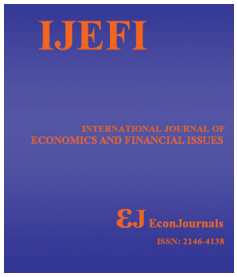

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Financial Performance of Commercial Banks in Afghanistan

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ABSTRACT

Banks play a vital role in a country's economic system but they are only able to operate on a going concern basis if they are managed effectively and efficiently. In this vital study, authors have used descriptive statistics and multivariate regression model to determine the parameters. The findings show that the banks' internal factors have significant impact over its profitability with the exception of the liquidity variable and that external economic factors were insignificant at 5% confidence level. Hence, profitability in Afghan banks is determined by the efficiency of their management rather than macroeconomic factor of gross domestic product.

Keywords: Financial Performance, Commercial Banks, Afghanistan
JEL Classification: G2

1. INTRODUCTION

Afghanistan suffered decades of war that ruined infrastructure of the country for almost every industry. However with the overthrow of the Taliban regime during 2001 and the beginning of transitional democratic government, the country 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. These 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 war 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 ensure 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 of significant importance as it ensured the healthy operations and functioning of the banks with needed appropriate supervision. Healthy banks and well functioning banks does not only meet the need of the government 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 of 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 DAB to assess the financial condition of the bank. Adherence to standards and requirements is monitored by DAB through onsite examinations of banks. DAB also uses capital adequacy, asset quality, management efficiency and liquidity (CAMEL) framework in analyzing the performance of commercial banks.

2. LITERATURE REVIEW

There has 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 studies.

Some researchers have focused on banking profitability in a single country while others have taken a panel of countries 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). However there is no literature on the determinants and profitability of commercial banks in Afghanistan.

2.1. Key Performance Indicator for Banks

Commercial banks operate with the main intent of making profit, hence their KPI is their profitability. Studies conducted 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. RoA 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 RoE 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.

2.2. Internal Performance Determinants

Banks' internal and macroeconomic factors determine the profitability of banks (Ali et al., 2011). Overall improving performance of banking sector does not mean all banks are doing well due to their internal limitations or vice verse.

Internal factors are the factors that the banks management are responsible and accountable for hence controllable by the bank. Literature review indicates many researchers have used CAMEL framework in assessing the impact of bank specific factors over the performance of the banks. CAMEL is the abbreviation for CAMEL.

External macroeconomic factors operate in the external environment of any business. These factors can have significant indirect impact on any industry. These factors are beyond the control of the management and for which they cannot be held responsible.

2.2.1. 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.

2.2.2. 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).

2.2.3. Management efficiency

Efficiency is an indicator that is based on minimum inputs but greater output. Despite that RoA 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).

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.

2.2.4. 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 are 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).

2.3. 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. Under macroeconomic factors the variables used in various other studies included important indicators as gross domestic product (GDP), 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).

2.4. Theoretical Framework

Theoretical framework has been developed from the literature review and illustrated in the diagram under methodology (Figure 1). The framework indicates the identified dependent and independent variables for the study.

3. RESEARCH METHODOLOGY

3.1. Research Design

The study will use descriptive financial ratio analysis, and multiple linear regressions. 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. The trend analysis is also used to view the trends of periodical performance.

A multiple linear regression model and t-statistic are 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.

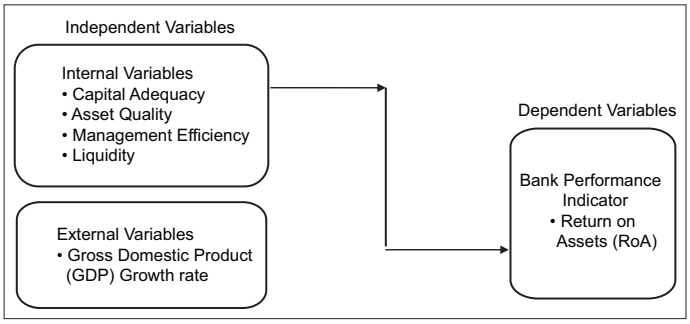
3.1.1. Sample design

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 years period from 2012 up to 2016.

3.1.2. 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

Figure 1: Relationship between independent and dependent variables



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 cash flows.

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 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.

3.2. Model Specification

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

Multiple Linear regression model:

$$Y=a+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+\beta 5X5+\beta 6X6+\in$$

Y=Return on Assets
a=Intercept
β (1-6)=Coefficient of explanatory variables
X1=Capital adequacy
X2=Asset quality
X3=Management efficiency
X4=Liquidity
X5=Bank size
X6=Gross domestic product
∈=Regression residual (unaccounted differences).

3.3. Model Assumptions

The multiple linear regression models are 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:

3.3.1. Linear relationship

The first main assumption of the model is that there is a linear relationship between dependent and independent variables analyzed.

3.3.2. Normality

This underlying assumption is that residuals of the regression model represented by ∈ in the model will obey normal distribution, mean u = 0 and Standard deviation δ with the potential values ∈_1,∈_2,...,∈_t depending on the observations (n) for the independent variables.

3.3.3. Multicollinearity

Multicolinearity happens when one or more of the independent variables used in the regression model are highly correlated and hence not independent of each other.

3.3.4. Autocorrelation

Alike assumption holds true for the regression residuals represented by ∈ as is for the independent variables within the model under multicollinearity. Thus regression is also based on the assumption that the residuals or other variables in the unaccounted differences are independent of each other, and auto correlation does not exist on model tested.

3.3.4. Homoscedasticity

The unaccounted differences or the noise in the model represented by ∈ as discussed before is assumed to be independent of each other $\in_1, \in_2, \in_n$, normally distributed with mean u = 0 and standard deviation δ. The standard deviation of values drawn for $\in_1, \in_2, \in_n$ are assumed with same standard deviation, this is known as homoscedasticity.

3.4.Proxy Set for Study Variables

This section provides all the variables used in the model and approach to their measurement and expected relation of them with the dependent variable used in the model.

Table 1 shows both dependent and independent variables used in this study. The measurement for the variables used as a proxy in the study is also provided. The expected relation of the independent variables to the dependent variable is also determined based on the literature.

4. FINDINGS AND DISCUSSION

4.1. Trend Analysis

RoA 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 poor year for the industry with mean return of - 0.55% majorly due to poor performances of Brac Bank now ACB and Pashtany Bank. The banks suffered from asset quality and in specific due to their loan portfolio losses. Both Brac bank and Pashtany bank had radical changes in management that has improved their individual performances and which has and will contribute to the sector. The fall in returns for 2015 may be due to the presidential elections held in April 2014 and the political instability that ultimately resulted in the formation of the unity

Table 1: Study variables and their measurement

Variable D/IV	Measurement	Expected Relationship
RoA	PAT to total assets	
Capital adequacy	Total capital to total assets	Positive (+)
Asset quality	Provision charge to opening balance of net loan portfolio	Negative (+)
Management efficiency	Total operating revenue to total profit	Positive (+)
Liquidity	Total loans to total customer deposits	Negative (-)
GDP growth rate	Asian development bank statistics	Positive (+)

RoA: Return on asset, GDP: Gross domestic product

government. The mean rate of return on total assets during 2016 was 0.45% a rise from −0.55% in 2012. Overall there is a rising trend in the RoA for the banking industry of Afghanistan which is attractive for investments in the sector. Mean industry RoA over 5 years has been 0.28% but this is expected to grow with trend (Figure 2).

4.2. Descriptive Statistics

This section provides the description of the variables based on the sample design. Table 2 provides the statistical description of the sample reviewed as part of this study. The central bank of Afghanistan (DAB) has a minimum regulatory capital requirement of 12% and this is calculated as the total capital to risk weighted assets. DAB also has minimum liquidity requirement of quick and broad liquidity ratio of 20% and 15% respectively.

Table 2 indicates that capital adequacy was at an average of 14%. The mean capital adequacy ratio of the industry is above the minimum regulatory capital requirements of 12%. Minimum value in stat indicates a value of zero for capital adequacy, this has actually been the case and challenges faced with New Kabul Bank. The bank was taken over by government after the bankruptcy rooted in financial scandals in 2010, additional funds were injected by the government as loans and the bank operated without actual capital reserves until 2016. Liquidity is at average 60% for the industry in the past 5 years which also is much over the minimum requirements set by the central bank.

Commercial banks in Afghanistan are not publishing complete set of financial statements except for few including Afghanistan International Bank (AIB). Notes the financial statements which are an integral part of the financial statements based on IFRS 1 are not readily available, information pertaining to quality of portfolio can only be determined through these notes however for the purpose of this study asset quality is measured based on periodical impairment charges to closing balance of portfolio, a approach applied consistently across all banks to study relative impact. The min value of −207 indicates 207% impairment charge to closing balance of portfolio in Pashtany Bank, this is a state owned commercial bank that held huge delinquent and defaulted loans. Radical changes were brought in the management of the bank in 2015, entire portfolio of the bank is written off and much effort is on the recoveries. The Max positive of 4% indicates decline in impairment charges in Bank Alfalah Limited (BAL). Limitation of data on asset quality restricts further analysis however it is noted that investments had more stable returns with lower risk than loan portfolios. Loan portfolios have shrinked in favor of other investments in BAL, Habib Bank Limited, National Bank of Pakistan. AIB had a consistent investment approach over the 5 years period by not relying on loan portfolio in contrast to Azizi Bank (AZB), both of which are the biggest banks operating in terms of their market share of total assets. AIB holds average of 21.5% of industry assets and AZB an average of 12.3% over the 5 years period as shown in Figure 3.

Min Management efficiency as Expenditure (before tax) to total revenue of 6.9 is from Pashtany Bank in 2012 due to the same challenges aforementioned. Max management efficiency of 0.2 is from National Bank of Pakistan in 2015, overall the mean management efficiency of 1.04 indicates the industry is only sustainable without prospects of dividends for the investors or probably appropriate tax planning is made by most of the professionals in the industry.

4.3. Testing Accuracy of Model

Another assumption of the regression model for RoA is the normality and has been validated here below. The test below in Figure 4 is to make sure the residuals in the error term are normally distributed with mean 0.

The residuals as seen in the above histogram Figure 4 is bell shaped and shows a normal distribution around the mean u ~ 0. However to ensure more accurate symmetrical normal distribution of residuals Jarque Bera test is considered but the model is not accurate for less

Figure 2: Financial performance trend of commercial banks

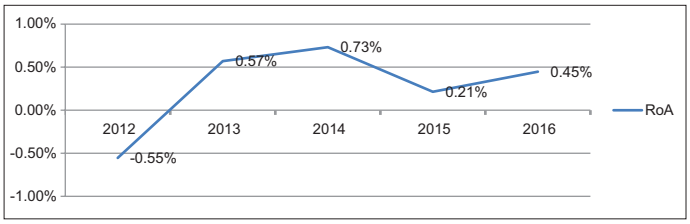


Figure 3: Mean market share of assests

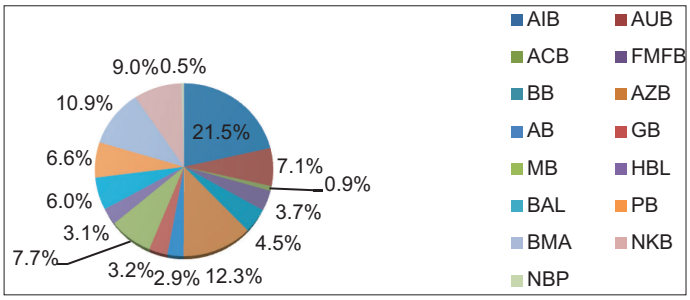


Figure 4: Residuals Histogram

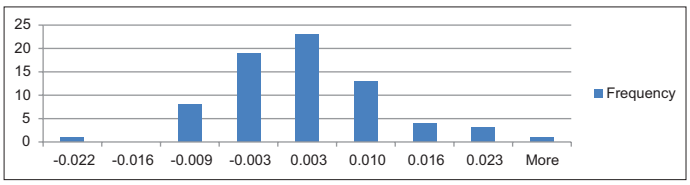


Table 2: Descriptive statistics of variables

Variables	Observations	Mean	Standard deviation	Minimum	Maximum
Capital adequacy	72	0.14	0.14	0.00	0.77
Asset quality	72	(2.95)	24.42	(207.28)	0.04
Management Efficiency	72	(1.04)	1.04	(6.90)	(0.20)
Liquidity	72	0.60	0.13	0.31	0.87

and medium sized sample studies hence anderson darling (AD) test of normality is conducted that resulted in a model statistic P = 0.52 > 0.05 significance. Thus we fail to reject the null hypothesis of AD model and that the residuals drawn are normally distributed.

The model has been tested for multi-collinearity and the results of which are shown in the correlation test in Table 3.

1 is a perfect relationship while 0.76–0.99 is a very strong relationship and 0.51–0.75 is only a strong relationship. 0.26–0.50 is a moderate relationship and remaining are weak relationships (Reinard, 2006). There is no strong relationship identified among the independent variables.

Hetroscedasticity has been checked in the scatter plot of the model residuals in Figure 4.

In Figure 5, it is apparent from the scatter plots that there are no systematic pattern or relation and that variances are within a particular range over the samples and observations.

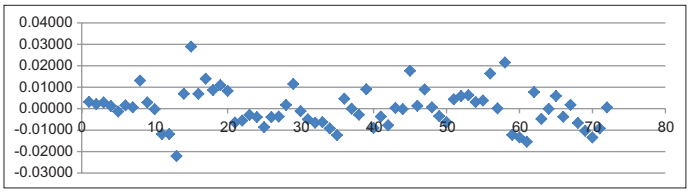
4.4. Regression Results

This section provides the regression model results and related discussion. Table 4 provides the regression results.

All the RoA multivariate regression assumptions have been validated above. Table 4 provides the key statistical information on the model for interpretation. The R^2 of the model is 87.2% on 72 observations. R^2 indicates the percentage of change in dependent variable explained by the expected independent variables. In this model it is evident that 87.2% of change in the RoA is determined by the independent variables of the CAMEL framework. Adjusted R^2 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 are 72 which is of 15 banks over 5 years. However only 3 years data on National Bank of Pakistan (NBP) from 2012 to 2013 were not available hence 3 samples are excluded, thus making the number observations as 72 and not 75.

Figure 5: Residuals scatterplot



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 liquidty 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 longterm 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 5% significance level. 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 = 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 5% significance level.

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^2 of 87.2% we are determined that the profitability of banks based on RoA is significantly explained by the CAMEL framework with the exception of liquidity at 5% significance.

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.

T-stats and P-values in the regression model indicates that GDP growth rate in Afghanistan had a positive relation but statistically insignificant impact over the financial performance and profitability of the banks. The T-stat and P-values for GDP as illustrated in Table 4 was 1.260 and 0.211, respectively. The second 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 not statistically significant based on the evaluations above.

Table 3: Correlation test between independent variables

Correlation	Capital adequacy	Asset quality	Management efficiency	Liquidity	GDP growth
Capital adequacy	1.00				
Asset quality	(0.12)	1.00			
Management efficiency	(0.45)	0.09	1.00		
Liquidity	0.12	(0.21)	(0.22)	1.00	
GDP growth	0.08	0.09	(0.32)	0.01	1.00

GDP: Gross domestic product

Table 4: Determinants of commercial banking profitability

Variables	Coefficients	Standard error	t-stat	P
Capital adequacy	0.0453	0.0088	5.1232	0.0000
Asset quality	0.0001	0.0000	2.3210	0.0234
Management efficiency	0.0248	0.0013	19.4652	0.0000
Liquidity	0.0063	0.0087	0.7282	0.4691
GDP growth	0.0381	0.0302	1.2606	0.2119
Intercept	0.0177	0.0053	3.3151	0.0015
R^2	0.8723			
Adjusted R^2	0.8626			
Observations	72			

GDP: Gross domestic product

Thus, we fail to reject the null hypothesis $H_{02}$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. CONCLUSION

Better financial performance is contingent to the profitability of the banks. It is the profitability factor among 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 5 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 measured through GDP growth rate.
- CAMEL framework, capital adequacy, asset (loan portfolio) quality, management efficiency and Liquidity have a positive relation with the profitability of the banks.
- Furthermore GDP growth rate as an external macroeconomic 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.

Financial ratio and trend analysis of the commercial banking industry in Afghanistan over the 5 years period from 2012 to 2016 indicated that:

- In terms of bank size AIB captures the biggest portion of market, individually representing industry assets of mean 21.5% over 5 years. AZB bank representing the second largest bank in terms of market share of assets, individually representing a 5 years 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 5 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 despite holding greater market share.
- 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.

Banks are required by DAB to publish financial statements annually by end of April next year. However it was noted that banks only publish their balance sheet, profit and loss, statement of changes in equity and cash flow statement. These banks do not publish notes to the financial statements which are also an integral part of the financial statements, that provide clear indication on the quality of their assets held by them to the public.

- RoA has been improving over the years and is currently at 0.45% in 2016 with mean of 0.35% for the 5 years. This is 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). These prospects are motivating for future investments in the banking sector of Afghanistan.

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