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Independent Auditor's report

To: The Supreme Council
Da Afghanistan Bank

We have audited the accompanying financial statements of Da Afghanistan Bank ("the Bank"), which comprise the statement of financial position as at 29 Hoot 1388 (20 March 2010), the income statement and statements of comprehensive income, changes in equity and cash flows 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 (IFRSs) and Da Afghanistan Bank Law of 2003. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of the Bank as of 29 Hoot 1388 (20 March 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 DAB Law.

KPMG Afghanistan Limited

KPMG Afghanistan Limited

05 *June 2010*

Kabul

Da Afghanistan Bank
Statement of financial position
As at 29 Hoot 1388 (20 March 2010)

	Note	1388 (AFN '000')	1387 (AFN '000')
ASSETS			
Gold reserve	*4*	**37,611,073**	34,640,934
Foreign currency cash reserve	*5*	**9,364,304**	7,044,765
Due from banks and financial institutions	*6*	**92,128,701**	118,600,896
Investments	*7*	**59,823,491**	23,612,514
Advances and other receivables	*8*	**100,648**	565,337
Investment property	*9*	**4,800**	4,800
Property and equipment	*10*	**4,030,361**	2,232,316
Intangible asset	*11*	**13,073**	19,096
Other assets	*12*	**13,033,560**	14,317,743
TOTAL ASSETS		**216,110,011**	201,038,401
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in circulation	*13*	**98,690,425**	76,807,259
Capital notes	*14*	**10,240,312**	18,925,886
Due to banks and financial institutions	*15*	**25,786,246**	31,418,196
Due to customers	*16*	**46,924,165**	36,238,931
IMF related liabilities	*17*	**35,511**	35,511
Defined benefit plan	*18*	**1,223,107**	333,368
Deferred grant	*19*	**112,272**	192,121
Provisions and other liabilities	*20*	**5,206,301**	7,979,165
Total liabilities		**188,218,339**	171,930,437
EQUITY			
Capital	*21*	**(7,447,190)**	(975,360)
Revaluation reserve	*21*	**35,338,862**	30,083,324
Accumulated losses	*21*	**-**	-
Total equity		**27,891,672**	29,107,964
TOTAL LIABILITIES AND EQUITY		**216,110,011**	201,038,401

The annexed notes 1 to 35 form an integral part of these financial statements.

Masood Khan Musa Ghazi	**Mohibullah Safi**	**Abdul Qadeer Fitrat**
(Chief Financial Officer)	**(First Deputy Governor)**	**(Governor)**

Da Afghanistan Bank
Income statement
For the year ended 29 Hoot 1388 (20 March 2010)

	Note	1388 (AFN '000')	1387 (AFN '000')
Interest income	22	**1,061,258**	3,074,616
Interest expense	23	**(1,299,032)**	(2,092,091)
Net interest (expense) / income		**(237,774)**	982,525
Fee and commission income		**100,306**	140,886
Fee and commission expense		**(186,129)**	(18,494)
Net fee and commission (expense) / income		**(85,823)**	122,392
Loss from dealings in foreign currencies		**(1,141,670)**	(307,048)
Other operating income	24	**442,793**	64,891
		(698,877)	(242,157)
Operating (expense) / income		**(1,022,474)**	862,760
Personnel expenses	25	**(1,417,591)**	(523,363)
Printing cost of bank notes	26	**(561,377)**	-
Other expenses	27	**(112,280)**	(155,477)
Voluntary retirement compensation expense		**(112,386)**	(73,265)
Depreciation and amortisation	10&11	**(115,890)**	(58,943)
Net operating (loss) / revenue		**(3,341,998)**	51,712
Un-realised exchange loss	21.4.2	**(5,068,432)**	(10,170,378)
Loss for the year		**(8,410,430)**	(10,118,666)

The annexed notes 1 to 35 form an integral part of these financial statements.

Masood Khan Musa Ghazi
(Chief Financial Officer)

Mohibullah Safi
(First Deputy Governor)

عبد القدیر
Abdul Qadeer Fitrat
(Governor)

Da Afghanistan Bank
Statement of comprehensive income
For the year ended 29 Hoot 1388 (20 March 2010)

	Note	1388 (AFN '000')	1387 (AFN '000')
Revaluation surplus /(deficit) on gold reserve directly recognised in equity		**5,168,249**	(163,744)
Un-realised gain on available for sale financial assets		**251,289**	-
Loss for the year		**(8,410,430)**	(10,118,666)
Total comprehensive expense for the year	*21.1*	**(2,990,892)**	(10,282,410)

The annexed notes 1 to 35 form an integral part of these financial statements.

Masood Khan Musa Ghazi	**Mohibullah Safi**	**Abdul Qadeer Fitrat**
(Chief Financial Officer)	**(First Deputy Governor)**	**(Governor)**

Da Afghanistan Bank
Statement of changes in equity
For the year ended 29 Hoot 1388 (20 March 2010)

		Capital	Revaluation reserve	Accumulated losses	Total
		Note 21.2	*Note 21.4*	*Note 21.5*	
Balance at 1 Hamal 1387		3,091,979	36,298,395	-	39,390,374
Total comprehensive expense for the year		-	-	(10,282,410)	(10,282,410)
Revaluation reserve	*Note 21.5*	-	(6,215,071)	6,215,071	-
		3,091,979	30,083,324	(4,067,339)	29,107,964
Transfer to capital account		(4,067,339)	-	4,067,339	-
Balance at 30 Hoot 1387		(975,360)	30,083,324	-	29,107,964
Balance at 1 Hamal 1388		**(975,360)**	**30,083,324**	**-**	**29,107,964**
Total comprehensive expense for the year		-	-	**(2,990,892)**	**(2,990,892)**
Un-realised gain on available for sale financial assets		-	**251,289**	**(251,289)**	-
Gain on exchange of land	*Note 10.2*	**1,938,600**	**(164,000)**	-	**1,774,600**
Gain in revaluation of gold	*Note 21.5*	-	**5,168,249**	**(5,168,249)**	-
		963,240	**35,338,862**	**(8,410,430)**	**27,891,672**
Transfer to capital account	*Note 21.5*	**(8,410,430)**	-	**8,410,430**	-
Balance at 29 Hoot 1388		**(7,447,190)**	**35,338,862**	**-**	**27,891,672**

The annexed notes 1 to 35 form an integral part of these financial statements.

Masood Khan Musa Ghazi
(Chief Financial Officer)

Mohibullah Safi
(First Deputy Governor)

Abdul Qadeer Fitrat
(Governor)

Da Afghanistan Bank
Statement of cash flows
For the year ended 29 Hoot 1388 (20 March 2010)

	Note	**1388 (AFN '000')**	1387 (AFN '000')
Cash flows from operating activities			
Loss for the year		**(8,410,430)**	(10,118,666)
Adjustments for:			
Depreciation and amortisation		**115,890**	58,943
Grant income		**(79,849)**	(35,258)
Assets and liabilities adjusted		**(315,346)**	-
Defined benefit contribution		**915,105**	-
Un-realized exchange loss		**5,068,432**	10,170,378
		(2,706,198)	75,397
Working capital changes			
Decrease (increase) in due from banks and financial institutions		**26,472,195**	(40,085,143)
Decrease (increase) in advances and other receivables		**464,689**	(548,342)
Decrease (increase) in other assets		**1,284,183**	(629,528)
Increase in currency in circulation		**21,883,166**	17,841,768
(Decrease) increase in due to banks and financial institutions		**(5,631,950)**	23,947,507
Increase (decrease) in due to customers		**10,685,234**	(5,800,441)
Decrease in provisions and other liabilities		**(2,772,864)**	(3,314,319)
		52,384,653	(8,588,498)
Cash generated from / (used in) opeartions		**49,678,455**	(8,513,101)
Defined benefits paid		**(25,366)**	-
Net cash from / (used in) operating activities		**49,653,089**	(8,513,101)
Cash flows from investing activities			
(Increase) decrease in investments		**(35,959,688)**	2,124,084
Purchase of property and equipment		**(133,312)**	(45,155)
Net cash (used in) / from investing activities		**(36,093,000)**	2,078,929
Cash flows from financing activities			
Capital notes (redeemed) / issued		**(8,685,574)**	14,406,825
Net cash (used in) / from financing activities		**(8,685,574)**	14,406,825
Net increase in cash and cash equivalents		**4,874,515**	7,972,653
Effects of exchange rate fluctuation on cash held		**(2,067,086)**	(11,676,609)
Cash and cash equivalents at beginning of the year		**7,249,267**	10,953,223
Cash and cash equivalents at end of the year	*29*	**10,056,696**	7,249,267

The annexed notes 1 to 35 form an integral part of these financial statements.

Masood Khan Musa Ghazi
(Chief Financial Officer)

Mohibullah Safi
(First Deputy Governor)

Abdul Qadeer Fitrat
(Governor)

1. Status and nature of operations

The Da Afghanistan Bank ("the Bank") was originally established in 1939 in accordance with Article 12 of the 1932 Constitution of Afghanistan. The Bank was operating under the supervision of the Ministry of Finance (MoF), Government of Afghanistan. Subsequently, during the transitional Government, the Da Afghanistan Bank Law ("the DAB Law") of the Islamic Republic of Afghanistan was enacted on 18 September 2003, and the Bank was re-established as an independent legal entity. This law and the change in the Bank's status were ratified by an amendment to the Article 12 of the Constitution of the Islamic Republic of Afghanistan in January 2004.

Da Afghanistan Bank is the Central Bank of Afghanistan. As per the DAB Law, the Bank's main objective is to achieve and maintain domestic price stability with other objectives to foster the liquidity, solvency and proper functioning of a stable market based financial system. The Bank also conducts monetary policy on the monetary base and through reserves management, and act as a bank, financial consultant, and agent of the Government of Islamic Republic of Afghanistan and other state governed bodies.

Registered office (Head Office) of the Bank is situated in Kabul. As at 20 March 2010 the Bank operated 49 branches.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the DAB law and the International Financial Reporting Standards (IFRSs). Wherever the DAB Law differs with the requirements of the IFRSs, the requirements of the DAB Law take precedence.

These financial statements were approved by the Supreme Council in their meeting held on 05 June 2010.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Afghanis ("AFN"), which is the Bank's functional currency. All financial information presented in AFN has been rounded to the nearest thousands of Afghanis.

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

- gold reserve — Note 3 (b)
- useful lives and valuation of property and equipment; — Note 3 (d)
- fair value measurement of investment properties; — Note 3 (e)
- useful life of intangible asset — Note 3 (f)
- Provision for impairment — Note 3 (h)
- Retirement benefits to employees; — Note 3 (j)

(e) Change in accounting policy- Presentation of financial statements

The Bank applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank is now required to present all owner changes in equity in the statement of changes in equity, whereas all non-owner changes in equity are to be presented in the income statement. The Bank has adopted a two statements approach to comply with the revised IAS 1 and accordingly all non-owner changes are included in the income statement. As the revised standard only impacts presentation aspects there is no financial impact as at the reporting date. Further due to adoption of the change a separate statement of changes in equity has been presented which was up to previous year included in notes to the financial statements.

(f) Change in accounting estimate

During the year, the Bank has revised the estimated useful lives of property and equipment by revising the useful life of furniture and fixtures, motor vehicles and IT and office equipment. This has resulted in an increase in depreciation for furniture, and fixtures by AFN 8,570 thousand, motor vehicle by AFN 3,716 thousand and IT and office equipment by AFN 38,440. The future impact of change in accounting estimate is to increase the yearly depreciation charge of furniture and fixture and IT and office equipment by 100% and motor vehicles by 25%.

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 in to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated in to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated in to the functional currency at the exchange rate at the date that the fair value is determined.

For the purpose of retranslation as at 20 March 2010, the Afghani exchange rates used for the major currencies were:

	1388	**1387**
United States Dollar	48.482	51.760
Euro	65.570	67.545
Sterling Pounds	72.765	73.185
Pakistan Rupee	00.575	00.645

Foreign currency differences arising on retranslation and dealings in foreign currencies are recognised in the income statement.

(b) Gold

Gold held as reserve

Refined gold held as foreign reserve are recorded at fair value at the statement of financial position date. Changes in the fair value of gold are directly taken to the equity. Fair price is determined by reference to the London Bullion Market Association ("LBMA") PM fixings at a discount of USD 2 per troy ounces.

Gold at Bank vault

Non-refined gold and precious metals held at the Bank's vault are stated at cost, and are included within other assets.

(c) Cash and cash equivalents

Cash and cash equivalents include foreign currency cash on hand, unrestricted balances held with other central banks 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.

(d) Property and equipment

Recognition and measurement

Items of property and equipment, other than free-hold land, which is stated at revalued amount, are measured at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the items of the asset.

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.

Subsequent costs

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

Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

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

	1388	**1387**
Buildings	40 years	40 years
Furniture and other equipment	5 years	10 years
Vehicles	5 years	6.67 years

Depreciation methods, useful lives and residual values are re-assessed at the reporting date.

Surplus arising from the revaluation is credited to the revaluation reserve included in equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in income statement. A revaluation deficit is recognised in the income statement, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to equity. An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised. The asset's residual values, useful lives and method are regularly reviewed and adjusted, if appropriate.

Reclassification to investment property

When a property is transferred from operating assets for the Bank's own use (owner-occupied) to investment property, it will be carried at fair value and is reclassified as investment property. Any gain arising on remeasurement at the time of transfer is recognised in equity and any loss is recognised immediately in income statement.

(e) Investment property

Investment property is property held to earn rental income and for capital appreciation. The Bank holds some investment properties as a consequence of its lease agreements. Investment properties are measured at fair value with any change therein recognised in income statement.

(f) Intangibles

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

Subsequent expenditure on intangible 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.

Amortisation is recognised in income statement on a straight-line basis over the estimated useful life of the software, from the date it is available for use.

(g) Non-derivative financial instruments

Non-derivative financial instruments of the Bank comprise gold reserve, cash, advances and other receivables, due from banks and financial institutions, treasury bills, currency in circulation, due to banks and financial institutions, capital notes, due to customers, due to International Monetary Fund and other liabilities.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Bank's contractual rights to the cash flows from the financial assets expire or if the Bank transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Bank commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Bank's obligations specified in the contract expire or are discharged or cancelled.

Held-to-maturity investments

When the Bank has the positive intent and ability to hold debt securities to maturity, these investments are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Subsequent to initial recognition, the Bank's investments in securities are classified as available-for-sale financial assets are measured at fair value and changes therein, other than impairment loss (see note 3(h)), and foreign exchange gains and loss on available-for-sale monetary items (see note 3(a)), are recognised directly in equity. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to income statement.

Investment at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Bank manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are charged in income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

(h) Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

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

The recoverable amount of an asset 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in income statement.

Impairment losses recognised 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 recognised.

(i) Currency in circulation

Bank notes and coins in circulation represent a demand liability of the Bank when issued from the vaults and are recorded in the statement of financial position at their denominated value. Expenses on bank notes and coins in circulations include expenses on production, security, transportation, insurance and other expenses. Expenses on bank notes and coins in circulation are recognised as and when they are incurred. Any un-issued currency notes and coins lying with the Bank's vault are not reflected in these financial statements.

(j) Employee benefits

Defined benefit plans

The Bank operates an unfunded pension scheme for its permanent employees. Contributions to the scheme are made by employees and the Bank. Employees contribute 3% of net monthly salary and education allowance while the Bank contributes 5% of the budgeted salary on yearly basis. Pension is payable after the retirement on monthly basis in accordance with pension rules of the Bank depending upon completed years of service.

The Bank's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government securities that have maturity dates approximating to the terms of the Bank's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefits relating to past service by employees is recognised in income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement.

The latest actuarial valuation was carried out on 29 Hoot 1388 (20 March 2010).

Short-term benefits

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

Termination benefits

Termination benefits are recognised as a liability and an expense when, and only when, the bank is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or termination benefits as a result of an offer made in order to encourage voluntary redundancy, opted by the employees.

(k) Provisions

A provision is recognised 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 the risks specific to the liability.

(l) Interest

Interest income and expense are recognised in the income statement 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. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis.
- Interest on available-for-sale investment securities on an effective interest basis.

(m) Fee and commission

Fee and commission income and expenses that are integral to the financial asset or liability are included in the measurement of the effective interest rate.

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

Other fee and commission expense relates mainly to transaction service fee and asset management services, which are expensed as the services are received.

(n) Rental income

Rental income from investment properties is recognised in income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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(o) Grant

Grant is recognised in the income statement over the periods necessary to match them with the related asset when they are intended to compensate on a systematic basis. Grant relating to asset including non-monetary grant at fair value is credited to a deferred grant account and is released to the income statement over the expected useful life of the relevant asset.

(p) Taxation

Under Article 124 of the DAB Law, the Bank is exempt from taxes on income or profits; personal property taxes on assets; taxes on transfer of funds and other financial transactions; stamp duties on issuance of securities and bank notes; customs duties, import duties, sales tax, value added taxes on imports of gold, bank notes and coins; sales tax on domestic supply of gold, bank notes, and coins etc.

Accordingly, no provision for income tax has been made in these financial statements.

(q) Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set-off the recognised amounts and it intends either to settle on a net basis or to realized the asset and settle the liability simultaneously.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year period 29 Hoot 1388, 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 1 of the IASB's comprehensive project to replace 1AS 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	1388 (AFN '000')	1387 (AFN '000')
4. Gold reserve			
Balance at beginning of the year	*4.1*	**34,640,934**	33,298,447
Gain / (loss) on revaluation		**5,168,249**	(163,744)
Exchange (loss) / gain		**(2,198,110)**	1,506,231
Balance at end of the year		**37,611,073**	34,640,934

4.1 This represents 703,004.944 fine troy ounces (1387: 703,004.944 fine troy ounces) of gold in bar form held at Federal Reserve Bank of New York as the Bank's international reserve.

4.2 As per Federal Reserve Bank, New York (FRB NY), these gold reserves do not meet the standards for valuation set by the London Bullion Market Association ("LBMA"). The Bank has obtained an advice for the estimate of discount to the LBMA rate of US$ 1,105.50 per troy ounce (1387: US$ 954 per troy ounce) from Bank for International Settlement (BIS), Switzerland, which suggested discount from US$ 1 to 2 per troy ounce to the LBMA rate. Accordingly, the Bank has valued the gold reserves at US$ 1,103.50 per troy ounce (1387: US$ 952 per troy ounce) using discount of US$ 2 per troy ounce to the LBMA rate as at the date of statement of financial position.

	1388 (AFN '000')	1387 (AFN '000')
5. Foreign currency cash reserve		
Cash at head office	**8,443,754**	6,692,580
Cash at branches	**920,550**	352,185
	9,364,304	7,044,765

This represents notes and coins freely convertible into foreign currency held by the Bank.

	Note	1388 (AFN '000')	1387 (AFN '000')
6. Due from banks and financial institutions			
Demand deposits	*6.1*	**91,381,595**	118,242,427
Interest receivable		**54,714**	153,967
Current accounts with foreign banks		**692,392**	204,502
		92,128,701	118,600,896

6.1 These carry interest ranging from 0.18% to 2.0% (1387: 0.10% to 2.50%).

7. Investments

	Note	1388 (AFN '000')	1387 (AFN '000')
Available for sale financial assets	*7.1*	**49,722,469**	735,421
Treasury bills	*7.2*	**10,101,022**	22,877,093
		59,823,491	23,612,514

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7.1 The Bank has entered into an investment management and consultation agreement with the International Bank for Reconstruction and Development ("IBRD") for Reserves Advisory Management Program (RAMP). The IBRD has placed the funds with the Federal Reserve Bank, New York carrying interest rates ranging from 0.21% to 0.72% per annum. The carrying value of these investments as at the year end amounts to USD 1,011,350 thousand (1387: 14,208 thousand).

7.2 Treasury bills

	Note	**1388 (AFN '000')**	1387 (AFN '000')
Face value			
US treasury bills	*7.2.1*	-	7,448,264
UK treasury bills	*7.2.1*	**10,105,385**	10,161,005
US treasury notes	*7.2.2*	-	5,292,096
		10,105,385	22,901,365
Un-earned discount on treasury bills		**(4,363)**	(24,272)
		10,101,022	22,877,093

7.2.1 These are debt securities issued by the United States of America and United Kingdom treasuries and purchased through Duetsche Bank. The treasury bills have original maturities of 89 days to 133 days (1387: 28 to 182 days). These bills are purchased at a discount from face value and do not pay interest before maturity. The interest is the difference between the purchase price of the bill and the amount paid back on maturity or when sold prior to maturity. The Bank intends to hold these bills till maturity dates.

7.2.2 US treasury notes have original maturity of 2 years and carry effective interest rate of 1.15% as of 1387.

8. Advances and other receivables

	Note	**1388 (AFN '000')**	1387 (AFN '000')
Advances to government	*8.2*	**34,330**	50,920
Others		**1,546,494**	1,994,593
	8.1	**1,580,824**	2,045,513
Less : Allowance for impairment of advances	*8.3*	**(1,480,176)**	(1,480,176)
		100,648	565,337

8.1 Currency profile of advances and other receivables is as follows:

Foreign currencies	**1,025,557**	1,084,232
Local currency	**555,267**	961,281
	1,580,824	2,045,513

8.2 These represent interest free advances to the Government of Afghanistan and its agencies.

8.3 These represent advances to past regimes and receivables on account of misappropriation of the cash in hand by the Bank's staff in prior years. The Bank has recognised full impairment provision against the previous years' advances as the chances of the recovery of the same are remote.

9.	**Investment property**	*Note*	**1388 (AFN '000')**	1387 (AFN '000')
	Balance as at end of the year	*9.1*	**4,800**	4,800

9.1 Investment property comprises an agricultural land situated near Kabul which is leased out to a farmer. The lease contract is for a period of 3 years, upon completion of 3 year subsequent renewal is subject to negotiation with the lessee. Property interests held under operating leases are classified as investment properties. No contingent rents are recognised. The Bank has given certain shops attached with the premises of the branches, however, the portion given on leases is not significant and hence are not classified as investment properties.

The recent valuation was carried out during year 1385 by M/S Pamir Property Dealer Kabul, a reputed property dealer having professional competency and experience in the location and category of the property being valued. Fair value was determined with regard to recent market transactions for similar properties in the same location as the Bank's investment property. The gains on the re-measurement of fair value of investment property amounting to AFN 1,330 thousand was recognised in the revaluation reserve on the date of re-classification of this property from property and equipment to investment property.

Management is of the view that there is no significant change in the fair value of the said investment property for the year 1388. Accordingly no gain/loss has been recognised in these financial statements.

Rental income earned from investment property is disclosed under Note 24.

10. Property and Equipment

	Freehold land	Buildings	Furniture and Fixtures	Motor Vehicles	IT and Office Equipment	Total
			(AFN '000')			
Cost						
Balance at 01 Hamal 1387	1,779,764	220,693	53,200	23,556	288,232	2,365,445
Additions	-	29,453	5,879	3,150	6,673	45,155
Balance at 30 Hoot 1387	1,779,764	250,146	59,079	26,706	294,905	2,410,600
Balance at 01 Hamal 1388	**1,779,764**	**250,146**	**59,079**	**26,706**	**294,905**	**2,410,600**
Additions (Note 10.2)	**2,373,600**	**86,476**	**2,441**	**9,431**	**34,964**	**2,506,912**
Disposals	-	-	-	-	**(2,593)**	**(2,593)**
Exchange of land (Note 10.2)	**(599,000)**	-	-	-	-	**(599,000)**
Balance at 29 Hoot 1388	**3,554,364**	**336,622**	**61,520**	**36,137**	**327,276**	**4,315,919**
Depreciation						
Balance at 01 Hamal 1387	-	20,917	1,886	2,246	129,903	154,952
Adjustment of over depreciation	-	-	-	-	(27,922)	(27,922)
Depreciation for the year	-	6,254	989	994	43,017	51,254
Balance at 30 Hoot 1387	-	27,171	2,875	3,240	144,998	178,284
Balance at 01 Hamal 1388	-	**27,171**	**2,875**	**3,240**	**144,998**	**178,284**
Depreciation for the year	-	**8,415**	**17,140**	**7,432**	**76,880**	**109,867**
Disposals	-	-	-	-	**(2,593)**	**(2,593)**
Balance at 29 Hoot 1388	-	**35,586**	**20,015**	**10,672**	**219,285**	**285,558**
Carrying amounts						
At 01 Hamal 1387	1,779,764	199,776	51,314	21,310	158,329	2,210,493
At 30 Hoot 1387	1,779,764	222,975	56,204	23,466	149,907	2,232,316
At 01 Hamal 1388	**1,779,764**	**222,975**	**56,204**	**23,466**	**149,907**	**2,232,316**
At 29 Hoot 1388	**3,554,364**	**301,036**	**41,505**	**25,465**	**107,991**	**4,030,361**

10.1 Freehold land and buildings were revalued in 1385 by Pamir Property Dealer, a well known local valuation expert having knowledge and experience in the location and category of property, on the basis of market values. The revaluation resulted in a surplus of AFN 369,490 thousand which has been included in revaluation reserve. No revaluation was conducted thereafter.

10.2 During the year, the Bank has exchanged with the Government of Afghanistan 11,980 square meter land having carrying value of AFN 599,000 with 17,200 square meter of land having fair value of AFN 2,373,600 thousand at the time of exchange. The gain on exchange has been included in capital.

		Note	1388 (AFN '000')	1387 (AFN '000')
11.	**Intangible asset**			
	Cost			
	Balance at end of the year		**30,116**	30,116
	Amortisation			
	Balance at beginning of the year		**(11,020)**	(3,331)
	For the year		**(6,023)**	(7,689)
			(17,043)	(11,020)
	Balance at end of the year	*11.1*	**13,073**	19,096

11.1 This represents 'Core Banking System', an accounting software received by the Bank from United States Agency for International Development (USAID) as grant in kind and is recognised at fair value as on that date, which is its invoice value.

			1388 (AFN '000')	1387 (AFN '000')
12.	**Other assets**			
	Non-monetary gold bullion and bars	*12.1*	**12,572,983**	5,861,728
	Adjustment for non-monetary silver		**-**	6,711,255
			12,572,983	12,572,983
	Inventories		**22,422**	97
	MOU adjustments	*28*	**-**	51,201
	Inter-branch accounts	*12.2*	**1,288**	1,227,063
	Receivable against project accounts from Ministries	*12.3*	**436,867**	466,399
			13,033,560	14,317,743

12.1 This represents the gold bullion and bars and gold and silver coins held in the Bank's vault. Under a Memorandum of Understanding ("MoU") agreed between the Bank and the Ministry of Finance (MoF) in the year 1383, the Bank has been granted clear title to all the gold bullion and bars, as well as certain gold and silver coins, asserted to be owned by the Bank and physically located in the Presidential Palace vault. A count of these gold bullion, bars and coins was conducted in the year 1384 for the purpose of MoU and the value of these were estimated to AFN 8,061,400 thousands as determined by local expert. In 1386, the Bank conducted a reconciliation process of gold bars and coins and decided to write down the value of these minerals by AFN 2,384,167 thousands that represented a shortfall of gold bars and coins handed over to the Bank by the Ministry of Finance under MoU. Subsequently, in the year 1387, the Bank completed the physical recounting, re-weighing and reconciliation process of silver coins and included in the books of accounts the AFN 6,711,255 thousand, being the value previously unaccounted for.

12.2 This represents the net debit balance of un-reconciled differences in inter-branch accounts. Management is in process of reconciling these balances and the impact of these differences on the financial statements can not be determined as at the date of statement of financial position.

12.3 This represents USD 9,010,807 receivable from different project accounts against which the Bank has made payments to relevant ministries and government institutions during previous years. The amount has yet not been transferred from project accounts to the Bank's correspondent bank accounts.

	Note	1388 (AFN '000')	1387 (AFN '000')
13. Currency in circulation			
Coins		**428,400**	428,400
Bank notes		**103,926,962**	81,697,815
		104,355,362	82,126,215
Bank notes and coins held at vault of the Bank		**(5,664,937)**	(5,318,956)
		98,690,425	76,807,259
14. Capital notes			
Face value		**10,370,000**	19,263,000
Un-amortised discount		**(129,688)**	(337,114)
	14.1	**10,240,312**	18,925,886

14.1 These represent debt instruments issued by the Bank solely to licensed commercial banks and licensed money changers and having maturity between 28 days to 182 days (1387: 28 days to 182 days). Capital notes are freely transferable between licensed commercial Banks, licensed money changers and the Bank.

These carry interest between 4.11% to 10.5% (1387: between 8.6% to 16.8%) per annum.

	Note	1388 (AFN '000')	1387 (AFN '000')
15. Due to banks and financial institutions			
Foreign currency			
Current accounts		**11,296**	1,965,550
Local currency			
Current accounts	*15.2*	**18,417,250**	7,283,964
Overnight deposits		**7,357,700**	22,168,682
		25,774,950	29,452,646
		25,786,246	31,418,196

15.1 Geographical profile of due to banks and financial institutions is as follows:

	1388	1387
Foreign banks and financial institutions	**11,296**	3,546,380
Local banks	**25,774,950**	27,871,816
	25,786,246	31,418,196

15.2 These include required reserve balance amounting to AFN 10,062,917 (1387: AFN 3,873,398) maintained by the commercial banks with the Bank in accordance with the requirements of Article 64 of the DAB Law.

15.3 Interest profile of the interest bearing deposits is as follows:

	1388 (*per annum*)	1387 (*per annum*)
Local currency:		
Current accounts	**0.5% to 7.28%**	5.1% to 13.3%
Overnight deposits	**0.75% to 6.43%**	6% to 13.68%

	Note	1388 (AFN '000')	1387 (AFN '000')
16. Due to customers			
Foreign currency			
Current accounts	*16.1*	**31,225,414**	20,969,958
Dormant accounts	*16.2*	**333,270**	170,269
		31,558,684	21,140,227
Local currency			
Current accounts	*16.1*	**15,163,956**	15,062,696
Time deposits		**31,577**	31,577
Dormant accounts	*16.2*	**169,948**	4,431
		15,365,481	15,098,704
	16.3	**46,924,165**	36,238,931

16.1 Current accounts consist of:

	1388	1387
Government accounts	**19,731,860**	34,590,841
Others	**26,657,510**	1,441,813
	46,389,370	36,032,654

16.2 These are past years' non-operative accounts of the customers of the Bank and non-operative accounts transferred by other government owned commercial banks. Initially, non-operative accounts are classified as dormant for 10 years, thereafter as residual for another 10 years. If the customers didn't claim back these deposits within this period, the Bank transfers them to the Ministry of Finance (MoF), Government of Afghanistan. During the year 1388 no such accounts were transferred to the MoF.

16.3 All these accounts are non-interest bearing.

17. IMF related liabilities	Note	1388 (AFN '000')	1387 (AFN '000')
Account 1		**34,399**	34,399
Account 2		**1,112**	1,112
	17.1	**35,511**	35,511

17.1 The Islamic Republic of Afghanistan is a member of International Monetary Fund (IMF) since 1955. The member country can designate Ministry of Finance (MoF), central bank or any other agency as their Fiscal Agent. In addition, each member is statutorily required to designate its central bank as Depository. The Government of Afghanistan has nominated MoF as their Fiscal Agent and the Bank as the Depository.

As the Depository for the Islamic Republic of Afghanistan, the Bank is required to maintain, in additions to other accounts, the following accounts:

Account 1 (Afghani)
Account 2 (Afghani)

IMF's holding of the member's currency are placed in IMF Accounts No 1 and No 2 in the central bank. The central bank is required to record balances in the IMF No.1 and No. 2 accounts as its liabilities. These balances, although maintained within the central bank, are owned by the IMF. The IMF Account No. 1 is used for the IMF's operational transactions whereas the IMF Account No. 2 is used for operational expenses incurred by the IMF in the member's currency.

18. Defined benefit plan

The Bank operates an unfunded defined pension scheme which covers all eligible employees as per the policy of the Bank specified under note 3(j). The Bank obtained services of an independent actuary situated in Karachi - Pakistan, to carry out the actuarial valuation of defined benefit obligations. The following data is based on the valuation carried out at 29 Hoot 1388 (20 March 2010). No actuarial valuation was carried out for the years 1386 and 1387 due to the ongoing staff down-sizing exercise and therefore, the full amount of expense for 1386 and 1387 plus the related liability has been recognised during the year 1388.

The liability recognised in the statement of financial position in respect of defined pension scheme is the present value of the defined benefit obligation at the 29 Hoot 1388.

	Note	**1388 (AFN '000')**	1387 (AFN '000')
Balance at beginning of the year		**333,368**	295,036
Adjustments of previous years		**-**	38,332
Charge for the year		**915,105**	-
Benefits paid during the year		**(25,366)**	-
Balance at end of the year		**1,223,107**	333,368

The amounts recognised in the statement of financial position are as follows:

Present value of defined benefit obligation	**1,983,728**	-
Non-vested past service cost to be recognised in future years	**(760,621)**	-
	1,223,107	-

Movement in present value of defined obligations

Present value of defined obligations at beginning of the year	**333,368**	-
Current service cost	**128,161**	-
Interest cost	**26,669**	-
Vested past service cost due to changes in compensation structure	**694,476**	-
Non-vested past service cost due to changes in compensation structure	**814,953**	-
Actuarial loss	**11,468**	-
Benefits paid during the year	**(25,366)**	-
	1,983,729	-

Expense recognised in the statement of comprehensive income is as follows:

Current service cost	**128,161**	-
Interest cost	**26,669**	-
Vested past service cost due to changes in compensation structure	**694,476**	-
Amortisation of non-vested past service cost	**54,331**	-
Actuarial loss	**11,468**	-
	915,105	-

Actuarial assumptions

Principle actuarial assumptions at the reporting date, expressed as weighted averages, were:

	1388	1387
	(per annum)	
Discount rate	6%	-
Annual increase in salary	6%	-

Average life expectancy of an individual retiring at age of 65 is 15 years.

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19. Deferred grant

This represents the amount received from United States Agency for International Development (USAID) through Bearing Point (Consultants) in kind during years 1384 to 1386, mainly motor vehicles, IT and power equipment and accounting software. The Bank recognised the fair value of the granted assets at the time of receipt (excluding fair value of professional assistance provided by USAID through Bearing Point, retrospectively by re-stating previous years financial statements as 1384 AFN 25,624 thousand, 1385 AFN 153,247 thousand and in 1386 AFN 30,349 thousand respectively aggregating to AFN 209,220 thousand.

The recognition of deferred grant and grant income in accordance with the policy of the Bank as mentioned in note 3(o) is summerised below:

	1388 (AFN '000')	1387 (AFN '000')
Balance at beginning of the year	**282,670**	251,331
Adjustments of previous years	**-**	31,339
	282,670	282,670
Accumulated transferred to income	**(170,398)**	(90,549)
Balance at end of the year	**112,272**	192,121
Accumulated transferred to income		
Balance at beginning of the year	**90,549**	83,213
Adjustment of over depreciation in previous years	**-**	(27,922)
Transfer to income during the year	**79,849**	35,258
Balance at end of the year	**170,398**	90,549

20. Provisions and other liabilities

Voluntary retirement compensation payable		**-**	146
Deposit against letters of credit -net	*20.2*	**4,127,523**	6,846,953
Current accounts of departments of DAB		**-**	70,413
MOU adjustments	*28*	**49,550**	-
Sundry payables	*20.4*	**970,723**	946,482
Withholding taxes payable		**49,683**	2,988
Suspense accounts	*20.5*	**506**	68,222
RAMP management fee payable		**8,316**	-
Interest payable		**-**	43,961
		5,206,301	7,979,165

20.1 Currency profile of provisions and other liabilities is as follows:

Local currency	**1,078,778**	1,132,212
Foreign currency	**4,127,523**	6,846,953
	5,206,301	7,979,165

20.2 These represents the deposits received by the Bank against issuance of letters of credit amounting to AFN 5,484,769 thousand and disbursements there against, amounting to 1,357,246 thousand. The Bank issues letters of credit only to the government and governmental organisations against receipt of 100% deposit.

20.3 In 1387 these represented the current accounts of various departments of the Bank that were opened in past as per earlier practice. The Bank has closed these departmental current accounts during the year 1388.

20.4 These include sundry payables amounting to AFN 523,560 thousand (1387: AFN 528,669 thousand) representing the payables relating to the previous regimes in respect of which the details of the payees are yet to established by the Bank.

20.5 The Bank is in the process of reconciling these balances and would eventually be transferred to either appropriate account head or to the retained earnings in future. Impact of these balances on the over all financial statements can not determined as at the date of statement of financial position.

21. Capital and reserves

21.1 Capital

According to Article 27 of the DAB Law, the authorized capital of the Bank is AFN 8,000,000 thousand or such higher amount as shall result form allocations from net profit pursuant to Article 29 of the DAB Law. The capital of the Bank is solely held by the Government of Islamic Republic of Afghanistan, and shall not be transferable or subject to encumbrances. Under the Memorandum of Understanding (MoU) entered with the Ministry of Finance (MoF), the paid up capital of the Bank has been reduced to below AFN 8,000,000 thousand (Afghanis eight billion) as a consequence of the transfer of assets and liabilities to the MoF.

21.2 Capital management

After the allocation of accumulated (losses) / profit to the capital account, the capital of the Bank falls below five percent (5%) of the total amount of liability as at the year end. The Bank is considering recapitalisation of short fall in capital from the Government as per the Article 31 of the DAB Law.

21.3 Reconciliation of movement in revaluation reserves

	Un-realised gain on available for sale financial assets	Freehold land	Gold (Note 21.4.1)	Foreign exchange revaluation reserve (Note 21.4.2)	Total
			(AFN '000')		
Balance at 01 Hamal 1387	-	369,490	29,877,578	6,051,327	36,298,395
Loss recognised during the year	-	-	(163,744)	(6,051,327)	(6,215,071)
Balance at 30 Hoot 1387	-	369,490	29,713,834	-	30,083,324
Balance at 01 Hamal 1388	-	**369,490**	**29,713,834**	-	**30,083,324**
Reserve on exchanged land	-	**(164,000)**	-	-	**(164,000)**
Gain recognised during the year	**251,289**	-	**5,168,249**	-	**5,419,538**
Balance at 29 Hoot 1388	**251,289**	**205,490**	**34,882,083**	-	**35,338,862**

21.4.1 Revaluation reserve

According to the Article 29 of the DAB Law, the Bank shall hold a general reserve and a revaluation reserve. The Bank may, if required, shall create a special reserve with the approval of MoF.

The Bank has a revaluation reserve amounting to AFN 35,502,862 thousand as on 29 Hoot 1388 (30 Hoot 1387: AFN 30,083,324 thousand), which represents the cumulative unrealised gains on the revaluation of gold reserves at market prices, freehold land at fair values and un-realised valuation gains from revaluation of other monetary assets and liabilities denominated in foreign currencies at each statement of financial position date.

21.4.2 According to Article 29 of the DAB Law, exchange gains / (losses) can be avialable only to off-set unrealised gains / (losses) in future. To comply with the requirements of Article 29 of the DAB Law, the Bank has adjusted unrealised exchange losses for the year against the capital as there is no balance of revaluation reserve as at balance sheet date.

21.5 Accumulated losses

According to Article 29 of the DAB Law, if the Bank has a net profit for any financial year, it shall be allocated to the capital account to increase the capital of the Bank to a level equivalent to five percent (5%) of the aggregate amount of monetary liabilities shown on the balance sheet of the Bank as at the end of that financial year.

		Note	1388 (AFN '000')	1387 (AFN '000')
22.	**Interest income**			
	Interest on balances with banks and financial institutions		**959,960**	2,350,710
	Interest on treasury bills		**52,732**	723,906
	Income from available for sale financial assets		**48,566**	-
			1,061,258	3,074,616
23.	**Interest expense**			
	Interest on capital notes		**1,130,346**	1,184,276
	Interest - others	*23.1*	**168,686**	907,815
			1,299,032	2,092,091

23.1 This represents the interest on overnight deposit and cash reserve accounts of the local commercial banks.

		Note	1388 (AFN '000')	1387 (AFN '000')
24.	**Other operating income**			
	Rental income		**1,261**	1,590
	Grant income		**79,849**	35,258
	Regulatory income		**46,337**	28,043
	Assets and liabilities adjusted	*24.1*	**315,346**	-
			442,793	64,891

24.1 Assets and liabilities adjusted

These represent the assets and liabilities of past years written off/back during the year as follows:

	1388 (AFN '000')	1387 (AFN '000')
Due from banks and financial institutions	**(29,522)**	-
Other assets	**(3,342)**	-
Provisions and other liabilities	**348,210**	-
	315,346	-

25. Personnel expenses

	1388 (AFN '000')	1387 (AFN '000')
Salaries	**427,137**	368,143
Defined benefit plan contribution	**915,105**	29,215
Other allowances	**75,349**	126,005
	1,417,591	523,363

26. Printing cost of bank notes is paid to De La Rue International Limited, Basingstoke - England at agreed rates under specific arrangements.

27. Other expenses

	1388 (AFN '000')	1387 (AFN '000')
Audit fee and expenses	**4,424**	5,532
Repair and maintenance	**10,870**	10,354
Rent	**5,128**	4,297
Printing and stationery	**8,222**	8,796
Transportation	**10,660**	14,785
Communication	**33,094**	32,264
Insurance	**1,748**	23,097
Travelling	**24,488**	19,168
Other expenses	**13,646**	37,184
	112,280	155,477

28. Memorandum of understanding (MoU)

In compliance to the Article 130 of the DAB Law (transitional Article), the Bank entered into a MoU with the Ministry of Finance (MoF) during year 1383 (2005), based on which the balances due from / to various ministries of the government have been netted off and adjusted in equity on 12 Hoot 1385 (02 March 2007), which resulted in a capital loss of AFN 8,067,794 thousand. A full reconciliation of the balances in the accounts related to the MoU has not yet been finalised and is in process. Reconciliation related adjustments due to recoveries have not been determined and recognised. Any adjustment in this respect will be made when determined.

29. Cash and cash equivalents

	Note	1388 (AFN '000')	1387 (AFN '000')
Foreign currency cash reserve	*5*	**9,364,304**	7,044,765
Current accounts with foreign banks	*6*	**692,392**	204,502
		10,056,696	7,249,267

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30. Risk management policies

The Supreme Council of the Bank, chaired by the Governor, has the overall responsibility and oversight of the Bank's risk management framework. The Bank is primarily subject to credit, liquidity, market (interest risk and currency risk) risks and operational risk. The policies and procedures for managing these risks are outlined in notes 30.1 to 30.6. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and managing of these risks. In addition International Monetary Fund (IMF) representatives visit the Bank quarterly to advise senior management and Governor on the management of these risks.

The Market Operations Department within the Bank is responsible for monitoring the Foreign Currencies Reserves as per the Bank's Reserves Management Policy and Guidelines.

30.1 Credit risk

Credit risk which is the risk that a counter party will be unable to pay the amounts in full when due. The Bank's primary exposure to credit risk arises through investment in treasury bills and deposits with banks and financial institutions. Treasury bills have insignificant credit risk as these bills are "guaranteed" by the issuing governments and credit risk arising from deposit with banks and financial institutions is managed by monitoring, reviewing and analyzing these deposits frequently. The Bank manages credit risk arising from issuance of letters of credit by obtaining 100% margin against letters of credit.

The Bank's concentration of credit risk exposure is as follows:

	Note	**1388 (AFN '000')**	1387 (AFN '000')
Due from banks and financial institutions	6	**92,073,987**	118,446,929
Investments	7	**59,823,491**	23,612,514
		151,897,478	142,059,443

Financial instruments with off-balance sheet risk

The Bank neither enter into nor is a party to financial instruments and contractual obligations that, under certain conditions, could give rise to or involve elements of, market or credit risk in excess of that shown in the statement of financial position such as interest rate swaps, forward foreign exchange contracts, financial guarantees, and commitments to extend credit.

30.2 Liquidity risk

Liquidity risk reflects the Bank's inability in raising funds to meet commitments associated with the financial instruments. For liquidity risk arising from local currency activities, the Bank manages the daily liquidity position of the local banking system by monitoring daily inter-bank clearing system operating under the Bank. The risk arising out of the Bank's obligations for foreign currencies balances or deposits is managed through available reserves, open market operations and issue of capital notes.

The table below shows the Banks' assets and liabilities at the statement of financial position date in to relevant maturity grouping based on the remaining period to the contractual maturity date.

Da Afghanistan Bank
Notes to the financial statements
For the year ended 29 Hoot 1388 (20 March 2010)

Maturities of assets and liabilities

	Up to one month	Over one month to three month	Over three month to one year	Over one year to five years	Over five years	Total
	(AFN '000')					
As at 29 Hoot 1388 (20 March 2010)						
Assets						
Foreign currency cash reserve	9,364,304	-	-	-	-	9,364,304
Due from banks and financial institutions	746,118	47,974,435	43,408,148	-	-	92,128,701
Investments	7,666,902	52,156,589	-	-	-	59,823,491
Advances and other receivables	-	-	100,648	-	-	100,648
Other assets	438,155	-	-	-		438,155
Total 29 Hoot 1388 (20 March 2010)	18,215,479	100,131,024	43,508,796	-	-	161,855,299
Liabilities						
Currency in circulation	-	-	-		98,690,425	98,690,425
Capital notes	-	6,502,369	3,737,943	-	-	10,240,312
Due to banks and financial institutions	25,786,246	-	-	-	-	25,786,246
Due to customers	46,389,370	534,795	-		-	46,924,165
IMF related liabilities	35,511	-	-	-	-	35,511
Provisions and other liabilities	1,028,722	4,127,523	-	-	-	5,156,245
Total 29 Hoot 1388 (20 March 2010)	73,239,849	11,164,687	3,737,943	-	98,690,425	186,832,904
Net liquidity gap						
As at 29 Hoot 1388 (20 March 2010)	(55,024,370)	88,966,337	39,770,853	-	(98,690,425)	(24,977,605)
Cumulative gap						
As at 29 Hoot 1388 (20 March 2010)	(55,024,370)	33,941,967	73,712,820	73,712,820	(24,977,605)	
As at 30 Hoot 1387 (20 March 2009)						
Assets						
Foreign currency cash reserve	7,044,765	-	-	-	-	7,044,765
Due from banks and financial institutions	35,591,758	49,701,498	33,307,639	-	-	118,600,895
Investments	2,458,033	10,263,263	10,891,219	-	-	23,612,515
Advances and other receivables	401,033	-	164,304	-	-	565,337
Other assets	1,693,462	-	-	-		1,693,462
	47,189,051	59,964,761	44,363,162	-	-	151,516,974
Liabilities						
Currency in circulation	-	-	-		76,807,259	76,807,259
Capital notes	11,898,486	1,309,670	5,717,730	-	-	18,925,886
Due to banks and financial institutions	31,418,196	-	-	-	-	31,418,196
Due to customers	36,032,654	206,277	-		-	36,238,931
IMF related liabilities	35,511	-	-	-	-	35,511
Provisions and other liabilities	1,063,990	6,846,953	-	-	-	7,910,943
	80,448,837	8,362,900	5,717,730	-	76,807,259	171,336,726
Net liquidity gap						
As at 30 Hoot 1387 (20 March 2009)	(33,259,786)	51,601,861	38,645,432	-	(76,807,259)	(19,819,752)
Cumulative gap	(33,259,786)	18,342,075	56,987,507	56,987,507	(19,819,752)	

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Distribution of Assets, Liabilities, Contingent Liabilities and Commitments

The distribution of assets, liabilities and off-balance sheet items by geographic regions as at 29 Hoot 1388 (20 March 2010) are as follows:

	(AFN '000')			
	Assets	**Liabilities**	**Net Value of Assets (Liabilities)**	**Contingent Liabilities and Commitments**
Afghanistan	75,005,946	188,218,339	(113,212,393)	-
Asia	31,044,973	-	31,044,973	-
Europe	52,285,218	-	52,285,218	-
America	57,773,874	-	57,773,874	-
	216,110,011	188,218,339	27,891,672	-

The distribution of assets, liabilities and off-balance sheet items by geographic regions as at 30 Hoot 1387 (20 March 2009) are as follows:

	(AFN '000')			
	Assets	Liabilities	Net Value of Assets (Liabilities)	Contingent Liabilities and Commitments
Afghanistan	57,222,832	171,930,437	(114,707,605)	-
Asia	21,599,620	-	21,599,620	-
Europe	93,425,462	-	93,425,462	-
America	28,790,487	-	28,790,487	-
	201,038,401	171,930,437	29,107,964	-

30.3 Market risk

Market risk is defined as the risk of loss as a result of changes in market risk factors, these include prices, interest rates, foreign exchange rates, commodity prices and credit spreads. The Bank is exposed to market risk, as a consequence of its operations to deliver its policy objectives as well as in the course of managing the Bank's statement of financial position, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Exposure may also be incurred to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets.

All market risk is managed within the Bank's Market Operations Department through Reserves Mnagement Policy and Guidelines. The Bank is exposed to interest rate risk principally via its investments in treasury bills and short term deposits with other banks and financial institutions bought and held to maturity in normal circumstances with the intention of maintaining the value of the Bank's capital and generating income to pay for the Bank's policy functions.

30.4 Interest rate risk exposure

Interest rate risk is the exposure of the Bank to the effects of the fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. The Bank's investments in treasury bills and short term deposits with other banks and financial institutions are primarily linked to prevailing market conditions. All other liabilities of the Bank are non interest bearing except the capital notes and minimum cash reserve accounts of local commercial banks included in due to other banks and financial institutions. The table below summarizes the Bank's exposure to interest rate risks. Included in the table are Bank's financial assets and liabilities at carrying or revalued amounts, categorized by earlier of contractual reprising of maturity dates non interest bearing financial instruments are shown for reconciliation purposes.

The Bank does not have any material positions in off-balance-sheet instruments whose value can be affected by interest rate contracts, such as swaps, futures, and forwards; option contracts, such as caps, floors, and options on futures; and firm forward commitments to buy or sell loans, securities, or other financial instruments.

	Interest bearing					Non-interest bearing	Total
As at 29 Hoot 1388 (20 March 2010)	**Interest rates (p.a)**	**1-3 months**	**3 month to 1 year**	**1-5 years**	**Over 5 years**		
		AFN ('000')					
Assets							
Foreign currency cash reserve	N.A	-	-	-	-	9,364,304	9,364,304
Due from banks and financial institutions	0.18% to 2.0%	47,973,447	43,408,148	-	-	747,106	92,128,701
Investments	0.21% to 0.72%	7,666,902	52,156,589	-	-	-	59,823,491
Advances and other receivables	N.A	-	-	-	-	100,648	100,648
Other assets	N.A	-	-	-	-	438,155	438,155
		55,640,349	95,564,737	-	-	10,650,213	161,855,299
Liabilities							
Currency in circulation	N.A	-	-	-	-	98,690,425	98,690,425
Capital notes	4.11% to 10.5%	6,502,369	3,737,943	-	-	-	10,240,312
Due to banks and financial institutions	0.75% to 6%	25,774,950	-	-	-	11,296	25,786,246
Due to customers	N.A	-	-	-	-	46,924,165	46,924,165
IMF related liabilities	N.A	-	-	-	-	35,511	35,511
Provisions and other liabilities	N.A	-	4,127,523	-	-	1,028,722	5,156,245
		32,277,319	7,865,466	-	-	146,690,119	186,832,904
On balance sheet interest sensitivity gap		23,363,030	87,699,271	-	-	(136,039,906)	(24,977,605)
Cumulative gap		23,363,030	111,062,301	111,062,301	111,062,301	(24,977,605)	

As at 30 Hoot 1387 (20 March 2009)	Interest bearing					Non-interest bearing	Total
	Effective interest rates (p.a)	1-3 months	3 month to 1 year	1-5 years	Over 5 years		
				(AFN '000')			
Assets							
Foreign currency cash reserve	N.A	-	-	-	-	7,044,765	7,044,765
Due from banks and financial institutions	0.1% to 2.5%	84,934,787	33,307,639	-	-	358,469	118,600,895
Investments	0.729% to 0.869	12,721,296	10,891,219	-	-	-	23,612,515
Advances and other receivables	N.A	-	-	-	-	565,337	565,337
Other assets	N.A	-	-	-	-	1,693,462	1,693,462
		97,656,083	44,198,858	-	-	9,662,033	151,516,974
Liabilities							
Currency in circulation	N.A	-	-	-	-	76,807,259	76,807,259
Capital notes	8.6% to 16.8%	13,208,156	5,717,729	-	-	-	18,925,885
Due to banks and financial institutions	6% to 13.68%	29,452,646	-	-	-	1,965,550	31,418,196
Due to customers	N.A	-	-	-	-	36,238,931	36,238,931
IMF related liabilities	N.A	-	-	-	-	35,511	35,511
Provisions and other liabilities	N.A	-	6,846,953	-	-	1,063,990	7,910,943
		42,660,802	12,564,682	-	-	116,111,241	171,336,725
On balance sheet interest sensitivity gap		54,995,281	31,634,176	-	-	(106,449,208)	(19,819,751)
Cumulative gap		54,995,281	86,629,457	86,629,457	86,629,457	(19,819,751)	

Average interest rates applied during the year

The average interest rates for assets and liabilities of the Bank applied during the year ended 29 Hoot 1388 (20 March 2010) are as follows:

	USD	**EUR**	**GBP**	**AFN**
Assets	**%**	**%**	**%**	**%**
Due from banks and financial institutions	**0.26**	**0.51**	**0.88**	-
Investments	**0.47**	-	**0.41**	-
Liabilities				
Capital notes	-	-	-	**7.50**
Due to banks and financial institutions	-	-	-	**3.38**

The average interest rates for assets and liabilities of the Bank applied during the year ended 30 Hoot 1387 (20 March 2009) are as follows

	USD	EUR	GBP	AFN
Assets	%	%	%	%
Due from banks and financial institutions	1.14	1.63	1.55	-
Investments	0.52	-	0.68	-
Liabilities				
Capital notes	-	-	-	14.19
Due to banks and financial institutions	-	-	-	14.00

Interest rate sensitivity analysis

The objective of interest rate risk management is to control the effects that interest rate fluctuations have on net interest revenue and on the net present value of the Bank's assets, liabilities and off-balance-sheet instruments.

As at 29 Hoot 1388 (20 March 2010)	**Interest rate sensitivity by time band**				
Gain/(loss) per basis point	**Size of periodic gap**	**Basis point change**	**Impact on Net Interest Income/Equity**	**Basis point change**	**Impact on Net Interest Income/Equity**
1-3 months	**23,363,030**	**1**	**233,630**	**-1**	**(233,630)**
3 month to 1 year	**87,699,271**	**1**	**876,993**	**-1**	**(876,993)**
1-5 years	-	**1**	-	**-1**	-
Over 5 years	-	**1**	-	**-1**	-
Total	**111,062,301**		**1,110,623**		**(1,110,623)**
As a percentage of net interest income			**-467.09%**		**467.09%**
As a percentage of Equity			**3.98%**		**-3.98%**

As at 30 Hoot 1387 (20 March 2009)	Interest rate sensitivity by time band				
Gain/(loss) per basis point	Size of periodic gap	Basis point change	Impact on Net Interest Income/Equity	Basis point change	Impact on Net Interest Income/Equity
1-3 months	54,995,281	1	549,953	-1	(549,953)
3 month to 1 year	31,634,176	1	316,342	-1	(316,342)
1-5 years	-	1	-	-1	-
Over 5 years	-	1	-	-1	-
Total	86,629,457		866,295		(866,295)
As a percentage of net interest income			88.17%		-88.17%
As a percentage of Equity			2.98%		-2.98%

30.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Bank's holding of foreign currency assets under its foreign reserve management function. The overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Bank's compliance with the limits established for foreign currency positions is being regularly monitored by the management.

As of to date the Bank has not entered in to any foreign currency hedging transaction.

Foreign currency financial assets and liabilities

As at 29 Hoot 1388 (20 March 2010)	**USD**	**Euro**	**GBP**	**Irian Toman**	**PKR**	**Others**	**Total**
				(AFN '000')			
Financial assets							
Cash on hand - foreign currencies	8,288,439	1,051,742	5,950	11,923	3,868	2,417	9,364,338
Due from banks and financial institutions	36,324,181	33,978,885	21,231,639	-	117,663	476,333	92,128,701
Investments	49,722,469	-	10,101,022	-	-	-	59,823,491
Advances and other receivables	-	-	-	-	-	102,922	102,922
Other assets (inter-branches)	2,749,413	(41,055)	-	(10,843)	867	(2,697,094)	1,288
	97,084,502	34,989,572	31,338,611	1,080	122,398	(2,115,422)	161,420,741
Financial liabilities							
Currency in circulation	-	-	-	-	-	98,690,425	98,690,425
Capital notes	-	-	-	-	-	10,240,312	10,240,312
Due to banks and financial institutions	11,296	-	-	-	-	25,774,950	25,786,246
Due to customers	28,757,390	2,347,518	284,884	1,116	84,680	15,448,578	46,924,165
IMF related liabilities	-	-	-	-	-	35,511	35,511
Provisions and other liabilities	4,410,700	560,460	960	1	378	233,802	5,206,301
	33,179,386	2,907,977	285,844	1,117	85,059	150,423,577	186,882,960
Net foreign currency exposure	63,905,116	32,081,595	31,052,767	(37)	37,339	(152,538,999)	(25,462,219)

As at 30 Hoot 1387 (20 March 2009)	USD	Euro	GBP	Irian Toman	PKR	Others	Total
				(AFN '000')			
Financial assets							
Cash on hand - foreign currencies	6,905,590	114,982	5,950	12,910	3,002	2,332	7,044,765
Due from banks and financial institutions	66,580,047	31,834,232	20,146,655	-	35,331	4,630	118,600,895
Investments	13,469,224	-	10,143,290	-	-	-	23,612,514
Advances and other receivables	39,356	-	-	-	-	525,981	565,337
Other assets (inter-branches)	3,913,643	(41,316)	2,217	(775)	1,217	(2,181,523)	1,693,463
	90,907,860	31,907,897	30,298,112	12,135	39,550	(1,648,580)	151,516,974
Financial liabilities							
Currency in circulation	-	-	-	-	-	76,807,259	76,807,259
Capital notes	-	-	-	-	-	18,925,886	18,925,886
Due to banks and financial institutions	1,505,677	373,902	3,734	-	82,072	29,452,810	31,418,196
Due to customers	18,432,715	2,329,943	177,208	12,954	16,630	15,269,481	36,238,931
IMF related liabilities	-	-	-	-	-	35,511	35,511
Provisions and other liabilities	5,781,973	298,446	-	-	-	942,626	7,023,045
	25,720,365	3,002,291	180,942	12,954	98,702	45,700,428	74,715,683
Net foreign currency exposure	65,187,495	28,905,606	30,117,169	(819)	(59,151)	(143,082,153)	(18,931,853)

Note: Other currencies include Afghanis as well to match the total of each financial instrument's balance with the balance sheet.

Sensitivity analysis on foreign currency financial assets and liabilities

As at 29 Hoot 1388 (20 March 2010)	**USD**	**Euro**	**GBP**	**Irian Toman**	**PKR**	**Others**	**Total**
Effect of 1% increase in exchange rate				**(AFN '000')**			
Financial assets							
Cash on hand - foreign currencies	(82,884)	(10,517)	(59)	(119)	(39)	-	(93,618)
Due from banks and financial institutions	(363,242)	(339,789)	(212,316)	-	(1,177)	-	(916,525)
Investments	(497,225)	-	(101,010)	-	-	-	(598,235)
Advances and other receivables	-	-	-	-	-	-	-
Other assets (inter-branches)	(27,494)	411	-	108	(9)	-	(26,984)
Losses from Financial Assets	(970,845)	(349,896)	(313,386)	(11)	(1,224)	-	(1,635,362)
Financial liabilities							
Currency in circulation	-	-	-	-	-	-	-
Capital notes	-	-	-	-	-	-	-
Due to banks and financial institutions	113	-	-	-	-	-	113
Due to customers	287,574	23,475	2,849	11	847	-	314,756
IMF related liabilities	-	-	-	-	-	-	-
Provisions and other liabilities	44,107	5,605	10	0	4	-	49,726
Gains from Financial Liabilities	331,794	29,080	2,858	11	851	-	364,595
Net-unrealised gains/(losses) on foreign currency	(639,051)	(320,816)	(310,528)	0	(373)	-	(1,270,767)

As at 30 Hoot 1387 (20 March 2009)	USD	Euro	GBP	Irian Toman	PKR	Others	Total
Effect of 1% increase in exchange rates				(AFN '000')			
Financial assets							
Cash on hand - foreign currencies	(69,056)	(1,150)	(59)	(129)	(30)	-	(70,424)
Due from banks and financial institutions	(665,800)	(318,342)	(201,467)	-	(353)	-	(1,185,963)
Investments	(134,692)	-	(101,433)	-	-	-	(236,125)
Advances and other receivables	(394)	-	-	-	-	-	(394)
Other assets (inter-branches)	(39,136)	413	(22)	8	(12)	-	(38,749)
Losses from Financial Assets	(909,079)	(319,079)	(302,981)	(121)	(396)	-	(1,531,655)
Financial liabilities							
Currency in circulation	-	-	-	-	-	-	-
Capital notes	-	-	-	-	-	-	-
Due to banks and financial institutions	15,057	3,739	37	-	821	-	19,654
Due to customers	184,327	23,299	1,772	130	166	-	209,694
IMF related liabilities	-	-	-	-	-	-	-
Provisions and other liabilities	57,820	2,984	-	-	-	-	60,804
Gains from Financial Liabilities	257,204	30,023	1,809	130	987	-	290,152
Net un-realised gains/(losses) on foreign currency	(651,875)	(289,056)	(301,172)	8	592	-	(1,241,503)

30.5.2 Effect of 1% decrease in exchange rates will have same effct on net unrealized gains/(losses) for both years but in opposite direction.

30.5.3 Prior year figures have been restated and reclassified, whereever necessary, due to current restatement to financial statements.

30.6 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, liquidity and market (interest and currency) risks such as those arising form legal and regulatory requirements and generally accepted corporate governance.

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 creativities.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department of the Bank. This responsibility is supported by the development of overall Bank's policies for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

Compliance with the Bank's standards is supported by a periodic reviews undertaken by Internal Auditor. The result of Internal Audit reviews are discussed with the management of the unit to which they relate, with summaries submitted to the Executive Board of the Bank.

31. Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transactions.

The fair values of financial instruments reflected in the financial statements approximate to their carrying values.

32. Related parties

Transactions with related parties

The Bank is a Governmental entity as the Islamic Republic of Afghanistan is the ultimate owner of the Bank. Related parties to the Bank include the Government of Afghanistan, various department of the government, government controlled entities and enterprises. Generally the Bank entered in to the following transactions with the government and its related organizations.

(a) The Bank acts as a depository of the government and or its agent or institutions provide banking services to government, governmental organizations and enterprises;

(b) Issue letters of credit on behalf of government, governmental organisation and enterprises;

(c) The Bank does not ordinarily collect any commission, fees or other charges for the services which it renders to the government; and

(d) As the agent of the government manages the foreign reserves.

The Bank issued no advance in year 1388 (1387: AFN 2,000 thousand issued and duly settled before the year end) to the government and governmental organizations.

The Bank enters in to transactions with Government and its related organizations in the ordinary course of the business.

The Related Party balances outstanding as of Balance Sheet dates are as follows:

	1388 (AFN '000')	1387 (AFN '000')
General Government accounts	**41,029,587**	36,517,525
Other Government owned entities	**5,622,747**	6,857,903
	46,652,334	43,375,428

Members of the Supreme Council and Key Managerial Personnel

H.E Abdul Qadeer Fitrat is the Governor of the Bank and the chairman of Supreme Council
H.E Mohibullah Safi is the First Deputy Governor of the Bank and the vice-chairman of Supreme Council
H.E Dr. Shah M.Mehrabi, the member of the Supreme Council and the Chairman of the Audit Committee
H.E Dr. Ghani Ghousi, member of the Supreme Council
H.E Dr. Hazrat Umar Zakhilwal, member of the Supreme Council and Audit Committee
H.E Noorullah Delawari, member of the Supreme Council and Audit Committee
H.E Ghulam Mohammda Eyellaqi, member of the Supreme Council

Remuneration to the members of the Council and Key Managerial Personnel

The members of the Supreme Council received remuneration totaling AFN 679 thousand (1387: AFN 770 thousand). Key Managerial personnel received salary and related expenses totaling AFN 7,114 thousand (1387: AFN 8,417 thousand).

In addition to the salary, the Governor of the Bank received AFN 720 thousand as other benefits (1387: AFN 798 thousand).

33. Project accounts

The Bank acts as a custodian of project accounts on behalf of Ministry of Finance. The assets held in trust or in a fiduciary capacity by the Bank are not treated as assets of the Bank and accordingly are not included in these financial statements.

34. Financial Guarantees

There are no financial guarantees are conditional commitments to guarantee performance to third parties inclunding the Government apart from the letters of credits that are fully supported by cash deposits in the related customers accounts.

35. Corresponding figures

The corresponding figures have been rearranged / or reclassified wherever necessary for the purpose of comparison. Significant reclassifications are summarised below:

	(AFN '000')
35.1 Due from Banks and financial institutions	
Balance as per financial statements of 1387	119,336,317
Included in investments	(735,421)
Reclassified balance, 1387	118,600,896
35.2 Treasury bills	
Separate line item	22,877,093
Included in investments	(22,877,093)
Reclassified balance, 1387	-
35.3 Investments	
Balance as per financial statements of 1387	-
Reclassified from due from banks and financial institutions	735,421
Treasury bills	22,877,093
Reclassified balance, 1387	23,612,514
35.4 Defined benefit plan	
Balance as per financial statements of 1387	295,036
Liability relating to employee benefits wrongly included in provisions and other liabilities	38,332
Reclassified balance, 1387	333,368
35.5 Deferred grant	
Balance as per financial statements of 1387	160,782
Grants wrongly included in provisions and other liabilities	31,339
Reclassified balance, 1387	192,121
35.6 Provisions and other liabilities	
Balance as per financial statements of 1387	8,048,836
Liability relating to employee benefits wrongly included in provisions and other liabilities	(38,332)
Grants wrongly included in provisions and other liabilities	(31,339)
Reclassified balance, 1387	7,979,165

Masood Khan Musa Ghazi
(Chief Financial Officer)

Mohibullah Safi
(First Deputy Governor)

Abdul Qadeer Fitrat
(Governor)