       | 66 |
| 8.1.5  | Azizi Bank .....  | 68 |
| 8.1.6  | Arian Bank .....  | 69 |
| 8.1.7  | Ghazanfar Bank .....                                    | 71 |
| 8.1.8  | Habib Bank Limited .....                                | 72 |
| 8.1.9  | Bank Alfalah Limited .....                              | 73 |
| 8.1.10 | New Kabul Bank .....                                    | 75 |
| 8.1.11 | Bank-e-Millie Afghan.....                               | 76 |
| 8.1.12 | Maiwand Bank .....                                      | 78 |
| 8.1.13 | Pashtany Bank.....                                      | 79 |
| 8.1.14 | Afghanitan Commercial Bank.....                         | 80 |
| 8.1.15 | National Bank of Pakistan .....                         | 82 |
| 8.2    | Regression Dataset .....                                | 83 |
| 8.3    | Regression Results .....                                | 88 |
| 8.4    | Residual Output .....                                   | 89 |
| 8.5    | Industry Assets.....                                    | 93 |
| 8.6    | Customer Deposits.....                                  | 93 |

|      |                             |    |
|------|-----------------------------|----|
| 8.7  | Net Loans .....             | 94 |
| 8.8  | Return on Assets .....      | 94 |
| 8.9  | Return on Equity .....      | 95 |
| 8.10 | Revenues.....               | 95 |
| 8.11 | Management Efficiency ..... | 96 |
| 8.12 | Liquidity.....              | 96 |
| 8.13 | Capital Adequacy .....      | 97 |
| 8.14 | Asset Quality .....         | 97 |



# **1. Introduction**

## **1.1 Study Background**

Afghanistan suffered decades of war that ruined infrastructure of the country and every industry. However, with the overthrow of the Taliban regime during 2001, the country then lacked financial resources to support its reformation and rebuilding. Not long, with the assistance of international community significant amount of money flowed into the country to re-establish the framework, infrastructure and living standards of the people of Afghanistan. This money came in different currencies directly through government and indirectly through various global assistance NGO's. There was a much need to revive the banking sector of Afghanistan eroded by the years of wars and political instability to support the need of the government and all the NGO's operating in the country. It was in 2003 when the first banking law of Afghanistan was developed and that came into force. These laws were developed in accordance with the international best practices that ensured appropriate measures for their sustainability and growth. These laws covered areas of significant importance in banking comprising of the corporate governance structures, liquidity measures, capital adequacy requirements, reporting and accountability to the central bank of Afghanistan.

The banking laws introduced then were significant as it ensured the healthy operations and functioning of the banks with appropriate supervision. Healthy banks and well-functioning banks will not only meet the need of the government and the NGO's operating then but would contribute to the overall economy of the country, will support imports and exports, facilitating access to finance for development, facilitating deposits, insurance, guarantees and nevertheless ensuring circulation of legal money as required by money laundering regulations globally and

much critical to Afghanistan. Banks can support this greater cause only if they are able to perform financially well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and to manage it efficiently and effectively globally.

Many authors in various countries have studied on the determinants of commercial banking profitability (Anbar and Alper, 2011, Alkhatib and Harasheh, 2012, Bourke, 1989, Ongore and Kusa, 2013, Said and Tumin, 2011). These studies have analyzed financial performances of the banks individually and at industry level. They have also ranked banks based on the performances (Jha and Hui, 2012) and have contrasted performances across the banks (Nazir, 2010).

Afghan banks have enjoyed protected environment with a cushion of the government and their banks that made them operationally inefficient but commercially attractive with non-standard operations just before the crises that led to mistrust of public in the banking sector of Afghanistan by the very known collapse of Kabul bank (2010) and Development bank of Afghanistan (2009) broadly due to liquidity and bankruptcy rooted in financial scandals.

The attention of the International Community for the sector with an aim of integrating it with the rest of the world has caused a paradigm shift in the concept of banking. All banks are required to provide quarterly and annual financial statements and must submit audited financial statements with an independent auditor's report to Da Afghanistan Bank (DAB). Banks must also include reports concerning their administration and operations to allow Da Afghanistan Bank to assess the financial condition of the bank. Adherence to standards and requirements is monitored by Da Afghanistan Bank through onsite examinations of banks.

## **1.2 Contribution to Research**

There is a lot of studies done globally to find the determinants of the commercial bank \*profitability and various variables has been used to determine profitability. There have been no consistent results and one contradicts the other. Hence in this paper globally used variables are used to determine profitability of the banks in Afghanistan and the same are tested for the explanatory significance in relation to the profitability.

## **1.3 Objectives**

The goal of this paper is to identify:

1. Factors significantly affecting the financial performance of banks in Afghanistan?
2. Aggregate performance of the banking sector in Afghanistan over 5 years?
3. Rankings of the banks based on financial performance measures determined?

## **1.4 Importance of the Study**

Stakeholders in large have been observing and making their banking choices based on limited information on outreach, Management, Physical assets and satisfaction in general however profitability of a bank is representative of its competitive advantage that makes it the choice for its customers. No such financial analysis has been conducted so far to reflect on the industry and its player performances. This paper will draw attention to the 5-year performances and will provide a basis of predictor for future. This can help various stakeholders in making key decisions; Da Afghanistan Bank on risk assessments and supervision, Ministry of Finance on

taxation policies, Bankers on better solutions and services and not the least public in large on their choice to financial inclusion and the bank of their choice.

## **2 Literature Review**

### **2.1 Background**

There have been various studies across the globe on the financial performance and profitability of the banks. Earlier studies conducted for banking profitability were for Canada, Europe and Japan (Short, 1979) and for Europe, Australia and North America altogether (Bourke, 1989). Later on, researches looked at the determinants of profitability for the banks and conducted empirical studies. Recently researches surrounding banking profitability consider both internal and external factors affecting banking profitability. Internal factors are taken to be micro factors and external factors being the macro factors.

The variables used in the internal and external factors have been different and has varied based on the nature of the study. Financial ratios have been calculated for the internal factors to the bank while on the external factors statistical information has been obtained from secondary sources on economic environment and used for the study.

Some researchers have focused on banking profitability in a single country (Berger, 1995, Angbazo, 1997, Barajas et al., 1999, Afanasieff et al., 2002, Naceur, 2003, Heffernan and Fu, 2008, Dietrich and Wanzenried, 2009) (Sufian, 2011, Liu and Wilson, 2010) while others have taken a panel of countries (Molyneux and Thornton, 1992, Demirgüç-Kunt and Huizinga, 1999, Demirgüç-Kunt and Huizinga, 2000, Abreu and Mendes, 2001, Athanasoglou et al., 2008, Athanasoglou et al., 2006) to conduct the same study. Research conducted on panel of countries

includes comparison of Canada, Europe and Japan (Short, 1979), Europe Australia and North American (Bourke, 1989) China and Malaysia (Said and Tumin, 2011) and researches focused to single and specific countries conducted includes those for Greece (Athanasoglou et al., 2008), Uganda (Rogers, 2006), Turkey (Anbar and Alper, 2011), Pakistan (Ali et al., 2011), Kenya (Ongore and Kusa, 2013), Oman (Tarawneh, 2006), Nepal (Jha and Hui, 2012), South Africa (Kumbirai and Webb, 2010), India (Nazir, 2010) and Palestine (Alkhatib and Harasheh, 2012).

## **2.2 Determinants of Bank Profitability in Greece**

A study conducted on Greece banking industry examines the factors affecting banking profitability of Greece both internally and externally. This study takes into consideration banks specific factors and the banking industry internal factors and the effect of macroeconomic factors over the performance of the banks. The study has used descriptive statistics and multiple regression to analyze the profitability of the banks. The study used unbalanced panel (Athanasoglou et al., 2008) of Greek commercial banks for the sample period 1985 to 2001.

The author has collected, NPBIT, assets, equity, provision, total loans, revenue and expenditure information on the banks from their banks financial statements and in specific from their balance sheet and profit and loss statements. Information was also collected from the Greek National Statistical Service on Consumer Price Index and Gross Domestic Product.

Return on Assets is used as the dependent variable of the profitability of the banks. The determinants of profitability – the independent variables considered includes bank specific factors which included capital adequacy, credit risk, productivity growth, operating expenses management and the size of the bank. On the Industry specific factors, the study has considered

the ownership and concentration independent variables relating to banks. The macroeconomic factors considered in the study looks at the effect of Inflation and cyclical outputs.

The study result shows that all bank specific factors had significant impact over the profitability of the banks with the exception of the size of the banks. The results also indicated that the business cycle had a positive and asymmetric effect on the profitability of the banks.

### **2.3 Governance and Profitability of Uganda Banks**

Another study in Uganda looked for the evidence of a relationship between corporate governance and profitability of the commercial banks of Uganda. The study used both primary source of information generated for corporate governance matters like trust, disclosure and financial transparency filled by the depositors of the banks and the financial performance as secondary source of information. A descriptive analysis, pearsons correlation and multiple linear regression was used to reach results.

The sample was taken of two banks with largest customer deposits one local and one international and two other banks with lowest customer deposits one local and one international. A total of 388 questionnaires were distributed based on proportionate stratified random sampling to deposit customers. The information on the financial performances of all four banks were collected from the websites.

Descriptive statistics and Pearson's correlation was used to identify relationship among the various variables of trust, disclosure, financial transparency and profitability. A multiple linear regression model was also used to determine the strength of all explanatory variables for the dependent variable. The questionnaire designed was based on Likert scale.

On the financial performances various ratios were used which included, Capital adequacy, Earnings, Asset Quality, and Liquidity.

Variable Proxy Calculations:

Results illustrated that about 34.5% of the financial performance of the banks is explained by the corporate governance variables. It identified that openness and reliability which are measures of trust and an integral part of corporate governance have a significant impact on the financial performance of the banks (Rogers, 2006).

## **2.4 Commercial Banks in Malaysia and China**

This case looked at the determinants of financial performance in the commercial banks of Malaysia and China. The study investigated the bank specific variables affecting banks and macroeconomic factors. In this study multiple linear regression model is used to identify results. Four state owned commercial banks of China and nine commercial banks of Malaysia were studied in this paper over a period of 2001 to 2007.

The data for the both the countries were extracted from Bank Scope database. Dependent variables identified for analysis were Return on Assets and Return on Equity. Independent variables included liquidity, credit risk, capital adequacy, efficiency and bank size. Macroeconomic factors considered included, GDP, interest rate and inflation. Data for each country was analyzed separately. Multiple linear regression model is used to estimate the strength and significance of the explanatory variables over the dependent variable of bank profitability.

Variables used in the study implied different results for China and Malaysia's except for the credit and capital ratios. Operating ratios had a significant impact over banks in China but this was not true for banks in Malaysia (Said and Tumin, 2011).

## **2.5 Profitability Determinants of Banks in Turkey**

A study undertaken on commercial banking industry in Turkey seeks to identify the determinants of profitability in the industry pertaining to internal factors of the banks and the macroeconomic factors existing in the country. This study does not consider the structure of the banks and their concentration as was considered for in the study of banking profitability in Greece. The study uses balanced panel data to structure multiple regression model. A panel data set comprises time series and cross sectional elements (Anbar and Alper, 2011).

A sample of balanced panel dataset included 10 commercial banks over the period 2002 up to 2010. The financial information for study was collected from the financial statements of the banks which were also listed on the Istanbul Stock Exchange. The information on all these banks were obtained from the bulletin of the Banking Regulation and Supervisory Agency of Turkey. Information regarding macroeconomic conditions were collected from Turkish Statistical Institute.

In the bank specific factors, the study used Return on Assets, Return on Equity and Net Interest Margin as dependent variables and Asset Size, Capital Adequacy, Asset Quality, Liquidity, Deposits and Income-Expenditure is used as explanatory variables. Furthermore, under macroeconomic factors affecting profitability of banks, the study considered impact of Annual Real Gross Domestic Product growth rate, annual inflation rate and Real Interest Rate.



The results identified that the asset size and non-interest income have a significant positive relationship with the profitability of the banks while loan portfolio and nonperforming loans had a significant negative relation. Among the macroeconomic explanatory variables only real interest rate was identified as holding significant impact over the profitability of the banks. The findings concluded suggesting, increase in interest rate, asset size and non-interest income yielding greater returns to the banking industry (Anbar and Alper, 2011).

## **2.6 Indicators of Profitability in Pakistan**

Another alike study is carried out on the banking sector of Pakistan which covers both public and private commercial banks. Descriptive statistics, correlation and regression models are used to draw findings on the study. This study has also taken into account the bank specific factors and the macroeconomic conditions within Pakistan to provide empirical evidence on their significance over banking sector profitability.

This study has undertaken a sample of 22 commercial banks comprised of both public and private ownerships and studies them over the period 2006 up to 2009. The financial information required for analyzing the profitability factors of the banks were obtained from the financial statements in specific balance sheet and profit statements of the banks published in the statistical bulletin of the central bank of Pakistan which is State Bank of Pakistan (SBP). Certain information was drawn down from the financial statements of the banks published on their website and through Lahore Stock Exchange.

Return on Asset and Return on Equity are used as dependent variables for profitability while bank size, operating efficiency, risk of credit, capital adequacy, concentration of portfolio and asset management were considered as independent variables to form a framework for

regression model. Under macroeconomic factors economic growth and consumer price inflation is taken as explanatory variables.

Results unleashed indicates that asset management efficiency and growth in economy had significant positive impact on profitability (Ali et al., 2011).

## **2.7 Profitability in Commercial Banks of Kenya**

This study identifies the determinants of financial performances in Kenyan banks. It identifies the average trends of financial performance of the banks over 10 years based on key ratios. The paper does not rank individual banks, but it identifies overall industry performance through mean scores on the ratios calculated. Based on the ratios the paper also identifies the moderating effect of ownership structure, and impact of CAMEL on the performance of banks. The authors used linear multiple regression model and Generalized Least Square on panel data to estimate the parameters. A multiple linear regression model and t-statistic were used to determine the relative importance (sensitivity) of each explanatory variable in affecting the performance of banks. Correlation test was conducted to eliminate multicollinearity.

In this study 37 commercial banks were considered. The assessment is made for the financial years 2001 up to 2010 that is 10 years data. Of all banks 13 of them are foreign owned banks and 24 are owned by locals. Those banks that started operation and discontinued in the middle of the period under review were excluded.

The secondary data used in this study were obtained from the statements of the commercial banks, IMF and World Bank database. The major dependent performance indicators used were Return on Asset (ROA), Return on Equity (ROE) and Net Interest Margin (NIM.). Under Internal factors the CAMEL model is used to assess the banks performance. The major

determinants (independent variables) were Capital adequacy, Asset quality, Management efficiency and Liquidity status which is proxied by selected ratios. CAMEL stands for Capital adequacy, Asset quality, Management efficiency, Earnings ability and Liquidity. Under external factors the author has indicated the impact of stability of macroeconomic policy, GDP, interest rates and inflation as the variables for the performance of the banks. The moderating effect of ownership identity was also evaluated by using ownership as a dummy variable. It has stated that the economic growth is positively related to demand for banks products and vice versa (Ongore and Kusa, 2013) .

The data collected using data collection sheet were edited, coded and cleaned. Then the data was analyzed using Microsoft Excel and econometric views (views)software.

The moderating role of ownership identity on the financial performance of commercial banks was insignificant. It was concluded that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions, while macroeconomic factors have insignificant contribution. The findings show that bank specific factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable( Ongore and Kusa, 2013).

## **2.8 Financial Performance of Banks in Oman**

This study used a descriptive financial analysis to describe, measure, compare, and classify the financial situations of Omani commercial banks. The study has ranked each bank based on the basis of their financial characteristics revealed by the financial ratios. It identified the impact of asset management, operational efficiency, and bank size on the financial performance of these banks through simple linear regression. For classification and ranking the Omani commercial

banks, this study also used the major banking activities that comprised of total deposits, total credits, total assets, total shareholder equity, return on equity, and return on deposits. Also, this study explored variances according to its different variables. Correlations, ratio analysis, and simple regression were applied to examine and compare the impact of independent variables on the dependent variable. Analysis of variance (ANOVA) was used in testing the hypotheses and to measure the differences and similarities between the sample banks according to their different characteristics. Pearson correlation coefficient also used to investigate the correlation between the paper variables at 5% level of confidence according to the SPSS software package.

Out of 14 commercial banks in Oman, 5 banks were selected for this study. The annual data for banks during (1999-2003) were used for calculating key financial ratios in order to assess the performance of the banks. The data for this study was gathered from the bank's financial statements and also published in the Omani Shareholder Guide (2004). The author also used library and the review of different articles, papers, and relevant previous studies. Financial performance as dependent variable for the banks in this study is assessed based on the Return on Assets (ROA) and Interest Income size. Banks size in terms of aggregate assets, Asset management in terms of RoA, Operational efficiency in terms of operating expenses over net interest income are identified as the independent variables.

The study provided an objective ranking of all the commercial banks and it was also found that the bank with higher total capital, deposits, credits, or total assets does not always mean that has better profitability performance (Tarawneh, 2006).

## **2.9 Profitability at Banks in South Africa**

A study conducted of the banking sector in South Africa looked at the trends of financial performance over a period of five years and tried to highlight if average performance of the first

two years in the sample period is the same as the average performance for the last two years in the sample. The study used descriptive statistics and t-statistics to identify results.

The samples taken for this study included all bank operating in south Africa, for a period from 2005 to 2009.

Data is collected from the financial statements of the banks from their website. The author has used financial ratio analysis to analyze data. In particular the ratios used to gauge performance included, return on assets, return on equity, cost to income ratio, Liquidity ratio and quality of assets. Out of all banks the top five banks based on the bank size were selected for performance analysis. The mean of the ratios for the first and the last two years where compared using T-stat.

The results indicated that the financial performance of banks in South Africa from 2005 up to 2009 has improved in terms of profitability, liquidity and credit quality however the pace of growth in performance as not been as much as seen in the first two years of the sample period than in the latter two years (Kumbirai and Webb, 2010).

## **2.10 Performance of Banks in India**

The case analyzed financial performance of the two major banks operating in northern India through financial ratios. The evaluation used CAMEL Parameters, the latest model of financial analysis(Nazir, 2010). The model, highlighted the performance of the banks.

The samples included nationalized bank (Punjab National Bank, PNB) and the biggest private sector bank (i.e. Jammu and Kashmir Bank, JKB). The used in analysis related to 5 years (2001-2005).

The study is mainly based on secondary data drawn from the annual reports of the respective banks. For analysis of the data, two important statistical tools viz. Mean and standard

deviation has been used to arrive at conclusions in a scientific way. The author has also benchmarked the calculated ratios under CAMEL parameters with the requirements and guidelines provided by the Reserve Bank of India (Central bank of India).

Variable Proxy Calculations:

The paper concludes contrasting each bank performance ratios identifying the better performance.

## **2.11 Commercial Banks in Nepal**

The paper classified banks into public, joint venture and domestic private banks for the purpose of study. The objective of this study was to compare the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios, based on CAMEL Model. In addition, econometric model (multivariate regression analysis) by formulating two regression models was used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on assets and return on equity of these banks.

Eighteen commercial banks average of six years ratios from 2005 to 2010 was evaluated to assess the financial performance of the commercial banks in Nepal. The data was obtained from the Nepal Rastra Bank Bulletin (published by the Central Bank of Nepal), annual audited financial statements of commercial banks (published by the respective banks), and yearly economic survey. The financial ratios used to assess bank performance were taken based on the CAMEL Framework such as capital adequacy, asset quality, management, earnings and liquidity. All the ratios were used to test the hypothesis. This study used a descriptive financial

analysis to describe, measure, compare, and classify the financial situations of Nepalese commercial banks and as well as applied an econometric multivariate regression model to test the significance of variables on performance of Nepalese commercial banks. The profitability ratios (ROA and ROE) were taken dependent variables while capital adequacy ratio (CAR), non-performing loan ratio (NPL), interest expenses to total loan (IETTL), net interest margin ratio (NIM) and credit to deposit ratio (CDR) are as independent variables.

The findings show that public sector banks were significantly less efficient than their counterpart and that domestic private banks being equally efficient to foreign-owned (joint venture) banks (Jha and Hui, 2012). Furthermore, estimation results revealed that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity (Jha and Hui, 2012).

## 2.12 Financial Performance of Banks in Palestine

The paper studied empirically the financial performance of five **Palestinian** commercial banks listed on Palestine securities exchange (PEX). The study employed the correlation and multiple regression analysis of annual time series data from 2005-2010 to capture the impact of bank size, credit risk, operational efficiency and asset management on financial performance measured by the three indicators, and to create a good-fit regression model to predict the future financial performance of these banks.

The sample of the study consists of the 5 Palestinian commercial banks listed on Palestine securities exchange for the period 2005 to 2010. Annual Time series data for independent-dependent variables were extracted from banks' annual audited financial statements and other key relevant data were obtained from the Guide of listed Palestinian companies.

In this paper, Financial performance has been measured by using three indicators; Internal-based performance measured by Return on Assets, Market-based performance measured by Tobin's Q model (Price / Book value of Equity) and Economic-based performance measured by Economic Value add.

The study rejected the hypothesis claiming that “there exist statistically insignificant impact of bank size, credit risk, operational efficiency and asset management on financial performance of Palestinian commercial banks” (Alkhatib and Harasheh, 2012).

### **2.13 Banking Sector in Afghanistan**

Banking laws in Afghanistan were passed in 2003 based on international best practices and provided for appropriate governance structures, operational requirements, liquidity ratios, supervision and enforcement.

There are currently 15 commercial banks operating in Afghanistan and has been identified in Table 1. Among the 15 banks, 3 are government owned, 3 are branches of International banks, and remaining 7 are local private banks. These figures do not include banks who have closed operations after March 2017. Previous private Kabul Bank (KB), now New Kabul Bank (NKB) had change in ownership during 2010 after the bank faced liquidity problems rooted in financial scandals. Likewise, Development Bank of Afghanistan (DBA) was taken over by Azizi Bank (AB) to form Bakhter Bank (BB) which remains a sister company of Azizi Bank. Standard Chartered Bank (SCB) closed out operations in Afghanistan and handing over business to Afghanistan International Bank (AIB) during 2012. Bank of Punjab (BP) also closed out its operations during 2014.



Table 1. List of Commercial Banks

| No.  | Name of Bank                         | Initiating License Date |
|--|--------------------------------------|-------------------------|
| <b><i>Government Commercial Banks</i></b>        |                                      |                         |
| 1  | Pashtany Bank(PB)                    | *26 July 2004           |
| 2  | New Kabul Bank (NKB)                 | 18 April 2011           |
| 3  | Bank-e-Millie Afghan (BMA)           | *26 July 2004           |
| <b><i>Foreign Branch of Commercial Banks</i></b> |                                      |                         |
| 1  | Habib Bank (HB)                      | 18 February 2004        |
| 2  | Bank Alfalah limited (BAL)           | 21 May 2005             |
| 3  | National Bank of Pakistan (NBP)      | 01 October 2003         |
| <b><i>Local Private Commercial Banks</i></b>     |                                      |                         |
| 1  | Afghanistan Commercial Bank (ACB)    | 12 March 2013           |
| 2  | Afghan United Bank (AUB)             | 04 October 2007         |
| 3  | Afghanistan International Bank (AIB) | 22 March 2004           |
| 4  | Azizi Bank (AZB)                     | 13 June 2006            |
| 5  | Ghazanfar Bank (GB)                  | 01 March 2009           |
| 6  | Maiwand Bank (MB)                    | 31 December 2008        |
| 7  | Bakhtar Bank (BB)                    | 18 March 2009           |
| 8  | Arian Bank (AB)                      | 04 December 2004        |
| 9  | First Micro Finance Bank (FMFB)      | 18 March 2004           |

\*Relicensed based on new banking laws.

## **Afghanistan International Bank**

AIB bank acquired its banking license in March 2004. The bank provides both conventional and Islamic financial services. The bank operates through Commerzbank and Standard Chartered Bank as its international clearing houses.

The bank has two main shareholders which includes:

- Horizon Associates LLC
- Wilton Holdings Ltd.

Horizon LLC is a holding investment company of Mohib Group which deals in trade of commodities. Wilton Holding Ltd is another company operating in Pakistan and Afghanistan which deals in textile production, fruit processing, and trade. Asian Development Bank (ADB) was also a shareholder of the bank however it sold its shares to Horizon and Wilton during 2016 as part of normal investment policy. International Financial Corporation (IFC), an investment company based in the United States has made arrangement with AIB and its existing shareholders to acquire up to 15% of shareholding in aggregate from both Horizon LLC and Wilton Holding by the next 2 years.

AIB Board of Supervisors have both local and international expertise. The board is made of six members. Two members represent each shareholder and other three are independent directors. The chairman is an independent director.

AIB operates in 10 provinces which includes Baghlan, Balkh, Helmand, Heart, Kabul, Kandahar, Khost, Nangarhar, Nimroz and Parwan. In total AIB has 35 branches all over the country. A great number of these branches are in Kabul.

### **Afghanistan United Bank**

Afghan United Bank started its operations and obtained banking license on 04<sup>th</sup> October 2007. AUB provides both conventional and Islamic banking services. There is not much published information on the shareholders of the bank on the website. Research indicates that AUB is owned by an Afghan businessman, Javid Jaihoon (Afghan-bios, 2017). The businessman has been involved in the fuel supply chain management over the years and provision of the armored vehicles for sale and rental. There is also information published on an event held in Canada by the Association of Certified Fraud Examiners (ACFE) that claims Javid Jaihoon involved in laundering millions of dollars which were fraudulently obtained from Kabul bank (Brander, 2013). This information is not validated through other authentic sources.

AUB has established board of Supervisors and has 5 members on the board. The chairman of the board is an independent director. AUB operates in 11 provinces and has a total of 26 branches spread throughout.

### **Afghanistan Commercial Bank**

ACB started its operations on 12 March 2013, ACB had taken over Brac Bank. The 2012 results of ACB in this report actually reflects performance of Brac Bank. ACB only provides commercial banking services.

Again, there is no information published on the website of ACB regarding the shareholders of the bank. The bank is owned by a local businessman and believed to be, Javid Andish. The businessman has been doing consultancy and corporate trainings in the early 2000. He later established university known is Karwan University and is also the single shareholder of Afghanistan Commercial Bank. ACB has a board of supervisors with 5 members in it. Javid

Andish is also a member of the board of supervisors for ACB. ACB is operating in 5 provinces which are Kabul, Jalalabad, Herat, Qandahar and Balkh. It has 8 branches so far.

### **Azizi Bank**

Azizi Bank started its operations on 13<sup>th</sup> June 2006. AZB only provides conventional banking services. Azizi Bank is owned by Azizi Family. 45% of the holdings are with Mirwais Azizi, 40% with Humayun Azizi, 10% with Farhad Mirwais Azizi and remaining 5% with Aziz Khan. So, there are about 4 shareholders from the same Azizi family. Prior to the collapse of Kabul Bank Mirwais Azizi the significant shareholder was also chairman of the board for AZB. However ever after he has been replaced as the chair of the board by the central bank. Azizi family has multiline and international businesses under Azizi Hotak Group of companies. Their most prominent line of business is petroleum and LCG.

Azizi Bank has five members on its board of supervisors. Their board also includes Dr. Dale Larson who is a faculty member at the American University of Afghanistan. Azizi Bank is spread across many provinces and has 72 branches across the country, 42 provincial branches 33 Kabul city branches.

### **Ghazanfar Bank**

Ghazanfar Bank (GB) was established in March 2009. The bank provides both Islamic and conventional banking services. The bank is owned by local business family, Ghazanfar. They have separate lines of business but significantly they deal in import and distribution of gas and petroleum. The board of supervisors for GB has only 3 members. There is no shareholder on the board of directors. GB has 10 branches operating in the country including 3 in Kabul and rest in the provinces.

## **Maiwand Bank**

Maiwand Bank (MB) was established in December 2008. The bank provides commercial banking services. There is not much information on the shareholders however the founder of the bank is Fraidoon Noorzad. He has been a Managing Director and chairman of the central bank of Afghanistan. MB has four members in the board of supervisors. MB has 39 branches all over the country. The bank is providing dedicated branches for women unlike other banks.

## **Bakhter Bank**

Bakhter bank (BB) is a wholly owned subsidiary of AZB, thus owned by Azizi Family. BB was established on March 2009. The bank provides conventional and Islamic banking services, but it is on the verge of completely transforming it into a full fledged Islamic Bank. There are five members on the board of supervisors for BB. The members in the board include Dr. Cecil lui who is a professor of finance at the American university of Afghanistan. The bank has 59 branches spread across the many provinces of Afghanistan.

## **First Micro Finance Bank**

First Microfinance Bank (FMFB) was established in March 2004. FMFB provides small and group loans apart from other conventional loans. FMFB has four global shareholders:

- Kreditanstalt für Wiederaufbau (KfW) at 31.9% holding
- Aga Khan Agency for Microfinance (AKAM) at 39.4% holding
- International Finance Corporation (IFC) at 16.8% holding
- Aga Khan Foundation USA (AKF USA) at 11.9% holding

FMFB has a very strong shareholder that have global presence. There are five members on the board of supervisors for FMFB. The bank has 50 branches including head office through which it operates.

## **Habib Bank**

Habib Bank Limited (HBL) was originally a Pakistani governmental bank which was privatized in 2004 and ever since AKFED acquired 51% of the banks shareholding. HBL is operating globally around 25 countries. In Afghanistan HBL was established on February 2004 and is operating just as a branch and not a full fledged bank.

Thus, the main shareholder in Habib Bank is the same as is for Pakistan. It is Aga Khan Fund for Economic Development (AKFED). There are other shareholders which are individuals and entities. International Finance Corporation also owns 3% holding in HBL. The bank does not have a website for its Afghanistan branch. HBL has two branches in Afghanistan both in Kabul.

## **National Bank of Pakistan**

National bank of Pakistan (NBP) is a bank fully owned by the government of Pakistan. State bank of Pakistan is the major shareholder but NBP serves on a commercial basis. It was established in Afghanistan on October 2003. NBP has a global presence through 21 foreign branches across the globe.

## **Bank Al Falah Limited.**

Bank Al Falah is based in Pakistan and a branch of it was established in Afghanistan on May 2005. The bank is owned by Abu Dhabi Group. The chair and founder of the group is Nahyan Bin Mubarak an Emirati and minister of culture and knowledge development in UAE. The group also owns warid telecom in Pakistan and many other investments.

Bank Alfalah provides both conventional and Islamic banking services. It operates through two branches in Afghanistan one in Kabul and the other in Herat.

### **Pashtany Bank**

Pashtany Bank is operating since very long in Afghanistan, but it was relicensed based on new banking laws in July 2004. This bank was originally established in 1954. The bank provides conventional banking services only. The bank is a state-owned bank and the board of supervisors comprises of the representatives from Ministry of Finance. The bank suffered from significant mismanagement in during the 2000 decade. The bank had significant amount of bad loans and many of its CEO's were replaced on short time. However recently the bank and its board has taken concrete steps to revive it with its new CEO. The bank had written off its entire loan portfolio and is now recovering on them. Pashtany bank holds a significant market of customer deposits despite is bad loan performance. The bank has 20 branches all over the country.

### **Banke Millie Afghan**

Banke Millie Afghan is also one of the oldest banks of Afghanistan but was relicensed on July 2004. It is also a state-owned bank with MoF holding more than 97% of its shares. It provides both Islamic and conventional banking services. This state bank has been running very smoothly ever since than any other state-owned bank. There are three members in the supervisory board of BMA which are independent from MoF. BMA has 38 branches, two of which are foreign subsidiaries located in the US.

### **New Kabul Bank**

Early Kabul bank was one of the first local private bank in Afghanistan. The bank was owned by businessman Sherkhan Farnood and other shareholders and other local business man and political persons. Kabul bank faced liquidity problems in 2010 rooted in financial scandals and resulted in its collapse. Almost entire loan portfolio of Kabul bank was lent to related party

for investments in Dubai, UAE. However, DAB intervened in 2010 and took over the bank to make it a state-owned bank, New Kabul Bank.

Almost \$900m were missing from the bank upon the takeover by DAB. DAB established an administrator for the bank which is still operating. The bank has stopped lending and is recovering on the money missing. The previous management board and some of supervisory board members have been jailed. The administration is now operating, and Kabul bank still continues to pay significant amount of the civil servant salaries and has captured market for deposits. DAB helped retain public trust in the banking by acquiring New Kabul Bank. The bank is the only bank with the unique outreach in all provinces of Afghanistan. It has more than 34 branches and a presence in every province of Afghanistan.

In Afghanistan only 10% of afghans are estimated to have account with the banks which is significantly far below the average of 22% for nations with low income (Russell, 2016). Numerous factors account for this which includes:

- Lack of outreach to population
- Religious reasons
- And mistrust on the banking sector as a tradition especially after the collapse of Kabul bank.

### **3 Knowledge Gap**

Commercial banks play a vital role in the economic resource allocation of countries. They channel funds from depositors to investors continuously. They can do so, if they generate necessary income to cover their operational cost they incur in the due course. In other words, for sustainable intermediation function, banks need to be profitable. Beyond the intermediation



function, the financial performance of banks has critical implications for economic growth of countries. That said sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, there is no literature on the performance of Afghanistan banking industry for various stakeholders to gauge aggregate and individual performance over years.

Literature review conducted indicates that no prior research has been carried out to assess the financial performance of the banks over the years despite the crises of Kabul Bank (KB) and Development Bank of Afghanistan (DBA). DAB has the supervisory role as a regulator of the industry. Information by the banks are shared with the DAB for evaluation and enforcement purposes however less information is publicized for public. It is not ascertained how banking sector overall is performing in the recent years in Afghanistan.

In this paper, an effort will be made to evaluate five-year comparative financial performance of all the commercial banks operating in Afghanistan. The purpose of this study is to examine the relationships among measures such as bank's size, operational efficiency, asset management, return on assets (ROA), to discuss their impact on the bank's financial performance. Financial analysis is used to quantitatively examine the differences in performance among commercial banks and the banks are ranked based on their financial measures and performances.

## **4 Methodology**

### **4.1 Research Design**

The study will use descriptive financial ratio analysis, statistics and multiple linear regression. This will be using analysis specific to the bank and comparative ratios to contrast performances across the banks. The research literature indicates that the measure to assess banks

performance has been also used in by many researchers. The banking firms are not equal in size. This method removes disparities and brings all banking firms at par.

A multiple linear regression model and t-statistic will be used to determine the relative importance of each explanatory independent variable ratios in affecting the performance of banking industry. Additionally, under the same multiple linear regression model the impact of macroeconomic environment will be assessed on the performance of the commercial banks.

## **4.2 Sample Design**

In this study all 15 banks operating in Afghanistan will be analyzed. This will include foreign bank branches, local private banks as well as state/government owned banks to the extent of information available or provided by them. The data analyzed covers a 5-year period from 2012 up to 2016.

## **4.3 Data Source and Analysis**

The secondary data needed in this study has been obtained from the audited financial statements of the commercial banks through their websites. Not all banks published their financial statements on their website and they were visited to collect the information in person and few were approached through phone calls and data collected over the electronic mail. The data collected were entered in the data collection sheet. The financial statements collected were limited to:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cashflows

The financial statements provided and disclosed for all the years excluded notes to the financial statements which are otherwise an integral part of the financial statements. All the financial statements collected are prepared in compliance with International Financial Reporting Standards (IFRS's) which has allowed the possibility of comparison and analysis.

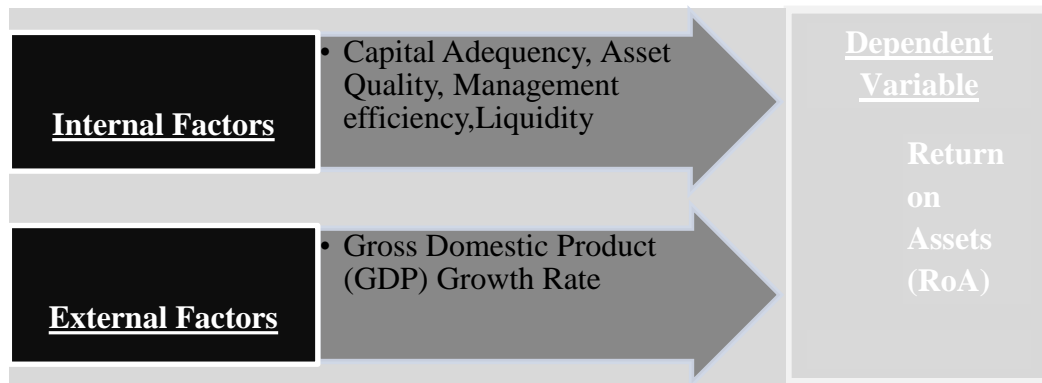
The data collected were entered into data collection sheet which were edited, coded and cleaned.

The data is analyzed using Microsoft Excel.

#### 4.4 Theoretical Framework

Internal and external factors in the banking industry are used to identify the determinants of profitability in Afghanistan through this study. Literature review indicates significance of CAMEL model on the profitability of the banks in various countries. Same parameters will be used to rank existing commercial banks on the basis of their performance.

Figure 1. Theoretical Framework



#### 4.5 Hypothesis

Based on the research questions following hypothesis are developed:

A study in India identified that the financial performance ratios under CAMEL framework significantly explains the financial performance of the banks(Nazir, 2010).

**H1: CAMEL framework significantly explains the financial performance of banks in Afghanistan.**

A Study in Kenya provided that macroeconomic factors had in-significant impact over the performance of commercial banks (Ongore and Kusa, 2013).

**H2: Macroeconomic factors have significant impact over the performance of commercial banks in Afghanistan.**

#### **4.6 Measurements for Variables**

The independent variables identified includes internal factors which are specific to the bank and also external factors relating to the economic environment of Afghanistan in which these banks operate as indicated in the theoretical framework. Some useful measures of financial performance ratios which is the alternative term as financial soundness are coined into what is referred to as CAMEL(Rogers, 2006).

The CAMEL framework related specific independent variables included in the variable measurements table above includes:

1. Capital Adequacy
2. Asset Quality
3. Management Efficiency and
4. Liquidity

CAMEL in addition to bank size is tested in this study for their significance in the profitability of the banks. The literature review conducted indicates that the same dependent and independent variables have been differently calculated and used to identify determinants of banking profitability across the globe. This section of the paper identifies the approach to proxy banking profitability variables for further financial and statistical analysis.

### ***Profitability***

The most common ratios are in similar research is considered for this study. A study conducted in Oman identified the proxy of the profitability of the banks as Return on Assets (RoA) and Return on Equity (RoE) (Tarawneh, 2006) (Murthy and Sree, 2003). These both ratios indicate how well the resources of the bank are used are used to generate returns either in terms of revenue or net profit. Return on assets evaluates returns based on the entire asset base of the bank which is inclusive of the capital invested by the owners as well as customer deposits while return on equity indicates returns of the banks based on only capital provided or invested by the owners. Henceforth they have been calculated based on total revenues of the bank (Ongore and Kusa, 2013), Net operating income of the bank (Ali et al., 2011), net profit (Alkhatib and Harasheh, 2012) as the numerator and denominator has been total assets held by the bank for RoA and total Equity for RoE respectively. These ratios can be evaluated over time and contrasted across the banks to determine performances.

This paper quantifies bank profitability as: (Anbar and Alper, 2011) and (Ongore and Kusa, 2013)

$$\text{Return on Assets} = \frac{\text{Net Profit after Income Tax}}{\text{Total Assets}},$$

$$\text{Return on Equity} = \frac{\text{Net Profit after Income Tax}}{\text{Total Equity Capital}},$$

### ***Capital Adequacy***

Capital adequacy is a very important measure of the sustainability of the banks. This is a very common ratio among the banks as seen in the literature review. This ratio provides assurance and comfort to the depositors of the bank and serves as a security to them against their deposits while also helps the banks in smooth running of the operations. Literature review indicates this ratio has been calculated with variations across various studies and countries. This has been calculated as total equity to assets (Anbar and Alper, 2011), total capital to total assets (Ongore and Kusa, 2013) as numerator and denominator with total assets. Total equity in accounting includes common stock- capital invested by owners or shareholders, related reserves like share premium and retained earnings while total capital only includes, common stock – capital invested by owners, and its related reserves. The ratio indicates proportionate of aggregate assets in a bank between their owners and depositors.

For the purpose of this study, capital adequacy has been quantified as (Ongore and Kusa, 2013):

$$\text{Capital Adequacy} = \frac{\text{Total Capital}}{\text{Total Assets}},$$

It is expected that the capital adequacy will have a positive relationship with the profitability of the bank since lower gearing is indicator of less risk hence lower cost of finance for the banks (Hassan and Bashir, 2003).

### *Asset Quality*

Banks most commonly have their assets invested in a diversified set of portfolios. Strategies vary across countries and banks. Most commonly such investments are as loan portfolio to its clients, Time deposits, stocks and many other financial instruments. Banks foresee risks and operate in investments that provide reasonable returns at acceptable levels of risks based on their risk appetite. Profits arising from investments by the bank are subject to those risks and volatilities, which are specific risks like default on loan and market conditions such as interest rates, exchange rates etc. For the purpose of financial reporting and as a requirement of the International Financial Reporting Standards (IFRS's) such risks are proactively and reasonably determined and reflected on to the financial statements before such losses from the risks are actually unfolded. These risks are reflected as provision and impairment liabilities on to the balance sheets of the banks. As a requirement of IFRS 7, banks are also required to provide quantitative and qualitative details on such risks in the disclosure notes to the financial statements. These notes, provisions and impairments indicate the quality of assets held by the bank.

This is commonly calculated as Non-Performing loans to Total Loan Portfolio (Ongore and Kusa, 2013), accumulated provisioning reserve to net Non-Performing Loans (Nazir, 2010), loans under follow-up less specific provisioning to total loans (Anbar and Alper, 2011).

For the purpose of this study and limitation of the information on notes to the financial statements for the banks in Afghanistan, Quality of Assets for the loans could not be determined with approaches undertaken by other researchers. Henceforth ratio of annual provisioning charge on portfolio to net opening balance of portfolio is used to determine Quality of Loan Portfolio. In

accounting this also indicates the relative increase or decrease in the quality of loan portfolio. This ratio has a positive relation to risk coverage ratio which is total provisioning reserve over total non-performing loans.

It is expected that asset quality as proxied above will have a negative relationship with the profitability of the bank. Since a greater percentage of provisioning charge is indicator of bad quality loans and hence less profitability, unless banks have significant other investments than loan portfolio that drives profitability for them.

### ***Management Efficiency***

Efficiency is an indicator that is based on minimum inputs but greater output. Despite that return on assets and equity are also some sort of efficiency measures however they are much dependent to various independent factors that includes the total assets coming from owners and depositors and internal factors such as use of technology, systems and processes that minimizes wastage, idle time and maximizes productivity. To consider internal factors under decision authority of management, management efficiency is studied.

Management efficiency is determined with variant in different studies as highlighted by the literature review. It is calculated as total expenditure to total income (Nazir, 2010), total operating expenses to net interest expense (Tarawneh, 2006), Total operating income to total profit (Ongore and Kusa, 2013).

Apart from the approaches used by other researchers, gross profit margin and net profit margin are other measures of profitability in accounting that indicates efficiency of the operations and business respectively. However, literature indicates that they have not been used in such studies.

In this study management efficiency is calculated as (Nazir, 2010)



$$\text{Management Efficiency} = \frac{\text{Operating Expenditure}}{\text{Total Income}},$$

It shows the relative output of profits with respect to the total income of a bank. It also indicates how efficiently that income generated through operations and services in relation to the cost incurred. It is expected that management efficiency will have a positive relationship with the profitability of the bank, The more efficient the management the greater proportion of profits from the revenues and hence greater profitability.

### ***Liquidity***

Liquidity is the ability of a business to meets its liabilities as and when they fall due. Banks have to maintain sufficient short-term liquid assets in order to meet their short-term liabilities which is mainly their customer deposits. Banks assets significantly include their cash, cash equivalents, investments and loan portfolio. Liquidity in banks is a trade off to its profitability. Maintaining readily available cash means, cash not tied to investments, less risk and either lower return.

Liquidity is calculated as total loans to total customer deposits (Ongore and Kusa, 2013), total investments to total deposits (Nazir, 2010) and liquid assets to total assets (Anbar and Alper, 2011).

For the purpose of this study liquidity has been calculated as:

$$\text{Liquidity} = \frac{\text{Liquid Assets}}{\text{Total Assets}}$$

The liquid assets only include cash and cash equivalents, balances with other banks and short-term investments but not loan portfolio. Liquidating default loans through secondary

sources of repayment by auctioning mortgage is often a time-consuming process in Afghanistan. Henceforth loan portfolio has been excluded from the liquid assets in determining the liquidity of the banks.

Despite that liquidity reduces the pressure held on bankers on operating the bank and meeting customer demands, a study in America and Australia shows that liquidity is achieved as the opportunity cost of profitable investments forgone (Bourke, 1989). Thus, it is expected that a negative relationship will exist between the liquidity of the bank and its profitability.

### ***Macroeconomic Factors***

Macroeconomic factors operate in the external environment of any business. These factors can have significant indirect impact on any industry. There are various indicators for assessing the macroeconomic conditions of Afghanistan. Under macroeconomic factors the variables used in various other studies included important indicators as gross domestic product, unemployment rate and inflation rate. The literature reviewed for the determinants of profitability of banks in various countries included use of GDP growth rate, annual inflation rate and real rate of interest (Anbar and Alper, 2011) (Flamini et al., 2009).

For the purpose of assessing the determinants of profitability in commercial banks of Afghanistan, GDP growth rate will be tested. It is expected to have a positive relationship with the profitability of the banks since growth in GDP means greater demand for loans hence greater profitability of the banks.

Table 2 Summary of calculations

| S.no | Variable D/IV                      | Measurement   | Expected Relationship with Banking Profitability |
|------|------------------------------------|---|--|
| 1    | Return on Assets                   | PAT to Total Assets                                       |  |
| 2    | Return on Equity                   | PAT to Total Capital                                      |  |
| 2    | Capital Adequacy                   | Total Capital to total Assets                             | Positive (+)                                     |
| 3    | Asset Quality                      | Provision charge to Opening balance of Net loan portfolio | Negative (+)                                     |
| 4    | Management Efficiency              | Total Operating Revenue to total profit                   | Positive (+)                                     |
| 5    | Liquidity                          | Total loans to Total Customer Deposits                    | Negative (-)                                     |
| 6    | Gross Domestic Product Growth Rate | Asian Development Bank Statistics                         | Positive (+)                                     |

#### 4.7 Statistical Tools Used for Data Analysis

The statistical tools used in this paper to validate the hypothesis developed above and to be able to answer research questions include:

1. Descriptive Statistics
2. Multiple Linear Regression

##### Descriptive Statistics

Descriptive statistics are generally coefficients determined that summarizes data into information either on a sample or population. Regression model below also includes various

components of descriptive statistics. The paper uses following specific statistical descriptive tools alongside the regression to analyze periodical and cross bank performances:

- Mean
- Standard deviation
- Min/ Max

The formulae used for the above calculations are illustrated below under the regression model.

### **Multiple Linear Regression Model**

Regression in statistics is a model that is used by finance, investing and many other disciplines. This model provides the framework for studying the relationship between a dependent variable Y and independent variables X. Hence this model broadly helps in two main objectives.

1. To predict future trends of variables.
2. To determine the strength of relationship between variables.

A study with single independent variable, also called single explanatory variable over a dependent variable would require simple linear regression however often studies include impact of various independent variables over the dependent variables hence under such circumstances a multiple linear regression model is used. There are also nonlinear regression models, which is not used in this paper hence not discussed.

### **Model framework**

The relationship between dependent and independent variables are explained through regression model below.

Linear regression model:

$$Y = a + \beta X + \epsilon$$

Multiple Linear regression model:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_t X_t + \epsilon$$

$Y = \text{Dependent variable}$

$X = \text{Independent variables (Explanatory variables)}$

$a = \text{Intercept}$

$\beta = \text{Slope}$

$\epsilon = \text{Regression Residual (Noise)}$

The linear regression model is based on the certain assumptions which should be validated in order to accurately reflect findings from the results provided by the model. The five key assumptions pertaining to the model includes:

1. Linear relationship
2. Multiple variable normality
3. Absence of multicollinearity
4. Homoscedasticity
5. Absence of auto-correlation

### ***Regression statistics***

Regression statistics provide the most important information on the entire regression model applied. The  $R^2$  comes from the regression statistics. This figure ranges from 0 to 1. The significance of this figure indicates the strength of the overall linear regression model. The known as the coefficient of determination denoted in the output by  $R^2$ . This indicates how much of the change in the dependent variable is explained by the changes in the independent variables predicted.

The regression statistics also provide the estimate value of standard error  $\delta$  for the given sample. This standard error is for the unaccounted differences or noise as shown in the regression model framework denoted by  $\epsilon$ .

The number of observations or samples used in analyzing independent and dependent variables are also illustrated in the regression statistics portion.

### ***Analysis of Variance (ANOVA)***

Independent variable and intercept coefficients are determined in the ANOVA table. These are the independent variable coefficients that indicate their magnitude in impacting the overall linear relationship between the dependent and independent variables under study, in simple terms they are the slope/gradient. These coefficients were denoted above in the model framework by:

$a = \text{intercept}$  and  $\beta_1, \beta_2, \beta_t$  as independent variable coefficients.

T-statistics for the independent variables are also provided in the ANOVA table. Where  $R^2$  determined the overall strength and relevance and significance of the regression model, T-stats identify the significance of individual independent variables within the model. The values

of coefficients for the variables could be close to zero. Henceforth these t-stats are used to determine the significant of each independent variable to make sure their true value is other than 0. A 0 coefficient always indicates that there is a non-linear relationship of the model with the particular independent variable, henceforth it is always necessary to eliminate such independent variables from the model. To validate this significance of individual independent variables at a given confidence level  $\beta\%$ , their t-stat provided by ANOVA is analyzed. T stats obeys a t-distribution with degree of freedom  $Dof$ .

$$Dof = n - k - 1$$

Where, n= number of observations and k= number of independent variables

The value of c is determined from the t-distribution matrix given confidence level  $\beta\%$  and calculated  $Dof$ . If the absolute t-state value of the independent variable is greater than c value derived from t-distribution table, then we can state that at the given confidence level of  $\beta\%$  the coefficient value of independent variable  $\beta_1$  is other than 0. This proves their significance and the linearity of the regression model.

## 5 Findings

This section of the paper provides the application of the methodology aforementioned to determine answers to the research questions established and to test the related three hypotheses formed. Multiple linear regression model is developed and applied to identify the significance of each independent variable over the dependent variables as illustrated in the theoretical framework. The variable proxies are calculated for all the banks over the five-year period from 2012 up to 2016. Various Assumptions of the multiple linear regression model is then verified

through various statistical tests to ensure validness and accuracy of the model results for interpretation.

Descriptive statistics is used to interpret results of explanatory variables proxied in order to determine the overall financial performance of the banking sector of Afghanistan. Each of the banks are then ranked based on the quantified explanatory variables.

## 5.1 Determinants of Bank Profitability in Afghanistan

Multiple Linear regression model:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$$

$Y = \text{Return on Assets}$

$a = \text{Intercept}$

$\beta_{1-6} = \text{Coefficient of Explanatory Variables}$

$X_1 = \text{Capital Adequancy}$

$X_2 = \text{Asset Quality}$

$X_3 = \text{Management Efficiency}$

$X_4 = \text{Liquidity}$

$X_5 = \text{Bank Size}$

$X_6 = \text{Gross Domestic Product}$

$\epsilon = \text{Regression Residual (Unaccounted Differences)}$



Model Result:

$$Y = 0.0177 + 0.0453_1X_1 + 0.0001X_2 + 0.0248X_3 + 0.0063X_4 + 0X_5 + 0.0381X_6 + \epsilon$$

### Validation for multicollinearity:

The model has been tested for multicollinearity and the results of which are shown in the correlation test in Table 3 below.

**Table 3. Correlation Test between Independent Variables**

| Independent Variables | <i>Bank Size</i> | <i>Manage. Efficiency</i> | <i>GDP Growth</i> | <i>Liquidity</i> | <i>Capital Adequacy</i> | <i>Asset Quality</i> |
|-----------------------|------------------|---------------------------|-------------------|------------------|-------------------------|----------------------|
| Bank Size             | 1.00             |                           |                   |                  |                         |                      |
| Management Efficiency | 0.20             | 1.00                      |                   |                  |                         |                      |
| GDP Growth            | -0.12            | -0.32                     | 1.00              |                  |                         |                      |
| Liquidity             | -0.05            | -0.23                     | 0.03              | 1.00             |                         |                      |
| Capital Adequacy      | <b>-0.76</b>     | -0.42                     | 0.06              | 0.08             | 1.00                    |                      |
| Asset Quality         | -0.04            | 0.09                      | 0.09              | -0.21            | -0.12                   | 1.00                 |

1 is a perfect relationship while 0.76 to 0.99 is a very strong relationship. While 0.51 to 0.75 is only a strong relationship. 0.26 to 0.50 is a moderate relationship and remaining are weak relationships (Reinard, 2006).

The only very strong relationship identified in the correlation table is between capital adequacy and Bank Size of 0.76. It is also understandable that capital forms part of the total assets of the bank. Based on the very strong relationship Bank size as an explanatory variable has been withdrawn from the model. The remaining independent variables:

- Capital Adequacy (C)

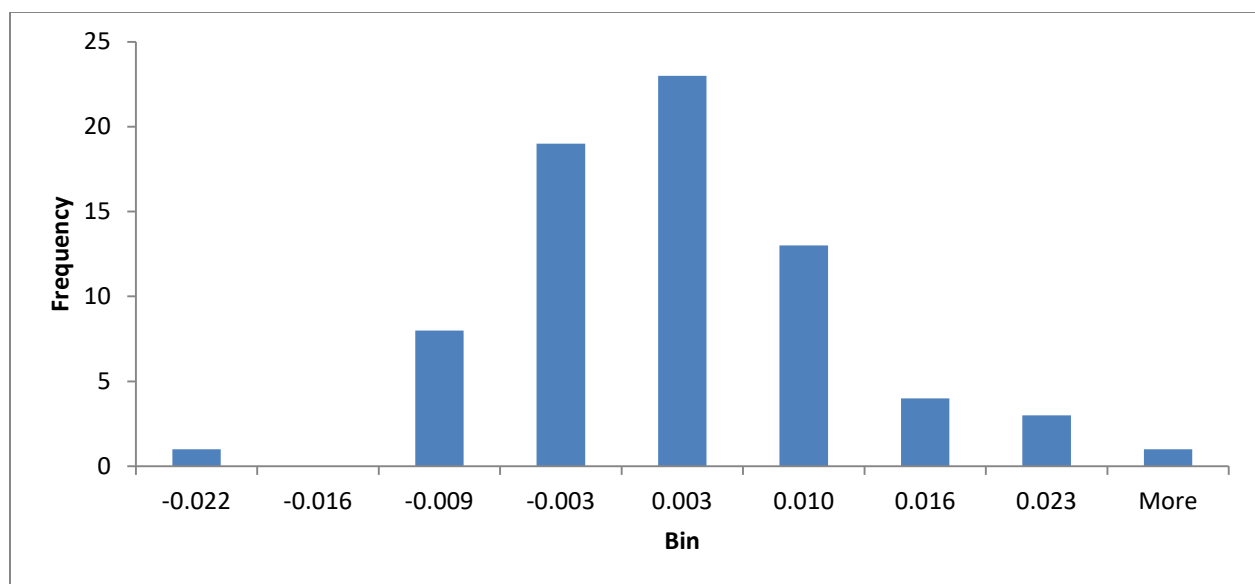
- Asset Quality (A)
- Management Efficiency (ME)
- Liquidity (L)

have either a weak or moderate relationship hence retained to identify their statistical significance in explaining the profitability of the banks.

### Validation for Normality:

Another assumption of the regression model for RoA has been validated here below. The test below is to make sure the residuals in the error term are normally distributed with mean 0.

**Chart 1. Residuals Histogram of RoA model**



The residuals as seen in the above histogram is bell shaped and shows a normal distribution around the mean  $\mu \sim 0$ . To further ensure normality mean of the residuals has been calculated as 0.000 as shown in Table 4. Furthermore, the Skewness and Kurtosis has been verified which is 0.911 and 0.475 respectively shown in Table 4. Skewness and Kurtosis within 1.5 are considered a normal distribution. ()

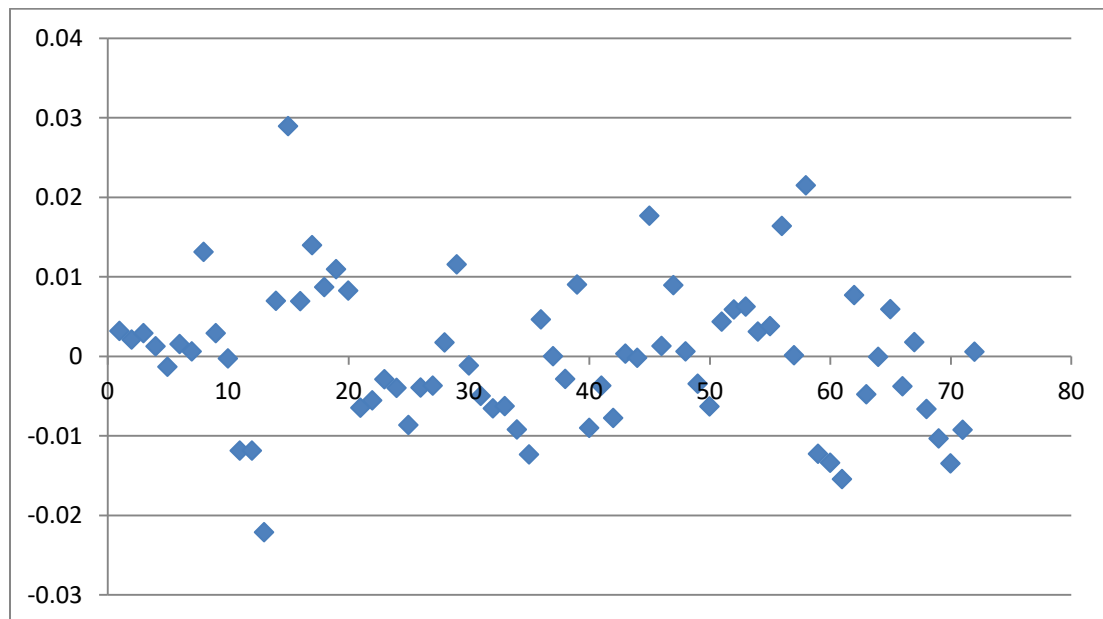
**Table 4. Mean, Skewness and Kurtosis Test**

| <i>Measures</i> | <i>Values</i> |
|-----------------|---------------|
| Kurtosis        | 0.911         |
| Skewness        | 0.475         |
| Minimum         | -0.022        |
| Maximum         | 0.028         |
| Mean            | (0.000)       |

**Validation for Auto Correlation and Homoscedasticity:**

This section of validates the assumption of Auto Correlation and Homoscedasticity for the RoA model. In auto correlation it is to ensure that there is no particular pattern in the residuals of the regression model and on Homoscedasticity we are ascertaining that the standard deviation of the error term or unaccounted differences are not increasing with the different higher values of the explanatory variables.

**Chart 2. Residuals Scatter Plot for RoA model**



There is no sign of pattern existing in the plot in Chart 2 which indicates that there is no sign of auto correlation furthermore deviations are within in range and no sign of increase in

standard deviations on the unaccounted differences with different values of the explanatory variables hence no sign of homoscedasticity.

**Table 4. Determinants of Profitability based on Return on Assets (RoA)**

|                       | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> |
|-----------------------|---------------------|-----------------------|---------------|----------------|
| Management Efficiency | 0.0248              | 0.0013                | 19.4652       | 0.0000         |
| GDP Growth            | 0.0381              | 0.0302                | 1.2606        | 0.2119         |
| Liquidity             | 0.0063              | 0.0087                | 0.7282        | 0.4691         |
| Capital Adequacy      | 0.0453              | 0.0088                | 5.1232        | 0.0000         |
| Asset Quality         | 0.0001              | 0.0000                | 2.3210        | 0.0234         |
| Intercept             | 0.0177              | 0.0053                | 3.3151        | 0.0015         |
| R Square              | 0.8723              |                       |               |                |
| Adjusted R Square     | 0.8626              |                       |               |                |
| Observations          | 72                  |                       |               |                |

All the RoA multivariate regression assumptions have been validated above. Table 4 provides the key statistical information on the model for interpretation. The R square of the model is 87.2% on 72 observations. R Square indicates the percentage of change in dependent variable explained by the expected independent variables. A strong R square also explains the linearity of the regression model which is the foremost assumption of regression model used.

In this model it implies the linearity of the relationships and that 87.2% of change in the RoA is determined by the independent variables of the CAMEL framework. Adjusted R-Square is also high at 86.3% which indicates the potential for additional variables and that there are no unnecessary and needless explanatory variables included in the model.

The number of observations made is 72 which is of 15 banks over 5 years. However only 3-year data on National Bank of Pakistan from 2012-2013 were not available hence 3 samples are excluded, thus making the number observations as 72 and not 75.

Furthermore, looking at the individual explanatory variables of the CAMEL framework in the regression model we see that the coefficient of all variables is positively related to RoA, as shown in Table 4. Despite that a negative relationship was expected for liquidity defined in the methodology of this paper, however it is determined that liquidity has different impact for banks in Afghanistan. Liquidity reduces pressure on the operations of the bank thus overcoming the opportunity cost of the funds if invested in greater markup long-term investments. Banks in Afghanistan also have access to short term liquid and high return investments such as Capital notes offered by DAB hence they turn to have a positive relation with RoA in Afghanistan.

Apart from the coefficient analysis, the individual variables of the CAMEL framework for bank specific factors and the GDP growth rate for external factors are studied for their individual significance in their contribution to the model. T-stats as shown in Table 4 are analyzed, it clearly provides that Management Efficiency, Capital Adequacy and Asset Quality are the only CAMEL framework factors among all the variables that are statistically significant at 95% confidence interval. T Stat for ME, CAR, AQ are 19.465, 5.123 and 2.321 which are greater than absolute 2 hence statistically significant. Furthermore, their P-value is 0.000, 0.000 and 0.023 which ascertains their significance in the model. Liquidity and GDP growth are not statistically significant in the RoA model as shown by their T-stat and P-value at the 95% confidence interval.

The first objective of the study was to determine factors significantly impacting the financial performance of commercial banks and the first hypothesis made was that CAMEL framework significantly explains the financial performance of the commercial banks in Afghanistan, based on Table 4 and R square of 87.2% we are determined that the profitability of

banks based on RoA is significantly explained by the CAMEL framework at 95% confidence interval.

***Thus, we reject the null hypothesis  $H_{01}$  and that CAMEL framework is statistically significant in determining the financial performance of commercial banks in Afghanistan.***

## **5.2 Impact of GDP Growth on Profitability**

T-Stats and P-values in both the regression models comprising bank specific factors based on CAMEL framework and secondly based on the adjusted CAMEL framework replacing capital adequacy with bank size indicates that GDP growth rate in Afghanistan had a positive relation but statistically insignificant impact over the financial performance and profitability of the banks based on the RoA models.

The T-stat and P-values for GDP under first model comprising bank specific factors of CAMEL framework as illustrated in table 4. Was 1.260 and 0.211 respectively and again the t-state and P-values for GDP growth rate under second model was 0.618 and 0.539 respectively as illustrated in table 6.

The third hypothesis made in this paper was that there is significant impact of GDP growth rate over the financial performance of commercial banks in Afghanistan, which is determined as in valid based on the statistical evaluations above.

***Thus, we fail to reject the null hypothesis  $H_{03}$  and that there is insignificant impact of GDP growth over the financial performance of commercial banks in Afghanistan based on the RoA profitability model.***

## 5.3 Performance of Banking Industry in Afghanistan

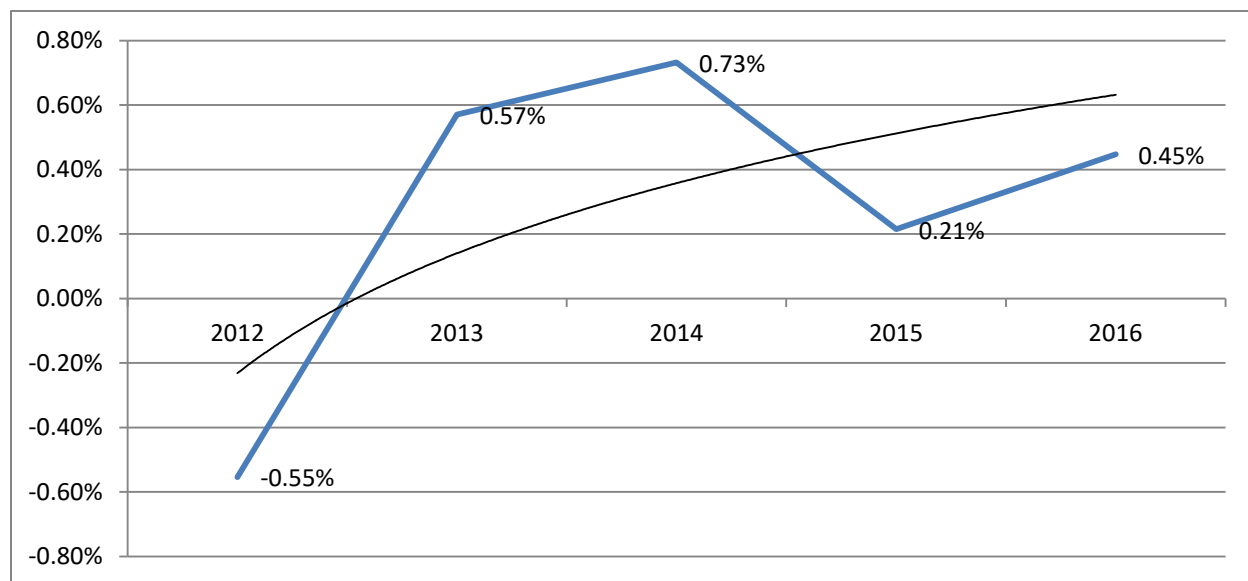
### 5.3.1 Mean Performance Ratios

**Table 7. Descriptive Statistics of Banking Industry of Afghanistan**

| Variables             | Mean    | Standard Deviation | Minimum   | Maximum |
|-----------------------|---------|--------------------|-----------|---------|
| RoA                   | 0.0035  | 0.0251             | -0.1467   | 0.0441  |
| RoE                   | 0.1122  | 0.2827             | -0.5983   | 1.5808  |
| Management Efficiency | -1.0270 | 1.0380             | -6.9012   | -0.2026 |
| GDP Growth            | 0.0379  | 0.0391             | 0.0080    | 0.1140  |
| Liquidity             | 0.5992  | 0.1339             | 0.3061    | 0.8672  |
| Capital Adequacy      | 0.1400  | 0.1386             | 0.0000    | 0.7721  |
| Asset Quality         | -2.9461 | 24.4209            | -207.2819 | 0.0390  |

### 5.3.2 Trend Analysis

**Chart 5. Industry Return on Assets**

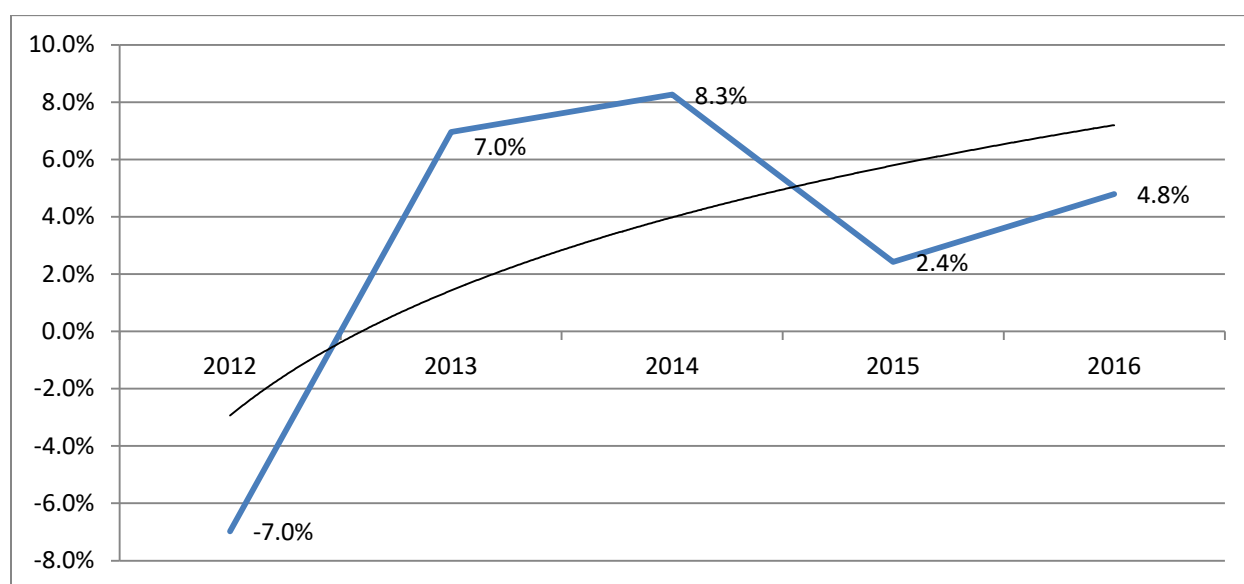


Return on Assets measured as Total Industry PAT to Total Industry Assets, in the commercial banking industry of Afghanistan has been poor in 2012 but has been improving over the years and shows a rising trend for the future. 2012 has been a poor year for the industry with mean return of negative 0.55% majorly due to poor performances of Brac Bank now ACB and

Pashtany Bank due to their loan portfolio losses, the sector overall is improving with mean return in 2016 of 0.45%. Both the banks have radical changes in management that will improve their individual performances that will contribute to the sector. The current rate of return on total assets is 0.45%.

*The RoA is significantly low and indicates management inefficiencies or probably less investment opportunities for banking industry of Afghanistan.*

**Chart 6. Industry Return on Equity**



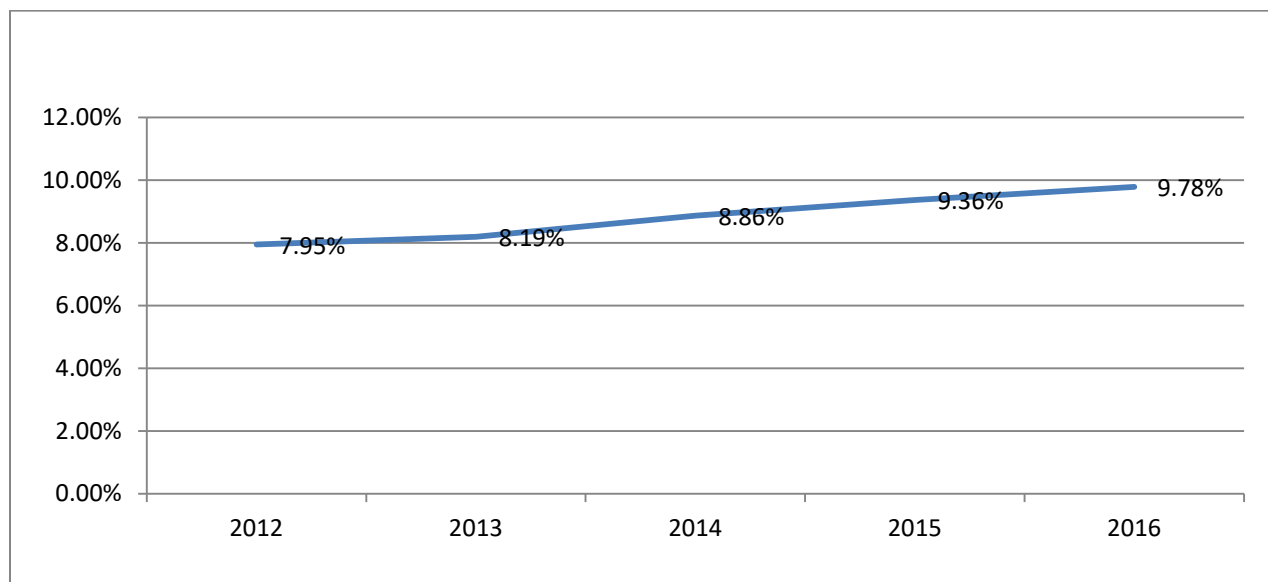
Return on Equity for the industry measured as PAT to Total Capital and reserves, could have been significantly higher in 2012 had ACB and PB performed well. Despite that equity forms a small part of the total assets of the banks and the industry should be earning at least the market rate of return on their investments but this is not the case.

*Many of the commercial banks are owned by local and international companies and businessmen, this indicates that the banking industry investments suffer higher opportunity*



*cost and there is potential for divestments. If the banks operate under similar conditions than profitability is not the aim of commercial banking.*

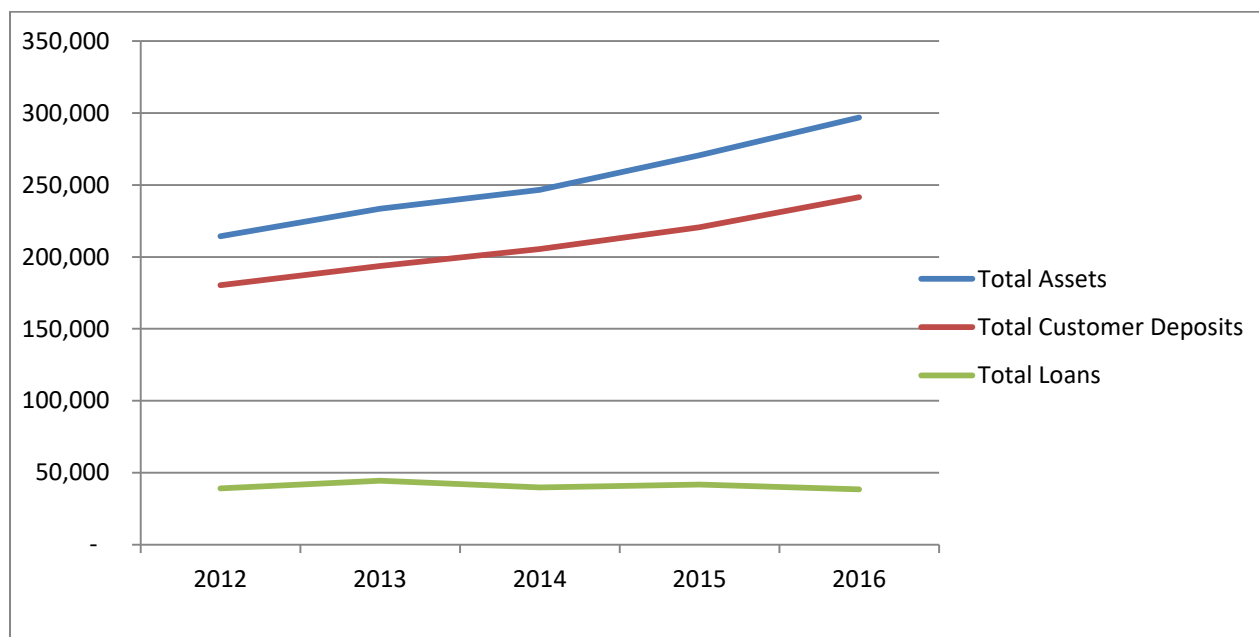
**Chart 7. Industry Capital Adequacy Ratio**



Capital Adequacy Ratio calculated as Total Industry Capital and Capital Reserves to Total Assets has been increasing over the years which is good indicator and a satisfaction to the public and depositors. DAB has a requirement of minimum Tier 1 capital to risk weighted asset ratio of 6% and a separate for Tier 2 regulatory capital requirement of 12%. where Tier 1 is core capital that is of high quality elements that meet characteristics of capital. This is capital and capital reserves. CAR is increasing but RoE despite increasing between 2012 to 2013 is still much low. *DAB is enforcing extensive capital regulatory requirements over the already*

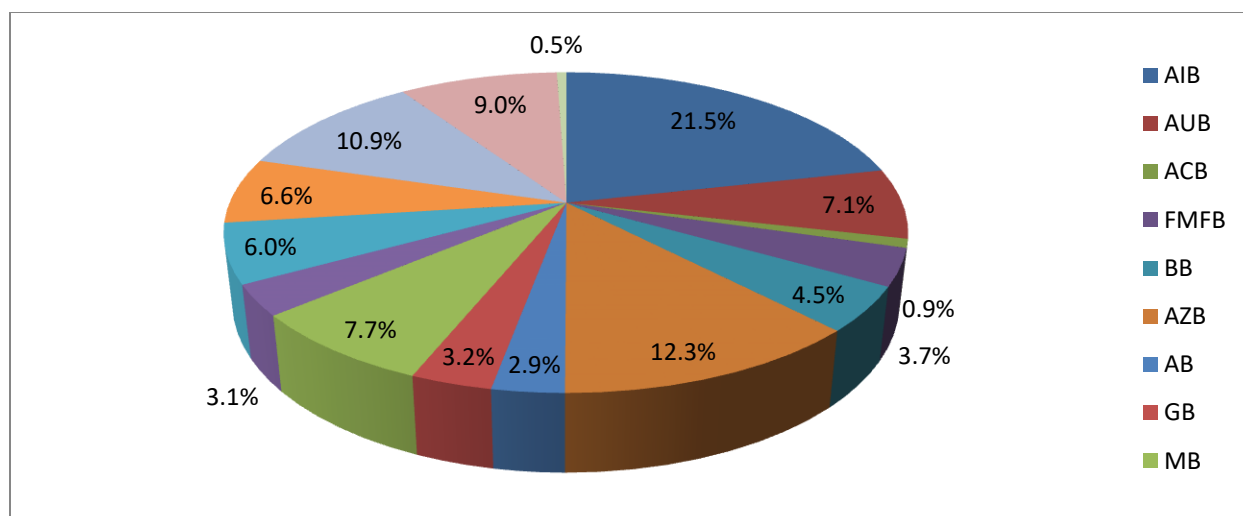
*suppressed low earning investors of the commercial banking industry knowing of the diminishing returns on equity.*

**Chart 8. Industry Assets, Deposits and Loans**



## 5.4 Performance of Individual Banks in Afghanistan

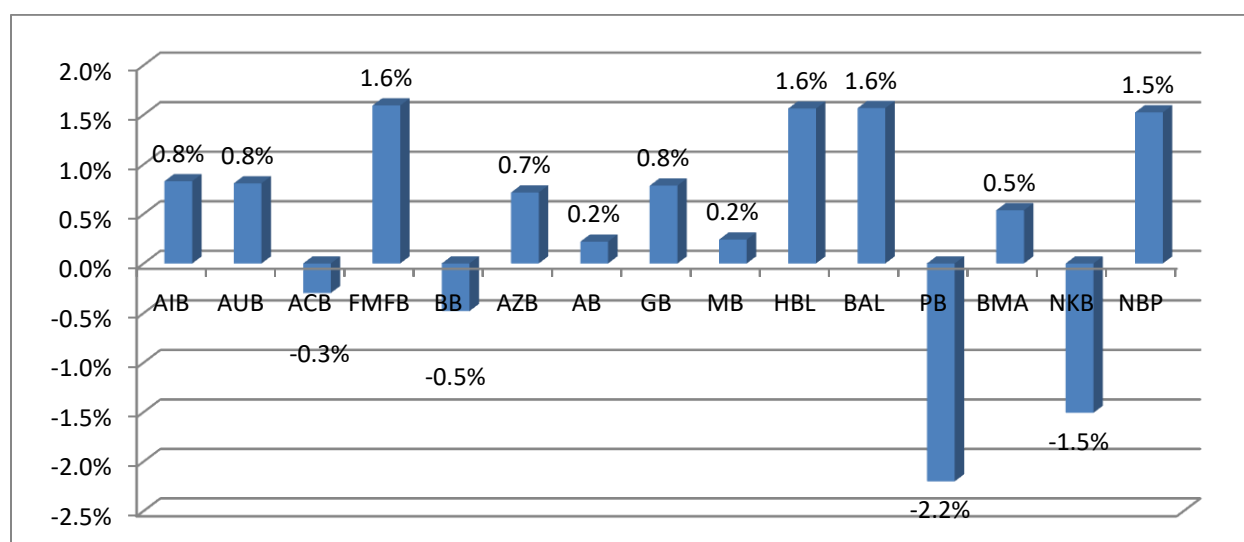
**Chart 9. Market Share of Deposits**



AIB bank holds the major share of the deposit market among other 14 commercial banks in Afghanistan. It holds an average of 21.5% of customer deposits over the five-year period. Azizi Bank holds an average of 12.3% of the market while state owned banks including NKB, BMA and PB holds 9%, 10.9% and 6.6% respectively and in aggregate these state-owned banks hold 26.5% of the market.

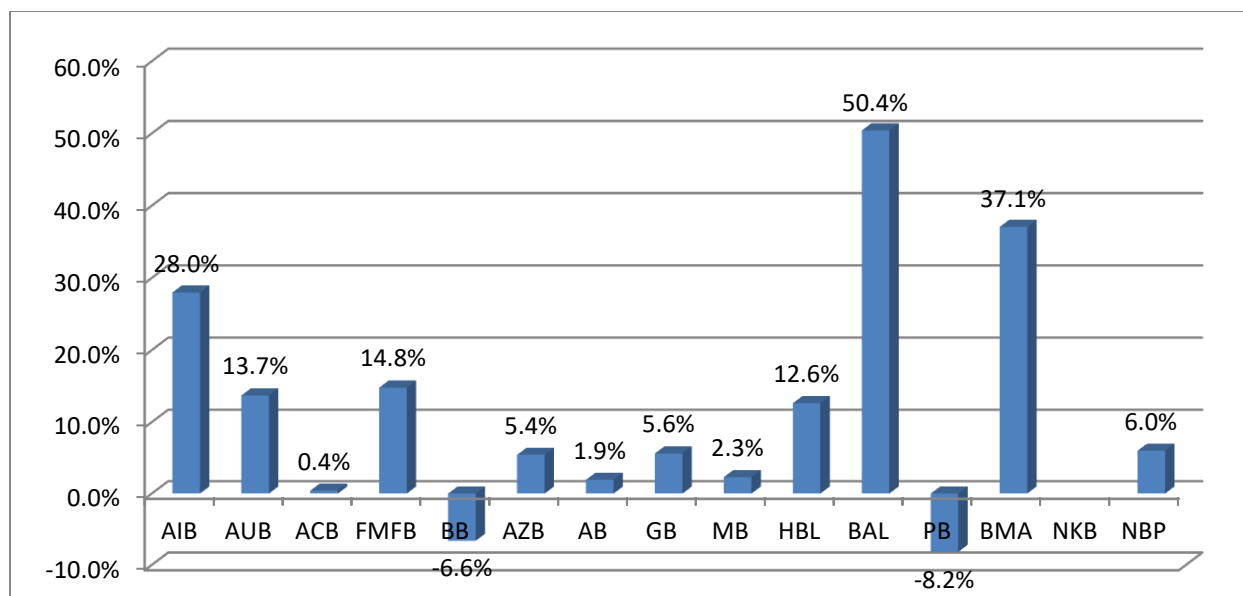
#### 5.4.1 Mean Performance Ratios

**Chart 10. Bank wise Average Return on Assets**



Despite that AIB owns significant deposit market share but FMFB, HBL, BAL and NBP are making the most of their assets with the greatest RoA in the market. Most of these banks are branches of foreign banks probably they have access to better investments. PB and NKB which are state owned are the worst on RoA.

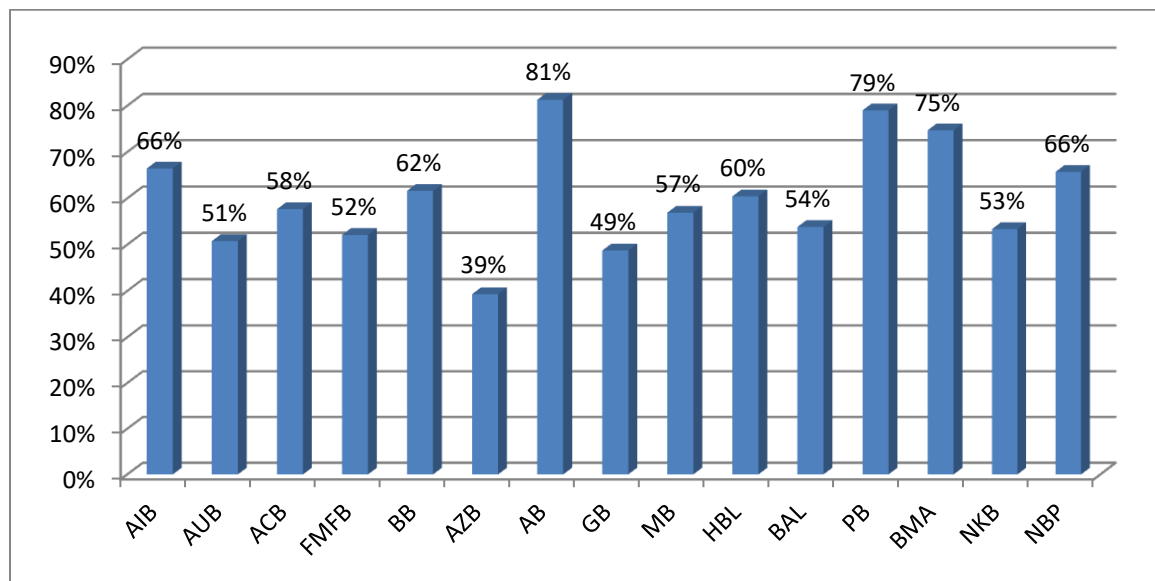
**Chart 11. Bank wise Average Return on Equity**



- NKB removed from the chart since no equity held by it during first 4 years.

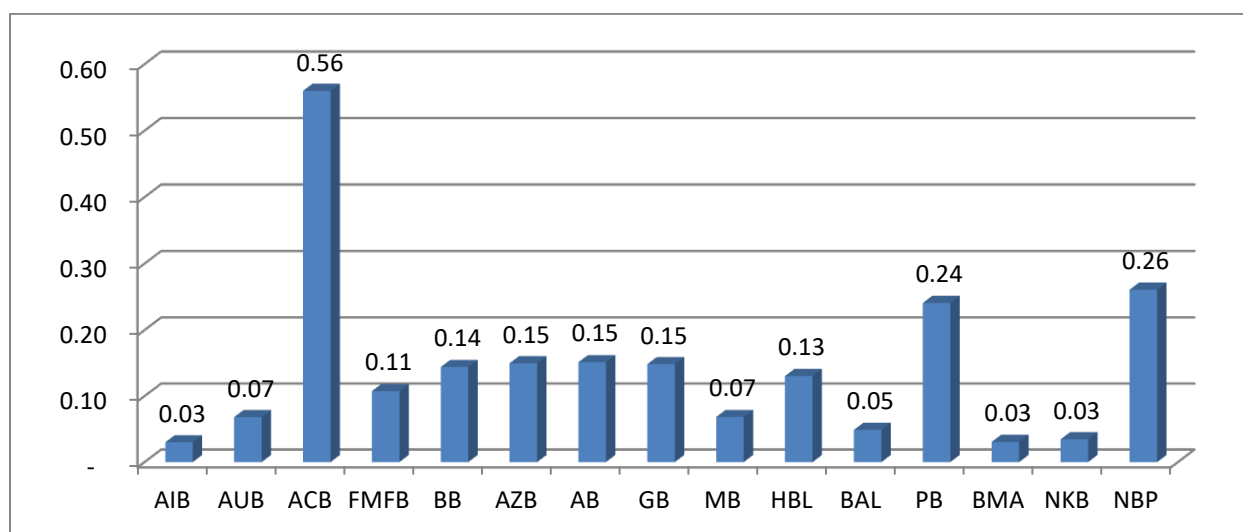
BAL and BMA had low equity investments less than requirements of DAB in 2012 and 2013 hence they hold highest return against equity. Apart from these AIB has a very good and consistent return on equity of 28% recovering its entire bank investment within 3-4 years. AUB, FMFB and HBL also have good and consistent returns over equity.

**Chart 12. Bank wise Average Liquidity Ratio**



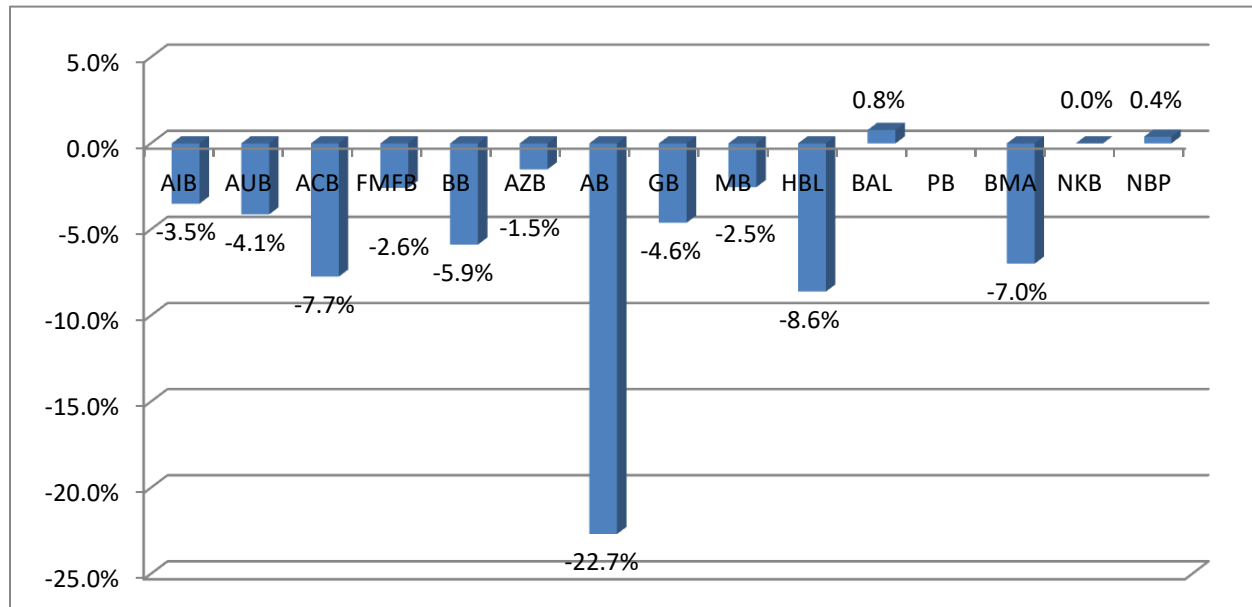
AB has the most liquid assets of 81% while AZB has the least liquid assets. AZB has strategic alliance with Onyx Construction Company and has made significant investments in real estate in Afghanistan like Azizi Center, Azizi Tower and others. This has made liquidity of the bank to fall which also became a concern in the recent years.

**Charts 13. Bank wise Average Capital Adequacy Ratio**



DAB has a requirement of minimum Tier 1 capital to risk weighted asset ratio of 6% and a separate for Tier 2 regulatory capital requirement of 12%. where Tier 1 is core capital that is of high quality elements that meet characteristics of capital. ACB CAR is 56% because it is the smallest bank and its equity is more than customer deposits that is why CAR is greater. However, the low CAR ratio of AIB, BMA and NKB of 3% could be explained given the DAB regulations on the CAR requirement.

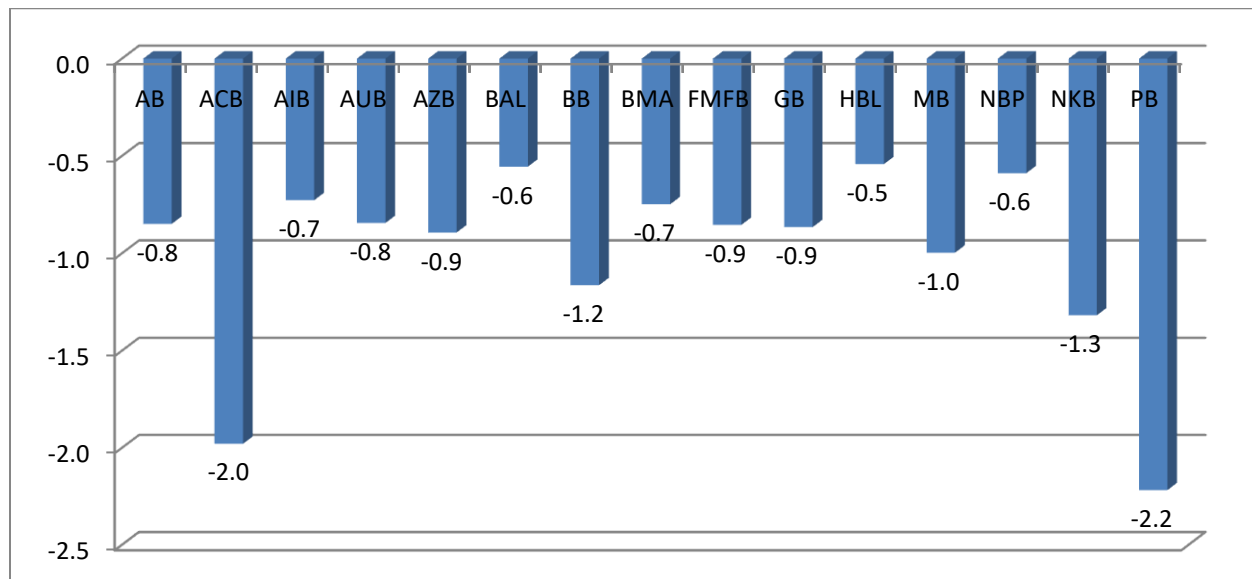
**Chart 14. Bank wise Average Loan Impairment**



- Pashtany Bank is removed from the chart.

AB faced significant portfolio impairment during 2012 and 2013 equaling to 50% of its portfolio. ACB faced 28% and 20% impairment of its closing portfolio in 2012 and 2016 respectively. PB is not shown in the graph so that it is not distorted since PB written off its entire loan portfolio by 2015 which had defaulted and non-performing. Recently HBL had impairments of 13.5% in 2015 and 22% in 2012. BB is also suffering from bad portfolio recently. ***FMFB, MB and AZB are the banks that hold significant investments in loan portfolio and are performing extremely well.***

**Chart 15. Bank wise Average Management Efficiency Ratio**



Most inefficient banks are PB, ACB, NKB and BB. Their expenditure is over and above their income on average. While branches of foreign banks such as HBL, NBP, BAL and AIB as local full fledged banks are the most efficient banks on average.

#### 5.4.2 Ranking of Banks

The third objective of the study was to rank banks based on their financial performance. A summary of the above interpretations and results have been summed up in the table below. The table ranks all banks based on their individual indicators on financial performance.

**Table 8. Bank Rankings**

| Banks      | CAR        | Ranking  | Asset Quality Mean | Ranking  | ME          | Ranking  | Liquidty   | Ranking  |
|------------|------------|----------|--------------------|----------|-------------|----------|------------|----------|
| <b>AB</b>  | 15%        | 4        | -22.7%             | 13       | -85%        | 7        | <b>81%</b> | <b>1</b> |
| <b>ACB</b> | <b>56%</b> | <b>1</b> | -7.7%              | 12       | -198%       | 14       | 58%        | 8        |
| AIB        | 3%         | 15       | -3.5%              | 6        | -73%        | 4        | 66%        | 5        |
| AUB        | 7%         | 10       | -4.1%              | 8        | -84%        | 6        | 51%        | 13       |
| AZB        | 15%        | 5        | -1.5%              | 3        | -89%        | 10       | 39%        | 15       |
| <b>BAL</b> | 5%         | 12       | <b>0.8%</b>        | <b>1</b> | -55%        | 2        | 54%        | 10       |
| BB         | 14%        | 7        | -5.9%              | 10       | -116%       | 12       | 62%        | 6        |
| BMA        | 3%         | 14       | -7.0%              | 11       | -75%        | 5        | 75%        | 3        |
| FMFB       | 11%        | 9        | -2.6%              | 7        | -85%        | 8        | 52%        | 12       |
| GB         | 15%        | 6        | -4.6%              | 9        | -87%        | 9        | 49%        | 14       |
| <b>HBL</b> | 13%        | 8        | -8.6%              | 8        | <b>-54%</b> | <b>1</b> | 60%        | 7        |
| MB         | 7%         | 11       | -2.5%              | 4        | -100%       | 11       | 57%        | 9        |
| NBP        | 26%        | 2        | 0.4%               | 2        | -59%        | 3        | 66%        | 4        |
| NKB        | 3%         | 13       | 0.0%               | -        | -132%       | 13       | 53%        | 11       |
| PB         | 24%        | 3        | -4172.6%           | 14       | -222%       | 15       | 79%        | 2        |

## 6 Conclusion

Better financial performance is contingent to the profitability of the banks. It is the profitability factor among dependent social and environmental considerations that make the bank sustainable to be able to operate in the long term serving the public, shareholders, government and nevertheless economy of the country and all stakeholders in large.

This paper studied the determinants of profitability in the commercial banking industry of Afghanistan. All fifteen commercial banks both privately owned and state-owned banks were collected for study over a period of five years from 2012 up to 2016. Despite that financial



information was not available for NBP for the period 2012 up to 2016 but the aggregate information helped in conducting the findings in forming the conclusion.

It has been ascertained that:

- Bank specific factors contribute significantly to profitability of the banks rather than economy in general.
- Capital Adequacy, Asset (Loan Portfolio) Quality, Management Efficiency and Liquidity have a positive relation with the profitability of the banks.
- Despite that a negative relation was expected for liquidity as it is the alternative of good returns on long term investments but this turnout to be positive. This indicates that apart from the loan portfolio commercial banks in Afghanistan are earning much better from other more liquid financial instruments than loan portfolios.
- In addition, Bank Size has a negative relation to profitability in Afghanistan. This means large banks like AIB and AZB or not earning as much as medium and small banks like FMFB.
- Furthermore, Gross Domestic Product (GDP) growth rate as an external factor impacting financial performance has also had a positive relation with the profitability of the commercial banks in Afghanistan but has not been statistically significant.
- Among bank specific factors, Management Efficiency, Capital Adequacy and Asset Quality are the only CAMEL framework factors that are statistically significant in affecting the profitability of the banks.
- Statistical analysis indicates that the key competency for competitive advantage among the commercial banks in Afghanistan is management efficiency. This means that those

banks with better management efficiency are earning much higher returns on assets than others.

Financial ratio and trend analysis of the commercial banking industry in Afghanistan over the five-year period from 2012 to 2016 indicated that:

- RoA has been improving over the years and is currently at 0.45% in 2016 with mean of 0.35% for the five years. This is significantly low than many other countries like turkey 1.91% (Anbar and Alper, 2011), Kenya 1.95% (Ongore and Kusa, 2013) but better than Pakistan 0.063% (Ali et al., 2011).
- RoE has also been improving over the years and is currently at 4.8% in 2016. This is again much less than Turkey 14.23% (Anbar and Alper, 2011), Kenya 14.8% (Ongore and Kusa, 2013) but greater than Pakistan 4.31% (Ali et al., 2011).
- It also becomes evident that despite an effective market rate of return of 15% in Afghanistan many businessmen have tied up equity in commercial banking sector that only provides very low returns to equity. It is also evident that Afghanistan and Pakistan are earning less on the assets and equity in the banking sector as compared to Turkey and Kenya with a higher opportunity cost for their funds and the reason is inconclusive in this paper.

Financial ratio and trend analysis of individual commercial banks revealed the following facts:

- In terms of bank size AIB captures the biggest portion of deposits market with a mean of 24% in five years' time and hence the largest bank size individually representing assets with mean 21.5% of the industry over five years. AZB bank holds the second largest

deposit market by mean 10% over 5 years' time and hence representing the second largest bank in terms of size, individual representing a five year mean of 12.3% of the industry assets.

- FMFB and the three other foreign bank branches HBL, BAL and NBP are generating the highest most profitability rate in terms of RoA with mean over five years' time on RoA of 1.59%, 1.56%,1.57%,1.52% respectively while AIB and AZB earning at mean 0.83% and 0.72% on RoA respectively.
- Bakhter bank is continuously running in significant losses despite retaining its liquidity and CAR. This requires specific investigation and appropriate management to bring it on the correct route.

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## 8 Appendix

### 8.1 Audited Financial Statements

#### 8.1.1 Afghanistan International Bank

| Audited Statements              | AIB (AFN millions") |        |        |        |        |
|---------------------------------|---------------------|--------|--------|--------|--------|
| Statement of Financial Position | 2016                | 2015   | 2014   | 2013   | 2012   |
| Cash & balances with DAB        | 10,453              | 17,816 | 11,163 | 8,499  | 8,657  |
| Balances with other banks       | 6,606               | 5,043  | 11,625 | 17,107 | 13,729 |
| Placements                      | 19,313              | 19,798 | 14,898 | 5,018  | 10,079 |
| Investments                     | 14,383              | 13,532 | 14,441 | 12,225 | 8,146  |

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Loans and advances to customers net     | 3,729         | 3,458         | 2,890         | 4,205         | 4,546         |
| Receivables from financial institutions | 522           | 172           | 103           | 198           | 191           |
| operating fixed assets                  | 1,625         | 1,047         | 491           | 431           | 325           |
| Intangible assets                       | 527           | 573           | 559           | 175           | 200           |
| Deferred tax assets                     | 21            | 21            | -             | 4             | -             |
| Other assets                            | 1,007         | 460           | 366           | 252           | 188           |
| <b>Total assets</b>                     | <b>58,188</b> | <b>61,920</b> | <b>56,535</b> | <b>48,114</b> | <b>46,061</b> |
|   |               |               |               |               |               |
| <b>Liabilities</b>                      |               |               |               |               |               |
| Customer deposits                       | 54,078        | 57,998        | 52,908        | 45,121        | 43,143        |
| Deffered income                         | 16            | 27            | 9             | 12            | 9             |
| Deffered tax liabilities                | -             | -             | 15            | -             | 4             |
| Other liabilities                       | 193           | 208           | 223           | 206           | 346           |
| <b>Total liabilities</b>                | <b>54,287</b> | <b>58,232</b> | <b>53,154</b> | <b>45,339</b> | <b>43,501</b> |
|   |               |               |               |               |               |
| <b>Equity</b>                           |               |               |               |               |               |
| Share capital                           | 1,465         | 1,465         | 1,465         | 1,465         | 1,465         |
| Capital reserves                        | 219           | 193           | 168           | 143           | -             |
| Retained earnings                       | 2,212         | 2,054         | 1,735         | 1,240         | 1,143         |
| Surplus/ deficit on revaluations        | 6             | (23)          | 13            | (73)          | (48)          |
| <b>Total equity</b>                     | <b>3,901</b>  | <b>3,688</b>  | <b>3,381</b>  | <b>2,775</b>  | <b>2,560</b>  |
|   |               |               |               |               |               |
| <b>Total equity and liabilities</b>     | <b>58,188</b> | <b>61,920</b> | <b>56,535</b> | <b>48,114</b> | <b>46,061</b> |

| <b>Audited Statements</b>                 | <b>AIB (AFN "millions")</b> |              |              |              |              |
|---|-----------------------------|--------------|--------------|--------------|--------------|
| <b>Statement of comprehensive Income</b>  | <b>2016</b>                 | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
| Interest Income                           | 1,071                       | 1,081        | 1,068        | 1,161        | 1,057        |
| Interest expense                          | (13)                        | (6)          | (3)          | (2)          | (3)          |
| <b>Net Interest Income</b>                | <b>1,058</b>                | <b>1,075</b> | <b>1,065</b> | <b>1,159</b> | <b>1,054</b> |
| Fee & Commission Income                   | 788                         | 680          | 616          | 570          | 419          |
| Fee & Commission expense                  | (31)                        | (17)         | (14)         | (14)         | (14)         |
| <b>Net fee &amp; commission income</b>    | <b>757</b>                  | <b>663</b>   | <b>602</b>   | <b>556</b>   | <b>404</b>   |
| Income from dealing in foreign currencies | 144                         | 194          | 216          | 206          | 160          |
|   | <b>1,959</b>                | <b>1,931</b> | <b>1,883</b> | <b>1,920</b> | <b>1,619</b> |
| Other income/ expenses                    | 56                          | (1)          | 77           | 61           | 18           |
| Loss/ gain on securities                  | (0)                         | 4            | (16)         | (16)         | -            |
| Provision on placements                   | (65)                        | (25)         | (50)         | (256)        | 17           |
| Provision on investments                  | (2)                         | (14)         | (8)          | (13)         | (7)          |
| Provision against loan loss               | (80)                        | (99)         | (128)        | (305)        | (38)         |
| General and administrative expenses       | (1,299)                     | (1,244)      | (1,195)      | (1,080)      | (1,004)      |

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| <b>Profit before Income tax</b>                | <b>568</b> | <b>553</b> | <b>563</b> | <b>311</b> | <b>604</b> |
| Taxation                                       | (49)       | (65)       | (63)       | (71)       | (104)      |
| <b>Profit for the year</b>                     | <b>519</b> | <b>488</b> | <b>500</b> | <b>240</b> | <b>500</b> |
| <b>Other Comprehensive Income</b>              |            |            |            |            |            |
| Net changes in value of financial instruments  | 37         | (45)       | 86         | (25)       | (37)       |
| Related tax                                    | (7)        | 9          | -          | -          | -          |
| Other comprehensive income/(loss) net of tax   | 29         | (36)       | 86         | (25)       | (37)       |
| <b>Total Comprehensive Income for the year</b> | <b>548</b> | <b>451</b> | <b>586</b> | <b>215</b> | <b>463</b> |

### 8.1.2 Afghan United Bank

| <b>Audited Statements</b>               | <b>AUB (AFN "millions")</b> |               |               |               |               |
|---|-----------------------------|---------------|---------------|---------------|---------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
| Cash & balances with DAB                | 8,546                       | 7,944         | 7,920         | 8,749         | 4,117         |
| Balances with other banks               | 1,346                       | 2,274         | 1,916         | 1,131         | 1,744         |
| Placements                              | -                           | -             | -             | -             | -             |
| Investments                             | 1,294                       | 342           | 583           | 1,805         | 875           |
| Loans and advances to customers net     | 6,897                       | 6,095         | 5,386         | 4,647         | 4,036         |
| Receivables from financial institutions | -                           | -             | -             | -             | -             |
| operating fixed assets                  | 1,014                       | 1,092         | 1,145         | 1,237         | 522           |
| Intangible assets                       | 11                          | 13            | 26            | 38            | 45            |
| Deferred tax assets                     | -                           | -             | -             | -             | 22            |
| Other assets                            | 1,814                       | 1,405         | 1,307         | 1,387         | 1,009         |
| <b>Total assets</b>                     | <b>20,922</b>               | <b>19,165</b> | <b>18,284</b> | <b>18,995</b> | <b>12,371</b> |
| <b>Liabilities</b>                      |                             |               |               |               |               |
| Customer deposits                       | 18,357                      | 16,780        | 15,752        | 16,486        | 10,851        |
| Deferred income                         | -                           | -             | -             | -             | -             |
| Deferred tax liabilities                | 149                         | 163           | 354           | 213           | 74            |
| Other liabilities                       | 292                         | 124           | 204           | 513           | 451           |
| <b>Total liabilities</b>                | <b>18,799</b>               | <b>17,067</b> | <b>16,310</b> | <b>17,212</b> | <b>11,376</b> |
| <b>Equity</b>                           |                             |               |               |               |               |
| Share capital                           | 1,522                       | 1,522         | 1,000         | 1,000         | 1,000         |
| Capital reserves                        | -                           | -             | -             | -             | -             |
| Retained earnings                       | 59                          | 2             | 522           | 126           | (29)          |
| Surplus/ deficit on revaluations        | 542                         | 575           | 452           | 656           | 24            |
| <b>Total equity</b>                     | <b>2,123</b>                | <b>2,099</b>  | <b>1,974</b>  | <b>1,783</b>  | <b>995</b>    |
| <b>Total equity and liabilities</b>     | <b>20,922</b>               | <b>19,165</b> | <b>18,284</b> | <b>18,995</b> | <b>12,371</b> |

|                           |                             |
|---------------------------|-----------------------------|
| <b>Audited Statements</b> | <b>AUB (AFN "millions")</b> |
|---------------------------|-----------------------------|



| <b>Statement of comprehensive Income</b>       | <b>2016</b>  | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|--------------|-------------|-------------|-------------|-------------|
| Interest Income                                | 1,015        | 846         | 838         | 694         | 630         |
| Interest expense                               | (102)        | (80)        | (151)       | (116)       | (93)        |
| <b>Net Interest Income</b>                     | <b>912</b>   | <b>766</b>  | <b>687</b>  | <b>578</b>  | <b>537</b>  |
| Fee & Commission Income                        | 342          | 242         | 249         | 173         | 84          |
| Fee & Commission expense                       | (27)         | (19)        | (17)        | (48)        | (7)         |
| <b>Net fee &amp; commission income</b>         | <b>314</b>   | <b>222</b>  | <b>233</b>  | <b>125</b>  | <b>77</b>   |
| Income from dealing in foreign currencies      | -            |             |             | -           |             |
|  | <b>1,227</b> | <b>988</b>  | <b>920</b>  | <b>703</b>  | <b>614</b>  |
| Other income/ expenses                         | 54           | 126         | 106         | 100         | 154         |
| Loss/ gain on securities                       | (20)         | -           | -           | -           | -           |
| Provision on placements                        | -            | -           | -           | -           | -           |
| Provision on investments                       | -            | -           | -           | -           | -           |
| Provision against loan loss                    | (602)        | (611)       | (23)        | (15)        | (45)        |
| General and administrative expenses            | (584)        | (537)       | (556)       | (583)       | (578)       |
| <b>Profit before Income tax</b>                | <b>74</b>    | <b>(33)</b> | <b>447</b>  | <b>204</b>  | <b>146</b>  |
| Taxation                                       | (17)         | 35          | (51)        | (49)        | (50)        |
| <b>Profit for the year</b>                     | <b>58</b>    | <b>2</b>    | <b>396</b>  | <b>155</b>  | <b>96</b>   |
| <b>Other Comprehensive Income</b>              |              |             |             |             |             |
| Net changes in value of financial instruments  | (33)         | 123         | (204)       | 633         | 24          |
| Related tax                                    | -            | -           | -           | -           | -           |
| Other comprehensive income/(loss) net of tax   | (33)         | 123         | (204)       | 633         | 24          |
| <b>Total Comprehensive Income for the year</b> | <b>25</b>    | <b>124</b>  | <b>192</b>  | <b>788</b>  | <b>120</b>  |

### 8.1.3 First Micro Finance Bank

| <b>Audited Statements</b>               | <b>FMFB (AFN "millions")</b> |              |              |              |              |
|---|------------------------------|--------------|--------------|--------------|--------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
| Cash & balances with DAB                | 3,737                        | 3,243        | 3,256        | 1,905        | 1,671        |
| Balances with other banks               | -                            | -            | -            | 759          | 2,172        |
| Placements                              | 1,259                        | 1,596        | 1,256        | 2,625        | 1,080        |
| Investments                             | -                            | -            | -            | -            | -            |
| Loans and advances to customers net     | 4,662                        | 3,796        | 3,350        | 4,057        | 4,018        |
| Receivables from financial institutions | -                            | -            | -            | -            | -            |
| operating fixed assets                  | 162                          | 142          | 39           | 43           | 31           |
| Intangible assets                       | 0                            | 1            | 1            | -            | -            |
| Deferred tax assets                     | 14                           | -            | -            | -            | -            |
| Other assets                            | 728                          | 580          | 509          | 107          | 84           |
| <b>Total assets</b>                     | <b>10,562</b>                | <b>9,357</b> | <b>8,411</b> | <b>9,495</b> | <b>9,056</b> |
| <b>Liabilities</b>                      |                              |              |              |              |              |
| Customer deposits                       | 6,191                        | 4,992        | 4,280        | 5,271        | 5,419        |
| Deffered income                         | -                            | 9            | 2            | 2            | 2            |

|                                     |               |              |              |              |              |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|
| Deffered tax liabilities            | 6             | 2            | 4            | 1            | 4            |
| Other liabilities                   | 2,606         | 2,705        | 2,661        | 2,874        | 2,447        |
| <b>Total liabilities</b>            | <b>8,803</b>  | <b>7,708</b> | <b>6,948</b> | <b>8,148</b> | <b>7,872</b> |
| <b>Equity</b>                       |               |              |              |              |              |
| Share capital                       | 796           | 796          | 796          | 796          | 442          |
| Capital reserves                    | 206           | 206          | 206          | 206          | 560          |
| Retained earnings                   | 757           | 647          | 461          | 345          | 181          |
| Surplus/ deficit on revaluations    | -             | -            | -            | -            | -            |
| <b>Total equity</b>                 | <b>1,759</b>  | <b>1,649</b> | <b>1,463</b> | <b>1,347</b> | <b>1,183</b> |
| <b>Total equity and liabilities</b> | <b>10,562</b> | <b>9,357</b> | <b>8,411</b> | <b>9,495</b> | <b>9,056</b> |

| <b>Audited Statements</b>                      | <b>FMFB (AFN "millions")</b> |             |             |             |             |
|--|------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>       | <b>2016</b>                  | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                                | 1,183                        | 1,025       | 1,002       | 1,119       | 970         |
| Interest expense                               | (153)                        | (152)       | (188)       | (174)       | (139)       |
| <b>Net Interest Income</b>                     | <b>1,030</b>                 | <b>872</b>  | <b>814</b>  | <b>945</b>  | <b>830</b>  |
| Fee & Commission Income                        | 92                           | 83          | 80          | 81          | 79          |
| Fee & Commission expense                       | (35)                         | (30)        | (33)        | (32)        | (31)        |
| <b>Net fee &amp; commission income</b>         | <b>58</b>                    | <b>53</b>   | <b>47</b>   | <b>48</b>   | <b>48</b>   |
| Income from dealing in foreign currencies      | -                            | -           | -           | -           | -           |
|  | <b>1,088</b>                 | <b>925</b>  | <b>861</b>  | <b>993</b>  | <b>879</b>  |
| Other income/ expenses                         | 140                          | 206         | 147         | 143         | 120         |
| Loss/ gain on securities                       | -                            | -           | -           | (16)        | 0           |
| Provision on placements                        | (13)                         | (13)        | -           | (9)         | (7)         |
| Provision on investments                       | -                            | -           | -           | -           | -           |
| Provision against loan loss                    | (125)                        | (48)        | (82)        | (133)       | (130)       |
| General and administrative expenses            | (938)                        | (830)       | (778)       | (782)       | (655)       |
| <b>Profit before Income tax</b>                | <b>152</b>                   | <b>240</b>  | <b>148</b>  | <b>196</b>  | <b>206</b>  |
| Taxation                                       | (41)                         | (55)        | (32)        | (32)        | (40)        |
| <b>Profit for the year</b>                     | <b>111</b>                   | <b>185</b>  | <b>116</b>  | <b>164</b>  | <b>166</b>  |
| <b>Other Comprehensive Income</b>              |                              |             |             |             |             |
| Net changes in value of financial instruments  | -                            | -           | -           | -           | -           |
| Related tax                                    | -                            | -           | -           | -           | -           |
| Other comprehensive income/(loss) net of tax   | -                            | -           | -           | -           | -           |
| <b>Total Comprehensive Income for the year</b> | <b>111</b>                   | <b>185</b>  | <b>116</b>  | <b>164</b>  | <b>166</b>  |

#### 8.1.4 Bakhter Bank

| <b>Audited Statements</b>              | <b>BB (AFN "millions")</b> |             |             |             |             |
|--|----------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of Financial Position</b> | <b>2016</b>                | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Cash & balances with DAB               | 11,708                     | 10,226      | 7,505       | 4,325       | 3,271       |

|   |               |               |               |              |              |
|---|---------------|---------------|---------------|--------------|--------------|
| Balances with other banks               | -             | -             | -             | -            | -            |
| Placements                              | -             | -             | -             | -            | -            |
| Investments                             | 3,151         | 3,782         | 723           | 1,799        | 649          |
| Loans and advances to customers net     | 879           | 1,295         | 1,502         | 1,107        | 1,323        |
| Receivables from financial institutions | -             | -             | -             | -            | -            |
| operating fixed assets                  | 304           | 169           | 162           | 154          | 54           |
| Intangible assets                       | 139           | 140           | 137           | 136          | 136          |
| Deferred tax assets                     | 69            | 55            | 7             | 16           | 22           |
| Other assets                            | 1,441         | 1,139         | 726           | 515          | 220          |
| <b>Total assets</b>                     | <b>17,692</b> | <b>16,806</b> | <b>10,762</b> | <b>8,052</b> | <b>5,676</b> |
| <b>Liabilities</b>                      |               |               |               |              |              |
| Customer deposits                       | 11,529        | 9,673         | 7,647         | 4,969        | 3,329        |
| Deffered income                         | -             | -             | -             | -            | -            |
| Deffered tax liabilities                | -             | -             | -             | -            | -            |
| Other liabilities                       | 5,231         | 5,920         | 1,809         | 1,796        | 1,034        |
| <b>Total liabilities</b>                | <b>16,761</b> | <b>15,594</b> | <b>9,456</b>  | <b>6,765</b> | <b>4,363</b> |
| <b>Equity</b>                           |               |               |               |              |              |
| Share capital                           | 1,575         | 1,525         | 1,350         | 1,350        | 1,400        |
| Capital reserves                        | -             | -             | -             | -            | -            |
| Retained earnings                       | (644)         | (313)         | (45)          | (63)         | (86)         |
| Surplus/ deficit on revaluations        | -             | -             | -             | -            | -            |
| <b>Total equity</b>                     | <b>931</b>    | <b>1,212</b>  | <b>1,305</b>  | <b>1,287</b> | <b>1,314</b> |
| <b>Total equity and liabilities</b>     | <b>17,692</b> | <b>16,806</b> | <b>10,762</b> | <b>8,052</b> | <b>5,676</b> |

| <b>Audited Statements</b>                 | <b>BB (AFN<br/>"millions")</b> |              |             |             |             |
|---|--------------------------------|--------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>  | <b>2016</b>                    | <b>2015</b>  | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                           | 318                            | 440          | 395         | 259         | 247         |
| Interest expense                          | (163)                          | (189)        | (71)        | (27)        | (42)        |
| <b>Net Interest Income</b>                | <b>156</b>                     | <b>251</b>   | <b>324</b>  | <b>231</b>  | <b>205</b>  |
| Fee & Commission Income                   | 193                            | 132          | 134         | 144         | 68          |
| Fee & Commission expense                  | (28)                           | (18)         | (19)        | (8)         | (1)         |
| <b>Net fee &amp; commission income</b>    | <b>165</b>                     | <b>115</b>   | <b>115</b>  | <b>135</b>  | <b>67</b>   |
| Income from dealing in foreign currencies | -                              | 32           | 13          | 30          | 14          |
|   | <b>320</b>                     | <b>397</b>   | <b>452</b>  | <b>397</b>  | <b>286</b>  |
| Other income/ expenses                    | 98                             | 26           | 39          | 43          | 35          |
| Loss/ gain on securities                  | -                              | -            | -           | -           | -           |
| Provision on placements                   | -                              | -            | -           | -           | -           |
| Provision on investments                  | -                              | -            | -           | -           | -           |
| Provision against loan loss               | (112)                          | (152)        | 12          | (36)        | (32)        |
| General and administrative expenses       | (652)                          | (565)        | (476)       | (374)       | (250)       |
| <b>Profit before Income tax</b>           | <b>(346)</b>                   | <b>(293)</b> | <b>27</b>   | <b>29</b>   | <b>39</b>   |
| Taxation                                  | 15                             | 25           | (9)         | (6)         | (5)         |

|  |              |              |           |           |           |
|--|--------------|--------------|-----------|-----------|-----------|
| <b>Profit for the year</b>                     | <b>(331)</b> | <b>(268)</b> | <b>18</b> | <b>23</b> | <b>34</b> |
| <b>Other Comprehensive Income</b>              |              |              |           |           |           |
| Net changes in value of financial instruments  | -            | -            | -         | -         | -         |
| Related tax                                    | -            | -            | -         | -         | -         |
| Other comprehensive income/(loss) net of tax   | -            | -            | -         | -         | -         |
| <b>Total Comprehensive Income for the year</b> | <b>(331)</b> | <b>(268)</b> | <b>18</b> | <b>23</b> | <b>34</b> |

#### 8.1.5 Azizi Bank

| <b>Audited Statements</b>               | <b>AZB (AFN "millions")</b> |               |               |               |               |
|---|-----------------------------|---------------|---------------|---------------|---------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
| Cash & balances with DAB                | 17,224                      | 11,208        | 10,840        | 9,182         | 12,275        |
| Balances with other banks               | -                           | -             | -             | -             | -             |
| Placements                              | -                           | -             | -             | -             | -             |
| Investments                             | 4,909                       | 3,460         | 4,008         | 3,285         | 4,755         |
| Loans and advances to customers net     | 7,326                       | 11,399        | 11,876        | 14,817        | 12,053        |
| Receivables from financial institutions | -                           | -             | -             | -             | -             |
| operating fixed assets                  | 816                         | 733           | 651           | 660           | 725           |
| Intangible assets                       | 45                          | 34            | 37            | 13            | 15            |
| Deferred tax assets                     | -                           | -             | -             | -             | 94            |
| Other assets                            | 2,675                       | 1,711         | 2,201         | 2,035         | 2,465         |
| <b>Total assets</b>                     | <b>32,995</b>               | <b>28,545</b> | <b>29,612</b> | <b>29,991</b> | <b>32,383</b> |
| <b>Liabilities</b>                      |                             |               |               |               |               |
| Customer deposits                       | 23,540                      | 16,072        | 16,713        | 19,597        | 25,354        |
| Deffered income                         | -                           | -             | -             | -             | -             |
| Deffered tax liabilities                | -                           | -             | -             | -             | -             |
| Other liabilities                       | 3,796                       | 6,835         | 7,883         | 6,230         | 4,377         |
| <b>Total liabilities</b>                | <b>27,336</b>               | <b>22,907</b> | <b>24,596</b> | <b>25,826</b> | <b>29,732</b> |
| <b>Equity</b>                           |                             |               |               |               |               |
| Share capital                           | 5,367                       | 5,367         | 4,767         | 4,117         | 3,217         |
| Capital reserves                        | -                           | -             | -             | -             | -             |
| Retained earnings                       | 292                         | 270           | 248           | 48            | (566)         |
| Surplus/ deficit on revaluations        | -                           | -             | -             | -             | -             |
| <b>Total equity</b>                     | <b>5,659</b>                | <b>5,638</b>  | <b>5,016</b>  | <b>4,165</b>  | <b>2,651</b>  |
| <b>Total equity and liabilities</b>     | <b>32,995</b>               | <b>28,545</b> | <b>29,612</b> | <b>29,991</b> | <b>32,383</b> |

| <b>Audited Statements</b>                      | AZB (AFN<br>"millions") |              |              |              |              |
|--|-------------------------|--------------|--------------|--------------|--------------|
| <b>Statement of comprehensive Income</b>       | <b>2016</b>             | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
| Interest Income                                | 1,403                   | 1,648        | 2,162        | 2,343        | 1,600        |
| Interest expense                               | (828)                   | (1,101)      | (1,061)      | (767)        | (854)        |
| <b>Net Interest Income</b>                     | <b>575</b>              | <b>547</b>   | <b>1,101</b> | <b>1,576</b> | <b>746</b>   |
| Fee & Commission Income                        | 873                     | 495          | 763          | 577          | 478          |
| Fee & Commission expense                       | (84)                    | (53)         | (28)         | (14)         | (15)         |
| <b>Net fee &amp; commission income</b>         | <b>790</b>              | <b>443</b>   | <b>735</b>   | <b>562</b>   | <b>463</b>   |
| Income from dealing in foreign currencies      | 42                      | 175          | 45           | 15           | 120          |
|  | <b>1,407</b>            | <b>1,165</b> | <b>1,881</b> | <b>2,153</b> | <b>1,330</b> |
| Other income/ expenses                         | 41                      | 22           | 19           | 32           | 33           |
| Loss/ gain on securities                       | 2                       | -            | (0)          | (0)          | -            |
| Provision on placements                        | -                       | -            | -            | -            | -            |
| Provision on investments                       | -                       | -            | -            | -            | -            |
| Provision against loan loss                    | (144)                   | 21           | (550)        | (250)        | 66           |
| General and administrative expenses            | (1,279)                 | (1,180)      | (1,099)      | (1,168)      | (1,053)      |
| <b>Profit before Income tax</b>                | <b>27</b>               | <b>27</b>    | <b>251</b>   | <b>767</b>   | <b>376</b>   |
| Taxation                                       | (5)                     | (5)          | (50)         | (153)        | (145)        |
| <b>Profit for the year</b>                     | <b>22</b>               | <b>22</b>    | <b>201</b>   | <b>614</b>   | <b>230</b>   |
| <b>Other Comprehensive Income</b>              |                         |              |              |              |              |
| Net changes in value of financial instruments  | -                       | -            | -            | -            | -            |
| Related tax                                    | -                       | -            | -            | -            | -            |
| Other comprehensive income/(loss) net of tax   | -                       | -            | -            | -            | -            |
| <b>Total Comprehensive Income for the year</b> | <b>22</b>               | <b>22</b>    | <b>201</b>   | <b>614</b>   | <b>230</b>   |

#### 8.1.6 Arian Bank

| <b>Audited Statements</b>               | AB (AFN<br>"millions") |             |             |             |              |
|---|------------------------|-------------|-------------|-------------|--------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>            | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>*2012</b> |
| Cash & balances with DAB                | 7,982                  | 7,658       | 5,805       | 3,330       | 3,635        |
| Balances with other banks               | -                      | -           | -           | -           | -            |
| Placements                              | 693                    | 371         | 455         | 456         | -            |
| Investments                             | 705                    | 1,100       | 1,008       | 791         | 795          |
| Loans and advances to customers net     | 247                    | 155         | 104         | 16          | 44           |
| Receivables from financial institutions | -                      | -           | -           | -           | -            |
| operating fixed assets                  | 17                     | 16          | 16          | 8           | 9            |
| Intangible assets                       | 0                      | 0           | 0           | -           | 1            |

|                                     |               |              |              |              |              |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|
| Deferred tax assets                 | -             | 2            | 8            | 10           | -            |
| Other assets                        | 707           | 381          | 280          | 132          | 159          |
| <b>Total assets</b>                 | <b>10,352</b> | <b>9,683</b> | <b>7,678</b> | <b>4,742</b> | <b>4,643</b> |
| <b>Liabilities</b>                  |               |              |              |              |              |
| Customer deposits                   | 9,170         | 8,522        | 6,561        | 3,641        | 3,544        |
| Deffered income                     | -             | -            | -            | -            | -            |
| Deffered tax liabilities            | 1             | 1            | 1            | 1            | 2            |
| Other liabilities                   | 44            | 51           | 48           | 47           | 50           |
| <b>Total liabilities</b>            | <b>9,214</b>  | <b>8,574</b> | <b>6,610</b> | <b>3,689</b> | <b>3,596</b> |
| <b>Equity</b>                       |               |              |              |              |              |
| Share capital                       | 1,000         | 1,000        | 1,000        | 1,000        | 1,000        |
| Capital reserves                    | -             | -            | -            | -            | -            |
| Retained earnings                   | 137           | 109          | 68           | 53           | 47           |
| Surplus/ deficit on revaluations    | -             | -            | -            | -            | -            |
| <b>Total equity</b>                 | <b>1,137</b>  | <b>1,109</b> | <b>1,068</b> | <b>1,053</b> | <b>1,047</b> |
| <b>Total equity and liabilities</b> | <b>10,352</b> | <b>9,683</b> | <b>7,678</b> | <b>4,742</b> | <b>4,643</b> |

| <b>Audited Statements</b>                     | <b>AB (AFN<br/>"millions")</b> |             |             |             |             |
|---|--------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>      | <b>2016</b>                    | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                               | 128                            | 114         | 78          | 38          | 87          |
| Interest expense                              | -                              | -           | -           | -           | (32)        |
| <b>Net Interest Income</b>                    | <b>128</b>                     | <b>114</b>  | <b>78</b>   | <b>38</b>   | <b>54</b>   |
| Fee & Commission Income                       | 34                             | 36          | 35          | 64          | 15          |
| Fee & Commission expense                      | (6)                            | (4)         | (2)         | (1)         | (1)         |
| <b>Net fee &amp; commission income</b>        | <b>27</b>                      | <b>32</b>   | <b>33</b>   | <b>63</b>   | <b>14</b>   |
| Income from dealing in foreign currencies     | 12                             | 15          | 7           | (2)         | 5           |
|   | <b>167</b>                     | <b>160</b>  | <b>117</b>  | <b>98</b>   | <b>74</b>   |
| Other income/ expenses                        | 11                             | 4           | 22          | 19          | 21          |
| Loss/ gain on securities                      | -                              | -           | -           | -           | -           |
| Provision on placements                       | -                              | -           | -           | -           | -           |
| Provision on investments                      | -                              | -           | -           | -           | -           |
| Provision against loan loss                   | (19)                           | 0           | (0)         | (9)         | (22)        |
| General and administrative expenses           | (126)                          | (112)       | (113)       | (102)       | (69)        |
| <b>Profit before Income tax</b>               | <b>33</b>                      | <b>52</b>   | <b>26</b>   | <b>7</b>    | <b>3</b>    |
| Taxation                                      | (5)                            | (11)        | (5)         | (1)         | (3)         |
| <b>Profit for the year</b>                    | <b>28</b>                      | <b>41</b>   | <b>21</b>   | <b>6</b>    | <b>0</b>    |
| <b>Other Comprehensive Income</b>             |                                |             |             |             |             |
| Net changes in value of financial instruments | -                              | -           | -           | -           | -           |
| Related tax                                   | -                              | -           | -           | -           | -           |
| Other comprehensive income/(loss) net of tax  | -                              | -           | -           | -           | -           |

|  |           |           |           |          |          |
|--|-----------|-----------|-----------|----------|----------|
| <b>Total Comprehensive Income for the year</b> | <b>28</b> | <b>41</b> | <b>21</b> | <b>6</b> | <b>0</b> |
|--|-----------|-----------|-----------|----------|----------|

#### 8.1.7 Ghazanfar Bank

| <b>Audited Statements</b>               | <b>GB (AFN "millions")</b> |              |              |              |              |
|---|----------------------------|--------------|--------------|--------------|--------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
| Cash & balances with DAB                | 4,554                      | 4,043        | 4,602        | 3,532        | 3,209        |
| Balances with other banks               | -                          | -            | -            | -            | -            |
| Placements                              | -                          | -            | -            | -            | -            |
| Investments                             | 1,422                      | 562          | 563          | 14           | -            |
| Loans and advances to customers net     | 2,313                      | 2,683        | 2,555        | 3,536        | 2,463        |
| Receivables from financial institutions | -                          | -            | -            | -            | -            |
| operating fixed assets                  | 266                        | 290          | 167          | 168          | 134          |
| Intangible assets                       | 1                          | 2            | 3            | 6            | 8            |
| Deferred tax assets                     | -                          | -            | -            | -            | 18           |
| Other assets                            | 774                        | 705          | 860          | 976          | 521          |
| <b>Total assets</b>                     | <b>9,330</b>               | <b>8,285</b> | <b>8,750</b> | <b>8,231</b> | <b>6,354</b> |
| <b>Liabilities</b>                      |                            |              |              |              |              |
| Customer deposits                       | 7,809                      | 6,902        | 7,502        | 6,900        | 5,257        |
| Deferred income                         | -                          | -            | -            | -            | -            |
| Deferred tax liabilities                | 30                         | 29           | 29           | 24           | -            |
| Other liabilities                       | 93                         | 84           | 76           | 164          | 21           |
| <b>Total liabilities</b>                | <b>7,932</b>               | <b>7,015</b> | <b>7,606</b> | <b>7,088</b> | <b>5,277</b> |
| <b>Equity</b>                           |                            |              |              |              |              |
| Share capital                           | 1,248                      | 1,248        | 1,162        | 1,162        | 1,162        |
| Capital reserves                        | -                          | -            | -            | -            | -            |
| Retained earnings                       | 150                        | 23           | (19)         | (20)         | (86)         |
| Surplus/ deficit on revaluations        | -                          | -            | -            | -            | -            |
| <b>Total equity</b>                     | <b>1,398</b>               | <b>1,271</b> | <b>1,143</b> | <b>1,143</b> | <b>1,076</b> |
| <b>Total equity and liabilities</b>     | <b>9,330</b>               | <b>8,285</b> | <b>8,750</b> | <b>8,231</b> | <b>6,354</b> |

| <b>Audited Statements</b>                 | <b>GB (AFN "millions")</b> |             |             |             |             |
|---|----------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>  | <b>2016</b>                | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                           | 425                        | 423         | 464         | 454         | 416         |
| Interest expense                          | (29)                       | (29)        | (34)        | (86)        | (131)       |
| <b>Net Interest Income</b>                | <b>396</b>                 | <b>395</b>  | <b>430</b>  | <b>368</b>  | <b>284</b>  |
| Fee & Commission Income                   | 145                        | 187         | 151         | 110         | 23          |
| Fee & Commission expense                  | (30)                       | (35)        | (38)        | (16)        | (4)         |
| <b>Net fee &amp; commission income</b>    | <b>116</b>                 | <b>151</b>  | <b>114</b>  | <b>94</b>   | <b>19</b>   |
| Income from dealing in foreign currencies | -                          | -           | -           | -           | -           |

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
|  | <b>512</b> | <b>546</b> | <b>543</b> | <b>463</b> | <b>303</b> |
| Other income/ expenses                         | 64         | 59         | (6)        | 98         | 32         |
| Loss/ gain on securities                       | -          | -          | -          | -          | -          |
| Provision on placements                        | -          | -          | -          | -          | -          |
| Provision on investments                       | -          | -          | -          | -          | -          |
| Provision against loan loss                    | (127)      | (222)      | (173)      | (27)       | (43)       |
| General and administrative expenses            | (290)      | (332)      | (359)      | (325)      | (282)      |
| <b>Profit before Income tax</b>                | <b>159</b> | <b>52</b>  | <b>5</b>   | <b>210</b> | <b>10</b>  |
| Taxation                                       | (32)       | (10)       | (4)        | (42)       | (8)        |
| <b>Profit for the year</b>                     | <b>127</b> | <b>41</b>  | <b>1</b>   | <b>168</b> | <b>1</b>   |
| <b>Other Comprehensive Income</b>              |            |            |            |            |            |
| Net changes in value of financial instruments  | -          | -          | -          | -          | -          |
| Related tax                                    | -          | -          | -          | -          | -          |
| Other comprehensive income/(loss) net of tax   | -          | -          | -          | -          | -          |
| <b>Total Comprehensive Income for the year</b> | <b>127</b> | <b>41</b>  | <b>1</b>   | <b>168</b> | <b>1</b>   |

#### 8.1.8 Habib Bank Limited

| <b>Audited Statements</b>               | <b>HBL (AFN "millions")</b> |              |              |              |              |
|---|-----------------------------|--------------|--------------|--------------|--------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
| Cash & balances with DAB                | 5,231                       | 5,675        | 5,555        | 4,183        | 3,134        |
| Balances with other banks               | -                           | -            | -            | -            | -            |
| Placements                              | -                           | -            | -            | -            | -            |
| Investments                             | 4,106                       | 2,645        | 1,948        | 2,370        | 2,111        |
| Loans and advances to customers net     | 36                          | 80           | 158          | 380          | 526          |
| Receivables from financial institutions | -                           | -            | 40           | -            | -            |
| operating fixed assets                  | 2                           | 2            | 2            | 2            | 1            |
| Intangible assets                       | -                           | -            | -            | -            | -            |
| Deferred tax assets                     | 6                           | 0            | -            | -            | 14           |
| Other assets                            | 49                          | 27           | 24           | 389          | 437          |
| <b>Total assets</b>                     | <b>9,432</b>                | <b>8,431</b> | <b>7,727</b> | <b>7,325</b> | <b>6,222</b> |
| <b>Liabilities</b>                      |                             |              |              |              |              |
| Customer deposits                       | 7,143                       | 5,786        | 5,018        | 4,352        | 4,009        |
| Deferred income                         | -                           | -            | -            | -            | -            |
| Deferred tax liabilities                | -                           | 0            | 22           | -            | -            |
| Other liabilities                       | 1,083                       | 1,412        | 1,579        | 1,748        | 1,167        |
| <b>Total liabilities</b>                | <b>8,227</b>                | <b>7,198</b> | <b>6,620</b> | <b>6,099</b> | <b>5,175</b> |
| <b>Equity</b>                           |                             |              |              |              |              |
| Share capital                           | 1,000                       | 1,000        | 1,000        | 1,000        | 1,000        |
| Capital reserves                        | -                           | -            | -            | -            | -            |



|                                     |              |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Retained earnings                   | 205          | 233          | 107          | 150          | 47           |
| Surplus/ deficit on revaluations    | -            | -            | -            | 75           | -            |
| <b>Total equity</b>                 | <b>1,205</b> | <b>1,234</b> | <b>1,107</b> | <b>1,225</b> | <b>1,047</b> |
| <b>Total equity and liabilities</b> | <b>9,432</b> | <b>8,431</b> | <b>7,727</b> | <b>7,325</b> | <b>6,222</b> |

| <b>Audited Statements</b>                      | <b>HBL (AFN<br/>"millions")</b> |             |             |             |             |
|--|---------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>       | <b>2016</b>                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                                | 238                             | 213         | 214         | 193         | 192         |
| Interest expense                               | (74)                            | (53)        | (44)        | (41)        | (43)        |
| <b>Net Interest Income</b>                     | <b>164</b>                      | <b>160</b>  | <b>170</b>  | <b>153</b>  | <b>149</b>  |
| Fee & Commission Income                        | 38                              | 37          | 41          | 44          | 21          |
| Fee & Commission expense                       | -                               | -           | -           | -           | -           |
| <b>Net fee &amp; commission income</b>         | <b>38</b>                       | <b>37</b>   | <b>41</b>   | <b>44</b>   | <b>21</b>   |
| Income from dealing in foreign currencies      | -                               | -           | -           | -           | -           |
|  | <b>202</b>                      | <b>197</b>  | <b>211</b>  | <b>197</b>  | <b>170</b>  |
| Other income/ expenses                         | 18                              | 156         | 60          | 7           | 54          |
| Loss/ gain on securities                       | -                               | -           | -           | -           | -           |
| Provision on placements                        | -                               | -           | -           | -           | -           |
| Provision on investments                       | (13)                            | -           | -           | -           | -           |
| Provision against loan loss                    | (1)                             | (11)        | (9)         | -           | (118)       |
| General and administrative expenses            | (88)                            | (95)        | (75)        | (71)        | (68)        |
| <b>Profit before Income tax</b>                | <b>118</b>                      | <b>247</b>  | <b>187</b>  | <b>133</b>  | <b>37</b>   |
| Taxation                                       | 6                               | (21)        | (39)        | (30)        | (7)         |
| <b>Profit for the year</b>                     | <b>125</b>                      | <b>226</b>  | <b>148</b>  | <b>104</b>  | <b>30</b>   |
| <b>Other Comprehensive Income</b>              |                                 |             |             |             |             |
| Net changes in value of financial instruments  | -                               | -           | -           | 75          | -           |
| Related tax                                    | -                               | -           | -           | -           | -           |
| Other comprehensive income/(loss) net of tax   | -                               | -           | -           | 75          | -           |
| <b>Total Comprehensive Income for the year</b> | <b>125</b>                      | <b>226</b>  | <b>148</b>  | <b>179</b>  | <b>30</b>   |

#### 8.1.9 Bank Alfalah Limited

| <b>Audited Statements</b>              | <b>BAL (AFN<br/>"millions")</b> |             |             |             |             |
|--|---------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of Financial Position</b> | <b>2016</b>                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Cash & balances with DAB               | 5,863                           | 7,778       | 6,230       | 11,411      | 9,128       |
| Balances with other banks              | -                               | -           | -           | -           | -           |
| Placements                             | -                               | -           | -           | -           | -           |
| Investments                            | 8,429                           | 4,225       | 6,702       | 1,973       | 2,814       |

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Loans and advances to customers net     | 543           | 1,104         | 317           | 1,542         | 1,488         |
| Receivables from financial institutions | -             | -             | -             | -             | -             |
| operating fixed assets                  | 9             | 9             | 13            | 14            | 19            |
| Intangible assets                       | -             | -             | -             | -             | -             |
| Deferred tax assets                     | 10            | 59            | 5             | -             | -             |
| Other assets                            | 1,020         | 1,172         | 1,074         | 1,123         | 936           |
| <b>Total assets</b>                     | <b>15,872</b> | <b>14,347</b> | <b>14,341</b> | <b>16,063</b> | <b>14,385</b> |
| <b>Liabilities</b>                      |               |               |               |               |               |
| Customer deposits                       | 14,413        | 13,067        | 12,641        | 13,875        | 12,695        |
| Deferred income                         | -             | -             | -             | -             | -             |
| Deferred tax liabilities                | -             | -             | -             | 2             | 3             |
| Other liabilities                       | 99            | 128           | 439           | 783           | 566           |
| <b>Total liabilities</b>                | <b>14,512</b> | <b>13,195</b> | <b>13,080</b> | <b>14,660</b> | <b>13,263</b> |
| <b>Equity</b>                           |               |               |               |               |               |
| Share capital                           | 1,000         | 1,000         | 1,000         | 299           | 299           |
| Capital reserves                        | 20            | 7             | -             | -             | -             |
| Retained earnings                       | 329           | 202           | (8)           | 1,104         | 823           |
| Surplus/ deficit on revaluations        | 12            | (57)          | 269           | (0)           | -             |
| <b>Total equity</b>                     | <b>1,361</b>  | <b>1,152</b>  | <b>1,261</b>  | <b>1,403</b>  | <b>1,122</b>  |
| <b>Total equity and liabilities</b>     | <b>15,872</b> | <b>14,347</b> | <b>14,341</b> | <b>16,063</b> | <b>14,385</b> |

| <b>Audited Statements</b>                 | <b>BAL (AFN<br/>"millions")</b> |             |             |             |             |
|---|---------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>  | <b>2016</b>                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                           | 358                             | 295         | 318         | 323         | 392         |
| Interest expense                          | (67)                            | (25)        | (24)        | (28)        | (41)        |
| <b>Net Interest Income</b>                | <b>291</b>                      | <b>270</b>  | <b>294</b>  | <b>295</b>  | <b>351</b>  |
| Fee & Commission Income                   | 158                             | 181         | 163         | 210         | 186         |
| Fee & Commission expense                  | (13)                            | (11)        | (8)         | -           | -           |
| <b>Net fee &amp; commission income</b>    | <b>145</b>                      | <b>170</b>  | <b>155</b>  | <b>210</b>  | <b>186</b>  |
| Income from dealing in foreign currencies | 12                              | 27          | 30          | 56          | 51          |
|   | <b>448</b>                      | <b>467</b>  | <b>480</b>  | <b>562</b>  | <b>588</b>  |
| Other income/ expenses                    | 49                              | 54          | 46          | 3           | 3           |
| Loss/ gain on securities                  | -                               | -           | -           | -           | -           |
| Provision on placements                   | (19)                            | (155)       | (115)       | -           | -           |
| Provision on investments                  | -                               | -           | -           | -           | -           |
| Provision against loan loss               | 2                               | 3           | 12          | 6           | (14)        |
| General and administrative expenses       | (198)                           | (262)       | (218)       | (219)       | (206)       |
| <b>Profit before Income tax</b>           | <b>281</b>                      | <b>107</b>  | <b>205</b>  | <b>351</b>  | <b>371</b>  |
| Taxation                                  | (38)                            | 43          | 5           | (70)        | (75)        |

|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| <b>Profit for the year</b>                     | <b>243</b> | <b>150</b> | <b>210</b> | <b>281</b> | <b>295</b> |
| <b>Other Comprehensive Income</b>              |            |            |            |            |            |
| Net changes in value of financial instruments  | 87         | (61)       | (10)       | (0)        | -          |
| Related tax                                    | (17)       | 12         | 2          | -          | -          |
| Other comprehensive income/(loss) net of tax   | 69         | (49)       | (8)        | (0)        | -          |
| <b>Total Comprehensive Income for the year</b> | <b>312</b> | <b>101</b> | <b>202</b> | <b>281</b> | <b>295</b> |

#### 8.1.10 New Kabul Bank

| <b>Audited Statements</b>               | <b>NKB (AFN "millions")</b> |               |               |               |               |
|---|-----------------------------|---------------|---------------|---------------|---------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
| Cash & balances with DAB                | 12,645                      | 10,082        | 10,639        | 10,286        | 15,234        |
| Balances with other banks               | -                           | -             | -             | -             | -             |
| Placements                              | -                           | -             | -             | -             | -             |
| Investments                             | 8,041                       | 1,873         | 3,197         | 4,935         | 4,493         |
| Loans and advances to customers net     | -                           | -             | -             | -             | -             |
| Receivables from financial institutions | -                           | -             | -             | -             | -             |
| operating fixed assets                  | 51                          | 77            | 92            | 114           | 298           |
| Intangible assets                       | -                           | -             | -             | 78            | 158           |
| Deferred tax assets                     | -                           | -             | -             | -             | -             |
| Other assets                            | 3,885                       | 5,497         | 5,677         | 5,368         | 8,005         |
| <b>Total assets</b>                     | <b>24,623</b>               | <b>17,530</b> | <b>19,604</b> | <b>20,780</b> | <b>28,188</b> |
| <b>Liabilities</b>                      |                             |               |               |               |               |
| Customer deposits                       | 21,972                      | 20,275        | 22,304        | 23,305        | 26,424        |
| Deffered income                         | -                           | -             | -             | -             | -             |
| Deffered tax liabilities                | -                           | -             | -             | -             | -             |
| Other liabilities                       | 1,787                       | 680           | 689           | 579           | 4,456         |
| <b>Total liabilities</b>                | <b>23,759</b>               | <b>20,955</b> | <b>22,993</b> | <b>23,885</b> | <b>30,880</b> |
| <b>Equity</b>                           |                             |               |               |               |               |
| Share capital                           | -                           | -             | -             | -             | -             |
| Capital reserves                        | 4,239                       | 0             | 0             | 0             | 0             |
| Retained earnings                       | (3,374)                     | (3,425)       | (3,390)       | (3,105)       | (2,692)       |
| Surplus/ deficit on revaluations        | -                           | -             | -             | -             | -             |
| <b>Total equity</b>                     | <b>864</b>                  | <b>-3,425</b> | <b>-3,390</b> | <b>-3,105</b> | <b>-2,692</b> |
| <b>Total equity and liabilities</b>     | <b>24,623</b>               | <b>17,530</b> | <b>19,604</b> | <b>20,780</b> | <b>28,188</b> |

| <b>Audited Statements</b>                | <b>NKB (AFN "millions")</b> |             |             |             |             |
|--|-----------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b> | <b>2016</b>                 | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |

|  |              |              |              |              |                |
|--|--------------|--------------|--------------|--------------|----------------|
| Interest Income                                | 108          | 196          | 273          | 197          | 227            |
| Interest expense                               | -            | -            | -            | (30)         | (74)           |
| <b>Net Interest Income</b>                     | <b>108</b>   | <b>196</b>   | <b>273</b>   | <b>166</b>   | <b>154</b>     |
| Fee & Commission Income                        | 1,182        | 1,099        | 1,080        | 1,134        | 580            |
| Fee & Commission expense                       | (23)         | (22)         | (36)         | (25)         | (28)           |
| <b>Net fee &amp; commission income</b>         | <b>1,158</b> | <b>1,077</b> | <b>1,044</b> | <b>1,109</b> | <b>553</b>     |
| Income from dealing in foreign currencies      | -            | -            | -            | -            | -              |
|  | <b>1,266</b> | <b>1,273</b> | <b>1,317</b> | <b>1,275</b> | <b>706</b>     |
| Other income/ expenses                         | 155          | 118          | 146          | 123          | 208            |
| Loss/ gain on securities                       | -            | -            | -            | -            | -              |
| Provision on placements                        | (0)          | (0)          | (0)          | (29)         | (85)           |
| Provision on investments                       | -            | -            | -            | -            | -              |
| Provision against loan loss                    | -            | -            | -            | -            | -              |
| General and administrative expenses            | (1,352)      | (1,426)      | (1,748)      | (1,782)      | (1,987)        |
| <b>Profit before Income tax</b>                | <b>68</b>    | <b>(36)</b>  | <b>(285)</b> | <b>(413)</b> | <b>(1,157)</b> |
| Taxation                                       | (17)         | -            | -            | -            | -              |
| <b>Profit for the year</b>                     | <b>51</b>    | <b>(36)</b>  | <b>(285)</b> | <b>(413)</b> | <b>(1,157)</b> |
| <b>Other Comprehensive Income</b>              |              |              |              |              |                |
| Net changes in value of financial instruments  | -            | -            | -            | -            | -              |
| Related tax                                    | -            | -            | -            | -            | -              |
| Other comprehensive income/(loss) net of tax   | -            | -            | -            | -            | -              |
| <b>Total Comprehensive Income for the year</b> | <b>51</b>    | <b>(36)</b>  | <b>(285)</b> | <b>(413)</b> | <b>(1,157)</b> |

#### 8.1.11 Bank-e-Millie Afghan

| <b>Audited Statements</b>               | <b>BMA (AFN "millions")</b> |             |             |             |             |
|---|-----------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Cash & balances with DAB                | 26,465                      | 22,060      | 17,822      | 19,692      | 16,873      |
| Balances with other banks               | -                           | -           | -           | -           | -           |
| Placements                              | -                           | -           | -           | -           | -           |
| Investments                             | 4,812                       | 1,264       | 1,258       | 1,028       | 1,064       |
| Loans and advances to customers net     | 2,663                       | 2,642       | 2,225       | 1,524       | 2,075       |
| Receivables from financial institutions | -                           | -           | -           | -           | -           |
| operating fixed assets                  | 1,185                       | 1,276       | 1,275       | 1,279       | 1,298       |
| Intangible assets                       | 31                          | 40          | 1           | 3           | 15          |
| Deferred tax assets                     | -                           | -           | -           | -           | -           |
| Other assets                            | 2,613                       | 2,257       | 1,874       | 1,913       | 201         |

|                                     |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total assets</b>                 | <b>37,770</b> | <b>29,540</b> | <b>24,456</b> | <b>25,439</b> | <b>21,526</b> |
| <b>Liabilities</b>                  |               |               |               |               |               |
| Customer deposits                   | 27,760        | 22,491        | 18,772        | 17,674        | 15,875        |
| Deffered income                     | -             | -             | -             | -             | -             |
| Deffered tax liabilities            | 883           | 147           | 140           | 296           | 338           |
| Other liabilites                    | 543           | 1,532         | 426           | 2,036         | 320           |
| <b>Total liabilities</b>            | <b>29,186</b> | <b>24,170</b> | <b>19,338</b> | <b>20,006</b> | <b>16,534</b> |
| <b>Equity</b>                       |               |               |               |               |               |
| Share capital                       | 1,000         | 1,000         | 1,000         | 1,000         | 250           |
| Capital reserves                    | -             | -             | -             | -             | -             |
| Retained earnings                   | 6,716         | 3,392         | 3,181         | 3,496         | 3,849         |
| Surplus/ deficit on revaluations    | 868           | 978           | 936           | 937           | 893           |
| <b>Total equity</b>                 | <b>8,584</b>  | <b>5,370</b>  | <b>5,118</b>  | <b>5,434</b>  | <b>4,992</b>  |
| <b>Total equity and liabilities</b> | <b>37,770</b> | <b>29,540</b> | <b>24,456</b> | <b>25,439</b> | <b>21,526</b> |

| <b>Audited Statements</b>                      | <b>BMA (AFN<br/>"millions")</b> |              |              |             |             |
|--|---------------------------------|--------------|--------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>       | <b>2016</b>                     | <b>2015</b>  | <b>2014</b>  | <b>2013</b> | <b>2012</b> |
| Interest Income                                | 992                             | 938          | 826          | 698         | 604         |
| Interest expense                               | (131)                           | (134)        | (100)        | (125)       | (192)       |
| <b>Net Interest Income</b>                     | <b>861</b>                      | <b>805</b>   | <b>726</b>   | <b>572</b>  | <b>412</b>  |
| Fee & Commission Income                        | 133                             | 135          | 124          | 92          | 75          |
| Fee & Commission expense                       | (30)                            | (21)         | (19)         | (4)         | (3)         |
| <b>Net fee &amp; commission income</b>         | <b>103</b>                      | <b>114</b>   | <b>106</b>   | <b>88</b>   | <b>72</b>   |
| Income from dealing in foreign currencies      | 81                              | 83           | 123          | 11          | 203         |
|  | <b>1,045</b>                    | <b>1,001</b> | <b>955</b>   | <b>671</b>  | <b>687</b>  |
| Other income/ expenses                         | 351                             | 265          | 153          | 183         | 327         |
| Loss/ gain on securities                       | 148                             | (70)         | (769)        | -           | -           |
| Provision on placements                        | -                               | -            | -            | (0)         | (6)         |
| Provision on investments                       | -                               | (95)         | (0)          | -           | (12)        |
| Provision against loan loss                    | (191)                           | 28           | (159)        | (180)       | (205)       |
| General and administrative expenses            | (529)                           | (403)        | (580)        | (523)       | (315)       |
| <b>Profit before Income tax</b>                | <b>824</b>                      | <b>726</b>   | <b>(400)</b> | <b>151</b>  | <b>475</b>  |
| Taxation                                       | (940)                           | (141)        | 81           | (30)        | (80)        |
| <b>Profit for the year</b>                     | <b>(115)</b>                    | <b>585</b>   | <b>(319)</b> | <b>121</b>  | <b>395</b>  |
| <b>Other Comprehensive Income</b>              |                                 |              |              |             |             |
| Net changes in value of financial instruments  | 3,437                           | -            | -            | -           | -           |
| Related tax                                    | -                               | -            | -            | -           | -           |
| Other comprehensive income/(loss) net of tax   | 3,437                           | -            | -            | -           | -           |
| <b>Total Comprehensive Income for the year</b> | <b>3,322</b>                    | <b>585</b>   | <b>(319)</b> | <b>121</b>  | <b>395</b>  |

### 8.1.12 Maiwand Bank

| Audited Statements                      | MB (AFN<br>"millions") |               |               |               |               |
|---|------------------------|---------------|---------------|---------------|---------------|
| Statement of Financial Position         | *2016                  | 2015          | 2014          | 2013          | 2012          |
| Cash & balances with DAB                | 13,165                 | 14,616        | 12,012        | 10,556        | 6,236         |
| Balances with other banks               | -                      | -             | -             | -             | -             |
| Placements                              | -                      | -             | -             | -             | -             |
| Investments                             | -                      | -             | -             | -             | -             |
| Loans and advances to customers net     | 8,023                  | 7,993         | 7,380         | 6,985         | 4,720         |
| Receivables from financial institutions | -                      | -             | -             | -             | -             |
| operating fixed assets                  | 379                    | 274           | 298           | 247           | 208           |
| Intangible assets                       | 2                      | 2             | 3             | 4             | 5             |
| Deferred tax assets                     | 47                     | 51            | -             | -             | 20            |
| Other assets                            | 2,483                  | 110           | 48            | 1,400         | 1,124         |
| <b>Total assets</b>                     | <b>24,099</b>          | <b>23,045</b> | <b>19,742</b> | <b>19,192</b> | <b>12,313</b> |
| <b>Liabilities</b>                      |                        |               |               |               |               |
| Customer deposits                       | 22,567                 | 21,861        | 18,503        | 16,292        | 10,166        |
| Deferred income                         | -                      | -             | -             | -             | -             |
| Deferred tax liabilities                | -                      | -             | 45            | 43            | -             |
| Other liabilities                       | 114                    | 76            | 99            | 1,767         | 1,244         |
| <b>Total liabilities</b>                | <b>22,681</b>          | <b>21,937</b> | <b>18,647</b> | <b>18,102</b> | <b>11,410</b> |
| <b>Equity</b>                           |                        |               |               |               |               |
| Share capital                           | 1,915                  | 1,500         | 1,125         | 1,125         | 1,000         |
| Capital reserves                        | -                      | -             | -             | -             | -             |
| Retained earnings                       | (497)                  | (391)         | (30)          | (35)          | (97)          |
| Surplus/ deficit on revaluations        | -                      | -             | -             | -             | -             |
| <b>Total equity</b>                     | <b>1,418</b>           | <b>1,109</b>  | <b>1,095</b>  | <b>1,090</b>  | <b>903</b>    |
| <b>Total equity and liabilities</b>     | <b>24,099</b>          | <b>23,045</b> | <b>19,742</b> | <b>19,192</b> | <b>12,313</b> |

| Audited Statements                        | MB (AFN<br>"millions") |            |            |            |            |
|---|------------------------|------------|------------|------------|------------|
| Statement of comprehensive Income         | 2016                   | 2015       | 2014       | 2013       | 2012       |
| Interest Income                           | 747                    | 886        | 941        | 897        | 565        |
| Interest expense                          | (189)                  | (269)      | (169)      | (173)      | (119)      |
| <b>Net Interest Income</b>                | <b>558</b>             | <b>618</b> | <b>773</b> | <b>724</b> | <b>445</b> |
| Fee & Commission Income                   | 154                    | 241        | 292        | 326        | 251        |
| Fee & Commission expense                  | (51)                   | (74)       | (140)      | (73)       | (62)       |
| <b>Net fee &amp; commission income</b>    | <b>104</b>             | <b>167</b> | <b>152</b> | <b>254</b> | <b>190</b> |
| Income from dealing in foreign currencies | (9)                    | 106        | 1          | 8          | 16         |
|   | <b>652</b>             | <b>890</b> | <b>925</b> | <b>986</b> | <b>651</b> |
| Other income/ expenses                    | -                      | 168        | 6          | -          | 476        |
| Loss/ gain on securities                  | -                      | -          | -          | -          | -          |

|  |              |              |          |            |            |
|--|--------------|--------------|----------|------------|------------|
| Provision on placements                        | -            | -            | -        | -          | -          |
| Provision on investments                       | -            | -            | -        | -          | -          |
| Provision against loan loss                    | (88)         | (722)        | (113)    | (73)       | (1)        |
| General and administrative expenses            | (666)        | (793)        | (811)    | (767)      | (691)      |
| <b>Profit before Income tax</b>                | <b>(102)</b> | <b>(457)</b> | <b>7</b> | <b>146</b> | <b>435</b> |
| Taxation                                       | (3)          | 95           | (1)      | (84)       | (65)       |
| <b>Profit for the year</b>                     | <b>(105)</b> | <b>(362)</b> | <b>5</b> | <b>62</b>  | <b>370</b> |
| <b>Other Comprehensive Income</b>              |              |              |          |            |            |
| Net changes in value of financial instruments  | -            | -            | -        | -          | -          |
| Related tax                                    | -            | -            | -        | -          | -          |
| Other comprehensive income/(loss) net of tax   | -            | -            | -        | -          | -          |
| <b>Total Comprehensive Income for the year</b> | <b>(105)</b> | <b>(362)</b> | <b>5</b> | <b>62</b>  | <b>370</b> |

Independently reviewed financial statements for the nine-month period to September 30, 2016.

### 8.1.13 Pashtany Bank

| <b>Audited Statements</b>               | <b>PB (AFN "millions")</b> |               |               |               |               |
|---|----------------------------|---------------|---------------|---------------|---------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
| Cash & balances with DAB                | 15,242                     | 14,440        | 14,086        | 9,049         | 9,517         |
| Balances with other banks               | -                          | -             | -             | 2,786         | 894           |
| Placements                              | -                          | -             | -             | -             | -             |
| Investments                             | 1,083                      | 1,103         | 1,096         | 850           | 848           |
| Loans and advances to customers net     | -                          | 4             | 1,004         | 1,071         | 1,561         |
| Receivables from financial institutions | -                          | -             | -             | -             | -             |
| operating fixed assets                  | 1,153                      | 864           | 876           | 1,137         | 1,146         |
| Intangible assets                       | -                          | -             | 1             | 5             | 15            |
| Deferred tax assets                     | 439                        | 470           | 376           | -             | -             |
| Other assets                            | 896                        | 470           | 481           | 186           | 151           |
| <b>Total assets</b>                     | <b>18,813</b>              | <b>17,353</b> | <b>17,921</b> | <b>15,084</b> | <b>14,134</b> |
| <b>Liabilities</b>                      |                            |               |               |               |               |
| Customer deposits                       | 15,587                     | 14,908        | 15,344        | 15,122        | 13,705        |
| Deferred income                         | 311                        | -             | -             | -             | -             |
| Deferred tax liabilities                | 112                        | 112           | 113           | 117           | 117           |
| Other liabilities                       | 893                        | 1,181         | 1,115         | 233           | 437           |
| <b>Total liabilities</b>                | <b>16,903</b>              | <b>16,201</b> | <b>16,572</b> | <b>15,472</b> | <b>14,258</b> |
| <b>Equity</b>                           |                            |               |               |               |               |
| Share capital                           | 3,820                      | 3,820         | 3,500         | 2,500         | 2,500         |
| Capital reserves                        | -                          | 967           | 967           | 967           | 967           |
| Retained earnings                       | (2,360)                    | (4,088)       | (3,573)       | (4,325)       | (4,061)       |
| Surplus/ deficit on revaluations        | 450                        | 453           | 455           | 471           | 469           |
| <b>Total equity</b>                     | <b>1,910</b>               | <b>1,152</b>  | <b>1,349</b>  | <b>-388</b>   | <b>-125</b>   |

|                                     |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total equity and liabilities</b> | <b>18,813</b> | <b>17,353</b> | <b>17,921</b> | <b>15,084</b> | <b>14,134</b> |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|

| <b>Audited Statements</b>                      | <b>PB (AFN<br/>"millions")</b> |              |             |              |                |
|--|--------------------------------|--------------|-------------|--------------|----------------|
| <b>Statement of comprehensive Income</b>       | <b>2016</b>                    | <b>2015</b>  | <b>2014</b> | <b>2013</b>  | <b>2012</b>    |
| Interest Income                                | 371                            | 471          | 458         | 269          | 229            |
| Interest expense                               | (53)                           | (58)         | (55)        | (140)        | (133)          |
| <b>Net Interest Income</b>                     | <b>318</b>                     | <b>413</b>   | <b>403</b>  | <b>129</b>   | <b>96</b>      |
| Fee & Commission Income                        | 59                             | 73           | 49          | 38           | 21             |
| Fee & Commission expense                       | (5)                            | -            | -           | -            | -              |
| <b>Net fee &amp; commission income</b>         | <b>54</b>                      | <b>73</b>    | <b>49</b>   | <b>38</b>    | <b>21</b>      |
| Income from dealing in foreign currencies      | -                              | -            | -           | (60)         | (68)           |
|  | <b>372</b>                     | <b>485</b>   | <b>452</b>  | <b>107</b>   | <b>49</b>      |
| Other income/ expenses                         | 797                            | 276          | 278         | 190          | 169            |
| Loss/ gain on securities                       | -                              | -            | -           | -            | (318)          |
| Provision on placements                        | -                              | -            | -           | -            | -              |
| Provision on investments                       | -                              | -            | -           | -            | -              |
| Provision against loan loss                    | (4)                            | (925)        | (16)        | (229)        | (1,747)        |
| General and administrative expenses            | (376)                          | (455)        | (304)       | (333)        | (217)          |
| <b>Profit before Income tax</b>                | <b>790</b>                     | <b>(618)</b> | <b>411</b>  | <b>(264)</b> | <b>(2,065)</b> |
| Taxation                                       | (32)                           | 95           | 379         | -            | (9)            |
| <b>Profit for the year</b>                     | <b>758</b>                     | <b>(524)</b> | <b>790</b>  | <b>(264)</b> | <b>(2,074)</b> |
| <b>Other Comprehensive Income</b>              |                                |              |             |              |                |
| Net changes in value of financial instruments  | 86                             | 3            | -           | -            | -              |
| Related tax                                    | 1                              | 1            | 13          | -            | -              |
| Other comprehensive income/(loss) net of tax   | 0                              | 0            | 0           | -            | -              |
| <b>Total Comprehensive Income for the year</b> | <b>758</b>                     | <b>(523)</b> | <b>790</b>  | <b>(264)</b> | <b>(2,074)</b> |

#### 8.1.14 Afghanitan Commercial Bank

| <b>Audited Statements</b>               | <b>ACB (AFN<br/>"millions")</b> |             |             |             |             |
|---|---------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Cash & balances with DAB                |                                 | 1,151       | 1,546       | 1,123       | 866         |
| Balances with other banks               |                                 | -           | -           | -           | -           |
| Placements                              |                                 | -           | -           | -           | -           |
| Investments                             |                                 | -           | -           | -           | -           |
| Loans and advances to customers net     |                                 | 1,122       | 894         | 508         | 94          |
| Recievables from financial institutions |                                 | -           | -           | -           | -           |
| operating fixed assets                  |                                 | 216         | 211         | 206         | 9           |



|                                     |  |              |              |              |            |
|-------------------------------------|--|--------------|--------------|--------------|------------|
| Intangible assets                   |  | 25           | -            | -            | -          |
| Deferred tax assets                 |  | 16           | 20           | 36           | -          |
| Other assets                        |  | 95           | 76           | 77           | 30         |
| <b>Total assets</b>                 |  | <b>2,626</b> | <b>2,747</b> | <b>1,951</b> | <b>999</b> |
| <b>Liabilities</b>                  |  |              |              |              |            |
| Customer deposits                   |  | 1,370        | 1,556        | 1,183        | 624        |
| Deffered income                     |  | -            | -            | -            | -          |
| Deffered tax liabilities            |  | -            | -            | -            | -          |
| Other liabilities                   |  | 205          | 171          | 96           | 3          |
| <b>Total liabilities</b>            |  | <b>1,575</b> | <b>1,726</b> | <b>1,279</b> | <b>627</b> |
| <b>Equity</b>                       |  |              |              |              |            |
| Share capital                       |  | 1,345        | 1,345        | 1,000        | 771        |
| Capital reserves                    |  | -            | -            | -            | -          |
| Retained earnings                   |  | (295)        | (324)        | (328)        | (399)      |
| Surplus/ deficit on revaluations    |  | -            | -            | -            | -          |
| <b>Total equity</b>                 |  | <b>1,050</b> | <b>1,021</b> | <b>672</b>   | <b>372</b> |
| <b>Total equity and liabilities</b> |  | <b>2,626</b> | <b>2,747</b> | <b>1,951</b> | <b>999</b> |

| <b>Audited Statements</b>                     | <b>ACB (AFN<br/>"millions")</b> |             |             |             |             |
|---|---------------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b>      | <b>2016</b>                     | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                               |                                 | 159         | 108         | 56          | 2           |
| Interest expense                              |                                 | (2)         | (3)         | (0)         | (0)         |
| <b>Net Interest Income</b>                    |                                 | <b>158</b>  | <b>105</b>  | <b>56</b>   | <b>1</b>    |
| Fee & Commission Income                       |                                 | 27          | 20          | 12          | 3           |
| Fee & Commission expense                      |                                 | (8)         | (4)         | (2)         | -           |
| <b>Net fee &amp; commission income</b>        |                                 | <b>19</b>   | <b>16</b>   | <b>10</b>   | <b>3</b>    |
| Income from dealing in foreign currencies     |                                 | -           | -           | -           | -           |
|   |                                 | <b>176</b>  | <b>121</b>  | <b>67</b>   | <b>4</b>    |
| Other income/ expenses                        |                                 | 26          | (15)        | 35          | 9           |
| Loss/ gain on securities                      |                                 | -           | -           | -           | -           |
| Provision on placements                       |                                 | -           | -           | -           | -           |
| Provision on investments                      |                                 | -           | -           | -           | -           |
| Provision against loan loss                   |                                 | (60)        | -           | -           | (26)        |
| General and administrative expenses           |                                 | (109)       | (85)        | (67)        | (62)        |
| <b>Profit before Income tax</b>               |                                 | <b>33</b>   | <b>21</b>   | <b>35</b>   | <b>(75)</b> |
| Taxation                                      |                                 | (4)         | (16)        | 36          | -           |
| <b>Profit for the year</b>                    |                                 | <b>29</b>   | <b>4</b>    | <b>71</b>   | <b>(75)</b> |
| <b>Other Comprehensive Income</b>             |                                 |             |             |             |             |
| Net changes in value of financial instruments |                                 | -           | -           | -           | -           |
| Related tax                                   |                                 | -           | -           | -           | -           |

|  |  |           |          |           |             |
|--|--|-----------|----------|-----------|-------------|
| Other comprehensive income/(loss) net of tax   |  | -         | -        | -         | -           |
| <b>Total Comprehensive Income for the year</b> |  | <b>29</b> | <b>4</b> | <b>71</b> | <b>(75)</b> |

#### 8.1.15 National Bank of Pakistan

| <b>Audited Statements</b>               | <b>NBP (AFN "millions")</b> |              |             |             |             |
|---|-----------------------------|--------------|-------------|-------------|-------------|
| <b>Statement of Financial Position</b>  | <b>2016</b>                 | <b>2015</b>  | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Cash & balances with DAB                | 2,147                       | 2,918        |             |             |             |
| Balances with other banks               | -                           | -            |             |             |             |
| Placements                              | -                           | -            |             |             |             |
| Investments                             | 1,197                       | 524          |             |             |             |
| Loans and advances to customers net     | 380                         | 485          |             |             |             |
| Receivables from financial institutions | -                           | -            |             |             |             |
| operating fixed assets                  | 8                           | 10           |             |             |             |
| Intangible assets                       | -                           | -            |             |             |             |
| Deferred tax assets                     | -                           | -            |             |             |             |
| Other assets                            | 10                          | 1            |             |             |             |
| <b>Total assets</b>                     | <b>3,743</b>                | <b>3,938</b> |             |             |             |
| <b>Liabilities</b>                      |                             |              |             |             |             |
| Customer deposits                       | 2,480                       | 2,331        |             |             |             |
| Deferred income                         | -                           | -            |             |             |             |
| Deferred tax liabilities                | 2                           | 2            |             |             |             |
| Other liabilities                       | 16                          | 364          |             |             |             |
| <b>Total liabilities</b>                | <b>2,498</b>                | <b>2,697</b> |             |             |             |
| <b>Equity</b>                           |                             |              |             |             |             |
| Share capital                           | 1,000                       | 1,000        |             |             |             |
| Capital reserves                        | -                           | 0            |             |             |             |
| Retained earnings                       | 244                         | 241          |             |             |             |
| Surplus/ deficit on revaluations        | 1                           | -            |             |             |             |
| <b>Total equity</b>                     | <b>1,245</b>                | <b>1,241</b> |             |             |             |
| <b>Total equity and liabilities</b>     | <b>3,743</b>                | <b>3,938</b> |             |             |             |

| <b>Audited Statements</b>                | <b>NBP (AFN "millions")</b> |             |             |             |             |
|--|-----------------------------|-------------|-------------|-------------|-------------|
| <b>Statement of comprehensive Income</b> | <b>2016</b>                 | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| Interest Income                          | 96                          | 94          |             |             |             |
| Interest expense                         | (0)                         | (0)         |             |             |             |
| <b>Net Interest Income</b>               | <b>96</b>                   | <b>94</b>   |             |             |             |
| Fee & Commission Income                  | 27                          | 27          |             |             |             |
| Fee & Commission expense                 | -                           | -           |             |             |             |
| <b>Net fee &amp; commission income</b>   | <b>27</b>                   | <b>27</b>   |             |             |             |

|  |            |            |  |  |  |
|--|------------|------------|--|--|--|
| Income from dealing in foreign currencies      | -          | -          |  |  |  |
|  | <b>123</b> | <b>122</b> |  |  |  |
| Other income/ expenses                         | -          | -          |  |  |  |
| Loss/ gain on securities                       | -          | -          |  |  |  |
| Provision on placements                        | -          | -          |  |  |  |
| Provision on investments                       | -          | -          |  |  |  |
| Provision against loan loss                    | 7          | (5)        |  |  |  |
| General and administrative expenses            | (127)      | (20)       |  |  |  |
| <b>Profit before Income tax</b>                | <b>3</b>   | <b>97</b>  |  |  |  |
| Taxation                                       | (0)        | 20         |  |  |  |
| <b>Profit for the year</b>                     | <b>3</b>   | <b>117</b> |  |  |  |
| <b>Other Comprehensive Income</b>              |            |            |  |  |  |
| Net changes in value of financial instruments  | 1          | -          |  |  |  |
| Related tax                                    | -          | -          |  |  |  |
| Other comprehensive income/(loss) net of tax   | 1          | -          |  |  |  |
| <b>Total Comprehensive Income for the year</b> | <b>4</b>   | <b>117</b> |  |  |  |

## 8.2 Regression Dataset

| Model 1: RoA |      |             | 1                     | 2   | 3           | 4                | 5             |
|--------------|------|-------------|-----------------------|-----|-------------|------------------|---------------|
| Bank         | Yr   | RoA         | Management Efficiency | GDP | Liquidity   | Capital Adequacy | Asset Quality |
| AIB          | 2016 | 0.008920663 | -0.72422743           | 2%  | 0.625078393 | 0.028935218      | (0.021402439) |
| AIB          | 2015 | 0.007876026 | -0.716734316          | 1%  | 0.688899008 | 0.026771726      | (0.028593763) |
| AIB          | 2014 | 0.008841467 | -0.714992519          | 1%  | 0.666587035 | 0.028890557      | (0.044176899) |
| AIB          | 2013 | 0.004983772 | -0.844460817          | 4%  | 0.636496357 | 0.033427584      | (0.072609531) |
| AIB          | 2012 | 0.010855278 | -0.634489073          | 11% | 0.704815464 | 0.031807059      | (0.008318528) |
| AUB          | 2016 | 0.002768165 | -0.947189915          | 2%  | 0.472812229 | 0.072747255      | (0.087345436) |
| AUB          | 2015 | 7.9466E-05  | -1.027397159          | 1%  | 0.533168432 | 0.079415418      | (0.100235944) |

|      |      |              |              |     |             |             |               |
|------|------|--------------|--------------|-----|-------------|-------------|---------------|
| AUB  | 2014 | 0.021641776  | -0.625582804 | 1%  | 0.537963093 | 0.054693351 | (0.004348265) |
| AUB  | 2013 | 0.008161462  | -0.788565957 | 4%  | 0.520164717 | 0.05264678  | (0.003294736) |
| AUB  | 2012 | 0.007768687  | -0.832318434 | 11% | 0.473768153 | 0.080836248 | (0.011151423) |
| ACB  | 2016 | 0.011179043  | -0.843737367 | 1%  | 0.438320458 | 0.512277907 | (0.05349071)  |
| ACB  | 2015 | 0.011179043  | -0.843737367 | 1%  | 0.438320458 | 0.512277907 | (0.05349071)  |
| ACB  | 2014 | 0.001488195  | -0.819114033 | 1%  | 0.562895841 | 0.489585599 | -             |
| ACB  | 2013 | 0.036479901  | -0.665725875 | 4%  | 0.575549948 | 0.512660295 | -             |
| ACB  | 2012 | -0.075239928 | -6.723564429 | 11% | 0.867191918 | 0.772139622 | (0.28004834)  |
| FMFB | 2016 | 0.010497437  | -0.892752265 | 2%  | 0.473029132 | 0.094872688 | (0.02690052)  |
| FMFB | 2015 | 0.019802533  | -0.817481379 | 1%  | 0.517150047 | 0.107091848 | (0.01276865)  |
| FMFB | 2014 | 0.013823785  | -0.879425356 | 1%  | 0.53646321  | 0.119130931 | (0.02459810)  |
| FMFB | 2013 | 0.017232892  | -0.854212788 | 4%  | 0.556933767 | 0.105532337 | (0.03284349)  |
| FMFB | 2012 | 0.018304695  | -0.823789624 | 11% | 0.543631327 | 0.110652839 | (0.03239658)  |
| BB   | 2016 | -0.018721433 | -1.568433882 | 2%  | 0.661775389 | 0.089023448 | (0.12766480)  |
| BB   | 2015 | -0.01594287  | -1.465190019 | 1%  | 0.608490107 | 0.090740344 | (0.11725175)  |
| BB   | 2014 | 0.001704405  | -0.953628237 | 1%  | 0.697393938 | 0.125446893 | 0.00780152    |
| BB   | 2013 | 0.002915687  | -0.938284794 | 4%  | 0.537166381 | 0.167653879 | (0.03251034)  |
| BB   | 2012 | 0.006015522  | -0.893815962 | 11% | 0.576349035 | 0.246646098 | (0.02446564)  |
| AZB  | 2016 | 0.000658244  | -0.988491876 | 2%  | 0.522026287 | 0.162671417 | (0.01964859)  |
| AZB  | 2015 | 0.000765681  | -0.98833075  | 1%  | 0.392648234 | 0.188035947 | 0.00181266    |
| AZB  | 2014 | 0.006785534  | -0.915977673 | 1%  | 0.366060064 | 0.160996532 | (0.04627333)  |
| AZB  | 2013 | 0.020459291  | -0.741497486 | 4%  | 0.306144549 | 0.13728642  | (0.01686887)  |
| AZB  | 2012 | 0.007116848  | -0.831491893 | 11% | 0.379049798 | 0.099354977 | 0.00546018    |
| AB   | 2016 | 0.002738007  | -0.820893495 | 2%  | 0.838025705 | 0.096602717 | (0.0766788)   |
| AB   | 2015 | 0.004248078  | -0.689570478 | 1%  | 0.829179586 | 0.103275193 | 0.0001352     |
| AB   | 2014 | 0.002673933  | -0.818190835 | 1%  | 0.815373428 | 0.130246385 | (0.0001452)   |

|     |      |              |               |     |             |             |              |
|-----|------|--------------|---------------|-----|-------------|-------------|--------------|
| AB  | 2013 | 0.001233512  | -0.938423546  | 4%  | 0.798239674 | 0.210884866 | (0.5504886)  |
| AB  | 2012 | 0.000102079  | -0.976057452  | 11% | 0.782921827 | 0.215377855 | (0.5069531)  |
| GB  | 2016 | 0.013618645  | -0.749625993  | 2%  | 0.488123893 | 0.133743732 | (0.0547056)  |
| GB  | 2015 | 0.00499579   | -0.922686805  | 1%  | 0.487972967 | 0.150602682 | (0.0827257)  |
| GB  | 2014 | 6.88025E-05  | -0.9917111823 | 1%  | 0.526011177 | 0.132847129 | (0.0676894)  |
| GB  | 2013 | 0.02035693   | -0.683161453  | 4%  | 0.429068926 | 0.141215098 | (0.0075138)  |
| GB  | 2012 | 0.000197992  | -0.979672629  | 11% | 0.505069717 | 0.182940744 | (0.0175444)  |
| MB  | 2016 | -0.005822502 | -1.114232193  | 2%  | 0.546284786 | 0.079446037 | (0.0109831)  |
| MB  | 2015 | -0.015690197 | -1.325906477  | 1%  | 0.634207906 | 0.065089067 | (0.0903514)  |
| MB  | 2014 | 0.0002556    | -0.994742216  | 1%  | 0.608476957 | 0.056985682 | (0.0153734)  |
| MB  | 2013 | 0.003235354  | -0.88134243   | 4%  | 0.550014371 | 0.058618101 | (0.0104089)  |
| MB  | 2012 | 0.030015069  | -0.667426859  | 11% | 0.506446471 | 0.081214877 | (0.0001845)  |
| HBL | 2016 | 0.01321895   | -0.598099429  | 2%  | 0.554649343 | 0.106051229 | (0.0158765)  |
| HBL | 2015 | 0.026832723  | -0.390931294  | 1%  | 0.673130758 | 0.118633713 | (0.1348269)  |
| HBL | 2014 | 0.019107586  | -0.405320814  | 1%  | 0.71893165  | 0.129443547 | (0.0552798)  |
| HBL | 2013 | 0.014143971  | -0.456970231  | 4%  | 0.571119586 | 0.136553897 | -            |
| HBL | 2012 | 0.004851982  | -0.859372653  | 11% | 0.503648749 | 0.160748431 | (0.2243556)  |
| BAL | 2016 | 0.015280511  | -0.513334107  | 2%  | 0.36936762  | 0.064238354 | 0.0031317    |
| BAL | 2015 | 0.010432502  | -0.807763789  | 1%  | 0.542124405 | 0.070221269 | 0.0027977    |
| BAL | 2014 | 0.014648527  | -0.63264706   | 1%  | 0.434418606 | 0.069731647 | 0.0390450    |
| BAL | 2013 | 0.017481571  | -0.407391274  | 4%  | 0.710400196 | 0.01863088  | 0.0036754    |
| BAL | 2012 | 0.020512181  | -0.413259651  | 11% | 0.634551106 | 0.020803664 | (0.0096773)  |
| PB  | 2016 | 0.040281475  | -0.356535151  | 2%  | 0.810178143 | 0.203066676 | 0.0000000    |
| PB  | 2015 | -0.030168041 | -1.753556085  | 1%  | 0.832165316 | 0.275856895 | -207.2819364 |
| PB  | 2014 | 0.044101317  | -0.476806881  | 1%  | 0.786037676 | 0.249244921 | -0.0157401   |
| PB  | 2013 | -0.017527835 | -1.604909545  | 4%  | 0.784600611 | 0.229826343 | -0.2134902   |

|     |      |              |              |     |             |             |              |
|-----|------|--------------|--------------|-----|-------------|-------------|--------------|
| PB  | 2012 | -0.146739919 | -6.901226102 | 11% | 0.736664214 | 0.245275476 | -1.1189956   |
| BMA | 2016 | -0.003051203 | -0.47049486  | 2%  | 0.700702844 | 0.026476164 | -0.071590126 |
| BMA | 2015 | 0.019798053  | -0.489140948 | 1%  | 0.746789672 | 0.03385297  | 0.010429777  |
| BMA | 2014 | -0.013026392 | -1.325631668 | 1%  | 0.728759609 | 0.04089055  | -0.071517377 |
| BMA | 2013 | 0.004748359  | -0.846502417 | 4%  | 0.774083022 | 0.039308953 | -0.117834658 |
| BMA | 2012 | 0.018359633  | -0.606811831 | 11% | 0.783867947 | 0.011613937 | -0.098731478 |
| NKB | 2016 | 0.002066748  | -0.953211024 | 2%  | 0.513558149 | 0.172149534 | 0.000000000  |
| NKB | 2015 | -0.002039457 | -1.025303782 | 1%  | 0.575131497 | 5.70446E-08 | 0.000000000  |
| NKB | 2014 | -0.014534579 | -1.190060331 | 1%  | 0.542682694 | 5.10105E-08 | 0.000000000  |
| NKB | 2013 | -0.019864698 | -1.283838863 | 4%  | 0.494985803 | 4.81235E-08 | 0.000000000  |
| NKB | 2012 | -0.041058287 | -2.139854923 | 11% | 0.540440796 | 3.54764E-08 | 0.000000000  |
| NBP | 2016 | 0.000788952  | -0.973854408 | 2%  | 0.573644668 | 0.267169729 | 0.017170124  |
| NBP | 2015 | 0.029680386  | -0.20256174  | 1%  | 0.740986695 | 0.253958515 | -0.009394874 |

| <b>Regression Model 2:<br/>RoE</b> |      |         | 1                        | 2       | 3         | 4                   | 5                |
|------------------------------------|------|---------|--------------------------|---------|-----------|---------------------|------------------|
| Bank                               | Yr   | RoE     | Management<br>Efficiency | GDP     | Liquidity | Capital<br>Adequacy | Asset<br>Quality |
| AIB                                | 2016 | 0.30830 | -0.72423                 | 0.02000 | 0.62508   | 0.02894             | -0.02140         |
| AIB                                | 2015 | 0.29419 | -0.71673                 | 0.00800 | 0.68890   | 0.02677             | -0.02859         |
| AIB                                | 2014 | 0.30603 | -0.71499                 | 0.01300 | 0.66659   | 0.02889             | -0.04418         |
| AIB                                | 2013 | 0.14909 | -0.84446                 | 0.03900 | 0.63650   | 0.03343             | -0.07261         |
| AIB                                | 2012 | 0.34129 | -0.63449                 | 0.11400 | 0.70482   | 0.03181             | -0.00832         |
| AUB                                | 2016 | 0.03805 | -0.94719                 | 0.02000 | 0.47281   | 0.07275             | -0.08735         |
| AUB                                | 2015 | 0.00100 | -1.02740                 | 0.00800 | 0.53317   | 0.07942             | -0.10024         |
| AUB                                | 2014 | 0.39569 | -0.62558                 | 0.01300 | 0.53796   | 0.05469             | -0.00435         |
| AUB                                | 2013 | 0.15502 | -0.78857                 | 0.03900 | 0.52016   | 0.05265             | -0.00329         |
| AUB                                | 2012 | 0.09610 | -0.83232                 | 0.11400 | 0.47377   | 0.08084             | -0.01115         |
| ACB                                | 2016 | 0.02182 | -0.84374                 | 0.00800 | 0.43832   | 0.51228             | -0.05349         |

|          |      |          |          |         |         |         |          |
|----------|------|----------|----------|---------|---------|---------|----------|
| ACB      | 2015 | 0.02182  | -0.84374 | 0.00800 | 0.43832 | 0.51228 | -0.05349 |
| ACB      | 2014 | 0.00304  | -0.81911 | 0.01300 | 0.56290 | 0.48959 | 0.00000  |
| ACB      | 2013 | 0.07116  | -0.66573 | 0.03900 | 0.57555 | 0.51266 | 0.00000  |
| ACB      | 2012 | -0.09744 | -6.72356 | 0.11400 | 0.86719 | 0.77214 | -0.28005 |
| FMF<br>B | 2016 | 0.11065  | -0.89275 | 0.02000 | 0.47303 | 0.09487 | -0.02690 |
| FMF<br>B | 2015 | 0.18491  | -0.81748 | 0.00800 | 0.51715 | 0.10709 | -0.01277 |
| FMF<br>B | 2014 | 0.11604  | -0.87943 | 0.01300 | 0.53646 | 0.11913 | -0.02460 |
| FMF<br>B | 2013 | 0.16329  | -0.85421 | 0.03900 | 0.55693 | 0.10553 | -0.03284 |
| FMF<br>B | 2012 | 0.16542  | -0.82379 | 0.11400 | 0.54363 | 0.11065 | -0.03240 |
| BB       | 2016 | -0.21030 | -1.56843 | 0.02000 | 0.66178 | 0.08902 | -0.12766 |
| BB       | 2015 | -0.17570 | -1.46519 | 0.00800 | 0.60849 | 0.09074 | -0.11725 |
| BB       | 2014 | 0.01359  | -0.95363 | 0.01300 | 0.69739 | 0.12545 | 0.00780  |
| BB       | 2013 | 0.01739  | -0.93828 | 0.03900 | 0.53717 | 0.16765 | -0.03251 |
| BB       | 2012 | 0.02439  | -0.89382 | 0.11400 | 0.57635 | 0.24665 | -0.02447 |
| AZB      | 2016 | 0.00405  | -0.98849 | 0.02000 | 0.52203 | 0.16267 | -0.01965 |
| AZB      | 2015 | 0.00407  | -0.98833 | 0.00800 | 0.39265 | 0.18804 | 0.00181  |
| AZB      | 2014 | 0.04215  | -0.91598 | 0.01300 | 0.36606 | 0.16100 | -0.04627 |
| AZB      | 2013 | 0.14903  | -0.74150 | 0.03900 | 0.30614 | 0.13729 | -0.01687 |
| AZB      | 2012 | 0.07163  | -0.83149 | 0.11400 | 0.37905 | 0.09935 | 0.00546  |
| AB       | 2016 | 0.02834  | -0.82089 | 0.02000 | 0.83803 | 0.09660 | -0.07668 |
| AB       | 2015 | 0.04113  | -0.68957 | 0.00800 | 0.82918 | 0.10328 | 0.00014  |
| AB       | 2014 | 0.02053  | -0.81819 | 0.01300 | 0.81537 | 0.13025 | -0.00015 |
| AB       | 2013 | 0.00585  | -0.93842 | 0.03900 | 0.79824 | 0.21088 | -0.55049 |
| AB       | 2012 | 0.00047  | -0.97606 | 0.11400 | 0.78292 | 0.21538 | -0.50695 |
| GB       | 2016 | 0.10183  | -0.74963 | 0.02000 | 0.48812 | 0.13374 | -0.05471 |
| GB       | 2015 | 0.03317  | -0.92269 | 0.00800 | 0.48797 | 0.15060 | -0.08273 |
| GB       | 2014 | 0.00052  | -0.99171 | 0.01300 | 0.52601 | 0.13285 | -0.06769 |
| GB       | 2013 | 0.14416  | -0.68316 | 0.03900 | 0.42907 | 0.14122 | -0.00751 |
| GB       | 2012 | 0.00108  | -0.97967 | 0.11400 | 0.50507 | 0.18294 | -0.01754 |
| MB       | 2016 | -0.07329 | -1.11423 | 0.02000 | 0.54628 | 0.07945 | -0.01098 |
| MB       | 2015 | -0.24106 | -1.32591 | 0.00800 | 0.63421 | 0.06509 | -0.09035 |
| MB       | 2014 | 0.00449  | -0.99474 | 0.01300 | 0.60848 | 0.05699 | -0.01537 |
| MB       | 2013 | 0.05519  | -0.88134 | 0.03900 | 0.55001 | 0.05862 | -0.01041 |
| MB       | 2012 | 0.36958  | -0.66743 | 0.11400 | 0.50645 | 0.08121 | -0.00018 |
| HBL      | 2016 | 0.12465  | -0.59810 | 0.02000 | 0.55465 | 0.10605 | -0.01588 |
| HBL      | 2015 | 0.22618  | -0.39093 | 0.00800 | 0.67313 | 0.11863 | -0.13483 |
| HBL      | 2014 | 0.14761  | -0.40532 | 0.01300 | 0.71893 | 0.12944 | -0.05528 |
| HBL      | 2013 | 0.10358  | -0.45697 | 0.03900 | 0.57112 | 0.13655 | 0.00000  |
| HBL      | 2012 | 0.03018  | -0.85937 | 0.11400 | 0.50365 | 0.16075 | -0.22436 |
| BAL      | 2016 | 0.23787  | -0.51333 | 0.02000 | 0.36937 | 0.06424 | 0.00313  |

|     |      |          |          |         |         |         |            |
|-----|------|----------|----------|---------|---------|---------|------------|
| BAL | 2015 | 0.14857  | -0.80776 | 0.00800 | 0.54212 | 0.07022 | 0.00280    |
| BAL | 2014 | 0.21007  | -0.63265 | 0.01300 | 0.43442 | 0.06973 | 0.03904    |
| BAL | 2013 | 0.93831  | -0.40739 | 0.03900 | 0.71040 | 0.01863 | 0.00368    |
| BAL | 2012 | 0.98599  | -0.41326 | 0.11400 | 0.63455 | 0.02080 | -0.00968   |
| PB  | 2016 | 0.19837  | -0.35654 | 0.02000 | 0.81018 | 0.20307 | 0.00000    |
| PB  | 2015 | -0.10936 | -1.75356 | 0.00800 | 0.83217 | 0.27586 | -207.28194 |
| PB  | 2014 | 0.17694  | -0.47681 | 0.01300 | 0.78604 | 0.24924 | -0.01574   |
| PB  | 2013 | -0.07627 | -1.60491 | 0.03900 | 0.78460 | 0.22983 | -0.21349   |
| PB  | 2012 | -0.59827 | -6.90123 | 0.11400 | 0.73666 | 0.24528 | -1.11900   |
| BMA | 2016 | -0.11524 | -0.47049 | 0.02000 | 0.70070 | 0.02648 | -0.07159   |
| BMA | 2015 | 0.58482  | -0.48914 | 0.00800 | 0.74679 | 0.03385 | 0.01043    |
| BMA | 2014 | -0.31857 | -1.32563 | 0.01300 | 0.72876 | 0.04089 | -0.07152   |
| BMA | 2013 | 0.12080  | -0.84650 | 0.03900 | 0.77408 | 0.03931 | -0.11783   |
| BMA | 2012 | 1.58083  | -0.60681 | 0.11400 | 0.78387 | 0.01161 | -0.09873   |
| NKB | 2016 | 0.01201  | -0.95321 | 0.02000 | 0.51356 | 0.17215 | 0.00000    |
| NBP | 2016 | 0.00295  | -0.97385 | 0.02000 | 0.57364 | 0.26717 | 0.01717    |
| NBP | 2015 | 0.11687  | -0.20256 | 0.00800 | 0.74099 | 0.25396 | -0.00939   |

### 8.3 Regression Results

#### RoA Model

| <i>Regression Statistics</i> |       |
|------------------------------|-------|
| Multiple R                   | 0.934 |
| R Square                     | 0.872 |
| Adjusted R Square            | 0.863 |
| Standard Error               | 0.009 |
| Observations                 | 72    |

#### ANOVA

|            | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> |
|------------|-----------|-----------|-----------|----------|-----------------------|
| Regression | 5         | 0.039     | 0.008     | 90.164   | 0.000                 |
| Residual   | 66        | 0.006     | 0.000     |          |                       |
| Total      | 71        | 0.045     |           |          |                       |

|                       | <i>Coefficient<br/>s</i> | <i>Standard<br/>Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower<br/>95%</i> | <i>Upper<br/>95%</i> | <i>Lower<br/>95.0%</i> | <i>Upper<br/>95.0%</i> |
|-----------------------|--------------------------|---------------------------|---------------|----------------|----------------------|----------------------|------------------------|------------------------|
| Intercept             | 0.018                    | 0.005                     | 3.315         | 0.001          | 0.007                | 0.028                | 0.007                  | 0.028                  |
| Management Efficiency | 0.025                    | 0.001                     | 19.46         | 0.000          | 0.022                | 0.027                | 0.022                  | 0.027                  |



|                  |       |       |       |       |        |       |        |       |
|------------------|-------|-------|-------|-------|--------|-------|--------|-------|
| GDP Growth       | 0.038 | 0.030 | 1.261 | 0.212 | -0.022 | 0.098 | -0.022 | 0.098 |
| Liquidity        | 0.006 | 0.009 | 0.728 | 0.469 | -0.011 | 0.024 | -0.011 | 0.024 |
| Capital Adequacy | 0.045 | 0.009 | 5.123 | 0.000 | 0.028  | 0.063 | 0.028  | 0.063 |
| Asset Quality    | 0.000 | 0.000 | 2.321 | 0.023 | 0.000  | 0.000 | 0.000  | 0.000 |

### RoE Model

| <i>Regression Statistics</i> |        |
|------------------------------|--------|
| Multiple R                   | 0.5838 |
| R Square                     | 0.3408 |
| Adjusted R Square            | 0.2876 |
| Standard Error               | 0.2444 |
| Observations                 | 68     |

### ANOVA

|            | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> |
|------------|-----------|-----------|-----------|----------|-----------------------|
| Regression | 5         | 1.9150    | 0.383     | 6.410    | 0.0001                |
| Residual   | 62        | 3.7040    | 0.059     |          |                       |
| Total      | 67        | 5.6190    |           |          |                       |

|                       | <i>Coefficient</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95.0%</i> | <i>Upper 95.0%</i> |
|-----------------------|--------------------|-----------------------|---------------|----------------|------------------|------------------|--------------------|--------------------|
| Intercept             | -0.0424            | 0.1434                | -.295         | 0.768          | -0.3290          | 0.244            | -0.3290            | 0.2442             |
| Management Efficiency | 0.1405             | 0.0344                | 4.082         | 0.000          | 0.0717           | 0.209            | 0.0717             | 0.2094             |
| GDP Growth            | 2.6767             | 0.8160                | 3.280         | 0.001          | 1.0456           | 4.307            | 1.0456             | 4.3078             |
| Liquidity             | 0.3985             | 0.2303                | 1.730         | 0.088          | -0.0618          | 0.858            | -0.0618            | 0.8588             |
| Capital Adequacy      | -0.2488            | 0.2450                | -1.01         | 0.313          | -0.7387          | 0.241            | -0.7387            | 0.2410             |
| Asset Quality         | 0.0005             | 0.0012                | 0.420         | 0.675          | -0.0019          | 0.003            | -0.0019            | 0.0030             |

## 8.4 Residual Output

### RoA Model

| <i>Observation</i> | <i>Predicted RoA</i> | <i>Residuals</i> |
|--------------------|----------------------|------------------|
| 1                  | 0.00573              | 0.00319          |
| 2                  | 0.00576              | 0.00212          |
| 3                  | 0.00595              | 0.00290          |

|    |          |          |
|----|----------|----------|
| 4  | 0.00374  | 0.00124  |
| 5  | 0.01217  | -0.00131 |
| 6  | 0.00122  | 0.00155  |
| 7  | -0.00054 | 0.00062  |
| 8  | 0.00852  | 0.01312  |
| 9  | 0.00527  | 0.00289  |
| 10 | 0.00803  | -0.00026 |
| 11 | 0.02303  | -0.01185 |
| 12 | 0.02303  | -0.01185 |
| 13 | 0.02359  | -0.02210 |
| 14 | 0.02951  | 0.00697  |
| 15 | -0.10416 | 0.02892  |
| 16 | 0.00358  | 0.00692  |
| 17 | 0.00582  | 0.01398  |
| 18 | 0.00514  | 0.00868  |
| 19 | 0.00627  | 0.01096  |
| 20 | 0.01003  | 0.00828  |
| 21 | -0.01225 | -0.00647 |
| 22 | -0.01040 | -0.00554 |
| 23 | 0.00461  | -0.00290 |
| 24 | 0.00688  | -0.00396 |
| 25 | 0.01466  | -0.00865 |
| 26 | 0.00459  | -0.00393 |
| 27 | 0.00447  | -0.00371 |
| 28 | 0.00506  | 0.00173  |
| 29 | 0.00892  | 0.01154  |
| 30 | 0.00829  | -0.00117 |
| 31 | 0.00774  | -0.00500 |
| 32 | 0.01079  | -0.00654 |
| 33 | 0.00893  | -0.00625 |
| 34 | 0.01042  | -0.00919 |
| 35 | 0.01246  | -0.01236 |
| 36 | 0.00898  | 0.00464  |
| 37 | 0.00499  | 0.00000  |
| 38 | 0.00291  | -0.00284 |
| 39 | 0.01132  | 0.00904  |
| 40 | 0.00920  | -0.00900 |
| 41 | -0.00214 | -0.00368 |
| 42 | -0.00795 | -0.00774 |
| 43 | -0.00008 | 0.00033  |
| 44 | 0.00343  | -0.00019 |
| 45 | 0.01234  | 0.01768  |
| 46 | 0.01190  | 0.00132  |
| 47 | 0.01788  | 0.00895  |

|    |          |          |
|----|----------|----------|
| 48 | 0.01850  | 0.00060  |
| 49 | 0.01761  | -0.00347 |
| 50 | 0.01114  | -0.00629 |
| 51 | 0.01094  | 0.00434  |
| 52 | 0.00455  | 0.00588  |
| 53 | 0.00838  | 0.00627  |
| 54 | 0.01437  | 0.00311  |
| 55 | 0.01671  | 0.00381  |
| 56 | 0.02390  | 0.01638  |
| 57 | -0.03028 | 0.00012  |
| 58 | 0.02259  | 0.02151  |
| 59 | -0.00528 | -0.01225 |
| 60 | -0.13335 | -0.01339 |
| 61 | 0.01237  | -0.01542 |
| 62 | 0.01209  | 0.00771  |
| 63 | -0.00825 | -0.00478 |
| 64 | 0.00482  | -0.00007 |
| 65 | 0.01243  | 0.00593  |
| 66 | 0.00584  | -0.00377 |
| 67 | -0.00381 | 0.00177  |
| 68 | -0.00791 | -0.00662 |
| 69 | -0.00954 | -0.01032 |
| 70 | -0.02761 | -0.01345 |
| 71 | 0.01002  | -0.00923 |
| 72 | 0.02912  | 0.00056  |

RoE

| <i>Observation</i> | <i>Predicted<br/>RoE</i> | <i>Residuals</i> |
|--------------------|--------------------------|------------------|
| 1                  | 0.1512                   | 0.1571           |
| 2                  | 0.1461                   | 0.1481           |
| 3                  | 0.1503                   | 0.1557           |
| 4                  | 0.1886                   | -0.0395          |
| 5                  | 0.4465                   | -0.1052          |
| 6                  | 0.0483                   | -0.0102          |
| 7                  | 0.0273                   | -0.0263          |
| 8                  | 0.1052                   | 0.2905           |
| 9                  | 0.1453                   | 0.0097           |
| 10                 | 0.3144                   | -0.2183          |
| 11                 | -0.0924                  | 0.1142           |
| 12                 | -0.0924                  | 0.1142           |
| 13                 | -0.0202                  | 0.0233           |
| 14                 | 0.0702                   | 0.0009           |

|    |         |         |
|----|---------|---------|
| 15 | -0.5289 | 0.4314  |
| 16 | 0.0505  | 0.0601  |
| 17 | 0.0435  | 0.1414  |
| 18 | 0.0529  | 0.0631  |
| 19 | 0.1376  | 0.0257  |
| 20 | 0.3360  | -0.1706 |
| 21 | 0.0322  | -0.2425 |
| 22 | -0.0071 | -0.1686 |
| 23 | 0.1051  | -0.0915 |
| 24 | 0.1024  | -0.0851 |
| 25 | 0.3054  | -0.2810 |
| 26 | 0.0397  | -0.0357 |
| 27 | -0.0502 | 0.0543  |
| 28 | -0.0306 | 0.0727  |
| 29 | 0.0456  | 0.1034  |
| 30 | 0.2722  | -0.2006 |
| 31 | 0.2056  | -0.1773 |
| 32 | 0.1868  | -0.1457 |
| 33 | 0.1699  | -0.1494 |
| 34 | 0.1954  | -0.1896 |
| 35 | 0.3837  | -0.3832 |
| 36 | 0.0670  | 0.0348  |
| 37 | 0.0063  | 0.0269  |
| 38 | 0.0295  | -0.0290 |
| 39 | 0.1018  | 0.0423  |
| 40 | 0.2808  | -0.2797 |
| 41 | 0.0525  | -0.0525 |
| 42 | 0.0292  | -0.2702 |
| 43 | 0.0809  | -0.0764 |
| 44 | 0.1427  | -0.0875 |
| 45 | 0.3505  | 0.0190  |
| 46 | 0.1217  | 0.0029  |
| 47 | 0.1627  | 0.0635  |
| 48 | 0.1897  | -0.0421 |
| 49 | 0.1914  | -0.0878 |
| 50 | 0.3025  | -0.2724 |
| 51 | 0.0702  | 0.1677  |
| 52 | 0.0641  | 0.0845  |
| 53 | 0.0593  | 0.1508  |
| 54 | 0.2832  | 0.6551  |
| 55 | 0.4523  | 0.5336  |
| 56 | 0.2334  | -0.0350 |
| 57 | -0.1115 | 0.0022  |
| 58 | 0.1766  | 0.0003  |

|    |         |         |
|----|---------|---------|
| 59 | 0.0918  | -0.1681 |
| 60 | -0.4752 | -0.1231 |
| 61 | 0.2176  | -0.3329 |
| 62 | 0.1994  | 0.3854  |
| 63 | 0.0863  | -0.4049 |
| 64 | 0.2417  | -0.1209 |
| 65 | 0.4869  | 1.0939  |
| 66 | 0.0390  | -0.0270 |
| 67 | 0.0364  | -0.0334 |
| 68 | 0.1826  | -0.0658 |

## 8.5 Industry Assets

| <b>Banks</b>        | <b>Figures in AFA''000''s</b> |                    |                    |                    |                    |
|---------------------|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Total Assets</b> | <b>31-Dec-16</b>              | <b>31-Dec-15</b>   | <b>31-Dec-14</b>   | <b>31-Dec-13</b>   | <b>31-Dec-12</b>   |
| <b>AIB</b>          | 58,187,604                    | 61,920,439         | 56,535,186         | 48,114,156         | 46,061,190         |
| <b>AUB</b>          | 20,922,164                    | 19,165,422         | 18,283,758         | 18,994,514         | 12,370,688         |
| <b>ACB</b>          | 3,056,129                     | 2,625,528          | 2,747,221          | 1,950,609          | 999,027            |
| <b>FMFB</b>         | 10,562,007                    | 9,356,884          | 8,411,300          | 9,495,156          | 9,055,764          |
| <b>BB</b>           | 17,691,968                    | 16,806,196         | 10,761,526         | 8,052,304          | 5,676,149          |
| <b>AZB</b>          | 32,995,348                    | 28,544,542         | 29,611,818         | 29,991,313         | 32,382,877         |
| <b>AB</b>           | 10,351,676                    | 9,682,867          | 7,677,756          | 4,741,924          | 4,643,003          |
| <b>GB</b>           | 9,329,783                     | 8,285,377          | 8,749,681          | 8,231,202          | 6,353,806          |
| <b>MB*</b>          | 24,099,377                    | 23,045,345         | 19,741,801         | 19,192,024         | 12,313,015         |
| <b>HBL</b>          | 9,431,687                     | 8,431,347          | 7,727,245          | 7,324,888          | 6,222,406          |
| <b>BAL</b>          | 15,872,309                    | 14,347,277         | 14,340,691         | 16,062,687         | 14,385,062         |
| <b>PB</b>           | 18,812,821                    | 17,352,863         | 17,920,726         | 15,083,780         | 14,133,700         |
| <b>BMA</b>          | 37,769,822                    | 29,539,506         | 24,455,528         | 25,439,497         | 21,525,861         |
| <b>NKB</b>          | 24,622,961                    | 17,530,131         | 19,603,816         | 20,779,864         | 28,187,740         |
| <b>NBP</b>          | 3,742,939                     | 3,937,651          |                    |                    |                    |
| <b>Aggregate</b>    | <b>297,448,594</b>            | <b>270,571,375</b> | <b>246,568,054</b> | <b>233,453,919</b> | <b>214,310,288</b> |

## 8.6 Customer Deposits

| <b>Total Deposits</b> | <b>Figures in AFA''000''s</b> |             |             |             |             |
|-----------------------|-------------------------------|-------------|-------------|-------------|-------------|
| <b>Total Deposits</b> | <b>2016</b>                   | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| <b>AIB</b>            | 54,077,642                    | 57,997,526  | 52,908,347  | 45,120,851  | 43,142,654  |
| <b>AUB</b>            | 18,357,459                    | 16,780,372  | 15,752,195  | 16,486,099  | 10,850,759  |
| <b>ACB</b>            | 1,720,476                     | 1,370,423   | 1,555,616   | 1,182,955   | 623,700     |
| <b>FMFB</b>           | 6,190,663                     | 4,992,027   | 4,280,380   | 5,271,178   | 5,418,715   |

|                  |             |             |             |             |             |
|------------------|-------------|-------------|-------------|-------------|-------------|
| <b>BB</b>        | 11,529,480  | 9,673,498   | 7,647,433   | 4,968,927   | 3,328,829   |
| <b>AZB</b>       | 23,539,800  | 16,071,983  | 16,712,520  | 19,596,814  | 25,354,441  |
| <b>AB</b>        | 9,169,749   | 8,522,417   | 6,561,383   | 3,640,929   | 3,543,870   |
| <b>GB</b>        | 7,809,097   | 6,902,006   | 7,501,739   | 6,899,697   | 5,256,531   |
| <b>MB*</b>       | 22,567,064  | 21,860,727  | 18,502,907  | 16,291,592  | 10,166,117  |
| <b>HBL</b>       | 7,143,290   | 5,785,513   | 5,018,134   | 4,351,557   | 4,008,838   |
| <b>BAL</b>       | 14,412,937  | 13,067,448  | 12,640,753  | 13,875,469  | 12,694,695  |
| <b>PB</b>        | 15,587,474  | 14,908,182  | 15,344,022  | 15,121,797  | 13,704,860  |
| <b>BMA</b>       | 27,760,009  | 22,491,196  | 18,771,767  | 17,673,626  | 15,875,346  |
| <b>NKB</b>       | 21,971,922  | 20,275,479  | 22,304,322  | 23,305,306  | 26,424,054  |
| <b>NBP</b>       | 2,480,174   | 2,330,796   | -           | -           | -           |
| <b>Aggregate</b> | 241,837,061 | 220,698,798 | 205,501,517 | 193,786,798 | 180,393,410 |

## 8.7 Net Loans

| <b>Banks</b>     | <b>Figures in AFA '000's</b> |                   |                   |                   |                   |
|------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Net Loans</b> | <b>2016</b>                  | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       | <b>2012</b>       |
| <b>AIB</b>       | 3,729,388                    | 3,457,852         | 2,889,723         | 4,204,751         | 4,545,756         |
| <b>AUB</b>       | 6,896,571                    | 6,094,660         | 5,386,286         | 4,647,414         | 4,036,346         |
| <b>ACB</b>       | 954,980                      | 1,122,451         | 893,739           | 508,300           | 93,801            |
| <b>FMFB</b>      | 4,661,546                    | 3,795,937         | 3,349,689         | 4,056,938         | 4,018,294         |
| <b>BB</b>        | 878,911                      | 1,295,179         | 1,501,502         | 1,106,940         | 1,323,448         |
| <b>AZB</b>       | 7,326,122                    | 11,399,271        | 11,875,523        | 14,816,881        | 12,053,272        |
| <b>AB</b>        | 247,387                      | 154,765           | 104,479           | 15,516            | 44,233            |
| <b>GB</b>        | 2,313,036                    | 2,683,421         | 2,555,158         | 3,535,650         | 2,463,409         |
| <b>MB*</b>       | 8,023,147                    | 7,993,242         | 7,380,207         | 6,985,081         | 4,720,168         |
| <b>HBL</b>       | 36,154                       | 80,481            | 158,141           | 380,201           | 525,661           |
| <b>BAL</b>       | 542,519                      | 1,103,773         | 317,403           | 1,542,406         | 1,488,326         |
| <b>PB</b>        | -                            | 4,462             | 1,003,872         | 1,071,295         | 1,561,150         |
| <b>BMA</b>       | 2,662,579                    | 2,642,373         | 2,225,139         | 1,523,821         | 2,074,903         |
| <b>NKB</b>       | -                            | -                 | -                 | -                 | -                 |
| <b>NBP</b>       | 380,370                      | 484,626           | -                 | -                 | -                 |
| <b>Aggregate</b> | <b>38,272,340</b>            | <b>41,827,867</b> | <b>39,640,861</b> | <b>44,395,195</b> | <b>38,948,766</b> |

## 8.8 Return on Assets

| <b>RoA</b>  | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>  | 0.89%       | 0.79%       | 0.88%       | 0.50%       | 1.09%       |
| <b>AUB</b>  | 0.28%       | 0.01%       | 2.16%       | 0.82%       | 0.78%       |
| <b>ACB</b>  | -4.05%      | 1.12%       | 0.15%       | 3.65%       | -7.52%      |
| <b>FMFB</b> | 1.05%       | 1.98%       | 1.38%       | 1.72%       | 1.83%       |

|            |        |        |        |        |         |
|------------|--------|--------|--------|--------|---------|
| <b>BB</b>  | -1.87% | -1.59% | 0.17%  | 0.29%  | 0.60%   |
| <b>AZB</b> | 0.07%  | 0.08%  | 0.68%  | 2.05%  | 0.71%   |
| <b>AB</b>  | 0.27%  | 0.42%  | 0.27%  | 0.12%  | 0.01%   |
| <b>GB</b>  | 1.36%  | 0.50%  | 0.01%  | 2.04%  | 0.02%   |
| <b>MB</b>  | -0.58% | -1.57% | 0.03%  | 0.32%  | 3.00%   |
| <b>HBL</b> | 1.32%  | 2.68%  | 1.91%  | 1.41%  | 0.49%   |
| <b>BAL</b> | 1.53%  | 1.04%  | 1.46%  | 1.75%  | 2.05%   |
| <b>PB</b>  | 4.03%  | -3.02% | 4.41%  | -1.75% | -14.67% |
| <b>BMA</b> | -0.31% | 1.98%  | -1.30% | 0.47%  | 1.84%   |
| <b>NKB</b> | 0.21%  | -0.20% | -1.45% | -1.99% | -4.11%  |
| <b>NBP</b> | 0.08%  | 2.97%  |        |        |         |

## 8.9 Return on Equity

| <b>RoE</b>  | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>  | 30.8%       | 29.4%       | 30.6%       | 14.9%       | 34.1%       |
| <b>AUB</b>  | 3.8%        | 0.1%        | 39.6%       | 15.5%       | 9.6%        |
| <b>ACB</b>  | -9.2%       | 2.2%        | 0.3%        | 7.1%        | -9.7%       |
| <b>FMFB</b> | 11.1%       | 18.5%       | 11.6%       | 16.3%       | 16.5%       |
| <b>BB</b>   | -21.0%      | -17.6%      | 1.4%        | 1.7%        | 2.4%        |
| <b>AZB</b>  | 0.4%        | 0.4%        | 4.2%        | 14.9%       | 7.2%        |
| <b>AB</b>   | 2.8%        | 4.1%        | 2.1%        | 0.6%        | 0.0%        |
| <b>GB</b>   | 10.2%       | 3.3%        | 0.1%        | 14.4%       | 0.1%        |
| <b>MB</b>   | -7.3%       | -24.1%      | 0.4%        | 5.5%        | 0.37        |
| <b>HBL</b>  | 12.5%       | 22.6%       | 14.8%       | 10.4%       | 3.0%        |
| <b>BAL</b>  | 23.8%       | 14.9%       | 21.0%       | 93.8%       | 98.6%       |
| <b>PB</b>   | 19.8%       | -10.9%      | 17.7%       | -7.6%       | -59.8%      |
| <b>BMA</b>  | -11.5%      | 58.5%       | -31.9%      | 12.1%       | 158.1%      |
| <b>NBP</b>  | 0.3%        | 11.7%       |             |             |             |

## 8.10 Revenues

| <b>Total Revenue</b> | <b>Figures in AFA "000"</b> |             |             |             |             |
|----------------------|-----------------------------|-------------|-------------|-------------|-------------|
|                      | <b>2016</b>                 | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
| <b>AIB</b>           | 2,059,360                   | 1,952,718   | 1,976,299   | 1,997,966   | 1,653,573   |
| <b>AUB</b>           | 1,410,242                   | 1,214,396   | 1,193,583   | 965,975     | 869,052     |
| <b>ACB</b>           | 248,876                     | 212,000     | 113,334     | 104,224     | 13,133      |
| <b>FMFB</b>          | 1,415,256                   | 1,313,981   | 1,229,421   | 1,342,484   | 1,168,501   |
| <b>BB</b>            | 608,792                     | 630,437     | 580,461     | 475,523     | 364,697     |
| <b>AZB</b>           | 2,359,116                   | 2,340,596   | 2,989,265   | 2,967,093   | 2,231,044   |
| <b>AB</b>            | 184,849                     | 169,048     | 141,100     | 118,739     | 128,005     |
| <b>GB</b>            | 634,347                     | 669,226     | 609,181     | 662,088     | 470,597     |

|                  |            |            |            |            |            |
|------------------|------------|------------|------------|------------|------------|
| <b>MB</b>        | 1,188,667  | 1,401,939  | 1,239,876  | 1,231,409  | 1,307,126  |
| <b>HBL</b>       | 294,543    | 406,166    | 314,388    | 245,121    | 266,328    |
| <b>BAL</b>       | 577,429    | 557,434    | 557,747    | 592,293    | 631,540    |
| <b>PB</b>        | 1,227,013  | 820,284    | 785,276    | 437,067    | 349,971    |
| <b>BMA</b>       | 1,556,898  | 1,421,079  | 1,227,216  | 983,695    | 1,208,472  |
| <b>NKB</b>       | 1,443,797  | 1,412,910  | 1,499,172  | 1,454,296  | 1,015,340  |
| <b>NBP</b>       | 123,386    | 121,558    |            |            |            |
| <b>Aggregate</b> | 15,332,570 | 14,643,771 | 14,456,318 | 13,577,973 | 11,677,379 |

### 8.11 Management Efficiency

| <b>ME</b>   | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>  | 0.252       | 0.250       | 0.253       | 0.120       | 0.302       |
| <b>AUB</b>  | 0.041       | 0.001       | 0.332       | 0.160       | 0.111       |
| <b>ACB</b>  | -0.498      | 0.138       | 0.036       | 0.683       | -5.724      |
| <b>FMFB</b> | 0.078       | 0.141       | 0.095       | 0.122       | 0.142       |
| <b>BB</b>   | -0.544      | -0.425      | 0.032       | 0.049       | 0.094       |
| <b>AZB</b>  | 0.009       | 0.009       | 0.067       | 0.207       | 0.103       |
| <b>AB</b>   | 0.153       | 0.243       | 0.145       | 0.049       | 0.004       |
| <b>GB</b>   | 0.200       | 0.062       | 0.001       | 0.253       | 0.003       |
| <b>MB</b>   | -0.118      | -0.258      | 0.004       | 0.050       | 0.283       |
| <b>HBL</b>  | 0.423       | 0.557       | 0.470       | 0.423       | 0.113       |
| <b>BAL</b>  | 0.420       | 0.269       | 0.377       | 0.474       | 0.467       |
| <b>PB</b>   | 0.618       | -0.638      | 1.006       | -0.605      | -5.926      |
| <b>BMA</b>  | -0.074      | 0.412       | -0.260      | 0.123       | 0.327       |
| <b>NKB</b>  | 0.035       | -0.025      | -0.190      | -0.284      | -1.140      |
| <b>NBP</b>  | 0.024       | 0.961       |             |             |             |

### 8.12 Liquidity

| <b>Liquidity</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|------------------|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>       | 63%         | 69%         | 67%         | 64%         | 70%         |
| <b>AUB</b>       | 47%         | 53%         | 54%         | 52%         | 47%         |
| <b>ACB</b>       | 55%         | 44%         | 56%         | 58%         | 87%         |
| <b>FMFB</b>      | 47%         | 52%         | 54%         | 56%         | 54%         |
| <b>BB</b>        | 66%         | 61%         | 70%         | 54%         | 58%         |
| <b>AZB</b>       | 52%         | 39%         | 37%         | 31%         | 38%         |
| <b>AB</b>        | 84%         | 83%         | 82%         | 80%         | 78%         |
| <b>GB</b>        | 49%         | 49%         | 53%         | 43%         | 51%         |
| <b>MB</b>        | 55%         | 63%         | 61%         | 55%         | 51%         |
| <b>HBL</b>       | 55%         | 67%         | 72%         | 57%         | 50%         |
| <b>BAL</b>       | 37%         | 54%         | 43%         | 71%         | 63%         |
| <b>PB</b>        | 81%         | 83%         | 79%         | 78%         | 74%         |



|            |     |     |     |     |     |
|------------|-----|-----|-----|-----|-----|
| <b>BMA</b> | 70% | 75% | 73% | 77% | 78% |
| <b>NKB</b> | 51% | 58% | 54% | 49% | 54% |
| <b>NBP</b> | 57% | 74% |     |     |     |

### 8.13 Capital Adequacy

| <b>Capital Adequacy Ratio</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>                    | 0.03        | 0.03        | 0.03        | 0.03        | 0.03        |
| <b>AUB</b>                    | 0.07        | 0.08        | 0.05        | 0.05        | 0.08        |
| <b>ACB</b>                    | 0.44        | 0.51        | 0.49        | 0.51        | 0.77        |
| <b>FMFB</b>                   | 0.09        | 0.11        | 0.12        | 0.11        | 0.11        |
| <b>BB</b>                     | 0.09        | 0.09        | 0.13        | 0.17        | 0.25        |
| <b>AZB</b>                    | 0.16        | 0.19        | 0.16        | 0.14        | 0.10        |
| <b>AB</b>                     | 0.10        | 0.10        | 0.13        | 0.21        | 0.22        |
| <b>GB</b>                     | 0.13        | 0.15        | 0.13        | 0.14        | 0.18        |
| <b>MB</b>                     | 0.08        | 0.07        | 0.06        | 0.06        | 0.08        |
| <b>HBL</b>                    | 0.11        | 0.12        | 0.13        | 0.14        | 0.16        |
| <b>BAL</b>                    | 0.06        | 0.07        | 0.07        | 0.02        | 0.02        |
| <b>PB</b>                     | 0.20        | 0.28        | 0.25        | 0.23        | 0.25        |
| <b>BMA</b>                    | 0.03        | 0.03        | 0.04        | 0.04        | 0.01        |
| <b>NKB</b>                    | 0.17        | 0.00        | 0.00        | 0.00        | 0.00        |
| <b>NBP</b>                    | 0.27        | 0.25        |             |             |             |

### 8.14 Asset Quality

| <b>Impairment Charge (Asset Quality)</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>AIB</b>                               | -2.1%       | -2.9%       | -4.4%       | -7.3%       | -0.8%       |
| <b>AUB</b>                               | -8.7%       | -10.0%      | -0.4%       | -0.3%       | -1.1%       |
| <b>ACB</b>                               | -20.6%      | -5.3%       | 0.0%        | 0.0%        | -28.00%     |
| <b>FMFB</b>                              | -2.7%       | -1.3%       | -2.5%       | -3.3%       | -3.2%       |
| <b>BB</b>                                | -12.8%      | -11.7%      | 0.8%        | -3.3%       | -2.4%       |
| <b>AZB</b>                               | -2.0%       | 0.2%        | -4.6%       | -1.7%       | 0.5%        |
| <b>AB</b>                                | -7.7%       | 0.0%        | 0.0%        | -55.0%      | -50.7%      |
| <b>GB</b>                                | -5.5%       | -8.3%       | -6.8%       | -0.8%       | -1.8%       |
| <b>MB</b>                                | -1.1%       | -9.0%       | -1.5%       | -1.0%       | 0.0%        |
| <b>HBL</b>                               | -1.6%       | -13.5%      | -5.5%       | 0.0%        | -22.4%      |
| <b>BAL</b>                               | 0.3%        | 0.3%        | 3.9%        | 0.4%        | -1.0%       |
| <b>PB</b>                                | 0.0%        | -20728.2%   | -1.6%       | -21.3%      | -111.9%     |
| <b>BMA</b>                               | -7.2%       | 1.0%        | -7.2%       | -11.8%      | -9.9%       |

|            |      |       |      |      |       |
|------------|------|-------|------|------|-------|
| <b>NKB</b> | 0.0% | 0.0%  | 0.0% | 0.0% | 0.00% |
| <b>NBP</b> | 1.7% | -0.9% |      |      |       |