

FINANCIAL STATEMENTS AND AUDITORS' REPORT

نوی کابل بانک
NEW KABUL BANK

NEW KABUL BANK

FOR THE PERIOD ENDED DECEMBER 31, 2011



Grant Thornton

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Anjum Asim Shahid Rahman
Chartered Accountants



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF NEW KABUL BANK

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

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1. Shown in Note 11 of the financial statements, cash in transit amounting to AFN 432.42 million (USD 8.77 million) has no available breakup or reconciliation or any other reasonable explanation from NKB management. Accordingly we were unable to obtain sufficient appropriate audit evidence regarding cash in transit.
2. Included in Note 14 of the financial statement an amount of AFN 137.42 million (USD 2.79 million) is shown as remittance payable resulted from inter branch transactions with no listing or breakup available with NKB management. Accordingly we were unable to obtain sufficient appropriate audit evidence regarding the stated amount of remittance payable

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan.

Emphasis of matter

We draw attention to Note 3.2 of the financial statements indicating substantial dependence of the future operations of NKB on the success of upcoming privatization process and the fact that the Bank has incurred a net loss of AFN 946.46 million (USD 19.19 million) during the period ended December 31, 2011 along with other negative financial indicators. These along with the other matters set forth in Note 3.2 indicate the existence of a material uncertainty that may cast significant doubt about the bank's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

GH JAN 2013

Kabul
Date:

Anjum Asim Shahid Rahman

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Chartered Accountants

NEW KABUL BANK

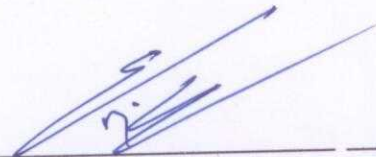


Financial Statements

For the period ended December 31, 2011

NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	Note	..... AFN .....	..... USD
ASSETS			
Cash and cash equivalents	7	16,656,573,479	337,793,013
Investment in capital notes	8	5,968,480,929	121,039,970
Property and equipment	9	480,087,926	9,736,117
Intangible assets	10	238,923,033	4,845,326
Receivable from Kabul Bank in Receivership	10 A	1,460,556,299	29,619,880
Other assets	11	3,177,007,599	64,429,277
Total assets		<u>27,981,629,265</u>	<u>567,463,583</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	-	-
Accumulated loss		(946,457,090)	(19,194,019)
Total equity		<u>(946,457,090)</u>	<u>(19,194,019)</u>
LIABILITIES			
Deposits from customers	13	27,728,986,945	562,340,031
Other liabilities	14	1,199,099,410	24,317,571
Total liabilities		<u>28,928,086,355</u>	<u>586,657,602</u>
Total equity and liabilities		<u>27,981,629,265</u>	<u>567,463,583</u>

The annexed notes 1 to 25 form an integral part of these financial statements.


 <hr/> S. Muzammil Noor (Chief Financial Officer)	 <hr/> Masood Khan Musa Ghazi (Chief Executive Officer)	 <hr/> Mohammad Aqa Kohistani (Chairman)
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NEW KABUL BANK
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

	Note	..... AFN .....	..... USD
Interest income		49,118,909	996,125
Interest expense		(136,868,259)	(2,775,669)
Net interest income	16	(87,749,350)	(1,779,545)
Fee and commission income		393,836,569	7,986,951
Fee and commission expense		(26,160,230)	(530,526)
Net fee and commission income	17	367,676,339	7,456,425
Other operating income	18	410,941,083	8,333,828
Operating income		690,868,072	14,010,709
Employee benefit expense	19	(550,718,566)	(11,168,497)
Depreciation	9	(134,194,151)	(2,721,439)
Amortization	10	(56,238,806)	(1,140,515)
Other expenses	20	(896,173,639)	(18,174,278)
Operating expenses		(1,637,325,162)	(33,204,729)
LOSS BEFORE TAXATION		(946,457,090)	(19,194,020)
Income tax	21	-	-
LOSS FOR THE PERIOD		(946,457,090)	(19,194,020)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(946,457,090)	(19,194,020)

The annexed notes 1 to 25 form an integral part of these financial statements.


 S. Muzammil Noor
 (Chief Financial Officer)


 Masood Khan Musa Ghazi
 (Chief Executive Officer)





 Mohammad Aqa Kohistani
 (Chairman)



NEW KABUL BANK
 STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

	Share capital	Accumulated loss	Total	Total
	..... AFN .....			.... USD
Balance as at April 21, 2011	-	-	-	-
Total comprehensive income for the period				
Loss for the period	-	(946,457,090)	(946,457,090)	(19,194,019)
Balance as at December 31, 2011	-	(946,457,090)	(946,457,090)	(19,194,019)

The annexed notes 1 to 25 form an integral part of these financial statements.


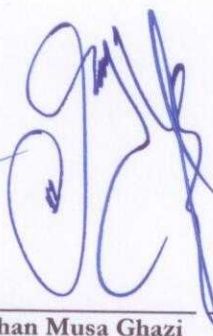

		
_____ S. Muzammil Noor (Chief Financial Officer)	_____ Masood Khan Musa Ghazi (Chief Executive Officer)	_____ Mohammad Aqa Kohistani (Chairman)



NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

	Note	..... AFN .....	..... USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(946,457,090)	(19,194,019)
Adjustments for:			
Depreciation	9	134,194,151	2,721,439
Amortization	10	56,238,806	1,140,515
		<u>(756,024,132)</u>	<u>(15,332,065)</u>
Increase/decrease in operating assets and liabilities:			
Receivable from Kabul Bank in Receivership		(1,460,556,299)	(29,619,880)
Other assets		(3,177,007,599)	(64,429,276)
Customers deposits		27,728,986,945	562,340,031
Other liabilities		1,199,099,410	24,317,571
Net cash generating from operating activities		<u>23,534,498,325</u>	<u>477,276,381</u>
Income tax paid		-	-
Net cash from operating activities		<u>23,534,498,325</u>	<u>477,276,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property and equipment		(614,282,077)	(12,457,556)
Addition in intangibles		(295,161,839)	(5,985,841)
Investment in capital notes - net		(5,968,480,929)	(121,039,970)
Net cash used in investing activities		<u>(6,877,924,846)</u>	<u>(139,483,367)</u>
Net increase in cash and cash equivalents		16,656,573,479	337,793,013
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period	7	<u>16,656,573,479</u>	<u>337,793,013</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

		
S. Muzamil Noor (Chief Financial Officer)	Masood Khan Musa Ghazi (Chief Executive Officer)	Mohammad Aqa Kohistani (Chairman)



NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

1 STATUS AND NATURE OF OPERATIONS

New Kabul Bank ("the Bank") is a limited liability company incorporated under the Law in Afghanistan. The Bank was registered with Afghanistan Investment Support Agency (AISA) on August 09, 2011 and received commercial banking license from the Da Afghanistan Bank (DAB) central bank of Afghanistan on April 18, 2011. The Bank started its operation on April 21, 2011 upon the liquidation of Kabul Bank and transfer of all good assets and operations to the New Kabul Bank.

The Bank is established as a bridge bank with the objective of its privatization to private sector or liquidation in case of unsuccessful privatization. The control of the bank is temporarily with Government of Islamic Republic of Afghanistan and is exercised by the Ministry of Finance. The Bank is primarily engaged in restrictive commercial banking services in Afghanistan including deposits, transfers and issuance of bank guarantees.

The registered office of the Bank is located in Kabul, Afghanistan and has sixty five branches and forty seven extension counters.

2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

2.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

The following amendments to standards are mandatory for the first time for the financial period beginning April 21, 2011 which may affect these financial statements. During the period, other standards, amendments to standards and interpretations also became applicable. However, these are either not relevant or do not affect financial statements of the Bank.

- Amendment to IAS 12 'Deferred Tax' recovery of underlying assets (effective date 1 January 2012). This amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when it would be difficult and subjective to determine the expected manner of recovery. This amendment does not have any material impact on the financial statements of the Bank.
- Amendment to IFRS 7 'Financial Instruments Disclosure' (effective date 1 January 2012). This amendment introduces additional disclosures when an asset is transferred but is not derecognized. It also requires disclosures of assets that are derecognized but where the entity continues to have a continuing exposure to the asset after the sale. This amendment has no material impact on these financial statements.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Bank. Information on new standards, amendments and interpretations that are expected to be relevant to the Bank's financial statements is provided below:

- Amendments to IAS 1 'Presentation of Financial Statements' require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Bank's management expects this will change the current presentation of items in comprehensive income; however, it will not affect the measurement or recognition of such items.

- IFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The management of the Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 01, 2013.


- IFRS 13 'Fair Value Measurement' does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Bank's management have yet to assess the impact of this new standard.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after Hoot 29, 1390 (March 19, 2012) but are considered not to be relevant or to have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.



NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

3.2 Going concern assumption

The Bank was established with the limited life of sixteen months on April 21, 2011. The main objective of its establishment was to privatize the Bank or to liquidate it in case of unsuccessful privatization. The period of sixteen month has expired in the month of September 2012, however the bank is still in the process of privatization and has already been incurred a net loss of AFN 946.46 million (USD 19.194 million) for the current period ended on December 31, 2012. Further, the Bank has no paid-up capital which caused it to have negative equity of AFN 946.46 million (USD 19.194 million).

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern, and therefore, it may not be able to realize its assets and discharge its liabilities in the normal course. However, management is hopeful regarding the successful privatization process in the next few months in the light of privatization plan approved by the Cabinet (Government of Afghanistan). Therefore, the financial statements have been prepared on going concern assumption basis.

4 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Afghani ("AFN"), which is the Bank's functional currency, however financial statements is also converted into equivalent United States Dollars using an average currency rate of 1USD = 49.31 AFN. Except as otherwise indicated, the financial information presented in AFN has been rounded to the nearest AFN.

5 USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, industry trends, legal and technical pronouncements and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable/amortizable assets, estimates of recoverable amounts of depreciable and financial assets, provisions for doubtful loans and receivables and provision for taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.



6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the entire period of these financial statements unless

6.1 Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

6.2 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income includes account servicing fees and commissions on issuance of guarantees and are recognized as the related services are performed. Commission income on issue of guarantees is recognized as unearned commission in other liabilities and is amortized over the term of underlying guarantee.

Fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

6.3 Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss arising on retranslation is recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction.

6.4 Lease payments

Payments under operating leases are recognized in statement of comprehensive income on straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

6.5 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax, if any, is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.6 Financial assets and financial liabilities

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the assets. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the other comprehensive income is recognized in statement of comprehensive income.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for the financial instrument is not active, the Bank establishes fair value using a valuation technique.

Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Currently, the Bank has financial assets only in the form of loans and receivables and capital notes which have been classified as held to maturity investment. Therefore, policies related to other categories of financial assets would not be relevant.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

Loans and receivables


Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial asset or group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably. Objective evidence that the financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of a borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank. The Bank considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics. In determining the potential loss in specific loans, groups of loans, or in the aggregate loan portfolio, all relevant factors are considered including, but not limited to: current economic conditions, historical loss experience, delinquency trends, the effectiveness of the Bank's lending policies and collection procedures, and the timeliness and accuracy of its loan review function. Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount (if applicable). When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income. The Bank writes off certain loans and advances when they are determined to be uncollectable.

Held-to-maturity investments

Held to maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held to maturity if the Bank has an intention and ability to hold them until maturity. The Bank currently holds capital notes into this category. These investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.



NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designed at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss. The Bank has not designated any liability at FVTPL.

6.7 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank, balances in Nostro accounts and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

6.8 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of an item of property and equipment, and are recognized net within other income in statement of comprehensive income.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of comprehensive income as incurred.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 21, 2011 TO DECEMBER 31, 2011

Depreciation

Depreciation is recognized in statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Full month's depreciation is charged on property and equipment in the month of addition and no depreciation is charged in the month of disposal. The estimated useful lives of the items of property and equipment for the current and comparative period are as follows:

- Furniture and fixtures	10 years
- Electric equipments	5 years
- Computer and IT equipments	3 years
- Motor vehicles	5 years
- Containers	10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

6.9 Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit and loss on a straight line basis over the estimated useful life of the software, from the date it is available for use since this most closely reflects the pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is 5 years. Amortization methods, useful lives and residual values are reassessed at each financial year end and adjusted, if appropriate.

6.10 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

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6.11 Deposits

Deposits are the Bank's source of funding. Deposits are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank choose to carry the liabilities at the fair value through statement of comprehensive income.

6.12 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

6.13 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees, if any, are included within other liabilities.

6.14 Employee compensation

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

6.15 Related party transactions

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

6.16 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

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	Note AFN USD
7 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		1,773,586,569	35,968,091
Foreign currency		2,231,206,104	45,248,552
		4,004,792,673	81,216,643
Balances with banks:			
Balances with Da Afghanistan Bank	7.1	9,792,592,092	198,592,417
Balances with other banks	7.2	2,859,188,714	57,983,953
		12,651,780,806	256,576,370
		16,656,573,479	337,793,013

7.1 Balances with Da Afghanistan Bank

<i>Overnight deposits</i>			
Local currency	7.1.1	250,448,609	5,079,063
<i>Current account</i>			
Local currency		6,537,100,090	132,571,488
Foreign currency		3,005,043,393	60,941,866
		9,542,143,483	193,513,354
		9,792,592,092	198,592,417

7.1.1 The overnight deposits held with Da Afghanistan Bank are interest bearing account carrying mark-up ranging from 1.25% to 2%.

..... AFN USD

7.2 Balances with other banks

<i>Current accounts</i>			
Local currency		117,928,704	2,391,578
Foreign currency		2,546,664,801	51,646,011
		2,664,593,505	54,037,589
<i>Deposit accounts</i>			
Foreign currency		194,595,209	3,946,364
		2,859,188,714	57,983,953

7.2.1 The current and deposit accounts held with other banks are interest free.

Note AFN USD

8 INVESTMENT IN CAPITAL NOTES

Capital notes - held to maturity

28 days capital notes		4,492,679,427	91,110,919
182 days capital notes		1,475,801,502	29,929,051
		5,968,480,929	121,039,970

8.1 These are classified as held to maturity having maximum period of six months carrying interest at rates ranging from 2.09% to 2.30%.

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9 PROPERTY AND EQUIPMENT

	Furniture and fixtures	Electric equipments	Computer and IT equipments	Motor vehicles	Containers	Total	Total
	..... AFN .....						..... USD.....
Gross carrying amount							
Balance at April 21, 2011	-	-	-	-	-	-	-
Acquisition/ addition	42,858,871	93,583,329	312,106,501	144,061,631	21,671,745	614,282,077	12,457,556
Balance at December 31, 2011	42,858,871	93,583,329	312,106,501	144,061,631	21,671,745	614,282,077	12,457,556
Depreciation							
Balance at April 21, 2011	-	-	-	-	-	-	-
Charge for the period	9,976,823	21,792,043	67,362,633	33,548,599	1,514,053	134,194,151	2,721,439
Balance at December 31, 2011	9,976,823	21,792,043	67,362,633	33,548,599	1,514,053	134,194,151	2,721,439
Carrying amounts							
Balance at December 31, 2011	32,882,048	71,791,286	244,743,868	110,513,032	20,157,692	480,087,926	9,736,117

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period.

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	Note AFN USD
10 INTANGIBLE ASSETS			
Gross carrying amount			
Balance at beginning of the period		-	-
Acquisitions		295,161,839	5,985,841
Balance at end of the period		295,161,839	5,985,841
Amortization			
Balance at beginning of the period		-	-
Charge for the period		56,238,806	1,140,515
Balance at end of the period		56,238,806	1,140,515
Carrying amount	10.1	<u>238,923,033</u>	<u>4,845,326</u>

10.1 Intangible assets includes software licensing, customization and implementation costs for oracle database and mobile banking applications.

10A RECEIVABLE FROM KABUL BANK IN RECEIVERSHIP 1,460,556,299 29,619,880

This represents the amount receivable from Ministry of Finance (MoF), Government of Islamic Republic of Afghanistan. As per privatization plan approved by Ministers Council on August 27, 2012 MoF will bear the difference of asset and liabilities and the operating cost from the date of creation of NKB till its privatization. This settlement will be made through the sale proceed of NKB and realization of old Kabul Bank assets.

	Note	..... AFN .....	..... USD
11 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	11.1	2,105,705,498	42,703,417
Advances and prepayments	11.2	53,656,694	1,088,150
Receivable from remittances		82,748,874	1,678,136
Cash in transit		432,418,338	8,769,384
Receivable from DAB		188,851,862	3,829,890
Staff loan		30,474,210	618,013
Overdraft accounts		12,811,086	259,807
Shortage of cash		26,465,446	536,716
Others		243,875,591	4,945,764
		<u>3,177,007,599</u>	<u>64,429,277</u>

11.1 This represents the required reserve account maintained with Da Afghanistan Bank to meet minimum reserve requirement in accordance with the Article 64 "Required reserve for banks" of Da Afghanistan Bank Law. This carries mark-up ranging from 1.25% to 2% per annum. Required reserve with DAB are not available for use in the Bank's day-to-day operations.

	..... AFN .....	..... USD
11.2 Advances and prepayments		
Prepaid Rent	53,295,122	1,080,817
Others	361,572	7,333
	<u>53,656,694</u>	<u>1,088,150</u>

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	Note AFN USD
12 SHARE CAPITAL			
<i>Authorized</i>			
1,000,000 ordinary shares of AFN 1,000 each		<u>1,000,000,000</u>	<u>20,000,000</u>
Issued, subscribed and paid-up capital	12.1	<u>-</u>	<u>-</u>

12.1 The bank is owned by Ministry of Finance which has acquired its ownership through the process of splitting Kabul Bank without injection of any capital. As the bank has been established as a bridge entity to take over operations of Kabul Bank with an objective of ultimate selling it to a new investor within a period of eighteen months therefore Supreme Council (SC) of Da Afghanistan Bank (DAB) in its meeting held on 24/12/1389 has granted forbearance to the bank for regulatory requirement related to the size and structure of its capital.

	Note	..... AFN .....	..... USD
13 DEPOSITS FROM CUSTOMERS			
<i>Local currency</i>			
Current deposits		5,314,742,286	107,782,241
Saving deposits	13.1	6,934,282,436	140,626,292
Term deposits	13.2	257,831,505	5,228,787
		<u>12,506,856,227</u>	<u>253,637,320</u>
<i>Foreign currency</i>			
Current deposits		8,001,482,677	162,268,965
Saving deposits	13.1	7,093,340,992	143,851,977
Term deposits	13.2	127,307,049	2,581,769
		<u>15,222,130,718</u>	<u>308,702,711</u>
		<u>27,728,986,945</u>	<u>562,340,031</u>

13.1 Saving deposits carry interest at the rate of 1.25% to 1.50% per annum.

13.2 Term deposits carry interest at the rate of 1.70% to 1.90% per annum

	..... AFN .....	..... USD
14 OTHER LIABILITIES		
Margin money on bank guarantees	715,217,965	14,504,522
Remittance payable	155,856,129	3,160,741
CSC account payables	138,801,549	2,814,876
Withholding taxes payable	61,447,507	1,246,147
Accrued and other liabilities	127,776,260	2,591,285
	<u>1,199,099,410</u>	<u>24,317,571</u>

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	Note AFN USD
15 CONTINGENCIES AND COMMITMENTS			
<i>Contingencies</i>			
Guarantees issued on behalf of customers		<u>164,466,145</u>	<u>3,335,351</u>
<i>Lease Commitments</i>			
Non-cancellable operating lease rentals are payable as follows:			
Less than one year		139,844,210	2,836,021
Between one and five years		210,007,748	4,258,928
More than five years		<u>98,198,400</u>	<u>1,991,450</u>
		<u>448,050,358</u>	<u>9,086,399</u>
16 NET INTEREST INCOME			
Interest income on:			
Investment in capital notes		35,988,909	729,850
Interest bearing bank accounts		<u>13,130,000</u>	<u>266,275</u>
		49,118,909	996,125
Interest expense on:			
Deposits from banks		(10,558,869)	(214,132)
Deposits from customers		<u>(126,309,390)</u>	<u>(2,561,537)</u>
	16.1	<u>(136,868,259)</u>	<u>(2,775,669)</u>
Net interest income		<u>(87,749,350)</u>	<u>3,771,794</u>
16.1 Interest expense on:			
Term deposits		14,409,081	292,214
Saving deposits		<u>122,459,178</u>	<u>2,483,455</u>
		<u>136,868,259</u>	<u>2,775,669</u>
17 NET FEE AND COMMISSION INCOME			
Fee and commission income			
Commission on remittances		51,560,663	1,045,643
Commission on WU operations		57,762,273	1,171,411
Commission on collections		14,376,226	291,548
Commission on salary distribution		253,521,399	5,141,379
Commission on bank guarantees		919,832	18,654
Account maintenance fee		<u>15,696,176</u>	<u>318,316</u>
		<u>393,836,569</u>	<u>7,986,951</u>
Fee and commission expense			
Inter-bank transaction fee		(26,160,230)	(530,526)
Net fee and commission income		<u>367,676,339</u>	<u>7,456,425</u>

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 AFN USD
18 OTHER OPERATING INCOME		
Income from cash operations	22,261,171	451,453
Unrealized gain on revaluation of foreign currencies	382,798,571	7,763,102
Commission on call centre services	5,302,802	107,540
Others	578,539	11,733
	<u>410,941,083</u>	<u>8,333,828</u>
19 EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	478,429,687	9,702,489
Food and other amenities to staff	72,288,879	1,466,008
	<u>550,718,566</u>	<u>11,168,497</u>
20 OTHER EXPENSES		
Rent and taxes	266,191,424	5,398,325
Communication expense	150,813,655	3,058,480
Bank security expense	219,434,268	4,450,097
Insurance	48,017,863	973,796
Fuel and electricity	62,562,144	1,268,752
Software services	49,774,007	1,009,410
Advertisement	26,259,324	532,535
Repair and maintenance	29,275,528	593,704
Stationery and printing	29,354,157	595,298
Audit fee	3,646,728	73,955
Legal and professional charges	2,167,550	43,958
Others	8,676,991	175,968
	<u>896,173,639</u>	<u>18,174,278</u>
21 INCOME TAX		
Current and deferred tax		

No provision for the current period income tax has been made in these financial statements due to net tax loss for the period and no deferred tax asset has been recognized due to non-availability of future taxable profits.

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22 RELATED PARTIES

Ultimate controlling entity

Ministry of Finance (MoF) is the controlling entity of the bank.

Other related parties

As the bank is owned by Ministry of Finance therefore the government and all entities owned by the government are related to the bank.

Key management personnel

Key management personnel includes Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Chief Managers.

Transactions with related parties

There are no significant related party transaction except for normal banking services to government and its agencies for salary distribution and related deposit accounts. More over during the period AFN 7,730,000 has been paid to key management personnel as remuneration.

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23 FINANCIAL ASSETS AND LIABILITIES

23.1 Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

	Note	At fair value through		At amortized cost using effective interest rate			Available for sale financial assets	Non-financial assets / liabilities	Total for line item	Fair value
		Held for trading	Designated at FVTPL	Held to maturity	Loans and receivables	Financial liabilities				
Cash and cash equivalents	7	-	-	-	12,651,780,806	-	-	-	12,651,780,806	12,651,780,806
Investment in capital notes	8	-	-	5,968,480,929	-	-	-	-	5,968,480,929	5,968,480,929
Receivable from Kabul Bank in Receivership		-	-	-	1,460,556,299	-	-	-	1,460,556,299	1,460,556,299
Other assets	11	-	-	-	3,123,350,905	-	-	-	3,123,350,905	3,123,350,905
					5,968,480,929				17,235,688,010	23,204,168,939
Deposits from customers	13	-	-	-	-	-	27,728,986,945	-	27,728,986,945	27,728,986,945
Other liabilities	14	-	-	-	-	-	1,199,099,410	-	1,199,099,410	1,199,099,410
							28,928,086,355	-	28,928,086,355	28,928,086,355

23.2 The carrying values of financial assets and liabilities approximate their fair values as most of the assets and liabilities have short maturities and are expected to be recovered / settled at their carrying values.

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24 FINANCIAL RISK MANAGEMENT

24.1 Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risks
- d) operational risk

This note presents information about Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Supervisors has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Management Board, Asset and Liability Committee (ALCO), a Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Supervisors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. Compliance Departments are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

24.2 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Bank. The Bank is exposed to this risk mainly due to Placements, current account and nostro account balances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The CEO has delegated responsibility for the management of credit risk related to bank guarantees to risk management and credit department who are responsible for oversight of the bank's credit risk.

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Exposure to credit risk

The Bank's maximum exposure to credit risk is the carrying amount of financial assets at the reporting date, as summarized below:

	Note	..... AFN .....	..... USD
Classes of financial assets			
Cash and cash equivalents	7	12,651,780,806	256,576,370
Investment in capital notes	8	5,968,480,929	121,039,970
Receivable from Kabul Bank in Receivership		1,460,556,299	29,619,880
Other assets	11	3,123,350,905	63,341,126
Total carrying amounts		23,204,168,939	470,577,346

In addition to the above, the Bank has issued financial guarantees contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is AFN 164,466,145 (USD 3,335,351).

The Bank's management considers that all the above financial assets that are not impaired or past due for the reporting dates under review are of good credit quality. The credit risk for cash and cash equivalents comprising of capital notes, balances with other banks, nostro accounts and short term placements is considered negligible, since the counterparties are either the branches of Bank's own group with high quality external credit ratings or the central bank of Afghanistan.

Cash and cash equivalents

The Bank holds AFN 12,651,780,806 at period end with central bank and other banks which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the central bank and banks and financial institution counterparties having good credit ratings.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honor its obligation to deliverable cash, other assets as contractually agreed.

24.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

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Management of liquidity risk

The Board ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. Asset and Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities.

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally has shorter maturities and large proportion of them are repayable on demand. For day to day liquidity risk management integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problem.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalent less any deposits from banks. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Detail of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	<u>% age</u>
As at period end	85%
Average for the period	86%
Maximum for the period	89%
Minimum for the period	84%

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Maturity analysis for financial liabilities

Note	Carrying amount	Gross nominal out flow	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	AFN	
December 31, 2011								
Deposits from customers	13	27,728,986,945	27,728,986,945	27,343,848,390	7,396,500	120,889,078	256,852,977	
Other liabilities	14	1,199,099,410	1,199,099,410	722,287,433	476,811,977	-	-	
		<u>28,928,086,355</u>	<u>28,928,086,355</u>	<u>28,066,135,823</u>	<u>484,208,477</u>	<u>120,889,078</u>	<u>256,852,977</u>	

The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow/ (out flow) disclosed in the above table is the contractual undiscounted cash flow of financial liabilities.

24.4 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

Management of market risks

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in ALCO. The ALCO is responsible for the development of detailed risk management policies and day to day review of their implementation.

Exposure to interest rate risk

The Bank risk to which not-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

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December 31, 2011	Note	Carrying amount	Less than 3 months					3-6 months	6-12 months	1-5 years	More than 5 years
			AFN								
Cash and cash equivalents	7	250,448,609	250,448,609	-	-	-	-	-	-	-	
Investment in capital notes	8	5,968,480,929	4,492,679,427	1,475,801,502	-	-	-	-	-	-	
Other assets	11	2,105,705,498	2,105,705,498	-	-	-	-	-	-	-	
		8,324,635,036	6,848,833,534	1,475,801,502	-	-	-	-	-	-	
Deposits from customers	13	(14,412,761,982)	(14,027,623,428)	(71,530,409)	(49,358,669)	(264,249,476)	-	-	-	-	
		(6,088,126,946)	(7,178,789,894)	1,404,271,093	(49,358,669)	(264,249,476)	-	-	-	-	

Exposure to currency risk

The Bank's exposure to foreign currency risk was as follows based on notional amounts.

December 31, 2011	Total					
	AFN	USD	EUR	Others		
Cash and cash equivalents	16,656,573,479	8,679,044,642	6,813,045,833	968,037,526	196,445,478	-
Investment in capital notes	5,968,480,929	5,968,480,929	-	-	-	-
Receivable from Kabul Bank in Receivership	1,460,556,299	1,460,556,299	-	-	-	-
Other assets	3,177,007,600	2,650,228,999	516,561,141	10,217,460	-	-
	27,262,618,307	18,758,310,869	7,329,606,974	978,254,986	196,445,478	-
Deposits from customers	27,728,986,945	12,506,856,227	14,883,601,080	338,529,638	-	-
Other liabilities	1,199,099,410	287,148,934	896,586,088	15,364,388	-	-
	28,928,086,355	12,794,005,161	15,780,187,168	353,894,026	-	-
Net foreign currency exposure	(1,665,468,048)	5,964,305,708	(8,450,580,194)	624,360,960	196,445,478	-

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The following significant exchange rates applied during the period.

	December 31, 2011	
	Average rate	Reporting rate
USD	47.36	49.31
EUR	66.22	63.83

Sensitivity analysis

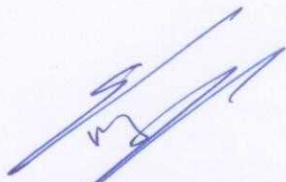
A 10% strengthening of the Afghani, as indicated below, against the USD and Euro at 31 December 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2011	
	Equity	Profit or loss
USD	845,058,019	845,058,019
EUR	(62,436,096)	(62,436,096)

A 10% weakening of the Afghani against the above currencies at December 31, 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

25 AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on **29 DEC**, 2012.



S. Muzammil Noor
 (Chief Financial Officer)



Masood Khan Musa Ghazi
 (Chief Executive Officer)



Mohammad Aqa Kohistani
 (Chairman)

