



KPMG Afghanistan Limited.

Ghazanfar Bank

**Audited Financial Statements
For the year ended 31 December 2011**



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Independent Auditor's report

The Board of Supervisors
Ghazanfar Bank

We have audited the accompanying financial statements of Ghazanfar Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2011, the 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 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 and the requirements of the Law of Banking in Afghanistan, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles 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 at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law of Banking in Afghanistan.

by



KPMG Afghanistan Limited

Emphasis of matter

Without qualifying our audit opinion, we draw attention to the following:

1. As of reporting date, loans and advances to customers (note 5) includes overdraft loans amounting to Afs 291,589 thousands which have been renewed during the year by the Bank without mandatory clean up of four days as required by Da Afghanistan Bank.
2. As of reporting date, loans and advances includes overdraft loans to a group of related borrowers amounting to Afs 471,006 thousands which exceeds 15% of regulatory capital of the Bank in contravention of the Article 35 of the Law of Banking in Afghanistan.

KPMG Afghanistan Limited
KPMG Afghanistan Limited
15 April 2012
Kabul



Ghazanfar Bank
Statement of financial position
As at 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
Assets			
Cash and cash equivalents	4	2,068,403	2,014,841
Loans and advances to customers	5	2,062,386	1,968,341
Property and equipment	6	130,101	147,626
Intangible assets	7	385	2,631
Deferred tax assets	8	26,328	28,887
Other assets	9	356,283	233,218
Total assets		4,643,886	4,395,544
Liabilities			
Deposits from banks	10	-	685,100
Deposits from customers	11	4,051,382	3,112,896
Other liabilities	12	28,597	46,036
Total liabilities		4,079,979	3,844,032
Equity			
Share capital	13	667,620	667,620
Retained earnings		(103,713)	(116,108)
Total equity		563,907	551,512
Total liabilities and equity		4,643,886	4,395,544
Contingencies and Commitments	21		

The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank
Statement of comprehensive income
For the year ended 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
Interest income	14	332,225	342,131
Interest expense	14	(102,911)	(173,819)
Net interest income		229,314	168,312
Fee and commission income	15	8,168	4,201
Fee and commission expense	15	(1,928)	(4,355)
Net fee and commission income		6,240	(154)
Other operating income	16	8,882	25,546
		8,882	25,546
Operating income		244,436	193,704
Impairment allowance		(9,918)	-
Personnel expenses	17	(68,336)	(70,513)
Operating lease expenses		(10,703)	(12,737)
Depreciation and amortization	6,7	(27,439)	(25,088)
Other expenses	18	(113,086)	(138,828)
Profit/(loss) before income tax		14,954	(53,462)
Income tax	19	(2,559)	10,580
Profit/(loss) for the year		12,395	(42,882)
Other comprehensive income		-	-
Total comprehensive income/(loss)		12,395	(42,882)

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The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank**Statement of changes in equity***For the year ended 31 December 2011*

	Share capital Afs '000'	Retained earnings Afs '000'	Total Afs '000'
Opening balance	567,620	(73,226)	494,394
Contributions by shareholders:			
Issuance of shares	100,000	-	100,000
Total comprehensive income for the period:			
Loss for the year	-	(42,882)	(42,882)
Balance as at 31 December 2010	667,620	(116,108)	551,512
Contributions by shareholders:			
Issuance of shares	-	-	-
Total comprehensive income for the period:			
Profit for the year		12,395	12,395
Balance as at 31 December 2011	667,620	(103,713)	563,907

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The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank**Statement of cash flows***For the year ended 31 December 2011*

	Note	2011 Afs '000'	2010 Afs '000'
Cash flows from operating activities			
Profit/(loss) before income tax		14,954	(53,462)
Adjustments for:			
Depreciation	6	25,218	22,834
Amortization	7	2,221	2,254
Gain on disposal of property and equipment	16	-	(26,911)
Exchange gain on cash and cash equivalents		30,682	(3,608)
Net Impairment allowance on financial assets	5	9,918	-
Write off		386	
Net interest income	14	(229,314)	(168,312)
		(145,935)	(227,205)
Change in loans and advances to customers-net	5	(103,963)	(1,128,660)
Change in other assets	9	(95,136)	(137,707)
Change in deposits from banks	10	(685,100)	685,100
Change in deposits from customers	11	938,486	1,727,111
Change in other liabilities	12	(12,946)	34,844
		(104,594)	953,483
Interest received		304,296	326,054
Interest paid		(107,404)	(165,154)
Net cash from operating activities		92,298	1,114,383
Cash flows from investing activities			
Purchase of property and equipment	6	(8,054)	(23,499)
Proceeds from disposal of property and equipment	6	-	172,964
Net cash used in investing activities		(8,054)	149,465
Cash flows from financing activities			
Proceeds from issue of shares	13	-	100,000
Net cash from financing activities		-	100,000
Net increase in cash and cash equivalents		84,244	1,363,848
Cash and cash equivalent at beginning of the period		2,014,841	696,188
Effect of exchange difference on cash and cash equivalents held		(30,682)	3,608
Cash and cash equivalents at year end	4	2,068,403	2,063,644

The annexed notes 1 to 23 are an integral part of these financial statements.

Chief Executive Officer



Director

Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

1. Status and nature of operations

Ghazanfar Bank ("the Bank") is a commercial bank registered and operating in Afghanistan. The Bank obtained a business license from Afghanistan Investment Support Agency ("AISA") bearing No. D-29098 renewed on 20 October, 2010 and is a limited liability company. The Bank commenced its operations on 01 March 2009 under the license for commercial banking issued to it by Da Afghanistan Bank ("DAB") under the Law of Banking in Afghanistan. Currently, the Bank is being operated with 10 conventional and Islamic branches (6 in 2009) in different parts of Afghanistan.

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved by the Board of Supervisors on 15-04-2012

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements in note 3 (e), (i) and (f).

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3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Bank at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss arising on retranslation is recognized in profit or loss.

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

(b) Interest

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

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

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

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

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

(c) Fees and commission

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

Other fees and commission income, including account servicing fees and sales

Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

commission, are recognized as the related services are performed.

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

(d) Lease payments

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

(e) Income tax expense

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(f) Financial assets and financial liabilities

(i) Recognition

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

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

(ii) Classification

See accounting policies 3(h).

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(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the other comprehensive income is recognized in profit or loss.

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

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

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

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

(vii) Identification of measurement of impairment

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

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

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Notes to the financial statements

For the year ended 31 December 2011

Financial assets or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, disappearance of an active for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considers evidence of impairment for loans and advances at both a specific and collective level. All individually significant loans and advances are assessed for specific impairment. All significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In determining the potential loss in specific loans, groups of loans, or in the aggregate loan portfolio, all relevant factors are considered including, but not limited to: current economic conditions, historical loss experience, delinquency trends, the effectiveness of the Bank's lending policies and collection procedures, and the timeliness and accuracy of its loan review function.

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

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

(g) Cash and cash equivalents

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

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

(h) Loans and advances

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

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sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction cost and subsequently measured at their amortized cost using the effective interest method.

(i) Property and equipment

(a) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

(b) Subsequent costs

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

(c) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

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

	Prior period	Current period
• Building	30 years	30 years
• Furniture and fixtures	4-10 years	4-10 years
• Computer equipment	4 years	4 years
• Vehicles	6 years	6 years
• Office equipment	5 years	5 years

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

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Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

(j) Intangible assets

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date it is available for use since this most closely reflects the pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

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

(k) Impairment of non-financial assets

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Deposits

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

(m) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

(n) Financial guarantees

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

(o) Employee benefits

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

(p) Share capital

Shares issued are classified as equity.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank.

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Ghazanfar Bank**Notes to the financial statements***For the year ended 31 December 2011*

	Note	2011 Afs '000'	2010 Afs '000'
4. Cash and cash equivalents			
Cash on hand		528,456	431,261
Balances with DAB - non interest bearing		1,190,072	1,184,500
Balances with other banks- non interest bearing	4.1	349,875	378,872
Placements		-	20,208
		<u>2,068,403</u>	<u>2,014,841</u>
4.1 Balances with other banks			
Bank-e-Millie Afghan		-	378,768
Kabul Bank		80	104
Commerz Bank, Germany		349,795	-
		<u>349,875</u>	<u>378,872</u>

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Ghazanfar Bank
Notes to the financial statements

For the year ended 31 December 2011

2011	2010
Afs '000'	Afs '000'

5 Loans and advances to customers

Loans and advances to customers- at amortised cost

2,062,386	1,968,341
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		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		Afs '000'			Afs '000'		
Note		2011			2010		
Conventional financing							
	5.1	966,806	(9,918)	956,888	1,003,350	-	1,003,350
	5.2	1,920		1,920	52,675	-	52,675
		968,726	(9,918)	958,808	1,056,025	-	1,056,025
Islamic financing							
	5.3	1,103,578	-	1,103,578	912,316	-	912,316
		2,072,304	(9,918)	2,062,386	1,968,341	-	1,968,341

- 5.1 Running finance facilities extended to customers carries interest ranging from @ 15% to 18% per annum. These facilities are extended for maximum period of twelve months. These are secured against personal guarantees, hypothecation over stock in trade, charge over fixed assets and mortgage of residential/commercial property of the borrower.
- 5.2 These are extended to the Small and Medium Enterprises (SME) with maximum limit up to US\$ 500,000 (equivalent to Afs 24,795 thousand). These loans carry interest @ 16 to 18 % per annum and have maturity period of twelve months. These are secured against personal guarantees, hypothecation over stock in trade, charge over fixed assets and mortgage of residential/commercial property of the borrower and secures against loan guarantee given by ACSP/DEG.
- 5.3 These represent financing under musharakah agreement under which the Bank has paid finance to meet working capital and other requirements of the borrower on a profit and loss sharing basis which approximately is ranging from 14 to 23 % per annum of the musharakah amount. These facilities are extended for the maximum period of twelve months and secured against personal guarantees, hypothecation over stock in trade, charge over fixed assets and mortgage of residential/commercial property of the borrower.
- 5.4 At the reporting date, loans and advances amounting to Afs 39,672 thousand were classified against which an impairment loss amounting to Afs 9,918 thousand has been maintained.

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

6. Property and equipment

	Land	Building	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total
				Afs '000'			
Cost							
Additions	35,362	40,168	82,691	128,838	59,076	3,865	350,000
Disposals	-	-	5,347	7,121	4,944	6,087	23,499
Additions	-	-	(77,304)	(60,276)	(44,168)	-	(181,748)
Balance at 31 December 2010	35,362	40,168	10,734	75,683	19,852	9,952	191,751
Balance at 01 January 2011	35,362	40,168	10,734	75,683	19,852	9,952	191,751
Additions	-	-	1,128	2,782	2,630	1,514	8,054
Adjustment	-	-	17,028	(17,028)	-	-	-
Disposals	-	-	(15)	-	(263)	(83)	(361)
Balance at 31 December 2011	35,362	40,168	28,875	61,437	22,219	11,383	199,444
Depreciation							
Balance at 01 January 2010	-	1,116	7,134	35,785	12,308	644	56,987
Depreciation on disposals	-	-	(5,023)	(21,471)	(9,202)	-	(35,696)
Depreciation for the year	-	1,339	3,005	14,152	2,802	1,536	22,834
Balance at 31 December 2010	-	2,455	5,116	28,466	5,908	2,180	44,125
Balance at 01 January 2011	-	2,455	5,116	28,466	5,908	2,180	44,125
Depreciation for the year	-	1,339	3,362	13,979	3,419	3,119	25,218
Balance at 31 December 2011	-	3,794	8,478	42,445	9,327	5,299	69,343
Carrying amounts							
At 31 December 2010	35,362	37,713	5,618	47,217	13,944	7,772	147,626
At 31 December 2011	35,362	36,374	20,397	18,992	12,892	6,084	130,101

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	2011 Afs '000'	2010 Afs '000'
7. Intangible assets		
<i>Purchased software</i>		
Cost		
Opening balance	6,764	6,764
Adjustment	(25)	-
Closing balance	6,739	6,764
<i>Amortization</i>		
Opening balance	4,133	1,879
Amortization for the period	2,221	2,254
Closing balance	6,354	4,133
Carrying amounts	385	2,631

8. Deferred tax assets and liabilities

8.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to following:

	Assets	Liabilities	Net
	As at 31 Dec 2011		
	Afs '000'	Afs '000'	Afs '000'
Property and equipment	-	(15,361)	(15,361)
Tax loss carry forward	41,689	-	41,689
Net tax assets/(liabilities)	41,689	(15,361)	26,328

	Assets	Liabilities	Net
	As at 31 Dec 2010		
	Afs '000'	Afs '000'	Afs '000'
Property and equipment	-	(14,676)	(14,676)
Tax loss carry forward	43,563	-	43,563
Net tax assets/(liabilities)	43,563	(14,676)	28,887

Deferred tax asset has been recognized on estimated carried forward tax losses, based on projections of future profitable operations and taxable profits against which the deferred tax asset could be realized.

8.2 Movement in temporary differences during the period

Movement in temporary differences during the year

	Opening balance Afs '000'	Recognized in profit or loss Afs '000'	Closing balance Afs '000'
31 December 2011			
Property and equipment	(14,676)	(685)	(15,361)
Tax loss carry forward	43,563	(1,874)	41,689
	28,887	(2,559)	26,328
31 December 2010			
Property and equipment	(16,935)	2,259	(14,676)
Tax loss carry forward	35,242	8,321	43,563
	18,307	10,580	28,887

9. Other assets

	Note	2011 Afs '000'	2010 Afs '000'
Advances to employees and suppliers		943	12,250
Prepayments		25,365	4,887
Receivable from Western Union		1,185	-
Restricted deposits with DAB	9.1	286,857	216,032
Interest Receivable		27,929	-
Investment in Afghan Payment System		12,397	-
Others		1,607	49
		356,283	233,218

9.1 This represents interest bearing local currency statutory reserves maintained with DAB as minimum reserve in accordance with Banking Regulations issued by DAB. Minimum reserves carries interest ranging 1.25% to 1.5% per annum (2010: 1.25% to 2% per annum).

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Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
10. Deposits from banks			
Afghan United Bank		-	230,050
Bank-e-Millie Afghan		-	230,050
Da Afghanistan Bank		-	225,000
		<u>-</u>	<u>685,100</u>

11. Deposits from customers			
Current deposits		1,921,539	1,358,444
Saving deposits	11.1	543,636	345,899
Term deposits	11.2	1,512,059	1,379,614
Margin deposits		74,148	28,939
		<u>4,051,382</u>	<u>3,112,896</u>

11.1 Saving deposits carries interest ranging from 4 % to 5 % per annum, while profit disbursed during the year, on the Islamic saving deposits ranged from 2.5% to 3.5 % per annum.

11.2 Term deposits carries interest ranging from 6.5 % to 10.00 % per annum with maturity of 3 months to 5 years on the conventional side. The Islamic Term Deposits carried profit expense during the year 2011 ranging from 5% to 7% with maturity of 6 months to 1 year.

11.3 At 31 December 2011, Afs 37,472 thousands (31 December 2010: Afs 102,533 thousand) of deposits from customers are expected to be settled in more than twelve months of reporting date.

	2011 Afs '000'	2010 Afs '000'
12. Other liabilities		
Accrued interest	4,475	8,968
Auditor's remuneration payable	769	621
Withholding taxes payable	15,290	36,167
Payable to Western Union	-	18
Others	8,063	262
	<u>28,597</u>	<u>46,036</u>

13. Share capital		
Authorised capital - 55,000 shares of Afs 10,000 each (2010: 55,000 shares of Afs 10,000 each)	<u>550,000</u>	<u>550,000</u>
Issued and paid up share capital - 66,762 shares of Afs 10,000 each (2010: 66,762 shares of Afs 10,000 each)	<u>667,620</u>	<u>667,620</u>

13.1 Following is the reconciliation of number of shares:

	Number of shares	
	2011	2010
Number of shares at beginning of the period	66,762	56,762
Shares issued during the period	-	10,000
Number of shares at end of the period	<u>66,762</u>	<u>66,762</u>

13.2 Da Afghanistan Bank through its Circular Reference No. 703/914 dated 08 August 2010 has required all the commercial banks to increase their capital to Afs 1 billion (USD 20 million) till 08 August 2012. The Bank has started increasing its share capital by USD 500,000 per month from March 2012 as the result of which it would be able to meet its target of required capital till April 2013.

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Ghazanfar Bank**Notes to the financial statements***For the year ended 31 December 2011*

	Note	2011 Afs '000'	2010 Afs '000'
14. Net interest income			
Interest income			
Cash and cash equivalents		73	1,548
Loans and advances to customers		332,152	340,583
Total interest income		332,225	342,131
Interest expense			
Deposits from banks		(2,540)	(76,574)
Deposits from customers	14.1	(100,371)	(97,245)
Total interest expense		(102,911)	(173,819)
Net interest income		229,314	168,312
14.1 Interest expense on deposits from customers			
Interest on:			
Term deposits		88,874	79,670
Saving deposits		11,497	17,575
		100,371	97,245
15. Net fee and commission income			
Fee and commission income			
Commission on letter of credit and guarantees issued		1,383	68
Fund transfer fee		6,388	3,931
Accounts servicing fee		397	202
Total fee and commission income		8,168	4,201
Fee and commission expense			
Inter bank transaction fee		(1,928)	(4,355)
Total fee and commission expense		(1,928)	(4,355)
Net fee and commission income		6,240	(154)

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Ghazanfar Bank**Notes to the financial statements***For the year ended 31 December 2011*

	Note	2011 Afs '000'	2010 Afs '000'
16. Other operating income			
Foreign exchange gain/ (loss)		7,597	(1,598)
Gain on disposal of property and equipment	6	-	26,911
Others		1,285	233
		<u>8,882</u>	<u>25,546</u>
17. Personnel expenses			
Salaries and wages		67,736	67,087
Staff welfare		600	3,426
		<u>68,336</u>	<u>70,513</u>
18. Other expenses			
Communication		24,729	20,798
Travelling and conveyance		4,404	6,804
Business development		556	2,247
Advertisement		9,970	44,605
Fuel		5,506	3,775
Food expenses		4,652	3,441
Insurance	18.1	16,492	6,327
Audit fee		1,339	1,032
Repair and maintenance		2,911	3,880
Vehicle repair		1,621	877
Computer and other supplies		3,361	582
Stationery and printing		1,899	5,668
Courier and postage		6	2
Staff training		690	245
Utilities		5,294	3,306
Security guards expenses		27,367	32,274
Others		2,289	2,965
		<u>113,086</u>	<u>138,828</u>

- 18.1 These include insurance charges amounting to Afs 9,500 thousands (2010: 2,474 thousands) paid to Afghan Depository Insurance Corporation (ADIC) @ 0.23% per annum of total deposits as per instructions of DAB.

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

20.3 Transactions with other related parties

Following are transactions with related parties, during the period, and outstanding balances at the reporting date

	<i>Note</i>	2011 Afs '000'
Associates		
<i>Balances at year end</i>		
Loans and advances to customers		471,006
Deposit from customers		547,641
<i>Transactions during the period</i>		
Interest income		82,217
Sale of property and equipment		-
Proceeds from sale of property and equipment	6.3	-
Loans disbursed		-
Loans recovered		-
Shareholders		
<i>Balances at year end</i>		
Deposit from customers		881

20.4 There were no related party transactions and outstanding balances other than those disclosed above and in note 20.3 to the financial statements.

	2011 Afs '000'
21. Contingencies and Commitments	
21.1 Contingencies	
Guarantees issued on behalf of customers	153,832
21.2 Lease commitments	

Non-cancellable operating lease rentals are payable as follows:

Less than one year	381
Between one to five years	14,114
More than five years	-
	14,495

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

Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

	Note	2011 Afs '000'	2010 Afs '000'
19. Income tax			
Current tax expense		-	-
Deferred tax expense		(2,559)	10,580
		<u>(2,559)</u>	<u>10,580</u>

19.1 Reconciliation of effective tax rate

	Rate 2011 (%)	Rate 2010 (%)		
Profit/(loss) before income tax			<u>14,954</u>	<u>(53,462)</u>
Income tax using tax rate	20.00	20.00	2,991	(10,692)
Others			(432)	112
Total income tax expense in income statement			<u>2,559</u>	<u>(10,580)</u>

20. Related parties

20.1 Parent and ultimate controlling party

The Bank is owned by individual persons, who are partners of Ghazanfar Group of Companies (GGC), and own the Bank's shares in different proportions. Therefore, related parties include all related entities of the GGC.

20.2 Transactions with key management personnel

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

Key management personnel compensation

	2011 Afs '000'	2010 Afs '000'
Salary paid to the members of the Board of Supervisors	-	1,351
Short term employee benefits (Management Board)	420	11,347

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

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Ghazanfar Bank**Notes to the financial statements***For the year ended 31 December 2011***20.3 Transactions with other related parties**

Following are transactions with related parties, during the period, and outstanding balances at the reporting date:

	Note	2011 Afs '000'	2010 Afs '000'
Associates			
<i>Balances at year end</i>			
Loans and advances to customers		471,006	441,653
Deposit from customers		547,641	485,904
<i>Transactions during the period</i>			
Interest income		1,294	34,720
Sale of property and equipment		-	146,052
Proceeds from sale of property and equipment	6.3	-	172,964
Loans disbursed		-	441,653
Loans recovered		-	74,141
Shareholders			
<i>Balances at year end</i>			
Deposit from customers		881	1,056

- 20.4 There were no related party transactions and outstanding balances other than those disclosed above and in notes -20.1, 20.2 and 20.3 to the financial statements.

	2011 Afs '000'	2010 Afs '000'
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21. Contingencies and Commitments**21.1 Contingencies**

Guarantees issued on behalf of customers	153,832	48,613
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21.2 Lease commitments

Non-cancellable operating lease rentals are payable as follows:

Less than one year	381	5,571
Between one to five years	14,114	23,017
More than five years	-	-
	<u>14,495</u>	<u>28,588</u>

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

Ghazanfar Bank

Notes to the financial statements

For the year ended 31 December 2011

22. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts of the Bank's financial assets and financial liabilities:

<i>in Afs '000'</i>	<i>Note</i>	<i>Trading</i>	<i>Designated at fair value</i>	<i>Held to maturity</i>	<i>Loans and receivables</i>	<i>Available for sale</i>	<i>Other amortised cost</i>	<i>Total carrying amount</i>
2011								
Cash and cash equivalents	4	-	-	-	-	-	2,068,403	2,068,403
Loans and advances to customers	5	-	-	-	2,062,386	-	-	2,062,386
Others assets	9	-	-	-	-	-	288,464	288,464
		-	-	-	2,062,386	-	2,356,867	4,419,253
2010								
Deposits from customers	11	-	-	-	-	-	4,051,382	4,051,382
Other liabilities	12	-	-	-	-	-	28,597	28,597
		-	-	-	-	-	4,079,979	4,079,979
2010								
Cash and cash equivalents	4	-	-	-	-	-	2,014,841	2,014,841
Loans and advances to customers	5	-	-	-	1,968,341	-	-	1,968,341
Others assets	9	-	-	-	-	-	216,081	216,081
		-	-	-	1,968,341	-	2,230,922	4,199,263
2011								
Deposits from banks	10	-	-	-	-	-	685,100	685,100
Deposits from customers	11	-	-	-	-	-	3,112,896	3,112,896
Other liabilities	12	-	-	-	-	-	46,036	46,036
		-	-	-	-	-	3,844,032	3,844,032

22.1 The fair values of financial assets and financial liabilities approximates their carrying amounts at the reporting date.

23. Financial risk management

23.1 Introduction and overview

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

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

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

Risk management framework

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

The Bank's Internal Audit and Compliance Departments are 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.

23.2 Credit risk

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

Management of credit risk

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

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The Credit department is headed by Chief Credit Officer (CCO). Credit Officer along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit 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 at the reporting date. Exposure to credit risk is managed through regular analysis of borrower to meet interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed against personal guarantee of the borrower and mortgage of immoveable property duly registered with the court of law and hypothecation over stock duly verified by the Bank's Credit Officer on monthly basis.

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

Exposure to credit risk

in Afs '000'

2011	Note	Assets at amortised cost	Available-for-sale assets	Assets at fair value through profit or loss	Total carrying amount
Loans and advances to customers	5	2,062,386	-	-	2,062,386
<i>Collectively impaired</i>					
Gross amount		2,072,304	-	-	2,072,304
Allowance for impairment		(9,918)	-	-	(9,918)
Carrying amount		2,062,386	-	-	2,062,386
Past due but not impaired:		-	-	-	-
Gross amount		-	-	-	-
Neither past due but nor impaired:		-	-	-	-
Gross amount		-	-	-	-
Carrying amount-amortised cost:		2,062,386	-	-	2,062,386
2010	5	1,968,341	-	-	1,968,341
Loans and advances to customers					
<i>Collectively impaired</i>					
Gross amount		1,968,341	-	-	1,968,341
Allowance for impairment		-	-	-	-
Carrying amount		1,968,341	-	-	1,968,341
Past due but not impaired:		-	-	-	-
Gross amount		-	-	-	-
Neither past due but nor impaired:		-	-	-	-
Gross amount		-	-	-	-
Carrying amount-amortised cost:		1,968,341	-	-	1,968,341

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

Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

Past due but not impaired loans

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

Allowances for impairment

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

Write-off policy

The Bank writes off loans or advances and any related allowances for impairment losses, when the Bank's Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

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

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

Against neither past due nor impaired

	2011	2010
	Afs '000'	Afs '000'
Property	2,038,696	1,308,899
Others	1,951,344	2,681,235
Total	3,990,040	3,990,134

Concentration of credit risks by sector

All the loans has been disbursed in geographical territory of Afghanistan. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk of loans and advances to customers at reporting date is as follows:

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

	Note	2011	2010
in Afs '000'			
Carrying amount	5	2,072,304	1,968,341
Concentration by sector			
Lubricant, Oil & gas		877,331	1,276,373
Construction		397,930	218,077
Electronic		75,522	70,070
Steel		248,943	288,864
Tyre		1,189	27,483
Wheat		237,105	70,070
General trading		234,283	17,404
		<u>2,072,304</u>	<u>1,968,341</u>

Cash and cash equivalents

The Bank held cash and cash equivalents of Afs 1,539,947 thousands (2010: Afs 2,230,873 thousands) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with central bank and other banks.

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 deliverable cash, other assets as contractually agreed.

23.3

Liquidity risk

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

Management of liquidity risk

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

The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally has shorter maturities and large proportion of them are repayable on demand. 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.

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

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:

	2011	2010
At 31 December	56%	50%
Average for the period	54%	14%
Maximum for the period	65%	50%
Minimum for the period	43%	-7%

Maturity analysis for financial liabilities

<i>in Afs '000'</i>	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2011								
Deposits from banks	10	-	-	-	-	-	-	-
Deposits from customers	7	4,051,382	(4,051,382)	3,111,680	274,358	594,062	37,709	33,573
Other liabilities	9	28,597	(28,597)	(28,597)	-	-	-	-
		4,079,979	(4,079,979)	3,083,083	274,358	594,062	37,709	33,573
2010								
Deposits from banks	10	685,100	(685,100)	(460,100)	-	(225,000)	-	-
Deposits from customers	11	3,112,896	(3,112,896)	(1,834,919)	(356,970)	(818,474)	(67,745)	(34,788)
Other liabilities	12	46,036	(46,036)	(46,036)	-	-	-	-
		3,844,032	(3,844,032)	(2,341,055)	(356,970)	(1,043,474)	(67,745)	(34,788)

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

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Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

23.4 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor/s/issuer's credit standing) will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

Management of market risks

To manage and control market risk a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in ALCO. The Bank's Assets and Liability Committee (ALCO) is responsible for the development of detailed risk management policies and day to day review of their implementation.

Exposure to interest rate risk

The Bank risk to which 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 reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

<i>in AFS '000'</i>	<i>Note</i>	<i>Carrying amount</i>	<i>Less than three months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>
2011							
Cash and cash equivalents	4	-	-	-	-	-	-
Loans and advances to customers	5	2,062,386	58,186	514,669	1,489,531	-	-
Restricted balance with DAB	9.1	286,857	-	-	-	-	286,857
		2,349,243	58,186	514,669	1,489,531	-	286,857
Deposits from customers	11	2,055,695	(644,237)	(331,020)	(1,001,838)	(45,027)	(33,573)
		2,055,695	(644,237)	(331,020)	(1,001,838)	(45,027)	(2,089,268)
		4,404,938	(586,051)	183,648	487,693	(45,027)	(1,802,411)
2010							
Cash and cash equivalents	4	20,208	20,208	-	-	-	-
Loans and advances to customers	5	1,968,341	497,360	836,728	634,253	-	-
Restricted balance with DAB	9.1	216,032	-	-	-	-	216,032
		2,204,581	517,568	836,728	634,253	-	216,032
Deposits from customers	11	1,725,513	(839,293)	(516,719)	(301,755)	(67,746)	-
		1,725,513	(839,293)	(516,719)	(301,755)	(67,746)	-
		3,930,094	(321,725)	320,009	332,498	(67,746)	216,032

Uganda

Ghazanfar Bank
Notes to the financial statements
For the year ended 31 December 2011

Exposure to currency risk

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

in Afs '000'

31 December 2011

Cash and cash equivalents
Loans and advances to customers
Other assets

Deposits from customers
Other liabilities

Net foreign currency exposure

31 December 2010

Cash and cash equivalents
Loans and advances to customers
Other assets

Deposits from banks
Deposits from customers
Other liabilities

Net foreign currency exposure

	Afs	US\$	Euro	GBP
	413,762	1,580,324	63,514	10,802
	45,560	2,026,744	-	-
	303,096	55,481	-	-
	762,418	3,662,549	63,514	10,802
	458,462	3,553,026	39,804	90
	9,150	18,493	167	19
	467,612	3,571,519	39,971	109
	294,806	91,030	23,543	10,693
	218,912	1,739,873	54,036	2,020
	427,701	1,540,640	-	-
	233,614	(396)	-	-
	880,227	3,280,117	54,036	2,020
	225,000	460,100	-	-
	352,514	2,726,818	31,703	1,861
	36,574	9,306	121	35
	614,088	3,196,224	31,824	1,896
	266,139	83,893	22,212	124

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The following significant exchange rates applied during the period

	31-Dec-11		31-Dec-10	
	Average rate	Reporting date spot rate	Average rate	Reporting date spot rate
<i>in Afs '000'</i>				
US\$	49.34	49.24	47.41	46.01
Euro	63.87	63.57	65.25	60.39
GBP	76.61	75.76	74.41	70.81

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, euro and GBP at 31 December 2011 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.

	31-Dec-11		31-Dec-10	
	Equity	Profit or loss	Equity	Profit or loss
<i>in Afs '000'</i>				
US\$	(9,103)	(9,103)	(8,389)	(8,389)
Euro	(2,354)	(2,354)	(2,221)	(2,221)
GBP	(1,069)	(1,069)	(12)	(12)

A 10% weakening of the Afghani against the above currencies at 31 December 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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23.5 Capital management

Regulatory capital

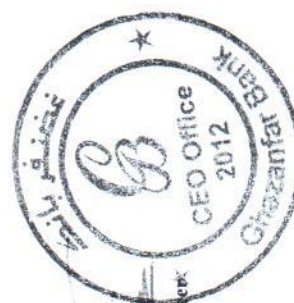
The Bank's regulator DAB sets and monitors capital requirements for the Bank. The Bank is required to maintain at all times the paid up capital plus reserves in excess of Afs 500 million and regulatory capital to be 12% of the risk weighted assets. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 6% of risk weighted assets.
 - Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.
- Regulatory capital is the sum of Tier 1 and Tier 2 capital and Tier 2 capital cannot exceed amount of Tier 1 capital. The Bank complies with these regulations.

The Bank's regulatory capital position at 31 December 2011 was as follows:

	2011	2010
	Afs '000'	Afs '000'
Tier 1 capital	524,799	562,876
Tier 2 capital	12,395	(42,882)
Total regulatory capital	537,194	519,994

km



Chief Executive Officer

km

Emphasis of matter

Without qualifying our audit opinion, we draw attention to the following:

1. As of reporting date, loans and advances to customers (note 6) includes overdraft loans amounting to Afs 48,598 thousands which have been renewed during the year by the Bank without mandatory clean up of four days as required by Da Afghanistan Bank.
2. As of reporting date, loans and advances includes overdraft loans to a group of related borrowers amounting to Afs 471,006 thousands which exceeds 15% of regulatory capital of the Bank in contravention of the Article 35 of the Law of Banking in Afghanistan.

KPMG
KPMG Afghanistan Limited
15 April 2012
Kabul