

INDEPENDENT AUDITORS' REPORT

To the shareholders of New Kabul Bank

Opinion

We have audited the financial statements of New Kabul Bank ("the Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan (DAB).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following as key audit matters to communicate in our report;

1. Ministry of Finance has fully paid off the claim against the net liabilities (excess of liabilities over assets) acquired from Kabul Bank Receivership (KBR) during the year. In addition, the Ministry of Finance has also paid AFN 4,238,831,229 which have been incorporated as a Reserve by the Bank for the time being until the completion of Capital Requirement from DAB".
2. During our audit following deficiencies in the Code of Corporate Governance of the bank were observed;
 - a) Vacant key positions were observed as specified below;

1. Chief Risk Officer	Throughout 2016
2. Chief Credit Officer	Throughout 2016
3. Chief Internal Auditor	Throughout 2016
4. Chief Compliance Officer	July 2016 to date

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3. According to the banking law section 24.2, and New law of Banking "Corporate governance regulations" - Section 49 of Chapter No. 5 uneven number of not less than three and up to nine members should be kept in Board of Supervisors. However we observed that in the current year minimum number of Board of Supervisors members are not complied with the referred requirements.
4. As per requirements of Banking Law Section 22.1(4) and New Law of Banking "Corporate governance regulations" - Section 52 of Chapter No. 5 members of audit committee should be in uneven numbers and not less than three. However we observed that in the current year minimum number of audit committee members are not complied with the referred requirements.
5. According to article 56.1, Chapter No. 05, of the law of banking in Afghanistan, board of management should comprise of five members. However we observed that minimum number of members of board of management are not complied with the referred requirements.

Responsibility of Management and Those Charged with Governance 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) as issued by the International Accounting Standards Board (IASB) and with the requirements of the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan (DAB), 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.


In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial is located at Horwath MAK, Auditors and Business Advisors (A member firm of Crowe Horwath International) website at: www.crowehorwath.com. This description forms part of our auditor's report.


Horwath MAK
Auditors and Business Advisors
Kabul



NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

31-Dec-2016	31-Dec-2015		31-Dec-2016	31-Dec-2015
..... USD .....			..... AFN	
			Note	
ASSETS				
189,216,253	147,291,895	Cash and cash equivalents	5	12,645,322,186
120,326,148	27,365,903	Investment in capital notes	6	8,041,396,488
769,184	1,130,817	Property and equipment	7	51,404,549
-	-	Intangible assets	8	-
-	41,137,428	Claim receivable from MOF	9	-
58,130,146	39,175,207	Other assets	10	3,884,837,626
<u>368,441,731</u>	<u>256,101,250</u>	Total assets		<u>24,622,960,849</u>
EQUITY AND LIABILITIES				
EQUITY				
-	-	Share capital	11	-
63,427,072	-	Reserve from MoF		4,238,831,229
(50,492,855)	(50,041,300)	Accumulated losses		(3,374,437,512)
<u>12,934,217</u>	<u>(50,041,300)</u>	Total equity		<u>864,393,717</u>
LIABILITIES				
328,773,331	296,208,605	Deposits from customers	12	21,971,921,742
26,734,183	9,933,945	Other liabilities	13	1,786,645,390
<u>355,507,514</u>	<u>306,142,550</u>	Total liabilities		<u>23,758,567,132</u>
<u>368,441,731</u>	<u>256,101,250</u>	Total equity and liabilities		<u>24,622,960,849</u>
		Contingencies and commitments	14	

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

Ahmed Zia Zia
 (Deputy Chief Executive
 Officer)

Shoaib Sheikh
 (Chief Financial Officer)

NEW KABUL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

2016	2015		Note	2016	2015
..... USD .....				..... AFN	
1,608,849	2,865,450	Interest income		107,519,406	196,140,075
-	-	Interest expense		-	-
1,608,849	2,865,450	Net interest income	15	107,519,406	196,140,075
17,682,965	16,055,599	Fee and commission income		1,181,752,570	1,099,005,766
(350,933)	(326,365)	Fee and commission expense		(23,452,828)	(22,339,678)
17,332,032	15,729,234	Net fee and commission income	16	1,158,299,742	1,076,666,088
2,312,208	1,720,434	Other operating income	17	154,524,871	117,763,677
21,253,089	20,315,118	Net operating income		1,420,344,019	1,390,569,840
(8,778,363)	(9,240,197)	Employee benefit expense	18	(586,658,028)	(632,491,469)
(457,680)	(494,490)	Depreciation	7	(30,586,724)	(33,847,854)
-	-	Amortization	8	-	-
(5,975)	(2,056)	Provision against other assets	10.4	(399,309)	(140,737)
(11,000,242)	(11,100,683)	Other expenses	19	(735,146,182)	(759,841,734)
(20,242,260)	(20,837,426)	Operating expenses		(1,352,790,243)	(1,426,321,794)
1,010,829	(522,308)	Profit/(Loss) before tax		67,553,776	(35,751,954)
(249,354)	-	Taxation	20	(16,664,318)	-
761,475	(522,308)	Profit/(Loss) for the year after tax		50,889,458	(35,751,954)
-	-	Other comprehensive income		-	-
761,475	(522,308)	Total comprehensive income/(loss)		50,889,458	(35,751,954)

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

Ahmed Zia Zia
 (Deputy Chief Executive
 Officer)

Shoaib Sheikh
 (Chief Financial Officer)

NEW KABUL BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

Share capital	Reserve	Accumulated Profit/(loss)	Total	Share capital	Reserve	Accumulated Profit/(loss)	Total
..... USD .....				..... AFN			
-	-	(49,518,992)	(49,518,992)	-	-	(3,389,575,016)	(3,389,575,016)
-	-	(522,308)	(522,308)	-	-	(35,751,954)	(35,751,954)
-	-	(50,041,300)	(50,041,300)	-	-	(3,425,326,970)	(3,425,326,970)
-	-	(51,254,331)	(51,254,331)	-	-	(3,425,326,970)	(3,425,326,970)
-	63,427,072	-	63,427,072	-	4,238,831,229	-	4,238,831,229
-	-	761,476	761,476	-	-	50,889,458	50,889,458
-	63,427,072	(50,492,855)	12,934,217	-	4,238,831,229	(3,374,437,512)	864,393,717

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

Ahmed Zia Zia
(Deputy Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

2016	2015		2016	2015
..... USD .....			..... AFN	
CASH FLOWS FROM OPERATING ACTIVITIES				
761,476	(522,308)	Profit/(Loss) after tax	50,889,458	(35,751,954)
Adjustments for:				
457,680	494,490	Depreciation	7 30,586,724	33,847,854
-	-	Amortization	8 -	-
(539,758)	(478,845)	Exchange gain	(36,072,049)	(32,776,960)
-	(169,980)	Transfer of assets	7 -	(11,635,131)
679,398	(676,643)		45,404,133	(46,316,191)
Increase/decrease in current assets and liabilities				
42,134,625	27,929	Claim receivable from MOF	9 2,815,856,977	1,911,733
(17,574,830)	6,192,371	Other assets	10 (1,174,525,899)	423,867,792
25,384,450	(29,639,783)	Deposits from customers	12 1,696,442,782	(2,028,843,117)
16,559,432	(132,797)	Other liabilities	13 1,106,666,861	(9,089,967)
67,183,075	(24,228,923)		4,489,844,854	(1,658,469,750)
(430,479)	(3,603,634)	Advance tax paid	(28,768,895)	(246,668,777)
66,752,596	(27,832,557)	Net cash (used in)/generated from operating activities	4,461,075,959	(1,905,138,527)
CASH FLOWS FROM INVESTING ACTIVITIES				
(68,635)	(109,770)	Investment in operating fixed assets	7 (4,586,855)	(7,513,766)
(92,296,879)	19,333,150	Investment in capital notes - net	6 (6,168,200,411)	1,323,354,101
(92,365,514)	19,223,380	Net cash (used in)/ generated from investing activities	(6,172,787,266)	1,315,840,335
CASH FLOWS FROM FINANCING ACTIVITIES				
63,427,072	-		4,238,831,229	-
37,814,154	(8,609,177)	Net decrease in cash and cash equivalents	2,527,119,922	(589,298,192)
150,862,340	155,422,227	Cash and cash equivalents at beginning of the year	10,082,130,215	10,638,651,447
539,758	478,845	Effect of exchange differences	36,072,049	32,776,960
189,216,253	147,291,895	Cash and cash equivalents at end of the year	5 12,645,322,186	10,082,130,215

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

Ahmed Zia Zia
(Deputy Chief Executive
Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1 STATUS AND NATURE OF BUSINESS

New Kabul Bank ("the Bank") is a limited liability company incorporated under the Law in Afghanistan. The registered office of the Bank is located in Kabul, Afghanistan and has seventy nine branches and thirty eight extension counters. The Bank was registered with Afghanistan Investment Support Agency (AISA) on August 09, 2011 and received commercial banking license from the Da Afghanistan Bank (DAB) central bank of Afghanistan on April 18, 2011. The Bank started its operation on April 21, 2011 upon the liquidation of Kabul Bank and transfer of all good assets, liabilities and operations to the New Kabul Bank.

The control of the bank is with Government of Islamic Republic of Afghanistan and is exercised by the Ministry of Finance who currently intends to hold its control over the Bank. The Bank was established as a bridge bank with the objective of its privatization to private sector or liquidation/ rehabilitation in case of unsuccessful privatization. The Bank is primarily engaged in restrictive commercial banking services in Afghanistan including deposits, collection, disbursement and issuance of bank guarantees.

The financial statements for the year ended December 31, 2016 (including comparatives) have been approved and authorized for issue by the Board of Directors on MARCH 20, 2017.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2017:

	Effective Dates (Accounting period beginning on or after)
IAS 7 – Amendments on disclosure initiatives	January 01, 2017
IAS 12 – Amendments on recognition of deferred tax assets for Unrealized losses	January 01, 2017
IFRS 2 – Share-base payment amendments on clarifying share-based payment transitions	January 01, 2017
IFRS 9 – Financial Instruments	January 01, 2018
IFRS 9 – Amendments to Financial Instruments on general hedge accounting	January 01, 2018
IFRS 10 – Consolidated Financial Statements	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers - Clarifications	January 01, 2018

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

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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 amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods 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 the most significant effect on the amounts recognized in the financial statements are described in the following:

- | | | |
|----|-----------|---|
| a) | Note 10.4 | Provision against other assets |
| b) | Note 7 | Depreciation rates for property and equipment |
| c) | Note 8 | Amortization rate for intangible assets |

3.3 Functional and presentation currency

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

The US Dollar amounts reported in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated as additional information, solely for the convenient of the user of these financial statements. The US Dollar amounts in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows have been translated into US Dollar at the rate of AFN 66.83 to USD 1 (2015: AFN 68.45 to USD 1).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting 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

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank, balances in Nostro accounts 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.

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4.2 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions 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 assets are de-recognized 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-recognized 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 asset 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 held to maturity investments. Therefore, policies related to other categories of financial assets would not be relevant.

a) 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 "Investment in capital notes with Da Afghanistan Bank" 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 impaired, determined 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 recognized 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

impaired

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

gains or losses recognized 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 Property and equipment

Owned

Property and equipment 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.

Subsequent costs are included in the asset's carrying amount or are recognized 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.

Depreciation on all fixed assets is calculated using the straight line method to allocate their depreciable cost 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 periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

4.4 Intangible assets

Acquired computer software's 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 expected 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 five years.

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

4.5 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.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in 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.

4.6 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.

4.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of comprehensive 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 recognized on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable 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 been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent 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 realized.

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4.8 Employee compensation

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

4.9 Foreign currency transactions

Transactions in foreign currencies are translated to Afghani at exchange rates prevailing 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.

4.10 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 to the contract that are an integral part of the effective interest rate, transaction 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.

4.11 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.

4.12 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 received are recognized as an integral part of the total lease expense, over the term of the lease.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

4.13 Provisions

Provisions for restructuring costs and legal claims are recognized when:

- a) the Bank has a 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 obligations.

4.14 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.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	..... AFN	
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		529,504,938	775,965,227
Foreign currency		251,442,008	544,080,414
		<u>780,946,946</u>	<u>1,320,045,641</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	8,770,339,424	4,231,036,094
Balances with other banks	5.2	3,094,035,816	4,531,048,480
		<u>11,864,375,240</u>	<u>8,762,084,574</u>
		<u>12,645,322,186</u>	<u>10,082,130,215</u>
5.1 Balances with Da Afghanistan Bank			
Overnight deposits			
Local currency	5.1.1	758,451,455	-
Current account			
Local currency		1,070,549,849	1,513,036,801
Foreign currency		6,941,338,120	2,717,999,293
		<u>8,011,887,969</u>	<u>4,231,036,094</u>
		<u>8,770,339,424</u>	<u>4,231,036,094</u>
5.1.1 This represents overnight deposits with Da Afghanistan Bank, carrying interest rates ranging from 0.78% to 0.8 % per annum.			
	Note	2016	2015
		..... AFN	
5.2 Balances with other banks			
Current accounts			
Local currency		17,000	17,000
Foreign currency		3,080,652,816	4,517,341,480
		<u>3,080,669,816</u>	<u>4,517,358,480</u>
Deposit accounts			
Foreign currency		13,366,000	13,690,000
		<u>3,094,035,816</u>	<u>4,531,048,480</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
7 days capital notes		249,912,531	-
28 days capital notes		2,293,760,915	-
91 days capital notes		989,259,799	-
182 days capital notes		1,462,044,909	-
1 year capital notes		3,046,418,334	1,873,196,077
	6.1	<u>8,041,396,488</u>	<u>1,873,196,077</u>

6.1 These are classified as held to maturity having maximum period of 1 year carrying interest rate ranging from 1.78% to 6.7% (2015: 6.69% to 6.7%) per annum.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

7 PROPERTY AND EQUIPMENT

	Note	Furniture and fixtures	Electric equipment	Computer and IT equipment	Motor vehicles	Containers	Total
							AFN
GROSS CARRYING AMOUNT							
Balance as at January 01, 2015		50,869,876	104,903,853	401,454,087	134,765,125	2,389,486	694,382,427
Additions during the year		1,088,254	2,717,401	3,573,111	45,000	90,000	7,513,766
Transfer of acquired assets	7.2	-	11,049,883	-	585,248	-	11,635,131
Balance as at December 31, 2015		51,958,130	118,671,137	405,027,198	135,395,373	2,479,486	713,531,324
Balance as at January 01, 2016		51,958,130	118,671,137	405,027,198	135,395,373	2,479,486	713,531,324
Additions during the year		559,232	1,601,875	2,102,059	323,689	-	4,586,855
Transfer of acquired assets	7.2	-	-	-	-	-	-
Balance as at December 31, 2016		52,517,362	120,273,012	407,129,257	135,719,062	2,479,486	718,118,179
ACCUMULATED DEPRECIATION							
Balance as at January 01, 2015		43,727,990	88,546,663	336,673,413	132,779,337	551,649	602,279,052
Charge for the year		816,551	4,418,334	27,706,327	568,118	338,524	33,847,854
Depreciation on transferred assets		-	-	-	-	-	-
Balance as at December 31, 2015		44,544,541	92,964,997	364,379,740	133,347,455	890,173	636,126,906
Balance as at January 01, 2016		44,544,541	92,964,997	364,379,740	133,347,455	890,173	636,126,906
Charge for the year		895,063	4,884,189	23,841,172	619,526	346,774	30,586,724
Balance as at December 31, 2016		45,439,604	97,849,186	388,220,912	133,966,981	1,236,947	666,713,630
WRITTEN DOWN VALUE AS AT							
- December 31, 2015		7,413,589	25,706,140	40,647,457	2,047,918	1,589,314	77,404,418
- December 31, 2016		7,077,758	22,423,826	18,908,345	1,752,081	1,242,539	51,404,549
Rate of depreciation in %		10	20	33.33	20	10	

7.1 There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2015: nil).

7.2 It represents assets transferred at cost to Kabul Bank Receivership through settlement process.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	AFN	
8 INTANGIBLE ASSETS			
Gross carrying amount			
Opening balance		295,161,839	295,161,839
Additions during the period		-	-
Closing balance		295,161,839	295,161,839
Accumulated amortization			
Opening balance		295,161,839	295,161,839
Charge for the year / period		-	-
Closing balance		295,161,839	295,161,839
Written down value	8.1	-	-

- 8.1 Intangible assets includes software licensing, customization and implementation costs for oracle database, mobile and point of sale banking applications which are amortized at the rate of 33%. These intangibles are fully amortized.

		2016	2015
		AFN	
9 CLAIM RECEIVABLE FROM MOF			
Gross amount of claim from MOF		-	14,950,547,399
Unrealized foreign currency revaluation gain		-	(12,134,690,422)
	9.1	-	2,815,856,977

- 9.1 This represented receivable from Ministry of Finance (MOF), Government of Islamic Republic of Afghanistan against the net liabilities (excess of liabilities over assets) acquired from Kabul Bank Receivership (KBR). It comprised of currency wise amounts using the prevailing exchange rate as at year end. The claim has been fully paid off by MOF during the year.

		2016	2015
	Note	AFN	
10 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	10.1	1,709,334,000	1,733,813,000
Advances and prepayments	10.2	40,208,760	83,721,400
Receivable from remittances		1,391,507,044	140,688,961
Accrued interest and commission	10.3	152,788,908	201,495,466
Security deposit		42,349,767	2,269,204
Advance tax		537,072,608	508,303,713
Staff loan		4,635,512	1,397,296
Others	10.4	6,941,027	9,853,792
		3,884,837,626	2,681,542,832

- 10.1 This represents the required reserve account maintained with Da Afghanistan Bank to meet minimum reserve requirement in accordance with Article 64 "Required reserve for banks" of Da Afghanistan Bank Law. This carried no interest (2015: 0.02548% to 0.02560%) per annum. Required reserve is a restricted balance with DAB and is not available for use in the Bank's day-to-day operations.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	AFN	
10.2 Advances and prepayments		
Advance payment to contractors	11,414,407	45,778,605
Prepaid rent	28,794,352	36,970,180
	<u>40,208,760</u>	<u>82,748,785</u>

10.3 This represents accrued interest on capital notes and accrued commission on distribution of government employees salaries receivable from Ministry of Finance.

	2016	2015
Note	AFN	
10.4 Others		
Gross amount	93,524,774	94,404,363
Allowance for doubtful receivables		
Opening balance	(94,404,363)	(90,486,111)
Charge for the year	(399,309)	(140,737)
Exchange difference of provision	1,278,898	(3,777,515)
Reversal due to recovery	-	-
Closing balance	(93,524,774)	(94,404,363)
Net amount	<u>-</u>	<u>-</u>

10.4.1 This also include receivable from staff. Allowance has been recognized on the basis of recoverability on cases to case basis, while recovery represent amount received from staff.

	2016	2015
Note	AFN	
11 SHARE CAPITAL		
Authorized		
1,000,000 ordinary shares of AFN 1,000 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	<u>-</u>	<u>-</u>

11.1 The bank is owned by Ministry of Finance which has acquired its ownership through the process of splitting Kabul Bank without injection of any capital. As the bank has been established as a bridge entity to take over operations of Kabul Bank with an objective of ultimate selling it to a new investor or continue the operations as deemed appropriate by MOF. Therefore Supreme Council of Da Afghanistan Bank (DAB) in its meeting held on March 15, 2011 has granted forbearance to the bank for regulatory requirement related to the size and structure of its capital.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	AFN	AFN
12 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		8,703,765,228	6,437,401,591
Saving deposits	12.1	5,095,128,763	4,932,197,957
		<u>13,798,893,991</u>	<u>11,369,599,548</u>
Foreign currency			
Current deposits		4,528,186,507	4,808,136,038
Saving deposits	12.1	3,644,841,245	4,097,743,375
		<u>8,173,027,751</u>	<u>8,905,879,412</u>
		<u>21,971,921,742</u>	<u>20,275,478,960</u>
12.1	Saving deposits carry no interest (2015: nil) per annum.		
13 OTHER LIABILITIES			
Margin money against bank guarantees		319,837,543	413,396,327
Remittances payable		1,321,578,914	103,000,021
CSC bank payables		30,382,360	19,496,752
Withholding taxes payable		6,473,566	4,016,264
Accrued expenses and other liabilities		108,373,007	140,069,165
		<u>1,786,645,390</u>	<u>679,978,529</u>
14 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customers	14.1	292,977,356	326,176,187
14.1	All guarantees are secured against 100% cash margin.		
Lease Commitments			
Cancellable operating lease rentals are payable as follows:			
Less than one year		36,583,834	392,377,017
Between one and five years		105,809,880	5,144,545
More than five years		553,782	-
		<u>142,947,496</u>	<u>397,521,562</u>

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Note	AFN	
15 NET INTEREST INCOME / (EXPENSE)		
Interest income on:		
Investment in capital notes	99,735,308	174,128,440
Interest bearing bank accounts	7,784,098	22,011,635
	<u>107,519,406</u>	<u>196,140,075</u>
Interest expense on:		
Deposits from customers	-	-
Net interest income	<u>107,519,406</u>	<u>196,140,075</u>
16 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission on remittances	95,791,922	65,793,229
Commission on Western Union operations	84,379,180	79,689,166
Commission on collections	10,925,512	10,120,179
Commission on salary distribution	753,261,116	747,117,875
Commission on bank guarantees	1,682,322	1,311,833
Account maintenance fee	235,712,518	194,973,484
	<u>1,181,752,570</u>	<u>1,099,005,766</u>
Fee and commission expense		
Inter-bank transaction fee	(23,452,828)	(22,339,678)
Net fee and commission income	<u>1,158,299,742</u>	<u>1,076,666,088</u>
17 OTHER OPERATING INCOME		
Income from cash operations	35,238,613	43,409,772
Foreign exchange gain	36,072,049	32,776,960
Income from call centre services	65,627,324	33,182,222
Miscellaneous	17,586,885	8,394,723
	<u>154,524,871</u>	<u>117,763,677</u>
18 EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	535,316,200	575,825,119
Food and other amenities	51,341,828	56,666,350
	<u>586,658,028</u>	<u>632,491,469</u>
19 OTHER EXPENSES		
Rent and taxes	131,486,573	166,357,249
Communication expense	87,824,765	85,872,535
Security expense	295,915,890	282,878,936
Insurance	14,373,907	13,232,568
Fuel and electricity	49,236,297	57,616,165
Software services	81,413,296	79,512,352
Advertisement	748,162	4,847,480
Repair and maintenance	15,677,854	19,484,446
Stationery and printing	23,993,545	25,246,167
Audit fee	1,771,323	1,500,000
Others	32,704,570	23,293,836
	<u>735,146,182</u>	<u>759,841,734</u>

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	..... AFN	
20 TAXATION			
Current		16,664,318	-
	20.1	<u>16,664,318</u>	<u>-</u>

20.1 Provision for taxation (current) has been adjusted against the Advance tax.

21 RELATED PARTIES

Ultimate controlling entity

Ministry of Finance (MOF) is the ultimate controlling entity of the bank.

Other related parties

As the bank is owned by Ministry of Finance therefore the government and all entities owned by the government are related to the bank.

Key management personnel

Key management personnel includes Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Transactions with key management personnel

Key management personnel have executed following transaction with the Bank during the year:

	Maximum balance	Closing balance
	..... AFN	
Short-term staff advances		
Chief Executive Officer	-	-
Deputy Chief Executive Officer	-	-
Chief Financial Officer	627,320	-
Chief Operating Officer	712,000	72,000

No impairment losses have been recorded against balances outstanding during the year with key management personnel.

Moreover, during the year AFN 8.625 million paid to key management personnel as remuneration.

Other transactions with related parties

There are no significant related party transaction except for normal banking services to government and its institutions for salary distribution and related deposit accounts.

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NEW KABUL BANK

22 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

Note 4.2 of the financial statements provides a description 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 follow:

December 31, 2016		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 amortized cost)				
..... AFN .....		..... AFN			
5	-	-	-	12,645,322,186	12,645,322,186	
6	-	-	8,041,396,488	-	8,041,396,488	
9	-	-	-	-	-	
10	-	-	-	3,307,556,258	3,307,556,258	
	-	-	8,041,396,488	15,952,878,444	23,994,274,932	
Financial assets						
Cash and cash equivalents						
Investment in capital notes						
Claim receivable from MOF						
Other assets						
Financial liabilities						
Deposits from customers						
Other liabilities						
12	-	-	-	21,971,921,742	21,971,921,742	
13	-	-	-	1,786,645,390	1,786,645,390	
	-	-	-	23,758,567,132	23,758,567,132	
Financial liabilities						
Deposits from customers						
Other liabilities						

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	December 31, 2015				
		Available for sale financial assets	Held for trading (FVTPL)	Derivatives used for hedging	Held to maturity	Loans and receivables
		(carried at fair value)				
		AFN				
		(carried at amortized cost)				
		Total				
Financial assets						
Cash and cash equivalents	5	-	-	-	-	10,082,130,215
Investment in capital notes	6	-	-	-	1,873,196,077	-
Claim receivable from MOF	9	-	-	-	-	2,815,856,977
Other assets	10	-	-	-	-	2,090,490,334
		-	-	-	1,873,196,077	14,988,477,526
						16,861,673,603

	Note	December 31, 2015			
		Derivatives used for hedging	Designated at FVTPL	Other liabilities at FVTPL	Other liabilities (amortized cost)
		(carried at fair value)			
		AFN			
		Total			
Financial liabilities					
Deposits from customers	12	-	-	-	20,275,478,960
Other liabilities	13	-	-	-	679,978,529
		-	-	-	20,955,457,489

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.

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23 FINANCIAL RISK MANAGEMENT

23.1 Introduction and overview

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

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

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

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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. 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 that a counterparty fails to discharge an obligation to the Bank. The Bank is exposed to this risk mainly due to Placements, current account and nostro account balances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The CEO has delegated responsibility for the management of credit risk related to bank guarantees to risk management and credit department who are responsible for oversight of the bank's credit risk.

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:

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	..... AFN	
Classes of financial assets			
Cash and cash equivalents	5	11,864,375,240	8,762,084,574
Investment in capital notes	6	8,041,396,488	1,873,196,077
Claim receivable from MOF	9	-	2,815,856,977
Other assets	10	3,307,556,258	2,090,490,334
Total carrying amounts		23,213,327,986	15,541,627,962

In addition to the above, the Bank has issued financial guarantees contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is AFN 292,977,356 (2015: AFN 326,176,187).

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 cash equivalents comprising of capital notes, balances with other banks, nostro accounts and short term placements is 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.

Cash and cash equivalents

The Bank holds AFN 11.864 million (2015: AFN 8.762 million) at the year end with central bank and other banks which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the central bank and other local and foreign banks having good credit ratings.

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 and 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 and 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.

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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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exposure to liquidity risk

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

	2016	2015
	..... % age	
As at period end	94%	59%
Average for the period	77%	64%
Maximum for the period	94%	59%
Minimum for the period	59%	70%

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Maturity analysis for financial liabilities

		Carrying amount	Gross nominal out flow	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
	Note			AFN			
December 31, 2016							
Deposits from customers	12	21,971,921,742	(21,971,921,742)	(21,971,921,742)	-	-	-
Other liabilities	13	1,786,645,390	(1,786,645,390)	(1,466,807,847)	(319,837,543)	-	-
		<u>23,758,567,132</u>	<u>(23,758,567,132)</u>	<u>(23,438,729,589)</u>	<u>(319,837,543)</u>	<u>-</u>	<u>-</u>
December 31, 2015							
Deposits from customers	12	20,275,478,960	(20,275,478,960)	(20,275,478,960)	-	-	-
Other liabilities	13	679,978,529	(679,978,529)	(266,582,202)	(413,396,327)	-	-
		<u>20,955,457,489</u>	<u>(20,955,457,489)</u>	<u>(20,542,061,162)</u>	<u>(413,396,327)</u>	<u>-</u>	<u>-</u>

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 of financial liabilities.

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 managing market risk is vested with Chief Risk Manager.

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exposure to interest rate risk

The Bank risk to which not-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing 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:

		Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
		AFN					
December 31, 2016							
	5	758,451,455	758,451,455	-	-	-	-
	5	2,971,917,695	2,971,917,695	-	-	-	-
	6	8,041,396,488	3,532,933,245	2,633,313,779	1,875,149,464	-	-
	10	-	-	-	-	-	-
		11,771,765,638	7,263,302,395	2,633,313,779	1,875,149,464	-	-
	12	-	-	-	-	-	-
Deposits from customers		11,771,765,638	7,263,302,395	2,633,313,779	1,875,149,464	-	-
December 31, 2015							
	5	-	-	-	-	-	-
	6	1,873,196,077	1,873,196,077	-	-	-	-
	10	1,733,813,000	1,733,813,000	-	-	-	-
		3,607,009,077	3,607,009,077	-	-	-	-
	12	-	-	-	-	-	-
Deposits from customers		3,607,009,077	3,607,009,077	-	-	-	-

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NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Exposure to currency risk

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

	Total	AFN	USD	EUR	Others
		..... AFN			
December 31, 2016					
Cash and cash equivalents	12,645,322,186	2,358,523,242	9,635,275,693	651,519,142	4,109
Investment in capital notes	8,041,396,488	8,041,396,488	-	-	-
Claim receivable from MOF	-	-	-	-	-
Other assets	3,884,837,626	3,837,488,593	47,349,033	-	-
	24,571,556,300	14,237,408,323	9,682,624,726	651,519,142	4,109
Deposits from customers					
Other liabilities	21,971,921,742	13,798,893,993	7,990,698,365	182,118,429	210,954
	1,786,645,390	197,471,125	1,589,138,735	-	35,530
	23,758,567,132	13,996,365,118	9,579,837,100	182,118,429	246,485
Net foreign currency exposure	812,989,168	241,043,205	102,787,626	469,400,713	(242,376)
December 31, 2015					
Cash and cash equivalents	10,082,130,215	2,289,019,028	7,157,372,681	620,216,195	15,522,311
Investment in capital notes	1,873,196,077	1,873,196,077	-	-	-
Claim receivable from MOF	2,815,856,977	2,815,856,977	-	-	-
Other assets	2,681,542,832	2,672,725,529	8,817,303	-	-
	17,452,726,101	9,650,797,611	7,166,189,984	620,216,195	15,522,311
Deposits from customers					
Other liabilities	20,275,478,960	11,369,599,549	8,651,222,116	254,387,795	269,500
	679,978,529	274,593,747	405,197,265	79,491	108,026
	20,955,457,489	11,644,193,296	9,056,419,381	254,467,286	377,526
Net foreign currency exposure	(3,502,731,388)	(1,993,395,685)	(1,890,229,397)	365,748,909	15,144,785

15,144,785

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

The following significant exchange rates applied during the year

	December 31, 2016		December 31, 2015	
	Average rate	Reporting rate	Average rate	Reporting rate
USD	67.64	66.83	63.39	68.45
EUR	72.17	69.79	72.70	74.54

Sensitivity analysis

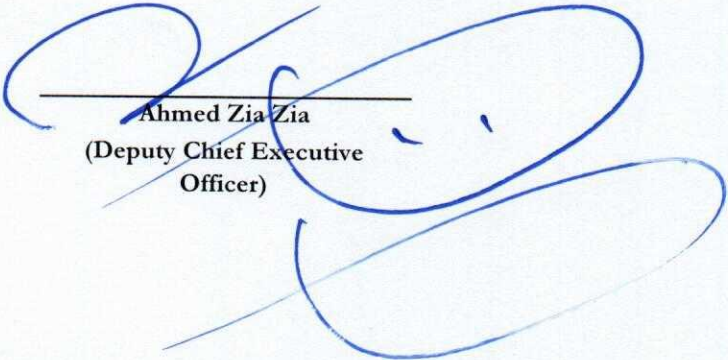
A 10% strengthening of the Afghani, as indicated below, against the USD and Euro at December 31, 2016 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.


	December 31, 2016		December 31, 2015	
	Equity	Profit or loss	Equity	Profit or loss
	..... AFN			
USD	(8,223,010)	(10,278,763)	151,218,352	189,022,940
EUR	(37,552,057)	(46,940,071)	(29,259,913)	(36,574,891)

A 10% weakening of the Afghani against the above currencies at December 31, 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24 CORRESPONDING FIGURES

The Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. These rearrangements and reclassifications were of immaterial nature.


 Ahmed Zia Zia
 (Deputy Chief Executive
 Officer)


 Shoaib Sheikh
 (Chief Financial Officer)