Afghan United Bank

Kabul, Afghanistan

Audited Financial Statements along with accompanying information

For the year ended as at December 31, 2014

Crowe Horwath™

هــوروات مــالك

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Auditors & Business Advisors

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INDEPENDENT AUDITOR'S REPORT TO BOARD OF SUPERVISORS

We have audited the accompanying financial statements of Afghan United Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2014, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB), and the Islamic Accounting Standards developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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.

Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2014, and of its financial performance and its cash flows for the year ended in accordance with the International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB), and the Islamic Accounting Standards developed by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

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Auditors & Business Advisors

Kabul

Crowe Horwath™
Horwath
25 MAR 2015
Auditors & Business Advisor
Kabul, Afghanistan

AFGHAN UNITED BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	Note	2014	2013
		.... Afs '000'	
ASSETS			
Cash and balances with central bank	5	**7,919,553**	8,749,097
Balances with other banks	6	**1,916,434**	1,131,179
Investments	7	**583,200**	1,805,116
Loans and advances to customers	8	**5,386,286**	4,647,414
Property and equipment	9	**1,145,119**	1,236,883
Intangible assets	10	**26,334**	38,296
Other assets	12	**1,306,832**	1,386,529
Total assets		**18,283,758**	18,994,514
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**1,000,000**	1,000,000
Revaluation reserve	14	**452,152**	656,337
Retained earning		**522,030**	126,337
Total equity		**1,974,182**	1,782,674
LIABILITIES			
Deposits from banks	15	**-**	400,000
Deposits from customers	16	**15,752,195**	16,486,099
Deferred tax liability	11	**353,585**	213,227
Provision for tax		**71,690**	27,210
Other liabilities	17	**132,106**	85,304
Total liabilities		**16,309,576**	17,211,840
Total equity and liabilities		**18,283,758**	18,994,514
CONTINGENCIES AND COMMITMENTS	26	**-**	-

The annexed notes 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

Afghan United Bank
Chief Executive Officer (Acting)

CHIEF FINANCIAL OFFICER

Afghan United Bank
Chief Financial Officer

AFGHAN UNITED BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		.... Afs '000'	
Interest income		886,381	693,560
Interest expense		(151,105)	(115,714)
Net interest income	18	735,276	577,846
Fee and commission income		249,477	172,908
Fee and commission expense		(76,197)	(47,871)
Net fee and commission income	19	173,280	125,037
Other operating income	20	138,361	99,507
Operating income		1,046,917	802,390
Net impairment loss on financial assets	8.6	(23,421)	(15,312)
Depreciation	9	(53,968)	(70,620)
Amortization	10	(14,746)	(48,051)
Employee benefit expense	21	(203,921)	(190,415)
Operating lease expenses		(43,225)	(43,948)
Other expenses	22	(260,738)	(229,804)
Profit before tax		446,898	204,240
Income tax expense	23	(51,205)	(49,217)
Profit for the year		395,693	155,023
Other comprehensive income			
- Revaluation reserve - net / (Related deferred tax - net of incremental depreciation)		(204,185)	632,822
Total comprehensive income for the year		191,508	787,845

The annexed notes 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

Afghan United Bank
Chief Executive Officer (Acting)

CHIEF FINANCIAL OFFICER

Afghan United Bank
Chief Financial Officer

AFGHAN UNITED BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

	Share capital	Revaluation reserve	Retained earning	Total
	.... Afs '000'			....
Balance as at January 01, 2013	1,000,000	23,515	(28,686)	994,829
Total comprehensive income for the year				
Profit for the year	-	-	155,023	155,023
Other comprehensive income	-	632,822	-	632,822
	-	632,822	155,023	787,845
Transactions with owners				
Issuance of shares	-	-	-	-
Balance as at December 31, 2013	1,000,000	656,337	126,337	1,782,674
Balance as at January 01, 2014	**1,000,000**	**656,337**	**126,337**	**1,782,674**
Total comprehensive income for the year				
Profit for the year	**-**	**-**	**395,693**	**395,693**
Other comprehensive income	**-**	**(204,185)**	**-**	**(204,185)**
	-	**(204,185)**	**395,693**	**191,508**
Transactions with owners				
Issuance of shares	**-**	**-**	**-**	**-**
Balance as at December 31, 2014	**1,000,000**	**452,152**	**522,030**	**1,974,182**

The annexed notes 1 to 31 form an integral part of these financial statements.

Afghan United Bank
Chief Executive Officer (Acting)

CHIEF EXECUTIVE OFFICER

Afghan United Bank
Chief Financial Officer

CHIEF FINANCIAL OFFICER

AFGHAN UNITED BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		.... Afs '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**446,898**	204,240
Adjustments for:			
Net impairment loss on financial assets	8.6	**36,145**	13,541
Depreciation	9	**53,968**	70,620
Amortization	10	**14,746**	48,051
Gain on disposal of fixed assets		**-**	(188)
		551,757	336,264
Increase / decrease in current assets and liabilities			
Investments		**1,221,916**	(930,172)
Loans and advances to customers - net of provision		**(775,017)**	(624,609)
Other assets		**79,697**	(377,038)
Deposits from banks		**(400,000)**	-
Deposits from customers		**(733,904)**	5,635,340
Other liabilities		**43,281**	32,531
		(12,270)	4,072,316
Income tax withheld - net		**(18,928)**	32,310
Net cash generated from operating activities		**(31,198)**	4,104,626
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(10,307)**	(45,538)
Purchase of intangible assets		**(2,784)**	(41,015)
Proceeds from disposal of property and equipment		**-**	1,365
Net cash used in investing activities		**(13,091)**	(85,188)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**-**	-
Net cash generated from financing activities		**-**	-
Net increase in cash and cash equivalents		**(44,289)**	4,019,438
Cash and cash equivalents, beginning of year		**9,880,276**	5,860,838
Cash and cash equivalents, end of year	24	**9,835,987**	9,880,276

The annexed notes 1 to 31 form an integral part of these financial statements.

Afghan United Bank ★ Chief Financial Officer

CHIEF EXECUTIVE OFFICER | **CHIEF FINANCIAL OFFICER**

Afghan United Bank ★ Chief Executive Officer (Acting)

1 STATUS AND NATURE OF BUSINESS

Afghan United Bank ("the Bank") is a commercial bank registered and operating in Afghanistan. The registered office of the bank is located in Kabul, Afghanistan.

The bank obtained business license from Afghanistan Investment Support Agency (AISA) bearing license no: D-27284. The bank commenced its operations on October 04, 2007 under the license for commercial banking issued by Da Afghanistan bank (DAB) under the low of banking in Afghanistan. Currently, the bank is being operated with twenty two branches of Islamic banking (2013: twenty two branches including tow branches of Islamic banking) in different provinces of Afghanistan.

The financial statements for the year ended December 31, 2014 (including comparatives) have been approved and authorized for issue by the board of supervisors on 25th March, 2015.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB), and the Islamic Accounting Standards developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In case requirement differ the provisions of the law of banking in Afghanistan shall prevail.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective from accounting period beginning on or after
IAS 19 - Employee Benefits (Amendment)	July 01, 2014
IAS 24 - Related Party Disclosure	July 01, 2014
IAS 38 - Intangible Assets - (Amendment)	July 01, 2014
IAS 40 - Investment Property	July 01, 2014
IFRS 2 - Share-based Payment	July 01, 2014
IFRS 3 - Business Combinations	July 01, 2014
IFRS 8 - Operating Segments	July 01, 2014

3 BASIS OF PREPARATION

3.1 Basis of measurement

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

3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

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

a) Note 8.6 Provision against non-performing loans and advances to customers
b) Note 9 Valuation and depreciation rates for fixed assets
c) Note 11 Deferred taxation
d) Note 23 Income taxes

3.3 Functional And Presentation Currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accountin policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise state.

4.1 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with central bank (unrestricted) and balances with other bank.

4.2 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by teansactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial asset are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

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

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

Currently, the Bank has financial assets only in the form of loans and receivables and held to maturity investments.therefore, policies related to other categories of financial assets would not be relevent.

a) Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable Payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective.interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The bank's cash and cash equivalents, loans and advances to customers and other assets fall into this category of financial instruments.

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 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 asset(S) that can be estimated reliably.

Objective evidence that financial assets are impaires can include default or delinquency by a borrower, restructuring of a loan advance by the bank on items 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 staus of borrowers or issuers in the bank, or economic conditions that correlate with defaults in the bank.

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 timelines and accuracy of its loan review function.

Impairment losses on assets carried at amortized costs are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent even causes the amount of impairment loss to decrease, the impairment loss is reversed through statement of comprehensive income.

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

b) Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the bank has the intention and ability to hold them until maturity. The bank currently holds "term placements with other banks" designated into this category.

HTM investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaire, determinced by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment , including impairment losses, are recognised in statement of comprehensive income.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in statement of comprehensive income. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

4.3 Loans and advances

Loans and advances are stated net of provisions against non-performing loans and advances. Specific and general provision are mad based on an appraisal of the loan portfolio that takes into account Regulations and other directives issued by the Da Afghanistan Bank from time to time. The general provision is for the inherent risk of losses which are known from experience to be present in any loan portfolio.

The provisions made / reveresed during the year are charged to the statemetn of comprehensive income and accumulated provision is netted off against loans and advances. Loans and advances are writted off when there is no realistic prospect of recovery or when the regulation requires.

Murabaha financings are reflected as receivables at the sale price. Actual sale and purchase is not reflected as the goods are purchased by the customer as agent of the bank and all documents relating to purchase are in customer's name.

In Ijarah financing, the bank provides the asset on pre-agreed rentals for specific tenors to the customers.

4.4 Property and equipment - tangible

Owned

Property and equipment, other than furniture and fixtures, computer equipments and office equipments, are stated at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Furniture and fixtures, computer equipments and office equipments are stated at revalued amounts less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recongized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to statement of comprehensive income during the financial period in which they are incurred.

Furniture and fixtures, computer equipments and office equipments are revalued by independent professionally qualified valuer(s). Surplus arising on revaluation is crediteto the 'revaluation reserve' account (net of defered tax) and deficit arising on revaluation of fixed assets iss adjusted against the balance in the above-mentioned surplus account. The revaluation is carried out with sufficient regularity to ensure that the carrying amount does not differ materially form that which would have been determined using fair value at the balance sheet date.

Accumulated depreciation on furniture and fixtures, computer equipments and office equipments, at the date of revaluation, restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Surplus on revaluation of fixed assets (net of deferred tax) is transferred to accumulated loss to the extent of incremental depreciation charged on related assets.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight line method to allocate their depreciable cost or revalued amount to their residual values over their estimated useful lives.

The residual values and useful lives of fixed assets are reviewed, and adjusted (if appropriate) at each balance sheet date.

Gains and losses on disposal of fixed assets are included in statement of comprehensive income currently.

Leased

Fixed assets held under finance lease are stated at the lower of fair value of asset and present value of minimum lease payments at the inception of lease, less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant period rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

4.5 Intangible assets - computer softwares

Acquired computer softwares are capitalized on the basis of costs incurred to acquire and bring to use the specific software. 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.

These costs are amortized over their useful lives using the straight line method 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.

4.6 Impairment of non-financial assets

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

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

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

4.7 Deposits

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

4.8 Taxation

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

Current tax

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

Deferred tax

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaciton that is not a business combination and that affects neither accounting nor taxable profits; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the forseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they

reverse, based on the laws that have ben enacted or substantively enacted by the reporting date.

As deferred tax asset is recognized only to the extend that it is probable that future taxable profits will be available against which the asset 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.

4.9 Employee compensation

Short-term employee benefits are measured on an undiscounted basis and are expensed at the related service is provided.

4.10 Foreign currency transactions

Transactions in foreign currencies are translated to Afghani at exchange rate prevailiing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Afghani at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income.

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.

4.11 Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties ot the contract that are an integral part of the effective interest rate, transaciton costs and all other premiums or discounts.

As per regulation issued by DAB title: "Asset Classifications, Monitoring of Problem Assets, Reserve for Losses, and Non-accrual Status", accrued interest is reversed on the loans and advances that are classified as non-accrual status. Interest from such loans and advances is recognized on receipt basis.

Profit under Murabaha is recognized on monthly basis, while it is recoverable at maturity.

4.12 Fee and commission

Fees and commission income includes account servicing fees and sales commissions and are recognized as the related services are performed.

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

4.13 Lease payments

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

4.14 Provisions

Provisions for restructuring costs and legal claims are recognized when:

a) the bank has present legal or constructive obligation as a result of past events;
b) it is more likely than not that an outflow of resources will be required to settle the obligation; and
c) the amount has been reliably estimated.

Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligation.

4.15 Off-setting

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

4.16 Appropriations subsequent to date of statement of financial position

Appropriations subsequent to year end are recognized during the year in which those appropriations are

	Note	2014	2013
		.... Afs '000'	
5 CASH AND BALANCES WITH CENTRAL BANK			
In hand			
Local currency		**1,299,614**	462,598
Foreign currencies		**3,387,566**	6,050,888
		4,687,180	6,513,486
With Da Afghanistan Bank in:			
Local currency current accounts		**415,443**	91,071
Local currency deposit account	5.1	**-**	750,218
Placements - Capital Notes	5.2	**146,138**	-
Foreign currency current accounts		**2,670,792**	1,394,322
		3,232,373	2,235,611
		7,919,553	8,749,097

5.1 Letter No. 1353 dated 04 June 2014 Money Policy Department - General Chairman of DAB states that from 10 June 2014 all ONDF Facility will be closed.

5.2 This represents capital notes from Da afghanistan bank carrying interest rate 5.23% (2013: Nil) per annum for 182 days with maturity date of March 17, 2015.

	Note	2014	2013
6 BALANCES WITH OTHER BANKS			
In Afghanistan			
National Bank of Pakistan		**302,327**	32,038
Pashtany Bank		**339,724**	-
		642,052	32,038
Outside Afghanistan			
Commerz Bank, Germany		**84,836**	111,255
Crown Agent Bank		**-**	3,267
Bahrain Middle East Bank		**-**	4,821
CSC Bank		**18,269**	29,740
Aktif Bank		**992,951**	936,063
Axis Bank		**154,655**	7,601
Mashreq Bank		**810**	793
Bank of Baroda		**22,844**	5,601
Yinzhou Bank		**17**	-
		1,274,382	1,099,141
		1,916,434	1,131,179
7 INVESTMENTS			
Held to maturity			
Bahrain Middle East Bank		**-**	112,020
Crown Agent Bank UK		**-**	-
Azizi Bank		**-**	560,100
CSC Bank		**-**	2,799
Aktif Bank	7.1	**583,200**	1,120,197
National Bank of Pakistan		**-**	10,000
		583,200	1,805,116

7.1 This represents placements of US$ 10 million (2013: US$ 10 million and US$ 9.9 million), carrying interest at 3.75% (2013: 3.25% and 3.35% per annum) with maturity of November 10, 2015 (2013: October 11, 2014 and January 13, 2014 respectively) .

	Note	2014	2013
		.... Afs '000'	
8 LOANS AND ADVANCES TO CUSTOMERS			
Conventional financing			
Running finance	8.2	**4,339,230**	3,519,919
Term finance	8.3	**478,051**	571,659
Bills discounted		**-**	-
		4,817,281	4,091,578
Islamic financing			
Murabaha	8.4	**237,587**	236,407
Ijara	8.5	**367,563**	332,970
Loans and advances to customers - gross		**5,422,431**	4,660,955
Provision against non-performing loans and advances	8.6	**(36,145)**	(13,541)
Loans and advances to customers - net of provision		**5,386,286**	4,647,414

8.1 Particulars of loans and advances to customers - gross

	2014	2013
In local currency	**749,008**	499,433
In foreign currencies	**4,673,642**	4,161,522
	5,422,650	4,660,955

8.2 These carry interest ranging between 13% to 19% per annum (2013: 13 % to 18% per annum). All facilities are extended for maximum period of 12 months and are expected to be recovered within 12 months of the reporting date. These are secured against personal guarantees, mortgage of immoveable properties and hypothecation over stock in trade.

8.3 These carry interest rate at 15% per annum (2013: 14 % to 18% per annum). These loans have been extended for periods ranging from one year to four years and are secured against personal guarantees, mortgage of immoveable commercial & residential properties and assignment of receivables.

8.4 These represent sale and purchase agreement under which the Bank had paid finance for the purchase of goods and then sold the requisite goods to the customer on profit margin which is ranging from 15% to 18% and per annum (2013: 15% to 20% per annum). These facilities are extended for the period of 2.5 months to 1 year (2013: 4 months to 2 years) and secured against personal guarantees, mortgage of immovable properties and goods supplied under the sale and purchase agreement.

8.5 These represent sale and purchase agreement under which the Bank had paid finance for the purchase of goods and then sold the requisite goods to the customer on profit margin which is ranging from 10% to 18% per annum (2013: 15% to 18%).

8.6 Particulars of provision against non-performing loans and advances

	2014	2013
	...... Afs '000'	
Opening balance	**13,541**	45,011
Charge for the year	**23,421**	15,312
Write off during the year	**(817)**	(6,043)
Reversal for the year	**-**	(40,739)
	22,604	(31,470)
Closing balance	**36,145**	13,541

9 PROPERTY AND EQUIPMENT

	Note	Land	Office Buildings	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Capital work in progress	Total
					Afs '000'				
GROSS CARRYING AMOUNT									
Balance as at January 01, 2013		92,865	358,230	65,565	125,451	87,630	81,667	-	811,408
Additions during the year	9.1	-	-	909	999	5,183	6,431	-	13,521
Disposals during the year		-	-	-	-	(370)	-	-	(370)
Revaluation adjustments	9.3	149,069	698,158			-		-	847,227
Balance as at December 31, 2013		241,934	1,056,388	66,474	126,450	92,443	88,098	-	1,671,786
Balance as at January 01, 2014		**241,934**	**1,056,388**	**66,474**	**126,450**	**92,443**	**88,098**	**-**	**1,671,787**
Additions during the year	9.1	**-**	**-**	**1,419**	**4,704**	**-**	**4,182**	**-**	**10,305**
Adjustments /Disposals during the year		**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Revaluation adjustments	9.3	**-**	**(32,632)**			**-**		**-**	**(32,632)**
Balance as at December 31, 2014		**241,934**	**1,023,756**	**67,893**	**131,154**	**92,441**	**92,280**	**-**	**1,649,458**
ACCUMULATED DEPRECIATION									
Balance as at January 01, 2013		-	63,332	39,784	93,674	43,657	49,240	-	289,687
Charge for the year		-	17,912	9,767	17,340	18,156	7,444	-	70,620
Depreciation on disposals		-	-	-	-	(338)	-	-	(338)
Revaluation adjustments	9.3	-	60,363	950	7,640	-	5,981	-	74,934
Balance as at December 31, 2013		-	141,607	50,501	118,655	61,475	62,666	-	434,903
Balance as at January 01, 2014		**-**	**141,607**	**50,501**	**118,655**	**61,475**	**62,666**	**-**	**434,903**
Charge for the year		**-**	**3,088**	**9,569**	**8,107**	**16,847**	**16,356**	**-**	**53,968**
Depreciation on disposals		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Revaluation adjustments	9.3	**-**	**15,468**	**-**	**-**	**-**	**-**	**-**	**15,468**
Balance as at December 31, 2014		**-**	**160,162**	**60,070**	**126,762**	**78,322**	**79,022**	**-**	**504,339**
WRITTEN DOWN VALUE AS AT									
- December 31, 2013		241,934	914,781	15,973	7,795	30,967	25,433	-	1,236,883
- December 31, 2014		**241,934**	**863,594**	**7,823**	**4,392**	**14,119**	**13,258**	**-**	**1,145,119**
Rate of depreciation in %		**Nil**	**5**	**20**	**33**	**25**	**25**	**Nil**	

9.1 There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2013: nil).

9.2 There were various unrecorded assets in the previous year's relating to different classes of property and equipment. During the current year, Bank first time made valuation of those assets and recorded there in the books of account.

9.3 The Bank's land and building were revalued by independent accredited professional valuer, Waziri Consulting Services Company. The date of valuation were May 28, 2012 and July 29, 2012 for different locations. The revaluation has resulted in a net surplus of Afs 1,210 million over the book value. Da Afghanistan Bank had approved 70% of this surplus on July 21, 2012 which aggregates to Afs 847.22 million. Moreover, furniture and fixtures, computer equipment and office equipment were revalued by independent accredited professional valuers, Aftech International Company Limited and Osprey Logistics Servives Company. The valuation performed by the valuers was based on active market prices, adjusted for any difference in the nature, location or condition of the specific revalued asset. The date of revaluation was 31 December 2012. The revaluation has resulted in a net surplus of Afs 29.395 million over the book value.

9.4 The gross carrying amount of fully depreciated property and equipment still in use are as follows:

	2014	2013
	.... Afs '000'	
Office buildings		-
Furniture and fixtures	29,601	20,727
Computer equipment	78,763	64,486
Vehciles	26,082	24,708
Office equipment	27,059	17,825
	161,505	127,746

10 INTANGIBLE ASSETS

	2014	2013
Gross carrying amount		
Opening balance	218,813	177,798
Additions during the year	2,784	41,015
Closing balance	221,597	218,813
Less: Accumulated amortization		
Opening balance	180,517	132,466
Charge for the year	14,746	48,051
Closing balance	195,263	180,517
Written down value	26,334	38,296

10.1 The intangible assets include computer software which is being amortized at the rate of 33.33% (2013: 33.33%). The gross carrying amount of fully amortised intangible assets still in use is Afn 177,395 thousands.

11 DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

Deferred tax liabilities (assets)	January 01, 2014	Recognised in other comprehensive income	Recognised in income statement	December 31, 2014
	.... Afs '000'			
Property and equipment	204,638	156,083	-	360,721
Intangible assets	8,589	-	-	8,589
Unused tax losses	-	(15,725)	-	(15,725)
	213,227	140,358	-	353,585
Recognised as:				
- Deferred tax asset	-	(15,725)	-	(15,725)
- Deferred tax liability	213,227	156,083	-	369,310

Deferred tax liabilities (assets)	January 01, 2013	Recognised in other comprehensive income	Recognised in income statement	December 31, 2013
	.... Afs '000'			
Property and equipment	65,166	139,472	-	204,638
Intangible assets	8,589	-	-	8,589
Unused tax losses	-	-	-	-
	73,755	139,472	-	213,227
Recognised as:				
- Deferred tax asset	-	-	-	-
- Deferred tax liability	73,755	-	-	213,227

11.1 The amounts recognised in other comprehensive income related to revaluation of land, building, furniture and fixtures, computer equipment and office equipment. See note 14 for the amount of the income tax relating to component of other comprehensive income.

	Note	**2014**	2013
		.... **Afs '000'**	
12 OTHER ASSETS			
Advances to suppliers and employees		**22,708**	11,895
Security deposits		**59,623**	58,409
Prepayments		**27,679**	29,168
Receivable from Xpress Money and Money Gram		**38,667**	53
Restricted deposits with Da Afghanistan Bank	12.1	**1,069,636**	1,226,087
Interest receivables		**49,965**	45,125
Others		**38,554**	15,792
		1,306,832	1,386,529

12.1 This represents statutory reserve maintained with DAB as minimum reserve in accordance with Banking Regulations issued by Da Afghanistan Bank. These minimum reserves carry interest ranging from 0.7% to 1.2% per annum (2013: 0.01% to 0.239% per annum).

13 SHARE CAPITAL

13.1 Authorized capital

2014	2013		**2014**	2013
Number of shares			.... **Afs '000'**	
40,000,000	40,000,000	Ordinary shares of Afs 250 each	**10,000,000**	10,000,000

13.2 Issued and paid up capital

2014	2013		**2014**	2013
Number of shares				
4,000,000	4,000,000	Ordinary shares of Afs 250 each	**1,000,000**	1,000,000

Deferred tax liabilities (assets)	January 01, 2013	Recognised in other comprehensive income	Recognised in income statement	December 31, 2013
	.... Afs '000'			
Property and equipment	65,166	139,472	-	204,638
Intangible assets	8,589	-	-	8,589
Unused tax losses	-	-	-	-
	73,755	139,472	-	213,227
Recognised as:				
- Deferred tax asset	-	-	-	-
- Deferred tax liability	73,755	-	-	213,227

11.1 The amounts recognised in other comprehensive income related to revaluation of land, building, furniture and fixtures, computer equipment and office equipment. See note 14 for the amount of the income tax relating to component of other comprehensive income.

12 OTHER ASSETS

	Note	2014	2013
		.... Afs '000'	
Advances to suppliers and employees		**22,708**	11,895
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13 SHARE CAPITAL

13.1 Authorized capital

2014	2013		2014	2013
Number of shares			.... Afs '000'	
40,000,000	40,000,000	Ordinary shares of Afs 250 each	**10,000,000**	10,000,000

13.2 Issued and paid up capital

2014	2013		2014	2013
Number of shares				
4,000,000	4,000,000	Ordinary shares of Afs 250 each	**1,000,000**	1,000,000

13.3 Movement in issued and paid up number of shares

Following is the movement in issued and paid up number of shares:

			2014	2013
			Number of shares	
1,000,000	1,000,000	Number of shares at beginning of the year	**4,000,000**	4,000,000
		Shares issued during the year		
-	-	- against cash	-	-
-	-	- in kind	-	-
-	-		-	-
		Number of shares at end of the year		
1,000,000	1,000,000		**4,000,000**	4,000,000

14 REVALUATION RESERVE

This represents revaluation of land, building, furniture and fixtures, computer equipment and office equipment. The details of revaluation are as follows:

	Note	2014	2013
		.... Afs '000'	
Furniture and fixtures		**2,812**	2,812
Computer equipment		**11,124**	11,124
Office equipment		**15,458**	15,458
Land		**149,069**	149,069
Building		**698,158**	698,158
		876,621	876,621
Less: Incremental depreciation		**(123,035)**	(74,933)
Add: Related deferred tax liability - Incremental depreciation		**24,607**	14,987
Less: Deferred tax - Net of Incremental depreciation		**(326,041)**	(160,338)
		452,152	656,337

15 DEPOSITS FROM BANKS

		2014	2013
Azizi Bank		-	400,000
		-	400,000

16 DEPOSITS FROM CUSTOMERS

	Note	2014	2013
Current deposits		**10,136,495**	10,607,287
Saving deposits	16.1	**2,584,101**	4,357,424
Term deposits	16.2	**1,743,735**	387,849
Margin deposits		**1,287,864**	1,133,539
		15,752,195	16,486,099

16.1 Saving deposits carry interest at the rate of 1% (2013: 1% to 2%) on USD balances and 3% (2013: 3% to 5%) on Afs balances per annum. The profit disbursed during the year on the Islamic saving deposits carry interest from 1% to 3% (2013: 1.5% to 3%) per annum.

16.2 Term deposits carry interest ranging from 2% to 6% per annum (2013: 2% to 8% per annum) with maturity of one to twelve months (2013: one to twelve months). Profit disbursed during the year on the Islamic term deposits carry interest from 2% to 7% (2013: 2% to 8%) per annum.

	Note	2014	2013
		.... Afs '000'	

17 OTHER LIABILITIES

	Note	2014	2013
Creditors and accruals		**78,629**	50,752
Auditor's remuneration payable		**875**	952
Witholding tax payable		**9,497**	5,976
Murabaha risk and equalization reserve		**15,846**	11,123
Interest payable		**22,260**	1,355
Others		**4,999**	15,146
		132,106	85,304

18 NET INTEREST INCOME

	Note	2014	2013
Interest income			
- On loans and advances to customers	18.1	**794,757**	647,679
- On statutory reserve with Da Afghanistan Bank		**46,584**	26,790
- On held to maturity investments		**45,040**	19,091
Total interest income		**886,381**	693,560
Interest expense			
Deposits from banks		**(26,709)**	(16,699)
Deposits from customers		**(124,396)**	(99,015)
Total interest expense		**(151,105)**	(115,714)
Net interest income		**735,276**	577,846

18.1 Interest income on loans and advances to customers

	Note	2014	2013
Interest income on loans and advances to customers		**744,576**	602,138
Loan processing fee		**50,181**	45,541
		794,757	647,679

19 NET FEE AND COMMISSION INCOME

	Note	2014	2013
Fee and commission income			
- Commission on guarantees issued		**158,047**	71,181
- Fund transfer and cheque books issuance fee		**91,430**	101,727
Total fee and commission income		**249,477**	172,908
Fee and commission expense			
- Inter bank transaction fee		**(76,197)**	(47,871)
Net fee and commission income		**173,280**	125,037

20 OTHER OPERATING INCOME

	Note	2014	2013
Foreign exchange gain		-	4,088
Recovery of written off loans		**135,094**	89,642
Other income		**3,267**	5,777
		138,361	99,507

	Note	2014	2013
		.... Afs '000'	

21 EMPLOYEE BENEFIT EXPENSE

	Note	2014	2013
Salaries and wages		**167,610**	156,785
Board members' remuneration		**443**	298
Staff welfare		**35,868**	33,332
		203,921	190,415

22 OTHER EXPENSES

	Note	2014	2013
Communication		**33,833**	34,903
Travelling and conveyance		**6,861**	7,811
Insurance	22.1	**43,668**	38,034
Advertisement		**12,909**	8,037
Fuel expenses		**9,905**	12,273
Food expenses		**415**	326
Donations		**-**	171
Audit fee		**7,871**	1,111
Repairs and maintenance		**45,019**	39,629
Fee and taxes		**60**	300
Stationery and printing		**3,361**	4,039
Staff training		**3,026**	1,241
Utilities		**12,823**	11,837
Security services		**54,724**	54,024
Miscellaneous expenses		**5,269**	16,068
		20,994	-
		260,738	229,804

22.1 These represents charges paid to Afghan Deposit Insurance Corporation (ADIC) @ 0.23% per annum of the total deposits as required by Da Afghanistan Bank.

23 INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of 20% (2013: 20%) and the reported tax expense in profit or loss are as follows:

	2014	2013
Current year tax expense		
Profit before tax	**446,898**	204,240
Tax rate for Afghan United Bank	**20%**	20%
	89,380	40,848
Tax deducted at source	**(22,450)**	-
	66,930	40,848
Deferred tax expense		
Adjustment for prior years	**(15,725)**	2,200
Adjustment for non-deductible expenses	**-**	6,169
Actual tax expense	**51,205**	49,217
Tax expense comprises		
Corporate tax @ 20% with adjustement of unallowable deductions	**89,380**	47,017
Prior tax expense	**(22,450)**	2,200
Deferred tax expense:		
Origination and reversal of temporary differences	**-**	-
Utilisation of unused tax losses	**(15,725)**	-
Tax expense	**51,205**	49,217
Deferred tax expense, recognised directly in other comprehensive income	**156,083**	139,472

24 CASH AND CASH EQUIVALENTS

	2014	2013
	.... Afs '000'	
Cash and balances with central bank	**7,919,553**	8,749,097
Balances with other banks	**1,916,434**	1,131,179
	9,835,987	9,880,276

25 RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party
The Bank is owned by individual shareholders who owns Bank's shares in different proportions.

Key management personnel
Key management personnel includes Chief Executive Officer, Acting Chief Financial Officer, Chief Operating Officer, Chief Credit Officer and General Manager (Branches).

Transactions with related parties
Transactions and balances with related parties, including remuneration and benefits paid to key management personnel under the terms of their employment are as follows:

	Balances		Transactions	
	2014	2013	**2014**	2013
	.... Afs '000'			
Shareholder				
Loans and advances	**24,580**	224,040	**-**	-
Interest income	**-**	-	**1,381**	3,058
Transactions with key management personnel				
Short term employee benefits				
Salary and other benefits	**-**	-	**23,646**	34,322

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

26 CONTINGENCIES AND COMMITMENTS

	2014	2013
	.... Afs '000'	
Letter of credits and guarantees issued on behalf of customers	**4,085,519**	3,429,936
Commitment for rent payments		
- not later than one year	**43,225**	43,948
- later than one year and not later than five year	**172,900**	175,792
	216,125	219,740

27 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

Note 4.2 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	Available for sale financial assets	Held for trading (FVTPL)	Derivatives used for hedging	Held to maturity	Loans and receivables	Total
		(carried at fair value)			(carried at amortised cost)		
		Afs '000'					
December 31, 2014							
Financial assets							
Cash and balances with central bank	5	-	-	-	-	7,773,415	7,773,415
Balances with other banks	6	-	-	-	-	1,916,434	1,916,434
Investments	7	-	-	-	729,338	-	729,338
Loans and advances to customers	8	-	-	-	-	5,386,286	5,386,286
Other assets	12	-	-	-	-	1,256,445	1,256,445
		-	-	-	729,338	16,332,580	17,061,918

	Note	Derivatives used for hedging	Designated at FVTPL	Other liabilties at FVTPL	Other liabilities (amortised cost)	Total
		(carried at fair value)				
		Afs '000'				
Financial liabilities						
Deposits from banks	15	-	-	-	-	-
Deposits from customers	16	-	-	-	15,752,195	15,752,195
Other liabilities	17	-	-	-	122,609	122,609
		-	-	-	15,874,804	15,874,804

	Note	Available for sale financial assets	Held for trading (FVTPL)	Derivatives used for hedging	Held to maturity	Loans and receivables	Total
		(carried at fair value)			(carried at amortised cost)		
		Afs '000'					
December 31, 2013							
Financial assets							
Cash and balances with central bank	5	-	-	-	-	8,749,097	8,749,097
Balances with other banks	6	-	-	-	-	1,131,179	1,131,179
Investments	7	-	-	-	1,805,116	-	1,805,116
Loans and advances to customers	8	-	-	-	-	4,647,414	4,647,414
Other assets	12	-	-	-	-	1,345,466	1,345,466
		-	-	-	1,805,116	15,873,156	17,678,272

	Note	Derivatives used for hedging	Designated at FVTPL	Other liabilties at FVTPL	Other liabilities (amortised cost)	Total
		(carried at fair value)				
		Afs '000'				
Financial liabilities						
Deposits from banks	15	-	-	-	400,000	400,000
Deposits from customers	16	-	-	-	16,486,099	16,486,099
Other liabilities	17	-	-	-	79,328	79,328
		-	-	-	16,965,427	16,965,427

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

28 FINANCIAL RISK MANAGEMENT

28.1 Introduction and overview

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

a) credit risks

b) liquidity risks

c) market risks

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

Risk management framework

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

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by the Internal Audit and compliance department.

a) Credit risk

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

Management of credit risk

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

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The credit department is headed by Chief Credit Officer (CCO). Credit officer along with credit department staff look 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. The credit evaluation system comprises of well designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

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

Exposure to credit risk

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

	2014	2013
	...... Afs '000'	
Classes of financial assets		
Cash and balances with central bank	**7,773,415**	8,749,097
Balances with other banks	**1,916,434**	1,131,179
Investments	**729,338**	1,805,116
Loans and advances to customers	**5,386,286**	4,647,414
Other assets	**1,256,445**	1,345,466
Total carrying amounts	**17,061,918**	17,678,272

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

In addition to the above, the Bank has issued financial guarantees' and letter of credits contracts for which the maximum amount payable by the Bank assuming all guarantees / letter of credits (less margin) are called on, is Afs 2,797,655,032 (2013: Afn 2,282,901,663).

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

Allowances for impairment

The Bank establishes an allowance for impairment losses on assets carried at amortized 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 loans are outstanding for more than 540 days, as per DAB regulation. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position 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.

The Bank holds collateral against loans and advances in the form of property documents, pledge of stocks and scratch cards, assignment of receivables and guarantees.

Concentration of credit risks by industry

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

	Note	2014	2013
		...... Afs '000'	
Carrying amount	8	5,422,431	4,660,955
Concentration by sector			
Construction		1,011,414	326,427
Communication		698,893	490,676
Services		410,633	284,221
Commercial		640,498	559,553
Manufacturing		177,343	206,212
Others		2,483,650	2,793,868
		5,422,431	4,660,956

Cash and cash equivalents

The Bank helds cash and cash equivalents of Afs 9,835,987 thousands (2013: Afs 9,880,276 thousands) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with central bank and other banks. Management believes cash and cash equivalents are not exposed to significant credit risk.

Settlement risk

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

b) Liquidity risk

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

Management of liquidity risk

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

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

Exposure to liquidity risk

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

	2014	2013
At the end of the year	**58%**	64%
Average for the period	**56%**	69%
Maximum for the period	**62%**	74%
Minimum for the period	**51%**	59%

Maturity analysis for financial liabilities

	Note	Carrying amount	Gross nominal outflow	Less than 1 month	1-3 months	3 months to 1 year	More than 01 to 05 years
				Afs '000'			
December 31, 2014							
Deposits from banks	15	-	-	-	-	-	-
Deposits from customers	16	**15,752,195**	**(15,752,195)**	**(10,768,469)**	**(1,336,034)**	**(3,647,692)**	-
Other liabilities	17	**132,106**	**(132,106)**	**(132,106)**			-
		15,884,301	**(15,884,301)**	**(10,900,575)**	**(1,336,034)**	**(3,647,692)**	-
December 31, 2013							
Deposits from banks	15	400,000	(400,000)	-	-	(400,000)	-
Deposits from customers	16	16,486,099	(16,486,099)	(14,964,711)	(387,849)	(1,133,539)	-
Other liabilities	17	79,328	(79,328)	(79,328)			-
		16,965,427	(16,965,427)	(15,044,039)	(387,849)	(1,533,539)	-

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

c) Market risk

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 change in market interest rates. Interest rate risk managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
				Afs '000'			
December 31, 2014							
Cash and balances with central bank	5	**146,138**	**146,138**	-	-	-	-
Investments	7	**583,200**	-	-	**583,200**	-	-
Loans and advances to customers	8	**5,422,431**	**2,833,763**	**789,998**	**1,605,776**	**192,893**	-
Other assets	12	**1,069,636**	**1,069,636**	-	-	-	-
		7,221,405	**4,049,537**	**789,998**	**2,188,976**	**192,893**	-
Deposits from banks	15	-	-	-	-	-	-
Deposits from customers	16	**4,327,836**	**1,449,763**	**1,454,799**	**1,423,274**	-	-
		4,327,836	**1,449,763**	**1,454,799**	**1,423,274**	-	-
		11,549,241	**5,499,300**	**2,244,797**	**3,612,250**	**192,893**	-
December 31, 2013							
Cash and balances with central bank	5	750,218	750,218	-	-	-	-
Investments	7	1,805,116	672,114	12,799	1,120,203	-	-
Loans and advances to customers	8	4,660,954	1,991,260	500,422	1,786,446	382,826	-
Other assets	12	1,226,087	1,226,087	-	-	-	-
		8,442,375	4,639,679	513,221	2,906,649	382,826	-
Deposits from banks	15	400,000	400,000	-	-	-	-
Deposits from customers	16	4,745,273	1,543,386	41,278	3,083,491	77,118	-
		5,145,273	1,943,386	41,278	3,083,491	77,118	-
		13,587,648	6,583,065	554,499	5,990,140	459,944	-

Exposure to currency risk

The Bank's exposure to foreign currency risk based on notional amounts are as follows:

	Note	Total	Afs	USD	EURO	OTHERS
			Afs '000'			
December 31, 2014						
Cash and balances with central bank	5	**7,919,553**	**1,861,195**	**5,922,286**	**130,807**	**5,265**
Balances with other banks	6	**1,916,434**	**295,291**	**1,470,863**	**118,574**	**31,706**
Investments	7	**583,200**	**-**	**583,200**	**-**	**-**
Loans and advances to customers	8	**5,422,431**	**749,008**	**4,673,423**	**-**	**-**
Other assets	12	**1,306,832**	**1,188,355**	**140,927**	**-**	**-**
		17,148,450	**4,093,849**	**12,790,699**	**249,381**	**36,971**
Deposits from banks	15	**-**	**-**	**-**	**-**	**-**
Deposits from customers	16	**(15,752,195)**	**(3,024,492)**	**(12,540,991)**	**(184,913)**	**(1,800)**
Other liabilities	17	**(132,106)**	**(89,035)**	**(43,070)**	**(1)**	**-**
		(15,884,301)	**(3,113,527)**	**(12,584,061)**	**(184,914)**	**(1,800)**
Net foreign currency exposure		**1,264,149**	**980,322**	**206,638**	**64,467**	**35,171**
December 31, 2013						
Cash and balances with central bank	5	8,749,097	1,303,887	7,314,968	129,400	842
Balances with other banks	6	1,131,179	-	1,004,271	122,294	4,614
Investments	7	1,805,116	-	1,795,116	-	10,000
Loans and advances to customers	8	4,647,414	499,432	4,147,982	-	-
Other assets	12	1,386,529	1,284,218	99,459	-	-
		17,719,335	3,087,537	14,361,796	251,694	15,456
Deposits from banks	15	(400,000)	(400,000)	-	-	-
Deposits from customers	16	(16,486,099)	(2,016,981)	(14,217,348)	(251,465)	(306)
Other liabilities	17	(85,304)	(21,122)	(64,182)	-	-
		(16,971,403)	(2,438,103)	(14,281,530)	(251,465)	(306)
Net foreign currency exposure		747,932	649,434	80,266	229	15,150

	December 31, 2014		December 31, 2013	
	Average rate	**Reporting rate**	Average rate	Reporting rate
USD	**57.17**	**58.32**	54.0	56.01
EURO	**73.79**	**70.85**	72.6	76.73

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD and EURO at December 31, 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2014		December 31, 2013	
	Equity	**Profit or loss**	Equity	Profit or loss
	.... Afs '000'			
USD	**(16,531)**	**(20,664)**	(6,421)	(8,027)
Euro	**(5,157)**	**(6,447)**	(18)	(23)

A 10% weakening of the Afghani against the above currencies at December 31, 2014 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.

29 CAPITAL MANAGEMENT

Regulatory capital

The Banks' 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. Besides, Tier 2 capital cannot exceed from total amount of Tier 1 capital. The Bank complies with these regulations.

The Bank's regulatory capital position at December 31, 2014 was as follows:

	2014	2013
	.... **Afs '000'**	
Tier 1 capital		
Share capital	**1,000,000**	1,000,000
Add:		
Accumulated (loss) / profit	**126,337**	(28,686)
Deferred tax liability	**353,585**	213,227
	479,922	184,541
Less:		
Intangible assets	**26,334**	38,296
Surplus on revaluation	**452,152**	656,337
	478,486	694,633
Total tier 1 (core) capital	**1,001,436**	489,908
Tier 2 capital		
Profit for the year	**395,693**	155,023
Surplus on revaluation	**452,152**	656,337
Total tier 2 (supplementary) capital	**847,845**	811,360
Total regulatory capital	**1,849,281**	1,301,268

30 POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date "December, 31" and the date of authorisation of these financial statements.

31 CORRESPONDING FIGURES

No significant reclassficiation / rearrangement have been made in corresponding figures.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER