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KPMG Afghanistan Limited.

Pashtany Bank

Financial Statements

For the year ended 20 March 2010

Independent Auditors' Report

Board of Supervisors,
Pashtany Bank

We have audited the accompanying financial statements of Pashtany Bank ("the Bank"), which comprise the statements of financial position as at 20 March 2010, statement of financial performance, cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as described in the Basis for Qualified Opinion paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

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Basis for Qualified Opinion

1. As per International Accounting Standard 1 "Presentation of Financial Statements", 'an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.' Note 19 to the financial statements, "net interest income", includes interest income amounting to AFN 461,933 thousand which has been recorded on receipt basis by the Bank. Accrued interest income amounting to AFN 395,551 thousand has not been recorded in the financial statements. Had the accrued interest income been recognized in the financial statements, other assets would have been higher by AFN 395,551 thousand, interest income and profit before income tax would have been higher by AFN 395,551 thousand.

   Moreover, as per International Accounting standard 40 "Investment Property" (IAS- 40) income from Investment property must be charged as income in the income statement however, no such income has been recognized and an amount of AFN 4,320 thousands has been recorded in term deposits. The cumulative amount of such income included in term deposits amounts to AFN 13,200 thousands.

2. As disclosed in Note 13.1 to the financial statements, the Bank operates pension plan for its staff. Yearly pension is calculated at the rate of 8% of the budgeted salary which is provided to meet the pension liability of retired and existing employees of the Bank. Accumulated liability for the year amounting to AFN 8,367 thousand for the pension has been recognized in the books as on 20 March 2010. However, International Accounting Standard "Employee Benefits" (IAS-19) requires that such liability should be measured using actuarial techniques. Consequently, we were not in a position to satisfy ourselves whether pension liability of AFN 8,367 thousand recognized as of 20 March 2010 in respect of current and retired employees of the Bank has been completely and appropriately recorded in these financial statements.

3. The Bank, for calculating allowance for impairment against loans and advances, calculates default days on the basis of overdue principal. However, as per Da Afghanistan Bank's (DAB) regulation titled "Asset Classifications, Monitoring of problem Assets, reserve for losses, and Non-accrual status", the Bank is required to calculate default days on the basis of overdue principal or interest. Had the Bank maintained the reserve in accordance with the said requirement the allowance for impairment would have been higher by AFN 563,841 thousand, loans amounting to AFN 2,187,462 thousand would have been written off and the impairment loss would have increased by AFN 2,510,859 thousand. Resultantly the profit before tax and carrying value of loans and advances balance would have been lower by AFN 2,510,859 thousand.

4. An amount of AFN 284,855 thousands appears in the statement of changes in equity as "prior year adjustments" during the year ended 20 March 2010. We were not provided with any details and supporting documents for the said amount. Accordingly we were not able to verify the above amount and its adjustment to equity.

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5. The Bank has not disclosed information in accordance with International Accounting Standard 24 "Related Party Disclosures", where under 'an entity is required to disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. Further, an entity is required to disclose key management personnel compensation.

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the basis of qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Bank as at 20 March 2010, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan.

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KPMG Afghanistan Limited
-- June 2010
Kabul

Pashtany Bank
Statement of financial position
As at 20 March 2010

	Note	2010 AFN '000'	2009 AFN '000'
Assets			
Cash and cash equivalents	4	**3,364,719**	4,183,142
Loans and advances to customers	5	**6,943,392**	4,829,990
Investment securities	6	**10,587**	3,081
Property and equipment	7	**1,578,447**	1,501,521
Investment Properties	8	**262,422**	262,422
Other assets	9	**102,311**	246,098
Total assets		**12,261,878**	11,026,254
Liabilities			
Deposits from banks	10	**51,639**	48,495
Deposits from customers	11	**7,860,733**	3,743,867
Deferred tax liability	12	**116,912**	116,912
Other liabilities	13	**367,044**	3,105,434
Total liabilities		**8,396,328**	7,014,708
Equity			
Share capital	14	**2,500,000**	2,500,000
Accidental reserves	15	**500,000**	500,000
Legal Reserves	16	**268,813**	268,813
Retained earnings		**129,086**	275,083
Surplus on revaluation	17	**467,650**	467,650
Total equity		**3,865,549**	4,011,546
Contingencies & Commitents	18		
Total equity and liabilities		**12,261,878**	11,026,254

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The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Executive Officer **Chief Financial Officer**

Pashtany Bank
Income Statement
For the year ended 20 March 2010

	Note	2010 AFN '000'	2009 AFN '000'
Interest income	19	**488,071**	502,340
Interest expense	19	**(145,470)**	(94,100)
Net interest income		**342,601**	408,240
Fee and commission income	20	**80,270**	109,894
Net fee and commission income		**80,270**	**109,894**
Business receipts tax expense		**(1,605)**	(58,574)
Foreign exchange gain/(loss)		**(39,564)**	(23,874)
Other operating income	21	**286,097**	558,990
Operating income		**667,798**	994,676
Net impairment loss on financial assets	5.1	**(294,721)**	(256,761)
Personnel expenses	22	**(115,200)**	(91,434)
Depreciation	7	**(22,924)**	(18,900)
Revaluation loss		-	(29,564)
Operating lease expenses		**(10,294)**	(2,234)
Other expenses	23	**(60,470)**	(49,653)
Profit before income tax		**164,190**	546,130
Income tax expense	24	**(32,838)**	(109,226)
Net profit for the period		**131,352**	436,904

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The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Pashtany Bank
Statement of Comprehensive Income
For the year ended 20 March 2010

	Note	2010 AFN '000'	2009 AFN '000'
Profit after income tax		**131,352**	436,904
Other comprehensive income			
Fair value increase in Available for Sale Investment	6	7,507	-
Total comprehensive income for the year		**138,859**	436,904

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The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Pashtany Bank
Statement of cash flows
For the year ended 20 March 2010

	Note	2010 AFN '000'	2009 AFN '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**164,190**	546,130
Adjustment for non-cash items			
Depreciation/amortization of operating assets	7	**22,924**	18,900
Provision against loans and advances	5	**294,721**	256,761
Revaluation loss		**-**	29,564
Deferred tax liability adjustment		**-**	(117,506)
Prior year adjustment		**(284,855)**	429,901
		32,789	617,620
		196,979	1,163,750
Increase in operating assets			
Loans and advances	5	**(2,408,123)**	(2,031,640)
Other assets	9	**145,001**	(208,355)
		(2,263,122)	(2,239,995)
Increase in operating liabilities			
Deposits from banks	10	**3,144**	6,350
Deposits from customers	11	**4,116,866**	1,716,729
Other liabilities	13	**(2,629,088)**	2,598,006
		1,490,922	4,321,085
Income tax paid		**(143,353)**	(81,876)
Net cash flows from operating activities		**(718,573)**	3,162,964
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating fixed assets	7	**(99,850)**	(418,077)
Net cash flows from investing activities		**(99,850)**	(418,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		**-**	-
Increase in cash and cash equivalents		**(818,423)**	2,744,887
Translation differences		**0**	
Cash and cash equivalents at the beginning of the year	4	**4,183,142**	1,438,255
Cash and cash equivalents at the end of the year	4	**3,364,719**	4,183,142

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The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Pashtany Bank

Statement of changes in equity

For the year ended 20 March 2010

	Share capital	Share premium	Retained earnings	Accidental reserve	Legal Reserve	Total
				AFN '000'		
Balance as at 21 March 2008	250,000	12,000	2,415,091	-	-	2,677,091
Prior year's adjustments	-	-	429,901	-	-	429,901
Comprehensive income for the year	-		436,904	-	-	436,904
Transfer from retained earning and share premium t	2,250,000	(12,000)	(2,238,000)	-	-	-
Transfer to accidental and legal reserves	-		(768,813)	500,000	268,813	-
Balance as at 20 March 2009	2,500,000	-	275,083	500,000	268,813	3,543,896
Balance as at 21 March 2009	2,500,000	-	275,083	500,000	268,813	3,543,896
Prior year's adjustment	-	-	(284,855)			(284,855)
Comprehensive income for the year	-	-	138,859	-	-	138,859
Translation difference	-	-		-	-	-
Balance as at 20 March 2010	**2,500,000**	-	**129,086**	**500,000**	**268,813**	**3,397,899**

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The annexed notes 1 to 26 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

1. Status and nature of operations

Pashtany Bank ("the Bank") is a commercial bank operating in Afghanistan. The Bank was incorporated in 1954 and obtained a private investment license on 26 June 2004 under the law of Domestic and Foreign Investment. The Bank was granted provisional license for commercial banking by Da Afghanistan Bank on 26 June 2004 and is primarily engaged in the business of banking as per Law of Banking in Afghanistan. The registered office of the Bank is at Muhammad Jan Khan Watt, Kabul, Afghanistan

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Law of Banking in Afghanistan and International Financial Reporting Standards (IFRSs). In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

The financial statements were approved by the Board of Supervisors on__________________.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain land, building and investment securities which have been measured at revalued amount.

(c) Functional and presentation currency

These financial statements are presented in Afghani, which is the Bank's functional currency. Except as otherwise indicated, the amounts in the financial statements have been rounded to the nearest thousand Afghanis.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in note 5 and 7 of the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods in

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preparation of these financial statements.

(a) Changes in accounting policy and disclosures

The Bank has adopted the following new and amended IFRSs as of 21 March 2009:

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

(b) Foreign currency transactions

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 recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

(c) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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Interest income and expense presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

(d) Fee and commission

Fees and commission income includes fund transfer fee, currency exchange fee, and account servicing fees are recognized as the related services are performed.

Lease payments made

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

(e) Income tax expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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 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 recognised 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 realised.

(f) Financial assets and liabilities

Recognition

The Bank initially recognises loans, advances and deposits on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

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See accounting policies 3 (g) and 3 (h).

Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers 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 risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the balance sheet.

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 income statement.

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realise 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.

Amortised cost measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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.

Identification of 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

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assets or a group of financial assets is (are) 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 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 for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances 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 amortised 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 the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through income statement.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with Da Afghanistan Bank, balances with other banks, capital notes. Highly liquid financial assets including placements with other banks having maturities of more than three months which are managed as part of cash management function of the Bank and are subject to insignificant risk of changes in their fair value are classified as cash equivalents.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

(h) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct

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transaction cost and subsequently measured at their amortized cost using the effective interest method.

(i) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised 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 recognised in income statement as incurred.

Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

■ Land and buildings	50 years
■ Furniture and fixtures	4-20 years
■ Computer equipment	3 years
■ Vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(j) Investment Properties

Investment properties are properties which are held to earn rental income or for

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capital appreciation or for both. Investment properties are stated at their fair values. The fair values are based on the market values, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowingly, prudently and without compulsion.

Any gain on loss arising from a change in fair value is recognized in the income statement. Rental income from investment property is accounted for on straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part the total rental income, over the term of the lease.

(k) Investment Securities

These are investments, other than those in subsidiaries and associates, which do not fall under the heading 'held for trading' and held to maturity category. The Bank categorizes such investments as 'available for sale investments'.

These investments are initially recognized at fair value which includes transaction costs associated with the investment.

Investments with no active market are valued at higher of cost and break-up value. Break-up value of equity securities is calculated with reference to net assets as per the audited financial statements of the company in which the investment has been made.

Gain and losses on disposal of investment securities during the year are taken to the profit and loss account. Any un-realized gain on such investments is recognized as other comprehensive income.

(l) 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

(m) Employee benefits

The bank operates pension scheme for its permanent employees. Contributions to the scheme are made by the employees and the bank. An employee contributes 3% of Net salary and educational allowance of AFN 200 on monthly basis, while the bank

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contributes 8% of the budgeted salary on yearly basis.

Pension is payable after the retirement on monthly basis in accordance with the following rates depending upon the completed years of service. Pension is payable to spouse in case of death of employee up to the later eldest children achieves the age of 18 years or completing education.

Completed year of service	Pension Payable
1-5 years	2 months last drawn gross salary
6-9 years	3 months last drawn gross salary
10 years	3 months last drawn gross salary and 40% of last drawn gross salary in addition to it
Above 10 years	In addition to pension payable for 10 years, 2% of the last drawn gross salary for each completed year of service above ten years

(n) Deposits

Deposits are the bank's sources 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 fair value through income statement.

(o) 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.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 20 March 2010, and have not been applied in preparing these financial statements. None of these are expected to have any impact on the financial statements.

- Revised IFRS 1- First-time Adoption of International Financial Reporting Standards (applicable for annual periods beginning on or after July 01, 2009).
- Amendment to IFRS 2- Share-based Payment- Group Cash-settled Share-based Payment Transactions (effective from annual periods beginning on or after January 01, 2010).
- Revised IFRS 3 - Business Combinations (effective 1 July 2009)
- Amendments to IAS 27 - Consolidated and Separate Financial Statements (effective 1 July 2009)
- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement (effective 1 July 2009)
- IFRIC 15 - Agreement for the Construction of Real Estate. (for periods after 1 October 2009)
- IFRIC 17 - Distribution of Non-Cash Assets to Owners (effective 1 July 2009)

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- IFRIC 18 - Transfers of Assets from Customers (effective 1 July 2009)
- Amendment to IAS 32 - Financial instrument presentation - classification of right issue (effective from 1 February 2010)
- IFRIC 19 - Extinguishing financial liabilities with equity instruments (effective after 1 July 2010).
- IAS 24 – Related party disclosures - revised 2009 (effective after 1 January 2011).

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4. **Cash and cash equivalents**	*Note*	**2010** **AFN '000'**	2009 AFN '000'
Cash in hand		**571,839**	426,786
Balances with Da Afghanistan Bank	*4.1*	**2,223,095**	1,456,086
Capital notes issued by DAB	*4.2*	**199,318**	-
Balances with other banks	*4.3*	**370,466**	2,300,270
		3,364,719	4,183,142

4.1 This includes AFN 570,428 thousands (2009: AFN 122,220 thousands) maintained as statutory reserve with Da Afghanistan Bank (DAB) to meet the minimum reserves requirements as specified by Banking Regulations issued by DAB. These carry interest ranging 0.75 %~6 % per annum (2008:6.42 to 13.68%). Remaining balance maintained with DAB is interest free.

4.2 These notes are issued for a period of 1 month to two months. They carry interest ranging from 4.78 % ~ 5.8 % per annum (2008:8.6 to 16.8%).

4.3 **Balances with other banks**		**2010** **AFN '000'**	2009 AFN '000'
Term Deposits	*4.3.1*	**19,560**	343,523
Current accounts	*4.3.2*	**350,906**	1,956,747
		370,466	2,300,270

4.3.1 These represent term deposits having maturity up to a maximum of 12 months (2009: 12 months) and carry interest rate ranging from 3.05 % per annum to 5.25% per annum (2009: 0.2% per annum to 11% per annum) receivable on maturity of respective placements.

4.3.2 These include balance amounting to AFN 5,970 thousands (2009:6,213 Thousands) held with banks in the name of Export Promotion Bank which was merged into the Bank in 2008.

5. Loans and advances to customers	2010 AFN '000'	2009 AFN '000'
Loans and advances to customers- at amortised cost	6,943,392	4,829,990

All loans and advances are expected to be recovered within twelve months of the balance sheet date.

	Note	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		20 March 2010			20 March 2009		
Retail customers- Running finances	5.1	7,112,741	185,946	6,926,795	4,952,598	131,669	4,820,929
Short term loans to employees	5.2	16,597	-	16,597	9,061	-	9,061
		7,129,338	185,946	6,943,392	4,961,659	131,669	4,829,990

5.1 Term loans carry interest ranging from 10% to 12% per annum (2009:10% to 12% per annum) and having maturity ranging between 1 to 5 years (2009: 1 to 3 years).These loans are secured against immovable properties. These include loans amounting to AFN 1,673,350 thousand whose term have been enhanced during the year.

5.2 Short term loans to employees are interest free and secured against personal guarantees.

5.3 At 20 March 2010 AFN 2,612,591 thousands (2009:AFN 1,162,131 thousands) of loan and advances to customers are expected to be recovered more than twelve months after balance sheet date

5.1 Allowances for impairment	2010 AFN '000'	2009 AFN '000'
Balance at beginning of year		
Impairment loss for the year:	131,669	252,719
Loan written offs	294,721	256,761
Balance as at	(240,444)	(377,811)
	185,946	131,669

6. Investment Securities		
Bank e Milli Afghan		
Bima Millie Aghan	2,450	2,450
Shirkat e Ariana	7,660	153
Hotel Intercontinental	250	250
Afghan Card Corporation	64	65
	163	163
	10,587	3,081

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7. Property and equipment

	Land	Building	Electricity	Furniture & Fittings	Computers	Motor Vehicles	Under Construction	Total
	AFN '000'							
Cost or revalued amount								
Balance as at 21 March 2008	345,717	657,236	9,162	3,478	6,872	2,023	-	1,024,488
Additions*	-	-	3,098	3,493	4,280	11,119	396,087	418,077
Devaluation	-	(29,564)		-				(29,564)
Revaluation	109,285	5,254	-	-	-			114,539
Balance at 20 March 2009	455,002	632,926	12,260	6,971	11,152	13,142	396,087	1,527,540
Balance as at 21 March 2009	**455,002**	**632,926**	**12,260**	**6,971**	**11,152**	**13,142**	**396,087**	**1,527,540**
Additions	-	**17,391**	**4,336**	**6,286**	**5,656**	**7,245**	**58,936**	**99,850**
Balance at 20 March 2010	**455,002**	**650,317**	**16,596**	**13,257**	**16,808**	**20,387**	**455,023**	**1,627,390**
Depreciation								
Balance as at 21 March 2008	-	-	455	3,773	1,847	1,044	-	7,119
Depreciation for the period	-	12,659	879	328	2,777	2,257	-	18,900
Balance at 20 March 2009	-	12,659	1,334	4,101	4,624	3,301	-	26,019
Balance as at 21 March 2009	-	**12,659**	**1,334**	**4,101**	**4,624**	**3,301**	-	**26,019**
Depreciation for the period	-	**13,006**	**1,397**	**726**	**4,324**	**3,471**	-	**22,924**
Balance at 20 March 2010	-	**25,665**	**2,731**	**4,827**	**8,948**	**6,772**	-	**48,943**
Carrying amounts								
Balance at 20 March 2009	455,002	620,267	10,926	2,870	6,528	9,841	396,087	1,501,521
Balance at 20 March 2010 **	**455,002**	**624,652**	**13,865**	**8,430**	**7,860**	**13,615**	**455,023**	**1,578,447**

* The addition of AFN 396.087 million made during the previous year has been reclassified as addition in Under Construction property and equipment during the current year. This reclassification is due to the fact that the building is not yet ready for use by the Bank.

** Carrying value includes assets relating to land and building of AFN 61,038 thousand and AFN 694 thousand respectively that are stated on historical cost basis.

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8. Investment properties

	Note	2010 AFN '000'	2009 AFN '000'
Opening balance		**262,422**	262,422
Gain on fair value adjustments		**-**	-
Closing balance		**262,422**	262,422

9. Other assets

	Note	2010 AFN '000'	2009 AFN '000'
Cheque books		**21,686**	22,866
Advances to employees		**3,489**	52,352
Advances to suppliers		**73,631**	164,356
Income tax paid in advance		**1,214**	-
Other Assets		**2,291**	6,524
		102,311	246,098

10. Deposits from Banks

	Note	2010 AFN '000'	2009 AFN '000'
Current Accounts			
Agriculture Bank, Kabul		**1,500**	180
Construction Bank		**2,874**	45,674
Kabul Bank-Afghani		**18,039**	-
Kabul Bank-US$		**23,050**	-
Bank e Millie Afghan, Kabul-Afghani		**40**	2,641
Bank e Millie Afghan, Kabul-US$		**133**	-
Bank e Millie Afghan, Kabul-Euro		**5,992**	-
Bank e Millie Afghan, Kabul-Pound		**11**	-
		51,639	48,495

11. Deposits from customers

	Note	2010 AFN '000'	2009 AFN '000'
Retail customers:			
Term deposits	*11.1 & 2*	**410,146**	318,662
Saving deposits	*11.3*	**2,796,896**	1,604,155
Current deposits		**4,653,691**	1,821,050
		7,860,733	3,743,867

11.1 All the term deposits are expected to be settled in twelve months of the balance sheet and carry interest rate ranging from 6 % to 6.50 % per annum (2009 6 % to 6.50 % per annum).

11.2 This includes income of AFN 13,200 thousand earned on investment properties.

11.3 These carry interest rate of 6 % to 7% per annum (2009: 6% to 7%per annum)

12. Deferred tax liability

This represents deferred tax liability on account of surplus on revaluation.

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13. Other liabilities

	Note	2010 AFN '000'	2009 AFN '000'
Creditors		**19,183**	2,503,747
Security deposit from tenant		**4,816**	4,816
Income tax payable		**-**	109,302
Business Receipts Tax payable		**3,064**	24,575
Staff pension payable	*13.1*	**8,367**	888
Loan from Republic of Iraq	*13.2*	**82,249**	87,814
Accrued interest payable on Iraq Loan		**6,264**	6,688
Accrued Interest payable		**6,461**	4,831
Unearned Interest Income		**112,784**	220,458
Deposits against letter of credits		**72,017**	96,323
Valuation charges payable		**742**	2,347
Welfare fund for employees		**12,919**	-
Others		**38,178**	43,645
		367,044	3,105,434

13.1 Staff pension payable

	2010	2009
Opening balance	**888**	646
Contribution made during the year	**9,673**	4,508
Payments made during the year	**(2,194)**	(4,266)
	8,367	888

13.2 This represents loan from Republic of Iraq for the purpose of "slider of Bank for a period from 1976 to 1996 and carries interest rate of 2.50 % per annum". The loan term expired in 1996, however, it is still not recalled back by Republic of Iraq. No interest has been accrued on this loan since 1996.

14. Share capital

	2010 AFN '000'	2009 AFN '000'
Authorised capital	**2,500,000**	250,000
Issued and paid capital		
Balance as on 20 March 2010	**2,500,000**	2,500,000

15. Accidental reserve

This represents accidental reserve created out of retained earnings as approved by the Board of Supervisor in their meeting held on 14 July 2008. This reserve has been created for the purpose of covering any expected losses as a result of natural calamity or any accidents.

16. Legal reserve

This represents legal reserve created out of retained earnings as approved by the Board of Supervisor in their meeting held on 18 October 2009. This reserve is not for the distribution of dividends and is also not for the adjustment of any impaired loans and advances.

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17. Surplus on revaluation

	2010 AFN '000'	2009 AFN '000'
Opening balance	467,650	470,023
Surplus arising on revaluation during the year	-	114,539
Related deferred tax on revaluation	-	(116,912)
Closing balance- net of deferred tax	467,650	467,650

Surplus on revaluation relates to land and building. Fair value of land and building is determined by a committee of Government Institutions including local municipality, ministry of construction and a representative of bank. Fair values were determined having regard to recent market transactions for similar properties in the same location.

18. Contingencies & Commitments

	Note	2010 AFN '000'	2009 AFN '000'
Guarantee for supply of services		8,595	-

19. Net interest income

	Note	2010 AFN '000'	2009 AFN '000'
Interest income			
Cash and cash equivalents		26,138	169,260
Loans and advances to customers		461,933	333,080
Total interest income		488,071	502,340
Interest expense			
Deposits from customers	*19.1*	145,470	94,100
Total interest expense		145,470	94,100
Net interest income		342,601	408,240

19.1 Deposits from customers

	2010 AFN '000'	2009 AFN '000'
Interest on:		
Term deposits	13,405	17,783
Saving deposits	132,065	76,317
	145,470	94,100

20 Net fee and commission income

	2010 AFN '000'	2009 AFN '000'
Fee and commission income		
Fund transfer fee	32,597	28,347
Currency exchange fee	9,180	54,022
Account servicing fee	38,493	27,525
Total fee and commission income	80,270	109,894

21. Other operating income

Rental income	**9,323**	10,755
Bad debts recovered	**259,791**	535,229
Miscellaneous	**16,983**	13,006
	286,097	558,990

22. Personnel expenses

Salaries and wages	**79,037**	63,459
Contribution towards pension fund	**7,500**	4,508
Staff welfare	**28,663**	23,467
	115,200	91,434

23. Other expenses

Repair and maintenance	**582**	657
Travel	**1,940**	2,576
Advertisement and publicity	**22,921**	21,227
Building tax	**1,118**	1,396
Printing and stationery	**3,855**	2,074
Communication	**3,688**	1,921
Electricity	**4,833**	3,580
Fuel expenses	**1,773**	1,538
Auditor's remuneration	**524**	1,873
Cleaning and water	**169**	62
Kindergarten expenses	**134**	142
Others	**18,933**	12,607
	60,470	49,653

24. Income tax expense

Recognised in income statement

Current tax expense	*24.1*	**32,838**	109,226

24.1 *Reconciliation of effective tax rate*

	Rate (%)		
Loss before income tax		**164,190**	546,130
Tax income using income tax rate	*20%*	**32,838**	109,226
Total tax income in the income statement	*20%*	**32,838**	**109,226**

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25 Financial assets and liabilities

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:

in AFN '000'	*Note*	Trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
2010									
Cash and cash equivalents	*4*	-	-	-	-	-	3,364,719	3,364,719	3,364,719
Loans and advances to customers	*5*	-	-	-	6,943,392	-	-	6,943,392	6,943,392
Investment securities	*6*	-	-	-	-	10,587	-	10,587	10,587
Other assets	*9*						101,097	101,097	101,097
		-	-	-	6,943,392	10,587	3,465,815	10,419,794	10,419,794
Deposits from banks	*10*	-	-	-	-	-	51,639	51,639	51,639
Deposits from customers	*11*	-	-	-	-	-	7,860,733	7,860,733	7,860,733
Other liabilities	*13*	-	-	-	-	-	367,044	367,044	367,044
		-	-	-	-	-	8,279,416	8,279,416	8,279,416
2009									
Cash and cash equivalents	*4*	-	-	-	-	-	4,183,142	4,183,142	4,183,142
Loans and advances to customers	*5*	-	-	-	4,829,990	-	-	4,829,990	4,829,990
Investment securities	*6*	-	-	-	-	3,081	-	3,081	3,081
Other assets	*9*	-	-	-	-	-	246,098	246,098	246,098
		-	-	-	4,829,990	3,081	4,429,240	9,262,311	9,262,311
Deposits from banks	*10*	-	-	-	-	-	48,495	48,495	48,495
Deposits from customers	*11*	-	-	-	-	-	3,743,867	3,743,867	3,743,867
Other liabilities	*13*	-	-	-	-	-	3,105,434	3,105,434	3,105,434
		-	-	-	-	-	6,897,796	6,897,796	6,897,796

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26 Financial risk management

26.1 Introduction and overview

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

a) credit risk
b) liquidity risk
c) market risks

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

26.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and placements with other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Bank's Credit Committee. Credit department reporting to the Bank Credit Committee is responsible for oversight of the Bank's credit risk.

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The Credit department is headed by Chief Credit Officer (CCO). Credit Officer along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit

The Bank has established and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board. The credit evaluation system comprises of well designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

The amount of credit risk in this regard is represented by the carrying amounts of the assets on the balance sheet date. The Bank has major concentration of credit risk in trading sector. Exposure to credit risk is managed through regular analysis of borrower to met interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immoveable property dully registered with the court of law and hypothecation over stock dully verified by the Bank's Credit Officer on monthly basis.

Exposure to credit risk

in AFN '000'	*Note*	Assets at amortised cost	Available-for-sale assets	Assets at fair value through profit or loss	Total carrying amount
2010					
Loans and advances to customers	5	7,129,338	-	-	7,129,338
Collectively impaired					
Gross amount		311,089	-	-	311,089
Allowance for impairment		155,652	-	-	155,652
Carrying amount		155,437	-	-	155,437
Past due but not impaired:		-	-	-	-
Gross amount		311,635	-	-	-
Neither past due but nor impaired:					
Gross amount		6,662,266	-	-	6,973,901
Carrying amount-amortised cost:		7,129,338	-	-	7,129,338
2009					
Loans and advances to customers	5	4,961,659	-	-	4,961,659
Collectively impaired					
Gross amount		279,890	-	-	279,890
Allowance for impairment		131,669	-	-	131,669
Carrying amount		148,221	-	-	411,559
Past due but not impaired:		-	-	-	-
Gross amount		-	-	-	-
Neither past due but nor impaired:					
Gross amount		4,813,438	-	-	4,550,100
Carrying amount-amortised cost:		4,961,659	-	-	4,961,659

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As at balance sheet date, a small portion of total loan portfolio of the Bank was impaired against which a provision has been created in the financial statements.

In addition to the above, at year end there were no lending commitments which is pending for disbursement.

Past due but not impaired loans
Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Bank believes impairment is not appropriate.

Allowances for impairment
The Bank establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

All loans and other assets are classified into one of the five classification grades mentioned below for minimum provisioning amounts. General and specific allowance for impairment is made by the Bank with the following percentages:

Loan Grading	Days past dues	Percentage %
Standard	None	1%
Watch	31-60 days	5%
Substandard	61-90 days	25%
Doubtful	91-180 days	50%
Loss	Over 180 days	100%

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Concentration of credit risks by sector

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

in AFN '000'	*Note*	**2010**	2009
Carrying amount	*5*	**6,943,392**	4,829,990
Concentration by sector			
Construction		**2,599,014**	571,404
Trading		**2,450,155**	2,837,967
Industrial		**1,379,633**	864,022
Others		**514,590**	556,597
		6,943,392	4,829,990

The Bank held's cash and cash equivalents of AFN 3,364,719 thousands (20 March 2009: AFN: 4,183,142 thousands) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with central bank and other banks. Management believes cash and cash equivalents are not exposed to significant credit risk.

Settlement risk

The Banks 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 constructed agreed.

26.3 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.

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 & 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, whist enabling the Bank to pursue valued business opportunities.

The Bank relies on deposits from customers as its primary source of funding. Deposits form 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 liquidity 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:

	2010	2010
At 31 December	43%	47%
Average for the period	65%	66%
Maximum for the period	104%	106%
Minimum for the period	37%	35%

Maturity analysis for financial liabilities

in AFN '000'	*Note*	Carrying amount	Gross inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	More than 5 years
2010							
Deposits from banks	*10*	51,639	(51,639)	(35,330)	(8,356)	(7,953)	-
Deposits from customers	*11*	7,860,733	(7,860,733)	(3,564,780)	(2,256,832)	(2,039,121)	-
Other liabilities	*13*	367,044	(367,044)	(35,678)	(15,643)	(315,723)	-
		8,279,416	(8,279,416)	(3,635,788)	(2,280,831)	(2,362,797)	-

in AFN '000'	*Note*	Carrying amount	Gross inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	More than 5 years
2009							
Deposits from banks	*10*	48,495	(48,495)	(35,330)	(8,356)	(4,809)	-
Deposits from Customer	*11*	3,743,867	(3,743,867)	(2,345,879)	(1,156,898)	(241,090)	-
Other Liabilities	*13*	3,105,434	(3,105,434)	(1,356,785)	(1,256,439)	(492,210)	
		6,897,796	(3,792,362)	(3,737,994)	(2,421,693)	(738,109)	-

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 on the financial liability.

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26.4 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 Bank's Assets and Liability Committee (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 non-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 managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. 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:

in AFN '000'	*Note*	Carrying amount	Less than three months	3-6 months	6-12 months	1-5 years	More than 5 years
2010							
Cash and cash equivalents	*4*	**3,364,719**	**3,364,719**				-
Loans and advances to customers	*5*	**6,943,392**	**4,871,197**	**511,047**	**1,337,455**	**223,693**	-
		10,308,111	**8,235,916**	**511,047**	**1,337,455**	**223,693**	-
Deposits from banks	*10*	**51,639**	**(51,639)**	-	-	-	-
Deposits from customers	*11*	**7,860,733**	**(7,860,733)**	-	-	-	-
		7,912,372	**(7,912,372)**	-	-	-	-
		18,220,483	**323,544**	**511,047**	**1,337,455**	**223,693**	-
2009							
Cash and cash equivalents	*4*	4,183,142	2,612,236	-	-	-	-
Loans and advances to customers	*5*	4,829,990	1,785,903	457,832	345,690	2,240,565	-
		9,013,132	4,398,139	457,832	345,690	2,240,565	-
Deposits from banks	*10*	48,495	(48,495)	-	-	-	-
Deposits from customers	*11*	3,743,867	(1,257,868)	(456,783)	(167,489)	(144,998)	-
		3,792,362	(1,306,363)	(456,783)	(167,489)	(144,998)	-
		12,805,494	3,091,776	914,615	513,179	2,095,567	-

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Exposure to currency risk

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

in AFN '000'	AFN	US$	Others
20 March 2010			
Cash and cash equivalents	2,177,706	1,094,882	92,131
Loans and advances to customers	3,798,397	3,330,941	-
Other assets	99,133	1,961	-
	6,075,236	4,427,784	92,131
Deposits from banks	22,454	23,183	6,002
Deposits from customers	4,318,059	3,510,564	32,115
Other liabilities	33,096	32,970	35,031
	4,373,609	3,566,717	73,148
Net foreign currency exposure	1,701,627	861,067	18,983

in AFN '000'	AFN	US$	Others
20 March 2009			
Cash and cash equivalents	490,715	2,067,247	54,274
Loans and advances to customers	278,673	708,244	-
Other assets	-	4,167	-
	769,388	2,779,658	54,274
Deposits from banks	-	-	-
Deposits from customers	283,995	2,854,026	54,851
Other liabilities	204	3,301	-
	284,199	2,857,327	54,851
Net foreign currency exposure	485,189	(77,669)	(577)

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The following significant exchange rates were applied during the periods.

	2010		2009	
	Average rate	**Reporting date spot rate**	Average rate	Reporting date spot rate
US$	**50.00**	**48.48**	51.00	52.09
Euro	**71.00**	**69.69**	70.00	73.13

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, and euro at 20 March 2009 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.

in AFN '000'	2010		2009	
	Equity	**Profit or loss**	Equity	Profit or loss
20 March 2009				
US$	**(86,107)**	**(86,107)**	7,767	7,767
Euro	**(1,898)**	**(1,898)**	58	58

A 10% weakening of the Afghani against the above currencies at 20 March 2009 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.

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26.5 Capital management

The Bank meets the initial minimum capital requirements as per Article 6 of the Banking Law of Afghanistan. The regulatory capital comprising of Core (Tier 1) capital and Supplementary (Tier 2) amounts to AFN 3,197,813 (AFN 3,371,321) thousand calculated as follows

	2010	2009
	AFN '000'	AFN '000'
Core (Tier 1) Capital:		
Share capital	2,500,000	2,500,000
Reserves set aside from after tax profit	768,813	768,813
Less : Equity Investments	(10,587)	(3,081)
	3,258,226	3,265,732
Supplementary (Tier 2) Capital:		
General reserve for loan losses	185,946	131,669
Profits	138,859	436,904
Revaluation surplus- net of deferred tax	350,738	350,738
	675,543	919,311
Regulatory capital	3,933,769	4,185,043

As per regulations issued by DAB, the regulatory capital shall not be less than 12 percent of the risk weighted assets and Core (Tier 1) capital shall not be less than 6 percent of risk weighted assets.

	2010	2009
Risk weighted assets includes:		
Balances with other banks	370,466	2,300,270
Loans and advances	6,943,392	4,829,990
Building acquired as settlement of Loan and Advances	396,087	396,087
Other assets	102,311	246,098
	7,812,256	7,772,445
Regulatory capital as percentage of risk weighted assets (%age)	50	54
Core (Tier 1) capital as percentage of risk weighted assets (%age)	42	42

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Chief Executive Officer **Chief Financial Officer**