Maiwand Bank
Statement of financial position
As at 31 December 2013

	Note	2013	2012
		Afs '000'	Afs '000'
Assets			
Cash and cash equivalents	5	10,555,889	6,235,883
Loans and advances to customers	6	6,985,081	4,720,168
Property and equipment	7	247,451	207,581
Intangible assets	8	3,544	5,390
Deferred tax asset - net	9	-	20,030
Other assets	10	1,400,059	1,123,963
Total assets		19,192,024	12,313,015
Liabilities			
Deposits from banks	11	-	477
Deposits from customers	12	16,291,592	10,166,117
Other liabilities	13	1,767,050	1,243,388
Deferred tax liability - net	9	43,256	-
Total liabilities		18,101,898	11,409,982
Equity			
Paid up capital	14	1,125,000	1,000,000
Accumulated loss		(34,874)	(96,967)
Total equity		1,090,126	903,033
Total liabilities and equity		19,192,024	12,313,015

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

Chairman

Kabul, Afghanistan
Maiwand Bank

Arole Kumar
Chief Executive Officer

Maiwand Bank
Statement of comprehensive income
For the year ended 31 December 2013

	Note	2013 Afs '000'	2012 Afs '000'
Interest income	16	896,942	564,560
Interest expense	16	(172,525)	(119,428)
Net interest income		724,417	445,132
Profit/return on Islamic financing		58,208	13,867
Return on Islamic deposits		(26,604)	(35,839)
Net spread earned		31,604	(21,972)
Fee and commission income	17	268,039	237,330
Fee and commission expense	17	(46,017)	(25,759)
Net fee and commission income		222,022	211,571
Foreign exchange gain		8,220	15,836
Operating income		986,263	650,567
Other income	18	-	475,533
Personnel expenses	19	(284,780)	(207,933)
Allowance for impairment loss	6	(72,707)	(871)
Depreciation and amortisation	8,9	(58,762)	(50,287)
Other operating expenses	20	(423,898)	(432,294)
Profit/(loss) before tax		146,116	434,715
Tax expense	21	(84,023)	(65,139)
Profit/(loss) for the year		62,093	369,576
Other comprehensive income		-	-
Total comphensive income for the year		62,093	369,576

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

Chairman

Chief Executive Officer

Maiwand Bank
Statement of changes in equity
For the year ended 31 December 2013

	Paid up Capital	Accumulated loss	Total
		(Afs '000')	
Balance at 01 January 2012	750,000	(216,543)	533,457
			-
Total comprehensive income:			
Profit for the year	-	369,576	369,576
Dividend distribution to shareholders	-	(250,000)	(250,000)
Capital injected during the year	250,000	-	250,000
Balance at 31 December 2012	1,000,000	(96,967)	903,033
Balance at 01 January 2013	1,000,000	(96,967)	903,033
			-
Total comprehensive income:			
Profit for the year	-	62,093	62,093
Capital injected during the year	125,000	-	125,000
Balance at 31 December 2013	1,125,000	(34,874)	1,090,126

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

Chairman

Atal Kumar
Chief Executive Officer

Maiwand Bank
Statement of cash flows
For the year ended 31 December 2013

	Note	2013 Afs '000'	2012 Afs '000'
Cash flows from operating activities			
Profit/(loss) before income tax		146,116	434,715
Adjustments for:			
Depreciation and amortisation	8,9	58,762	50,287
Net interest income		(724,417)	(445,132)
Net spread earned	17	(31,604)	21,972
Unrealized exchange gain		(8,220)	-
Allowance for impairment loss	6	72,707	871
		(486,656)	62,713
Working capital changes:			
Change in loans and advances to customers	6	(2,264,913)	(1,529,796)
Change in other assets	10	(276,096)	(273,403)
Change in deposits from banks	-	477	(102)
Change in deposits from customers	12	6,125,475	2,120,354
Change in other liabilities	13	502,925	585,983
Cash generated from operations		3,601,212	965,749
Interest/profit received		900,228	582,259
Interest/profit paid		(204,193)	(151,880)
Net cash from operating activities		4,297,247	1,396,128
Cash flows from investing activities			
Acquisition of property and equipment	7	(102,241)	(92,481)
Proceeds from sale of land	7	-	319,413
Acquisition of intangible assets	8	-	(2,724)
Net cash used in investing activities		(102,241)	224,208
Cash flows from financing activities			
Proceeds from capital injected		125,000	250,000
Dividend paid		-	(250,000)
Net cash flows from financing activities		125,000	-
Net increase in cash and cash equivalents		4,320,006	1,620,336
Cash and cash equivalents at 01 January		6,235,883	4,615,547
Cash and cash equivalents at 31 December	5	10,555,889	6,235,883

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

Chairman

Atale Kumar
Chief Executive Officer

1. Status and nature of operations

Maiwand Bank ("the Bank") is a commercial bank registered and operating in Afghanistan. The Bank is primarily involved in commercial banking in Afghanistan. The Bank has obtained business license from Afghanistan Investment Support Agency (AISA) to operate as a limited liability company. The Bank obtained its banking license from Da Afghanistan Bank ("DAB") under the Law of Banking in Afghanistan on 31 December 2008 and commenced its operations on 01 January 2009. Currently, the Bank is being operated with 20 branches and 11 extension counters (2012: 19 branches and 9 extension counters) in different parts of Afghanistan.

The registered office of the Bank is located in Kabul, Afghanistan.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

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 as otherwise disclosed in accounting policies.

(c) Functional and presentation currency

These financial statements are presented in Afghani (Afs), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Afs has been rounded to the nearest thousand.

(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 recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes 2(e), 2(h), 2(i) and 2(j).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. 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 the transaction. Foreign currency differences arising on translation is recognized in profit or loss.

(b) Interest

Interest income and expense are recognized 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 that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

Profit under musharaka financing is recognized on quarterly basis based on projected rate of return as mentioned in the respective agreements. At maturity the profit recognized is adjusted with the actual rate of return. According to sharia and Islamic banking policy of the Bank the profit taken from musharaka financing will be distributed at the ratio of 60% and 50% for the Depositors (Rasul-maal) and the Bank (Mudharib) respectively.

Profit on Murabaha and Commodity Murabaha is recognized on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized immediately upon the later date.

Rentals on Ijarah contracts are recognized as income on accrual basis.

Profit on Diminishing Musharakah is recognized on accrual basis.

As per regulation issued by DAB titled *"Asset Classifications, Monitoring of Problem Assets, Reserve for losses, and Non-accrual Status"*, accrued interest is reversed in the loans and advances that are classified as non-accrual status.

(c) 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 effective interest rate.

Other fees and commission income, including account servicing fee, funds transfer fee and placement fee, are recognized as the related services are performed. When a loan commitment fee is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

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

(d) Lease payments

Payments under operating leases are recognized in profit or loss 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.

(e) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss 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 is recognized in respect of 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the entity and the current tax liabilities and assets are intended to be settled on a net basis and are expected to be realized simultaneously.

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.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Bank initially recognizes loans and advances to customers and deposits from customers on the date that they are originated. All other financial assets and liabilities (including financial 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 liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

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

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when 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 risk 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 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 (or the carrying amount allocated to the portion of the asset transferred) and 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 profit or loss.

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

(iv) 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.

(v) 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.

(vi) 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 asset or 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 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 profit or loss 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 profit or loss.

The Bank writes off certain loans and advances when they are determined to be uncollectable and are classified in accordance with the regulations of Da Afghanistan Bank.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank and capital notes, balances in Nostro accounts and highly liquid financial assets with maturities of three months or less from acquisition date that 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.

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

Loans and advances considered to be uncollectable are written off as and when determined.

All loans and advances are classified in accordance with the regulations of Da Afghanistan Bank.

(i) Property and equipment

(i) 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 and 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 profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and 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 profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss 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 deletion.

The estimated useful lives of the items of property and equipment for the current and comparative period are as follows:

■ Leasehold improvements	20 years
■ Office equipment	10 years
■ Furniture and fixture	10 years
■ IT equipment	03 years
■ Vehicles	05 years
■ ATM	10 years

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

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and adjusted if appropriate.

(j) Intangible assets

Banking software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on software asset is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure is expensed as incurred.

Amortization is recognized in profit or 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 expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of the software is three years.

Amortization method, useful life and residual value are reviewed at each financial year-end and adjusted if appropriate.

(k) 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 recognized 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 recognized in profit or loss. Impairment losses recognized 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.

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.

(k) 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.

(l) 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 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.

(m) Share capital

Share capital is classified as equity.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

(a) IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified a measured based on the business model in which they are held and the characteristics of their cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the financial assets and hedge accounting.

IFRS 9 (2010) and (2009) are effective for annual periods on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the company's financial assets, but no impact on the company's financial liabilities.

		Note	2013 Afs '000'	2012 Afs '000'
5	**Cash and cash equivalents**			
	Cash on hand:			
	Local currency		1,145,021	1,799,882
	Foreign currency	5.1	3,073,150	2,727,234
			4,218,171	4,527,116
	Balances with Da Afghanistan Bank (DAB)	5.2	5,353,256	761,533
	Balances with other banks and financial institutions	5.3	984,462	947,234
			6,337,718	1,708,767
			10,555,889	6,235,883
5.1	**Foreign currency profile**			
	US Dollar		2,801,103	2,435,716
	Euro		196,252	228,921
	GB Pound		75,795	62,597
			3,073,150	2,727,234
5.2	**Balances with Da Afghanistan Bank (DAB)**			
	Current accounts:			
	Local currency		573,857	216,790
	Foreign currency	5.2.1	3,774,570	544,743
		5.2.2	4,348,427	761,533
	Saving accounts - Local currency			
	Capital notes	5.2.3	197,418	-
	Over-night deposits	5.2.4	807,411	-
			1,004,829	-
			5,353,256	761,533
5.2.1	Foreign currency profile			
	US Dollar		3,744,554	541,721
	Euro		30,016	3,022
			3,774,570	544,743

5.2.2 The current accounts held with DAB are interest free

5.2.3 This represents capital notes issued by DAB with maturity period of 28 to 182 days with interest rates ranging from 3.36% to 4.70% per annum

5.2.4 This represents overnight deposit facility provided by DAB. These deposits earn interest rates applicable to capital notes (refer note 5.2.3) minus 1%.

		Note	2013 Afs '000'	2012 Afs '000'
5.3	**Balances with other banks and financial institutions**			
	Punjab National Bank, London		104,208	374,855
	HDFC Bank, India		67,268	62,185
	Summit Bank Limited, Pakistan		344	2,602
	Bahrain Middle East Bank BSC		7,471	6,944
	Punjab National Bank, Kabul		1,021	949
	Pashtanay Bank		659	621
	Bank-e-Millie Afghan		10,308	10,308
	Emirates NBD Bank, UAE		147,636	25,016
	MasterCard Worldwide		11,202	10,417
	YES Bank, India		-	33,408
	UniCredit S.p.A. Italy		227,946	419,929
	KBC Bank		45,977	-
	Bank of China		190,594	-
	Aktif Yatirim Bankasi A.S. Turkey		89,267	-
	Banca Poplare Di Vicenza, Itlay		80,561	-
			984,462	947,234

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5.3.1 Currency profile of balances with other banks and financial institutions is as follows:

	Note	2013	2012
		Afs '000'	Afs '000'
Current accounts:			
Local currency		10,408	10,408
Foreign currency	5.3.1.1	974,054	936,826
		984,462	947,234

5.3.1.1 Foreign currency profile

	2013	2012
US Dollar	851,609	906,678
Euro	110,609	25,091
GB Pound	11,836	5,057
	974,054	936,826

5.3.2 Geographic profile of balances with other banks and financial institutions is as follows:

	2013	2012
Europe	547,959	794,784
South Asia	258,206	98,195
Middle East	166,309	42,377
Afghanistan	11,988	11,878
	984,462	947,234

5.3.3 The current accounts held with other banks and financial institutions are interest free.

6	Loans and advances to customers	Note	2013 Afs '000'	2012 Afs '000'
	Conventional - at amortised cost	*6.1*	6,050,153	4,022,679
	Islamic - at amortised cost	*6.2*	934,928	697,489
			6,985,081	4,720,168

6.1 Conventional - at amortised cost	Note	31 December 2013			31 December 2012		
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
			Afs '000'			Afs '000'	
Retail customers - running finances	*6.1.1*	6,057,980	(69,103)	5,988,877	4,000,377	(19,978)	3,980,399
Term loans	*6.1.2*	27,653	(20)	27,633	38,585	(20)	38,565
Short term loans to employees	*6.1.3*	867	-	867	1,596	-	1,596
Other consumer loans	*6.1.4*	32,776	-	32,776	2,119	-	2,119
		6,119,276	(69,123)	6,050,153	4,042,677	(19,998)	4,022,679

6.1.1 Running finance facilities are extended to borrowers for a maximum period of two years. These facilities carry interest ranging from 15% to 20% (2012: 12% to 25%) per annum. The facilities are secured against immovable properties, stock and receivables of the borrowers and personal guarantees in certain cases.

None of these loans are expected to be recovered after 12 months of the reporting date (2012: Nil).

Allowance for impairment:	Note	2013 Afs '000'	2012 Afs '000'
Balance at beginning of year		19,978	19,127
Loans written off during the year		(22,217)	-
Charge to profit & loss			
Impairment loss for the year:		71,342	851
Balance as at 31 December		69,103	19,978

6.1.2 Term loans are extended for a maximum period of two years. These loans carry interest ranging from 15% to 20% (2012: 15% to 20%) per annum and are secured against immoveable property, stock and receivables of the borrowers.

None of these loans are expected to be recovered after 12 months of the reporting date (2012: Nil)

Allowance for impairment:	Note	2013 Afs '000'	2012 Afs '000'
Balance at beginning of year		20	-
Impairment loss for the year:			
Charge for the year		-	20
Balance as at 31 December		20	20

6.1.3 Short term loans to employees are repayable within twelve months. These loans carry interest rate of 10% (2012: 10%) per annum.

None of these loans are expected to be recovered after 12 months of the reporting date (2012: Nil)

No impariment allowance has been accounted for on these loans.

6.1.4 Other consumer loans are extended for a maximum period of one year. These carry interest ranging from 10% to 15% (2012: 10% to 15%) per annum and are secured against immovable properties and personal guarantees.

None of these loans are expected to be recovered after 12 months of the reporting date (2012: Nil).

No impariment allowance has been accounted for on these loans.

6.1.5 Currency profile of loans and advnces - conventential is as follows

	2013 Afs '000'	2012 Afs '000'
Local currency	879,411	684,209
Foreign currency - US Dollar	5,239,865	3,358,468
	6,119,276	4,042,677

loans

6.2 Islamic - at amortised cost	Note	31 December 2013 Gross amount	Impairment allowance	Carrying amount	31 December 2012 Gross amount	Impairment allowance	Carrying amount
			Afs '000'			Afs '000'	
Musharaka financing	6.2.1	121,249	-	121,249	165,697	-	165,697
Diminishing Musharaka	6.2.1	383,089	-	383,089	326,463		326,463
Murahaba finance	6.2.2	430,566	-	430,566	77,286	-	77,286
Qarza e Hasna		24	-	24	1,749	-	1,749
Net Investment in Ijarah	6.2.3	-		-	126,294		126,294
		934,928	-	934,928	697,489	-	697,489

6.2.1 Musharaka and Diminishing Musharaka facilities are extended to customers on profit/loss sharing basis. These carry profit sharing rates of 20%-50% on quarterly basis. These are secured against immovable properties and stocks.

Allowance for impairment:	Note	2013 Afs '000'	2012 Afs '000'
Balance at beginning of year			
Loans written off during the year		-	-
Impairment loss for the year		(1,365)	
Charge for the year			
Balance as at 31 December		1,365	-
		-	-

6.2.2 Murabaha facilities are extended to customers for puchase of immovable properties. These are secured against immovable properties.

No impariment allowance has been accounted for on these loans.

6.2.3 Net Investment in Ijarah	Ijarah rental receivable	Residual value	Minimum Ijarah payment	Profit for future periods	Present value of minimum Ijarah payments
	Afs '000'	Afs '000'	Afs '000'	Afs '000'	Afs '000'
2013					
Not later than one year	-	-	-	-	-
Later than one year and less than five years	-	-	-	-	-
Over five years	-	-	-	-	-
Total	-	-	-	-	-
	-	-	-	-	-
2012					
Not later than one year	122,694	-	122,694	12,274	110,420
Later than one year and less than five years	17,316	-	17,316	1,442	15,874
Over five years	-	-	-	-	-
Total	140,010	-	140,010	13,716	126,294

6.2.4 Currency profile of loans and advnces - Islamic is as follows:	2013 Afs '000'	2012 Afs '000'
Local currency	140,197	69,826
Foreign currency - US Dollar	796,096	627,663
	936,293	697,489

7 Property and equipment

	Leasehold improvements	Office equipment	Furniture and fittings	IT equipment	Motor vehicles	ATM	Capital work in progress	Total
Cost	(Afs '000')							
Balance at 1 January 2012	64,181	67,212	15,954	84,151	41,834	20,123	287,741	581,196
Additions	11,167	15,354	1,705	8,718	8,944	2,348	44,245	92,481
Disposals *(note 7.1)*	-	-	-	-	-	-	(319,413)	(319,413)
Balance at 31 December 2012	75,348	82,566	17,659	92,869	50,778	22,471	12,573	354,264
Balance at 1 January 2013	75,348	82,566	17,659	92,869	50,778	22,471	12,573	354,264
Additions	41,219	15,805	2,054	26,810	12,251	11,767	-	109,906
Disposals *(note 7.2)*	-	-	-	-	-	-	(12,573)	(12,573)
Balance at 31 December 2013	116,567	98,372	19,713	119,679	63,029	34,238	-	451,597
Depreciation								
Balance at 1 January 2012	13,726	14,970	2,838	52,176	13,407	3,380	-	100,497
Charge for the year	3,487	6,770	1,654	23,041	8,976	2,258	-	46,186
Balance at 31 December 2012	17,213	21,740	4,492	75,217	22,383	5,638	-	146,683
Balance at 1 January 2013	17,213	21,740	4,492	75,217	22,383	5,638	-	146,683
Charge for the year	20,966	7,397	1,848	16,207	8,366	2,680	-	57,464
Balance at 31 December 2013	38,179	29,137	6,340	91,424	30,749	8,318	-	204,147
Carrying amounts								
At 31 December 2012	58,135	60,826	13,167	17,652	28,395	16,833	12,573	207,581
At 31 December 2013	78,388	69,235	13,373	28,255	32,280	25,920	-	247,451

7.1 The Bank had aquired land measuring 15 Jaribs in 2009 for the construction of its Head Office complex in Kabul. The said land was acquired in the name of the Bank's shareholders and was not transferred in the name of the Bank. The cost of land was Afs 319,413 thousands (equivalent to USD 6,450 thousand) out of which the the Bank made payments amouting to Afs 287,513 thousands (equivalent to USD 5,824 thousand) which were included in the carrying amount of capital work in progress at 31 December 2011 whereas the remaining amount of Afs 31,900 thousands (equivalent to USD 626 thousand) was recorded in the capital work in progress during 2012 with corresponding increase in liability towards Engineer Alluaddin who had paid the said amount on behalf of the Bank. In compliance with DAB's instructions, the Bank has disposed off the said land during 2012 to Haji Sher Ahmed for an amount of Afs 779,800 thousands (equivalent to USD 15,000 thousand).

7.2 This represented cost incurred on construction of the Bank's Hairataan branch. During the year, the Bank has written off this amount.

8 Intangible assets

	Note	2013 Afs '000'	2012 Afs '000'
Cost			
Balance at 1 January		24,397	21,673
Acquistions		-	2,724
Balance at 31 December		24,397	24,397
Amortization			
Balance at 1 January		19,007	14,906
Charge for the year		1,298	4,101
Balance at 31 December		20,853	19,007
Carrying amounts		3,544	5,390

8.1 This represents cost incurred on acquisition and upgradation of banking software.

9 Deferred tax asset - net

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2013		
	Assets	Liabilities	Net
		Afs '000'	
Property and equipment and intangible assets	-	(43,256)	(43,256)
	-	(43,256)	(43,256)

	2012		
	Assets	Liabilities	Net
		Afs '000'	
Property and equipment and intangible assets	-	(29,627)	(29,627)
Accumulated tax losses	49,657	-	49,657
	49,657	(29,627)	20,030

Movements in temporary differences during the year

	Opening balance	Recognised in profit and loss	Closing balance
	Afs '000'	Afs '000'	Afs '000'
2013			
Property and equipment and intangible assets	(29,627)	(13,629)	(43,256)
Accumulated tax losses	49,657	(49,657)	-
Deffered Tax Asset/(Liability)	20,030	(63,286)	(43,256)
2012			
Property and equipment and intangible assets	(29,388)	(239)	(29,627)
Accumulated tax losses	83,503	(33,846)	49,657
Deffered Tax Asset/(Liability)	54,115	(34,085)	20,030

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10 Other assets	Note	2013 Afs '000'	2012 Afs '000'
Required reserve with DAB	10.1	1,321,299	876,570
Prepaid rent		20,178	18,653
Advances to suppliers		2,772	47,594
Receivable from Ministry of Labour	10.2	7,615	163
Profit receivable on Musharaka financing		6,161	28,337
Advance salary to employees		1,072	671
Security deposit - Ministry of Interior		-	41,011
Security deposit - Western Union		11,202	10,416
Security deposit - Others		1,500	-
Receivable from Western Union		25,677	19,132
Receivable against sale of land		-	79,710
Others		2,583	1,706
		1,400,059	1,123,963

10.1 This represents the required reserve account maintained with DAB to meet minimum reserve requirement in accordance with Article 64 "Required reserve for banks" of the Da Afghanistan Bank Law. The balance carries mark-up ranging from 0.93% to 2.00% (2012: 0.93% to 1.90%) per annum. Required reserves with DAB are not available for use in the Bank's day-to-day operations.

10.2 This represents payments made on behalf of Ministry of Labour, Government of Afghanistan to Government employees on account of pension.

10.3 Currency profile of other assets is as follows:	Note	2013 Afs '000'	2012 Afs '000'
Local currency		1,344,523	926,844
Foreign currency		55,536	197,119
		1,400,059	1,123,963
Foreign currency balances include:			
US Dollar		55,536	196,960
Euro		-	159
		55,536	197,119

		Note	2013 Afs '000'	2012 Afs '000'
11	**Deposits from banks**			
	Current deposits:			
	Punjab National Bank	11.1	-	477
			-	477

11.1 These deposits were interest free.

		Note	2013	2012
12	**Deposits from customers**			
	Conventional deposits	12.1	14,362,182	8,603,094
	Islamic deposits	12.2	1,929,410	1,563,023
			16,291,592	10,166,117
12.1	**Conventional deposits**			
	Term deposits	12.1.1	457,772	245,852
	Current deposits	12.1.2	12,317,599	7,485,401
	Saving deposits	12.1.3	1,586,811	871,841
			14,362,182	8,603,094

12.1.1 Time deposits carry interest rate ranging from 7% to 8% (2012: 7%) per annum.

12.1.2 Current deposits are interest free (2012: nil).

12.1.3 Saving deposits carry interest at the rate of 6% (2012: 6%) per annum.

12.1.4 Currency profile of customer deposits - Conventential is as follows:

	Note	2013 Afs '000'	2012 Afs '000'
Local currency:			
Term deposits		20,193	20,152
Current deposits		2,934,239	2,332,907
Saving deposits		463,362	236,430
		3,417,794	2,589,489
Foreign currency			
Term deposits		437,579	225,700
Current deposits		9,383,360	5,152,494
Saving deposits		1,123,449	635,411
	12.2.1	10,944,388	6,013,605
		14,362,182	8,603,094

		2013	2012
12.2.1	Foreign currency profile		
	US Dollar	10,778,676	5,821,438
	Euro	129,921	135,547
	GB Pound	35,791	56,620
		10,944,388	6,013,605

		Note	2013 Afs '000'	2012 Afs '000'
12.2	**Islamic deposits**			
	Term deposits	12.2.1	92,044	29,127
	Current deposits	12.2.2	127,230	70,290
	Saving deposits	12.2.3	1,710,136	1,463,606
			1,929,410	1,563,023

12.2.1 Time deposits include Meaadi Certificates having maturity of 3 to 24 months and carry profit rate ranging from 4% to 8% (2012: 4% to 8%) per annum.

12.2.2 Current deposits (Al-Wadiah accounts) are being operated with no profit or loss basis.

12.2.3 Saving deposits includes the following:

1- Musaraka Saving
2- Mutalim Musaraka
3- Khass Musaraka

These deposits carry profit at the rate of 2% (2012: 3%) per annum.

		Note	2013 Afs '000'	2012 Afs '000'
12.2.4	Currency profile of customer deposits - Islamic is as follows:			
	Local currency:			
	Term deposits		3,105	2,171
	Current deposits		24,250	16,923
	Saving deposits		569,442	492,060
			596,797	511,154
	Foreign currency:			
	Term deposits		88,939	26,956
	Current deposits		102,980	53,367
	Saving deposits		1,140,694	971,546
		12.2.4.1	1,332,613	1,051,869
			1,929,410	1,563,023
12.2.4.1	Foreign currency profile			
	US Dollar		1,330,765	1,042,565
	Euro		1,848	9,304
			1,332,613	1,051,869

13 Other liabilities

	Note	2013 Afs '000'	2012 Afs '000'
Margin money against letter of guarantees		1,688,970	1,194,377
Interest payable		-	5,607
Withholding tax payable		-	8,168
ADIC premium payable		9,819	-
Others		47,524	4,182
Provision for income tax		20,737	31,054
		1,767,050	1,243,388

14 Share capitalPaid up Capital

	2013	2012
Paid up capital	1,125,000	1,000,000

14.1 As of 31 December, the shareholding pattern of the Bank was as follows.

	2013 Percentage (%)	2012 Percentage (%)
Dr Fraidoon Norzada	50	50
Haji Nasir Ahmed	20	20
Haji Qayoom Pardes	10	10
Eng Alluddin	10	10
Haji Samad	10	10
	100	100

	2013 Afs '000'	2012 Afs '000'
Movement in share capital suring the year is as follows:		
Balance as at 01 January	1,000,000	750,000
Capital injected during the year	125,000	250,000
Balance as at 31 December	1,125,000	1,000,000

15 Contingencies and commitments

	2013	2012
Letters of guarantees	3,367,140	2,385,964

15.1 These are guarantees extended to corporate entities against performance of contracts and bids and compliance of the terms and conditions annexed thereto.

		Note	2013	2012
			Afs '000'	Afs '000'
16	**Net interest income**			
	Interest income			
	Cash and cash equivalents		13,678	7,423
	Loans and advances to customers		883,264	557,137
	Total interest income		896,942	564,560
	Interest expense			
	Deposits from banks		-	2
	Deposits from customers		172,525	119,426
	Total interest expense		172,525	119,428
			724,417	445,132

	Note	2013	2012
		Afs '000'	Afs '000'

17 Net fee and commission income

	Note	2013	2012
		Afs '000'	Afs '000'
Fee and commission income			
Commission on guarantees issued		57,541	47,108
Commission on remittances		126,514	120,927
Loan processing fee		74,040	53,065
Account servicing fee		5,763	16,160
Others		4,181	70
Total fee and commission income		268,039	237,330
Fee and commission expense			
Inter-bank transaction fees		(46,017)	(25,759)
Total fee and commission expense		(46,017)	(25,759)
		314,056	211,571

18 Other income

	Note	2013	2012
Gain on sale of land	7.1	-	443,633
Other income		-	31,900
		-	475,533

19 Personnel expenses

	2013	2012
	Afs '000'	Afs '000'
Salaries and wages	258,627	177,442
Staff welfare	26,153	30,491
	284,780	207,933

20 Other operating expenses	Note	2013 Afs '000'	2012 Afs '000'
Rent		42,444	38,777
Internet and connectivity		56,302	44,645
Electricity and power		44,615	43,040
Legal and professional charges		4,547	18,423
Advertisement expenses		16,802	23,372
Travel		18,845	14,128
ADIC charges	20.1	39,500	20,689
Repair and maintenance		37,191	42,254
Printing and stationery		15,542	10,260
Software maintenance fee		3,948	4,281
Security expenses		113,332	116,458
Donations		4,756	2,282
Communication		2,634	2,049
Directors' remuneration		-	347
Others		23,440	51,289
		423,898	432,294

20.1 These charges are paid to Afghan Deposit Insurance Corporation (ADIC) @ 0.25% of total deposits.

21. Tax expense	Note	2013 Afs '000'	2012 Afs '000'
Current tax		(20,737)	(31,054)
Deferred tax	9	(63,286)	(34,085)
		(84,023)	(65,139)

21.1 Reconciliation of accounting profit / (loss)

	2013	2012
Profit/(loss) before tax - capital gain	-	443,633
Profit before tax other than capital gain	146,116	(8,918)
Profit/(loss) before tax	146,116	434,715
Tax on accounting profit @ 20%	(29,223)	(178)
Tax on capital gain @ 7%	-	(31,054)
Change in recognised deductible temporary differences	(49,657)	(239)
Change in recognised temporary differences	(13,629)	(33,846)
Non-deductible expenses	8,486	178
Current tax expense for the year	(84,023)	(65,139)

22 Related parties

Ultimate controlling party

The Bank is owned by individual persons, who own the Bank's shares in different proportions (Refer note 14.1).

Transactions with key management personnel

Key management personnel and their ultimate relatives have transacted with the Bank during the year as follows:

	2013 Afs '000'	2012 Afs '000'
Short-term employee benefits (Management Board)	24,868	15,297
Consultancy fee paid to members of Board of Supervisors	6,721	6,250

In addition to their salaries, the Bank also provides non-cash benefits to executives which includes furnished accommodation, meals and travel.

There were no related party transactions and outstanding balances other than those disclosed above.

23 Financial intruments - Fair values and risk management

Accounting classifications and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values

	Note	Trading	Designated at fair value	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
					Afs '000'				
31 December 2013									
Financial assets:									
Cash and cash equivalents	*5*	-	-	-	-	-	10,555,889	10,555,889	10,555,889
Loans and advances to customers	*6*	-	-	-	6,985,081	-	-	6,985,081	6,985,081
Other assets	*10*	-	-	-	-	-	1,363,335	1,363,335	1,363,335
		-	-	-	6,985,081	-	11,919,224	18,904,305	18,904,305
Financial liabilities:									
Deposits from banks	*11*	-	-	-	-	-	-	-	-
Deposits from customers	*12*	-	-	-	-	-	16,291,592	16,291,592	16,291,592
Other liabilities	*13*	-	-	-	-	-	57,343	57,343	57,343
		-	-	-	-	-	16,348,935	16,348,935	16,348,935
31 December 2012									
Financial assets:									
Cash and cash equivalents	*5*	-	-	-	-	-	6,235,883	6,235,883	6,235,883
Loans and advances to customers	*6*	-	-	-	4,720,168	-	-	4,720,168	4,720,168
Other assets	*10*	-	-	-	-	-	925,908	925,908	925,908
		-	-	-	4,720,168	-	7,161,791	11,881,959	11,881,959
Financial liabilities									
Deposits from banks	*11*	-	-	-	-	-	477	477	477
Deposits from customers	*12*	-	-	-	-	-	10,166,117	10,166,117	10,166,117
Other liabilities	*13*	-	-	-	-	-	17,957	17,957	17,957
		-	-	-	-	-	10,184,551	10,184,551	10,184,551

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

24 Financial risk management

24.1 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
d) operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, 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 and a Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas.

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.

24.2 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. 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 which 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). CCO along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained loan portfolio in terms of the Bank's credit policy. The credit evaluation system comprises of credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

Exposure to credit risk managed through regular analysis of borrower to meet 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 duly registered with the court of law and hypothecation over stock

Exposure to credit risk

	Note	Loans and advances to customers 2013 Afs '000'	Loans and advances to customers 2012 Afs '000'	Total carrying amount 2013 Afs '000'	Total carrying amount 2012 Afs '000'
Carrying amount - at amortized cost	6	**6,985,081**	4,720,168	**6,985,081**	4,720,168
Collectively impaired					
Gross amount		7,054,204	3,984,996	7,054,204	3,984,996
Allowance for impairment		(69,123)	(19,998)	(69,123)	(19,998)
Carrying amount		6,985,081	3,964,998	6,985,081	3,964,998
Past due but not impaired:					
Gross amount		-	57,681	-	57,681
		-	57,681	-	57,681
Neither past due nor impaired:					
Gross amount		-	697,489	-	697,489
Carrying amount-amortised cost:		**6,985,081**	4,720,168	**6,985,081**	4,720,168

Cash and cash equivalents

As of the reporting date, the Bank held cash and cash equivalents amounting to Afs 10,555,889 thousands (2012: Afs 6,235,883 thousands) which represents its maximum credit exposure on these assets. The bank balances are held with central bank and other banks and financial institutions. Management believes that cash and cash equivalents are not exposed to significant credit risk. The geographical profile of cash and cash equivalents has been disclosed in note 5.3.2 to these financial statements.

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 Afs 3,367,140 thousands (2012: Afs 2,385,964 thousands) (Refer note 15).

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 provisioning in accordance with the regulations of DAB General and specific allowance for impairment is made by the Bank with the following percentages:

Loan Grading	Days past due	Percentage %
Standard	None	0%
Watch	31-60 days	5%
Substandard	61-90 days	25%
Doubtful	91-180 days	50%
Loss	Over 180 days	100%

Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the Bank's Credit Committee determines that the loans are uncollectible This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and in accordance with the regulations of Da Afghanistan Bank. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

The Bank holds collateral against loans and advances in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of the collateral and other security enhancements held against loans and advances to customers is shown below:

	2013 Afs '000'	2012 Afs '000'
Against collectively impaired:		
Property		
Others	13,014,000	7,717,669
Against past due but not impaired:	99	329,660
Property		
Against neither past due nor impaired:	579	551,425
	-	-
	13,014,678	8,598,754

Concentration of credit risks by sector

All the loans have been disbursed in geographical territory of Afghanistan 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:

	Note	2013 Afs '000'	2012 Afs '000'
Carrying amount	6	6,985,081	4,720,168
Concentration by sector			
Manufacturing		240,106	213,576
Trade		3,130,772	2,185,447
Construction		2.516,556	1,377,970
Services		998.888	747,821
Others		98,759	215,362
		6,985.081	4,740,176
Concentration by location			
Afghanistan		6,985,081	4,720,168

Concentration by location for loans and advances is measured based on the location of the entity holding the asset, which has a high correlation with the location of the borrower.

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.

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. Management Board 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 from customers generally has shorter maturities and large proportion of them are repayable on demand.

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:

	2013	2012
At 31 December	56%	61%
Maximum for the year	56%	66%
Minimum for the year	46%	59%

Maturity analysis for financial liabilities

	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
					Afs '000'			
2013								
Deposits from banks	*5*	-	-	-	-	-	-	-
Deposits from customers	*6*	16,291,592	(16,291,592)	(2,416,247)	(2,608,586)	(2,555,377)	(8,711,382)	-
Other liabilities	*7*	1,746,309	(1,746,309)	(1,746,309)	-	-	-	-
Issued financial guarantees contracts	*15*	3,367,140	(3,367,140)	(1,276,796)	(792,266)	(869,913)	(428,165)	-
		21,405,041	**(21,405,041)**	**(5,439,352)**	**(3,400,852)**	**(3,425,290)**	**(9,139,547)**	-
2012								
Deposits from banks	*11*	477	(477)	477	-	-	-	-
Deposits from customers	*12*	10,166,117	(10,166,117)	(8,050,279)	(741,881)	(638,857)	(735,100)	-
Other liabilities	*13*	17,957	(17,957)	(17,957)	-	-	-	-
Issued financial guarantees contracts		2,385,964	(2,385,964)	(850,330)	(455,664)	(864,976)	(214,994)	-
		12,570,515	(12,570,515)	(8918,089)	(1,197,545)	(1,503,833)	(950,094)	-

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

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 Management Board of the Bank. The Management Board 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 repricing bands. The Management Board 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:

	Note	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
		Afs '000'					
2013							
Financial assets:							
Cash and cash equivalents	5	-	-	-	-	-	-
Loans and advances to customers	6	7,054,204	2,453,036	2,123,509	2,477,659	-	-
		7,054,204	2,453,036	2,123,509	2,477,659	-	-
Financial liabilities:							
Deposits from banks	11	-	-	-	-	-	-
Deposits from customers	12	(3,846,760)	(1,291,385)	(1,099,045)	(1,456,330)	-	-
		(3,846,760)	(1,291,385)	(1,099,045)	(1,456,330)	-	-
		3,207,444	1,161,651	1,024,464	1,021,329	-	-
2012							
Financial assets:							
Cash and cash equivalents	5	-	-	-	-	-	-
Loans and advances to customers	6	4,740,166	1,105,550	1,037,572	2,439,715	157,329	-
		4,740,166	1,105,550	1,037,572	2,439,715	157,329	-
Financial liabilities:							
Deposits from banks	11	(477)	(477)	-	-	-	-
Deposits from customers	12	(2,610,426)	(391,564)	(522,085)	(783,128)	(913,649)	-
		(2,610,903)	(392,041)	(522,085)	(783,128)	(913,649)	-
		2,129,263	713,509	515,487	1,656,587	(756,320)	-

Exposure to currency risk

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

	Note	Total	Afs	USD	Euro	GBP
		Afs '000'	'000'	'000'	'000'	'000'
2013						
Financial assets:						
Cash and cash equivalents	5	10,555,889	2,734,115	7,397,266	336,877	87,631
Loans and advances to customers	6	7,054,204	1,018,242	6,035,962	-	-
Other assets	10	1,399,980	1,344,523	55,457	-	-
		19,010,073	5,096,880	13,488,685	336,877	87,631
Financial liabilities:						
Deposits from banks	11	-	-	-	-	-
Deposits from customers	12	16,291,592	4,014,591	12,109,441	131,769	35,791
Other liabilities	13	1,746,309	526,416	1,200,476	19,414	3
		18,037,901	4,541,007	13,309,917	151,183	35,794
Net foreign currency exposure		972,172	555,873	178,768	185,694	51,837
2012						
Financial assets:						
Cash and cash equivalents	5	6,245,883	2,037,080	3,884,115	257,034	67,654
Loans and advances to customers	6	4,740,167	754,035	3,986,132	-	-
Other assets	10	924,478	879,964	44,355	159	-
		11,910,528	3,671,079	7,914,602	257,193	67,654
Financial liabilities:						
Deposits from banks	11	477	-	477	-	-
Deposits from customers	12	10,166,117	3,100,643	6,864,003	144,851	56,620
Other liabilities	13	1,212,334	283,196	919,848	9,285	5
		11,378,928	3,383,839	7,784,328	154,136	56,625
Net foreign currency exposure		531,600	287,240	130,274	103,057	11,029

The following significant exchange rates applied during the period.

	2013		2012	
	Average rate	**Reporting date spot rate**	Average rate	Reporting date spot rate
	Afs	**Afs**	Afs	Afs
USD	**55.46**	**56.01**	50.99	52.08
Euro	**73.31**	**76.73**	65.37	68.64
GBP	**85.68**	**91.36**	79.93	83.31

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, Euro and GBP at 31 December 2013 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.

Afs '000'	2013		2012	
	Equity	**Profit or loss**	Equity	Profit or loss
USD	**(17,877)**	**(17,877)**	(13,027)	(13,027)
Euro	**(18,569)**	**(18,569)**	(10,306)	(10,306)
GBP	**(5,184)**	**(5,184)**	(1,103)	(1,103)

A 10% weakening of the Afghani against the above currencies at 31 December 2012 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.

24.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

24.6 Capital management

Regulatory capital

The Bank's regulator DAB sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB. As of reporting date, DAB requires the Bank to maintain financial capital of not less than Afs 500 million and regulatory capital to risk-weighted asset ratio of not less than 12 percent and a core (Tier 1) capital to risk-weighted asset ratio of not less than 6 percent.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

- Regulatory capital is the sum of Tier 1 and Tier 2 capital and Tier 2 capital cannot exceed the amount of Tier 1 capital.

The Bank's regulatory capital position at 31 December was as follows:

	Note	2013	2012
		Afs '000'	Afs '000'
Tier 1 capital			
Total equity capital		1,090,126	903,033
Less: Profit for the year		(62,093)	(369,576)
Less: Intangible assets	8	(3,544)	(5,390)
Less: Deferred tax assets	9	-	(20,030)
Total tier 1 (core) capital		1,024,489	508,037
Impairment allownce against loans and advances		69,123	19,998
Add: Profit for the year		62,093	369,576
Total tier 2 (supplementary) capital		131,216	389,574
Total regulatory capital		1,155,705	897,611

25 Corresponding figures

The corresponding figures have been re-arranged / or reclassified wherever necessary for the purpose of comparison

Chairman

Chief Executive Officer