KPMG Afghanistan Limited

Bakhtar Bank

Financial Statements
For the year ended 31 December 2010

KPMG

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Independent Auditors' Report

To: The shareholders
Bakhtar Bank

We have audited the accompanying financial statements of Bakhtar Bank ("the Bank"), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement 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 requirements of the Law of Banking in Afghanistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 qualified audit opinion.

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Basis for Qualified Opinion

Loans and advances amounting to Afs 617 million outstanding at the year end in respect of housing project being developed by Onyx Construction Company. These loans are recoverable in 2 to 5 years which is linked to the successful completion of the housing project and sale thereof by Onyx Construction Company. The bank may not necessarily be in compliance with the regulation governing large exposures. Further, as per project development agreement signed with Onyx Construction Company, the property was required to be mortgaged to the Bank or through execution of a suitable power of attorney in favour of the Bank by way of *Baiee-jai-zee* registered in the court. As at the date of this report, the Bank has not obtained *Baiee-jai-zee* of the project. The Bank's exposure against these borrowings is unsecured for which additional impairment has not been recognized in these financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter referred to in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan.

KPMG Afghanistan Ltd.

KPMG Afghanistan Limited
30 April 2010
Kabul

Bakhtar Bank
Statement of financial position
As at 31 December 2010

2010 USD'000'	2009 USD'000'		Note	2010 Afs '000'	2009 Afs '000'
		Assets			
41,188	11,217	Cash and cash equivalents	5	**1,865,804**	545,603
38,628	2,465	Loans and advances to customers	6	**1,749,837**	119,883
1,250	1,361	Property and equipment	7	**56,623**	66,205
3,100	2,948	Intangible assets	8	**140,435**	143,402
577	175	Deferred tax asset	9	**26,146**	8,492
4,168	449	Other assets	10	**188,806**	21,819
88,911	18,614	**Total assets**		**4,027,651**	905,404
		Liabilities			
28,739	6,240	Deposits from customers	11	**1,301,890**	303,513
38,961	-	Deposits from banks	12	**1,764,953**	-
5,734	2,764	Other liabilities	13	**259,753**	134,461
73,435	9,004	**Total liabilities**		**3,326,596**	437,974
		Equity			
18,722	10,308	Share capital	14	**848,100**	501,400
(3,246)	(698)	Retained earnings		**(147,045)**	(33,970)
15,476	9,610	**Total equity**		**701,055**	467,430
88,911	18,614	**Total liabilities and equity**		**4,027,651**	905,404

The annexed notes 1 to 24 form an integral part of these financial statements.

Chairman **Chief Executive Officer** **Deputy Chief Executive Officer**

Bakhtar Bank
Statement of comprehensive income
For the year ended 31 December 2010

2010 USD'000'	2009 USD'000'		Note	2010 Afs '000'	18 March 2009 to 31 December 2009 Afs '000'
2,810	205	Interest income	*15*	**127,283**	9,978
(1,077)	(19)	Interest expense	*15*	**(48,781)**	(905)
1,733	187	**Net interest income**		**78,502**	9,073
1,033	180	Fee and commission income	*16*	**46,811**	8,769
(10)	(24)	Fee and commission expense	*16*	**(455)**	(1,177)
1,023	156	**Net fee and commission income**		**46,356**	7,592
404	210	Other operating income	*17*	**18,308**	10,225
3,160	553	**Operating income**		**143,166**	26,890
(1,971)	-	Impairment loss on loans and advances	*6*	**(89,288)**	-
(1,260)	(367)	Personnel expenses	*18*	**(57,095)**	(17,872)
(484)	(266)	Operating lease expenses		**(21,923)**	(12,937)
(452)	(123)	Depreciation and amortisation	*7, 8*	**(20,476)**	(5,961)
(1,879)	(670)	Other expenses	*19*	**(85,113)**	(32,582)
(2,886)	(873)	**Loss before income tax**		**(130,729)**	(42,462)
363	175	Income tax	*20*	**17,654**	8,492
(2,496)	(698)	**Loss for the year/period**		**(113,075)**	(33,970)
-	-	Other comprehensive income		**-**	-
(2,496)	(698)	**Total comprehensive income for the year/period**		**(113,075)**	(33,970)

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Bakhtar Bank
Statement of changes in equity
For the year ended 31 December 2010

Total USD'000'		Share capital Afs '000'	Retained earnings Afs '000'	Total Afs '000'
	Total comprehensive income for the period 18 March 2009 to 31 December 2009:			
(699)	Loss for the period	-	(33,970)	(33,970)
	Contributions by owners:			
10,317	Issuance of share capital	501,400	-	501,400
9,618	**Balance at 31 December 2009**	501,400	(33,970)	467,430
10,319	**Balance as at 01 January 2010**	**501,400**	**(33,970)**	**467,430**
	Total comprehensive income for the year:			
(2,496)	Loss for the year	-	**(113,075)**	**(113,075)**
	Contributions by owners:			
7,653	Issuance of share capital	**346,700**	-	**346,700**
15,476	**Balance at 31 December 2010**	**848,100**	**(147,045)**	**701,055**

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Chairman **Chief Executive Officer** **Deputy Chief Executive Officer**

Bakhtar Bank
Statement of cash flows
For the year ended 31 December 2010

2010 USD'000'	2009 USD'000'		Note	2010 Afs '000'	18 March 2009 to 31 December 2009 Afs '000'
		Cash flows from operating activities			
(2,886)	(873)	Loss for year the period before taxation		**(130,729)**	(42,462)
		Adjustments for:			
452	123	Depreciation and amortisation	*7,8*	**20,476**	5,961
1,971	-	Impairment loss on loans and advances		**89,288**	-
(1,733)	(187)	Net interest income	*15*	**(78,502)**	(9,073)
16	-	Loss on sale of property and equipment		**727**	-
(2,180)	(937)			**(98,740)**	(45,574)
(37,952)	(2,465)	Change in loans and advances to customers	*6*	**(1,719,242)**	(119,883)
(3,686)	(134)	Change in other assets	*10*	**(166,987)**	(6,506)
22,039	(952)	Change in deposits from customers	*11*	**998,377**	(46,294)
38,961	-	Change in deposits from banks	*12*	**1,764,953**	-
2,750	2,764	Change in other liabilities	*13*	**124,562**	134,461
19,932	(1,723)			**902,923**	(83,796)
2,810	205	Interest received		**127,283**	9,978
(1,061)	(19)	Interest paid		**(48,051)**	(905)
21,681	(1,536)	Net cash generated from operating activities		**982,155**	(74,723)
		Cash flows from investing activities			
-	3,673	Cash received in acquisition	*8*	**-**	178,637
(193)	(1,045)	Acquisition of property and equipment	*7*	**(8,726)**	(50,811)
2	-	Proceeds from sale of property and equipment		**72**	-
-	(183)	Acquisition of intangible assets	*8*	**-**	(8,900)
(191)	2,445	Net cash used in investing activities		**(8,654)**	118,926
		Cash flows from financing activities			
7,653	10,308	Proceeds from issuance of shares	*14*	**346,700**	501,400
7,653	10,308	Net cash from financing activities		**346,700**	501,400
29,144	11,217	**Net increase in cash and cash equivalents**		**1,320,201**	545,603
12,044	-	**Cash and cash equivalents at beginning of the year**		**545,603**	-
41,188	11,217	**Cash and cash equivalents at 31 December**	*5*	**1,865,804**	545,603

The annexed notes 1 to 24 form an integral part of these financial statements.

Chairman | **Chief Executive Officer** | **Deputy Chief Executive Officer**

1. Status and nature of operations

Bakthar Bank ("the Bank") is a commercial bank registered and operating in Afghanistan. The Bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The Bank commenced its operations on 18 March 2009 under the license for commercial banking issued to it by Da Afghanistan Bank ("DAB") under the Law of Banking in Afghanistan. The principal activity of the Bank is to provide commercial and retail banking services within Afghanistan.

The Bank is a wholly owned subsidiary of Azizi Bank.

The registered office of the Bank is located in Kabul, Afghanistan and has sixteen branches.

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 prevail.

The financial statements were approved by the Board of Supervisors on 30 April 2011.

(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, the financial information presented in Afs has been rounded to the nearest thousand.

The US Dollar amounts shown in the financial statements are stated solely for information convenience. For the purpose of translation to US Dollars, the rate of Afs 45.3 for the year 2010 and 48.64 for the period 2009 per US Dollar has been used.

(d) Use of estimates and judgments

The preparation of the 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.

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 the financial statements are described in note 7 and 8.

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

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.

(b) 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 that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue 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 amortised cost calculated on an effective interest 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) Fees and commission

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

Other fees and commission income, including account servicing fees and sales commission, are recognized as the related services are performed.

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

(d) Lease payments

Payments made under operating leases are recognised in profit or loss 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. 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 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 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.

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 financial liabilities

(i) Recognition

The Bank initially recognizes 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 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) and 3(h).

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

The Bank derecognises 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 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.

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

(vi) Fair value measurement

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

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

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

(vii) Identification of measurement of impairment

The Bank determines allowance for impairment loans and advances in accordance with regulation issued by DAB "Asset Classifications, Monitoring of Problem Assets, Reserve for losses, and Non-accrual Status".

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 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 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 recognised in profit or loss 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 profit or loss.

The Bank writes off certain loans and advances when they are determined to be uncollectable.

The carrying amounts of the acquired customer deposits 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 the asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(g) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(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.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated 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. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the 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 or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss 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. Land is not depreciated.

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

■ Leasehold improvements	20 years
■ Furniture and fixtures	5-20 years
■ Electrical equipment	5 years
■ IT equipment	3 years
■ Vehicles	6.67 years

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

(j) Intangible assets

(i) Software

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses.

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

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

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

(ii) Acquired customer deposits

Acquired customer deposits represent the difference between the assets acquired and liabilities assumed by the Bank on the acquisition of the business of the

Development Bank of Afghanistan ("DBA") which was acquired under an agreement, dated 18 March 2009, between DAB and Azizi Bank (parent entity of the Bank). DA Afghanistan Bank issued fresh license to the Bank on conclusion of the above mentioned agreement.

Subsequent measurement

Acquired customer deposits are measured at cost less accumulated impairment losses.

(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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Deposits

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

(m) 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.

(n) Financial guarantees

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

(o) Employee benefits

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

(p) Share capital

Shares issued are 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 the year ended 31 December 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Bank, with the exception of IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets: amortized cost and fair value. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

	Note	2010	2009
		Afs '000'	Afs '000'
5. Cash and cash equivalents			
Cash on hand		**801,731**	82,390
Balances with banks:			
DAB		**564,052**	11,796
Commerz Bank		**99,074**	7,186
Azizi Bank	*5.1*	**321,093**	437,258
Capital notes	*5.2*	**79,854**	6,973
		1,064,073	463,213
		1,865,804	545,603

5.1 Balances kept with Azizi Bank (parent entity) carries interest ranging from 4% to 6.5 % per annum (2009: 6.5% to 7%). These are unsecured. The Bank has earned interest income amounting to Afs 4,108 thousand (2009: Afs 4,189 thousand) on these deposits during the year.

5.2 Capital notes are issued by DAB which carries interest ranging from 2.3 to 4.9% per annum and have a maturity period of 28 days.

	2010 Afs '000'	2009 Afs '000'
6. Loans and advances to customers		
Loans and advances to customers- at amortised cost	1,749,837	119,883

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

	Note	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		31 December 2010 Afs'000			31 December 2009 Afs'000		
Retail customers- Running finances	*6.1*	618,964	4,323	**614,641**	115,129	-	**115,129**
Long term commercial loans	*6.2*	239,641	1,241	**238,400**	-	-	-
Small and medium enterprise loan	*6.3*	281,523	17,660	**263,863**	-	-	-
Short term loans to employees	*6.4*	3,552	297	**3,255**	1,663	-	**1,663**
Other public consumer loans	*6.5*	12,203	3,287	**8,916**	3,091	-	**3,091**
Trade and commercial loans	*6.6*	4,599	904	**3,695**	-	-	-
Residential mortgage loans	*6.7*	678,643	61,576	**617,067**	-	-	-
		1,839,125	89,288	**1,749,837**	119,883	-	**119,883**

6.1 Running finance facilities are extended to retail customers for a maximum period of one year subject to renewal at the end of loan term for another one year. These facilities carry interest ranging from 12% to 20% per annum (2009: 15% to 20%). The facilities are secured against immovable properties, stock and receivables of the borrowers and personal guarantees in certain cases.

6.2 Long term loan (Demand Loan) are extended to corporate customers for period of one to three year. These facilities carry interest ranging from 12% to 15% per annum. The facilities are secured against immovable properties, stock and receivables of the borrowers and personal guarantees.

6.3 Small and medium enterprise loans are extended to shop owners of Zadran Plaza for meeting their working capital requirenments. These SME loans are extended to customers for a maximum period of three year. These facilities carry interest of 12% per annum. The facilities are secured against movable fixed assets, stock and receivables of the borrowers and personal guarantees.

6.4 Short term loans to employees are unsecured. Interest rate on loans to employees is 12% to 15% per annum and these loans are extended for maximum period of one to two years.

6.5 Other public consumer loans are extended to individuals for a maximum period of one to three years. These loans carry interest ranging from 12% to 15% per annum and are secured against immovable properties and personal guarantees.

6.6 Trade and commercial loans are extended to corporate customers for period of one to three years. These loans carry interest ranging from 12% to 15% per annum and are secured against immovable properties and personal guarantees.

6.7 Residential mortgage loans are extended to individuals for a maximum period of three to five year. Onyx Cosntruction Company ("Onyx") is constructing Azizi Milli Palace, for which the loans have been extended to individuals for the cost of units purchased. Loan is directly disbursed to Onyx on behalf of customers and customer repay the loan in installments as per repayment schedule. Initially customers were required to pay the installments effective 01 May 2010, but as the project was delayed due to unforseen circumstances, it was decided by the bank to reschedule all the loans by six months i.e, upto November 2010. Interest is borne by Onyx until the handover of units to the customer, while customer will pay the interest once the unit is handed over to them.These loans carry interest of 10% per annum and are secured against units purchased and personal guarantees. Loans other than Onyx are charged interest at 12% to 15% for period of maximum of three years.

Subsequent to the year end, the Bank has conducted market valuation of the said land and structure through an independent valuer "Assas Associates". The proportionate assessed market value (forced sale value) of the project is Afs 193,039 thousand.

Property and equipment

	Leasehold improvements	Office Equipment	Furniture & Fittings	IT equipment	Motor Vehicles	Total
			(Afs '000')			
Cost/assessed values						
Balance at 18 March 2009	-	-	-	-	-	-
Acquisitions during the period	12,134	18,498	3,000	9,865	7,314	50,811
Acquired from DBA *(note 8.1)*	-	4,926	2,072	11,742	1,132	19,872
Balance at 31 December 2009	12,134	23,424	5,072	21,607	8,446	70,683
Balance at 01 January 2010	**12,134**	**23,424**	**5,072**	**21,607**	**8,446**	**70,683**
Acquisitions during the year	**2,449**	**2,134**	**1,009**	**1,913**	**1,221**	**8,726**
Deletions during the year	**(742)**	**(83)**	**(113)**	-	-	**(938)**
Balance at 31 December 2010	**13,841**	**25,475**	**5,968**	**23,520**	**9,667**	**78,471**
Depreciation						
Balance at 18 March 2009	-	-	-	-	-	-
Depreciation for the period	967	1,549	106	1,671	185	4,478
Balance at 31 December 2009	967	1,549	106	1,671	185	4,478
Balance at 01 January 2010	**967**	**1,549**	**106**	**1,671**	**185**	**4,478**
Depreciation for the year	**3,174**	**4,966**	**550**	**7,464**	**1,355**	**17,509**
Deletions during the year	**(132)**	**(4)**	**(3)**	-	-	**(139)**
Balance at 31 December 2010	**4,009**	**6,511**	**653**	**9,135**	**1,540**	**21,848**
Carrying amounts						
Balance at 18 March 2009	-	-	-	-	-	-
Balance at 31 December 2009	11,167	21,875	4,966	19,936	8,261	66,205
Balance at 31 December 2010	**9,832**	**18,964**	**5,315**	**14,385**	**8,127**	**56,623**

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

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8. Intangible assets

	Purchased software	Acquired customer deposits *(note 8.1)*	Total
		(Afs '000')	
Cost			
Balance at 01 January 2009	-	-	-
Acquisitions during the period	8,900	135,985	144,885
Balance at 31 December 2009	8,900	135,985	144,885
Balance at 01 January 2010	8,900	135,985	144,885
Acquisitions during the period	-	-	-
Balance at 31 December 2010	**8,900**	**135,985**	**144,885**
Amortisation			
Balance at 01 January 2009	-	-	-
Amortisation for the period	1,483	-	1,483
Balance at 31 December 2009	1,483	-	1,483
Balance at 01 January 2010	**1,483**	-	**1,483**
Amortisation during the year	**2,967**	-	**2,967**
Balance at 31 December 2009	**4,450**	-	**4,450**
Carrying amount at 31 December 2009	7,417	135,985	143,402
Carrying amount at 31 December 2010	**4,450**	**135,985**	**140,435**

8.1 Acquired customer deposits represent the difference between the assets acquired and liabilities assumed by the Bank on the acquisition of the business of the Development Bank of Afghanistan ("DBA") which was acquired under an agreement, dated 18 March 2009, between DAB and Azizi Bank (parent entity of the Bank). DA Afghanistan Bank issued fresh license to the Bank on conclusion of the above mentioned agreement. The following assets and liabilities were taken over by the Bank:

	Amount (Afs '000')
Assets	
Cash and cash equivalents	178,637
Property and equipment	19,872
Other assets	15,313
	213,822
Liabilities	
Customer deposits	349,807
Net liabilities-representing cost of acquisition	**(135,985)**
Represented by:	
Net liabilities assumed	**(135,985)**

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9. Deferred tax asset

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

As at 31 December 2010

	Assets	Liabilities	Net
		Afs '000'	
Property and equipment	-	(6,902)	**(6,902)**
Intangible asset	-	(27,642)	**(27,642)**
Tax loss carry-forward	60,690	-	**60,690**
	60,690	(34,544)	**26,146**

As at 31 December 2009

	Assets	Liabilities	Net
Property and equipment	-	(2,766)	**(2,766)**
Intangible asset	-	(13,747)	**(13,747)**
Tax loss carry-forward	25,005	-	**25,005**
	25,005	(16,513)	**8,492**

10. Other assets

	Note	2010 Afs '000'	2009 Afs '000'
Prepayments		8,610	5,240
Receivable from DAB	*10.1*	15,313	15,313
Receivable from Etehad Brothers Money Services	*10.2*	155,436	-
Others		9,447	1,266
		188,806	**21,819**

10.1 This represents assets receivable form DAB under an agreement on the inception of the Bank (Refer note 8.1).

10.2 This represents receivable from Etehad Brothers Money Services against transfer of cash to the branches of the Bank.

	2010	2009
	Afs '000'	Afs '000'
11. Deposits from customers		
Term deposits	**159,013**	8,816
Current deposits	**570,914**	256,213
Saving deposits	**571,963**	38,484
	1,301,890	303,513

None of deposits from customers are expected to be settled more than 12 months after the reporting date.

	Note	2010	2009
		Afs '000'	Afs '000'
12. Deposits from Banks			
Azizi Bank	*12.1*	**731,135**	-
Pashtany Bank	*12.2*	**1,033,818**	-
		1,764,953	-

12.1 Deposit from Azizi Bank (parent entity) carries interest ranging from 8% to 9% per annum (2009: nil). The Bank has paid interest expense amounting to Afs 27,151 thousand (2009: nil) on these deposits during the year.

12.2 Deposit from Pashtany Bank carries interest ranging from 8% to 8.5 % per annum (2009: nil). The Bank has paid interest expense amounting to Afs 11,327 thousand (2009: nil) on these deposits during the year.

	Note	2010	2009
		Afs '000'	Afs '000'
13. Other liabilities			
Margin money		**246,319**	128,428
Withholding tax payable		**262**	150
Interest payable on term deposit		**923**	193
Payable to Azizi Bank	*13.1*	**6,333**	850
Others		**5,916**	4,840
		259,753	134,461

13.1 Payable to Azizi Bank (parent entity) is against payment for connectivity charges of the Bank's branches.

	Note	2010	2009
14. Share capital			
Authorised			
250,000 ordinary shares of Afs 10,000 each	*14.1*	**2,500,000**	1,000,000
Issued and paid up			
84,810 ordinary shares of Afs 10,000 each	*14.2*	**848,100**	501,400

14.1 Authorized share capital was increased from Afs 1,000 million to Afs 2,500 million.

14.2 Shares were issued to Azizi Bank (parent entity) for cash amounting to Afs 346,700 thousand, during the year.

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	Note	2010	18 March 2009 to 31 December 2009
		Afs '000'	Afs '000'
15. Net interest income			
Interest income			
Cash and cash equivalents	*15.1*	**5,552**	4,321
Loans and advances to customers		**121,731**	5,657
Total interest income		**127,283**	9,978
Interest expense			
Deposits from customers		**10,303**	905
Deposits from banks	*15.2*	**38,478**	-
Total interest expense		**48,781**	905
Net interest income		**78,502**	9,073

15.1 This includes interest income amounting to Afs 4,108 thousand (2009: Afs 4,189 thousand) earned during the year from deposits with parent entity (Refer note 5.1).

15.2 This includes interest expense amounting to Afs 27,151 thousand (2009: nil) paid during the year from deposits with parent entity (Refer note 12.1).

	2010	18 March 2009 to 31 December 2009
	Afs '000'	Afs '000'
16. Net fee and commission income		
Fee and commission income		
Commission on guarantees issued	**46,742**	8,454
Account servicing fee	**69**	315
Total fee and commission income	**46,811**	8,769
Fee and commission expense		
Inter-bank transaction fees	**455**	1,177
Total fee and commission expense	**455**	1,177
	46,356	7,592

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		Note	2010 Afs '000'	18 March 2009 to 31 December 2009 Afs '000'
17.	**Other operating income**			
	Foreign exchange (loss)/gain		**(12,574)**	7,576
	Others		**30,882**	2,649
			18,308	10,225
18.	**Personnel expenses**			
	Salaries and wages		**52,339**	16,585
	Staff welfare		**4,756**	1,287
			57,095	17,872
19.	**Other expenses**			
	Repair and maintenance		**1,821**	729
	Travel		**2,058**	871
	Software maintenance fee		**2,236**	1,335
	Printing and stationery		**1,833**	1,619
	Communication		**880**	272
	Internet and connectivity		**6,748**	2,518
	Electricity and power		**6,383**	1,407
	Security expenses		**18,076**	6,355
	Audit fee		**793**	533
	Legal and professional charges		**1,039**	56
	Business development expenses		**28,662**	15,529
	Premium paid on deposit insurance		**1,667**	-
	Khoshnaseeb DrawExpense		**7,919**	-
	Others		**4,998**	1,358
			85,113	32,582
20.	**Income tax**			
	Current tax expense		-	-
	Deferred tax	*9*	**17,654**	8,492
			17,654	8,492
	Reconciliation of effective tax rate			
	Loss before income tax		**173,191**	42,462
	Income tax using corporate tax rate	*20%*	**(34,638)**	(8,492)
	Total income tax income	*20%*	**(34,638)**	(8,492)

A deferred tax asset has been recognized on estimated losses carried forward, in view of management's projections of sufficient taxable profits in the foreseeable future against which such deferred asset could be realized (Refer note 9.1).

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21. Related parties

Parent and ultimate control party

The Bank is a 100% owned subsidiary of Azizi Bank, therefore all subsidiaries and associated entities are related parties of the bank. The related entities also comprise entities in which directors are able to exercise significant influence and key management personnel.

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Bank during the period as follows:

	2010 Maximum balance	**2010 Closing balance**	2009 Maximum balance	2009 Closing balance
	Afs '000'	**Afs '000'**	Afs '000'	Afs '000'
Loans and advances	**1,780**	**720**	1,200	982
	1,780	**720**	1,200	982

Interest charged on balances outstanding from related parties fall within the same rates that would be charged in arms length transactions. Loans to related parties are unsecured. During the year interest income on these loans amounted to Afs 83 thousand .

No impairment losses have been recorded against balances outstanding during the period with key management personnel and other related parties, and no specific allowance has been made for impairment losses on these balances at the period end.

Key management personnel compensation for the period comprised:

	2010	2009
	Afs '000'	Afs '000'
Short-term employee benefits	**9,815**	2,235

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

Chief Executive Officer
Deputy Chief Executive Officer
Chief Credit Officer
Chief Finance Officer

22. Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2010	**2009**
	Afs '000'	**Afs '000'**
Less than one year	**19,735**	**17,591**
Between one to five years	**42,006**	**49,637**
More than five years	-	-
	61,741	**67,228**

The Bank leases a number of branch and office premises under operating leases. The leases typically run for a period of up to five years, with an option to renew the lease after that period.

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23. 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 Afs '000'	*Note*	Trading	Designated at fair value	Held to maturity	Loans and advances	Available for sale	Other amortised cost	Total carrying amount	Fair value
31 December 2010									
Cash and cash equivalents	*5*	-	-	-	-	-	1,865,804	**1,865,804**	1,865,804
Loans and advances to customers	*6*	-	-	-	1,749,837	-	-	**1,749,837**	1,749,837
Other assets	*10*	-	-	15,313	-	-	-	**15,313**	15,313
		-	-	15,313	1,749,837	-	1,865,804	**3,630,954**	3,630,954
Deposits from customers	*11*	-	-	-	-	-	1,301,890	**1,301,890**	1,301,890
Deposits from banks	*12*	-	-	-	-	-	1,764,953	**1,764,953**	1,764,953
Other liabilities	*13*	-	-	259,753	-	-	259,753	**259,753**	259,753
		-	-	259,753	-	-	3,326,596	**3,326,596**	3,326,596
31 December 2009									
Cash and cash equivalents	*5*	-	-	-	-	-	545,603	**545,603**	545,603
Loans and advances to customers	*6*	-	-	-	119,883	-	-	**119,883**	119,883
Other assets	*10*	-	-	15,313	-	-	-	**15,313**	15,313
		-	-	15,313	119,883	-	545,603	**680,799**	680,799
Deposits from customers	*11*	-	-	-	-	-	303,513	**303,513**	303,513
Other liabilities	*13*	-	-	134,461	-	-	134,461	**134,461**	134,461
		-	-	134,461	-	-	437,974	**437,974**	437,974

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24. Financial risk management

24.1 Introduction and overview

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

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

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 the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established Management Board, Asset and Liability Committee (ALCO) and a Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Supervisors on their activities. The Bank's Management Board is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Management Board is assisted in these functions by the Internal Audit.

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 of Supervisors has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and 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 risk.

The Bank has established and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board of Supervisors. 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

in Afs '000'	*Note*	**Assets at amortised cost** Afs '000'	**Available-for-sale assets** Afs '000'	**Assets at fair value through profit or loss** Afs '000'	**Total carrying amount** Afs '000'
31 December 2010					
Loans and advances to customers	*6*	1,749,837	-	-	**1,749,837**
31 December 2009					
Loans and advances to customers	*6*	119,883	1,360	-	121,243

As at balance sheet date, all the loan portfolio of the Bank are recoverable and all the assets which are past due are provided for as per DAB guidelines.

In addition to the above, the Bank had entered into lending commitments of Afs 27,431 thousand (2009: Afs 15,670 thousand). The Bank has issued financial guarantees contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is Afs 1,182,642 thousand (2009: 366,292 thousand).

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.

Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the Bank's Credit department 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. 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 to customers 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.

Value of collateral held by the Bank as at year end amounts to Afs 5,395,356 thousand (2009: Afs 281,384 thousand).

Cash and cash equivalents

The Bank held cash and cash equivalents of Afs 1,064,073 thousand at 31 December 2010 (2009: 463,213 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with central bank and other banks.

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. 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, whilst enabling the Bank to pursue valued business opportunities. 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 and banks. For this purpose net liquid assets are considered as including cash and cash equivalent net off 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 and banks at the reporting date and during the reporting year was as follows:

	2010	2009
At 31 December 2010/2009	61%	180%
Average for the year/period	74%	62%
Maximum for the year/period	154%	80%
Minimum for the year/period	52%	43%

Maturity analysis for financial liabilities

in Afs '000'	*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
31 December 2010								
Deposits from customers	*11*	**1,301,890**	1,301,890	1,142,877	-	159,013	-	-
Deposits from banks	*12*	**1,764,953**	1,764,953	1,764,953	-	-	-	-
Other liabilities		**259,753**	259,753	11,718	-	923	246,319	-
Unrecognised loan commitments		**55,130**	55,130	-	55,130	-	-	-
		3,381,726	3,381,726	2,919,548	55,130	159,936	246,319	-
31 December 2009								
Deposits from customers	*11*	**303,513**	303,513	263,930	1,402	38,181	-	-
Deposits from banks	*12*							
Other liabilities		**134,461**	134,461	95,251	2,325	36,584		
Unrecognised loan commitments		**15,670**	15,670	-	15,670	-	-	-
		453,644	453,644	359,181	19,397	74,765	-	-

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

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

in Afs '000'	*Note*	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2010							
Cash and cash equivalents	*5*	**400,947**	400,947	-	-	-	-
Loans and advances to customers	*6*	**1,749,837**	-	-	630,507	1,119,330	-
Other assets	*10*	**15,313**	15,313	-	-	-	-
		2,166,097	**416,260**	-	**630,507**	**1,119,330**	-
Deposits from customers	*11*	**730,976**	571,963	-	159,013	-	-
Deposits from banks		**1,764,953**	1,764,953	-	-	-	-
		2,495,929	**2,336,916**	-	**159,013**	-	-
31 December 2009							
Cash and cash equivalents	*5*	**444,231**	444,231	-	-	-	-
Loans and advances to customers	*6*	**119,883**	1,358	743	117,674	90	-
Other assets	*10*	**15,313**	15,313	-	-	-	-
		579,427	**460,902**	**743**	**117,674**	**90**	-
Deposits from customers	*11*	**47,300**	9,118	1,714	36,468	-	-
Other liabilities		**134,461**	97,576	1,525	35,058	-	-
		181,761	**106,694**	**3,239**	**71,526**	-	-

Exposure to currency risk

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

in Afs '000'	Afs	US$	Euro
31 December 2010			
Cash and cash equivalents	1,335,209	11,216	376
Loans and advances to customers	450,630	30,651	-
Other assets	175,982	283	-
	1,961,821	**42,150**	**376**
Deposits from customers	362,402	20,233	384
Deposits from banks	14,513	14,513	-
Other liabilities	43,203	4,665	25
	420,118	**39,411**	**409**
Net foreign currency exposure	**1,541,703**	**2,739**	**(33)**
31 December 2009			
Cash and cash equivalents	262,715	269,557	13,331
Loans and advances to customers	13,319	106,564	-
Other assets	21,052	767	-
	297,086	**376,888**	**13,331**
Deposits from customers	70,767	220,026	12,720
Other liabilities	16,821	117,142	498
	87,588	**337,168**	**13,218**
Net foreign currency exposure	**209,498**	**39,720**	**113**

The following significant exchange rates applied during the period.

	2010		2009	
in Afs '000'	**Average rate**	**Reporting date spot rate**	**Average rate**	**Reporting date spot rate**
USD	46.37	45.30	50.00	48.64
Euro	61.51	59.91	71.00	71.08

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, and euro at 31 December 2010 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 Afs '000'	**Equity**	**Profit or loss**
31 December 2010		
USD	(12,407)	(12,407)
Euro	284	284
31 December 2009		
USD	3,972	3,972
Euro	11	11

A 10% weakening of the Afghani against the above currencies at 31 December 2010 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 Capital management

Regulatory capital

The Bank's regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- 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 amount of Tier 1 capital. The Bank complies with these regulations.

The Bank's regulatory capital position at 31 December 2010 was as follows:

	2010 Afs '000'	2009 Afs '000'
Tier 1 capital		
Total equity capital	701,055	467,430
Less: Intangible assets	(140,435)	(143,402)
Less: Deferred tax assets	(26,146)	(8,492)
Total tier 1 (core) capital	**534,474**	**315,536**
Tier 2 capital	-	-
Total tier 2 (supplementary) capital	-	-
Total regulatory capital	**534,474**	**315,536**

Chairman | **Chief Executive Officer** | **Deputy Chief Executive Officer**