

## Independent Practitioner's Review Report to Shareholders

### *Introduction*

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **New Kabul Bank** ("the bank") as of **March 31, 2016**, and the related Statement of Condensed Interim Comprehensive Income, Statement of Condensed Interim Changes in Equity and Statement of Condensed Interim Cash Flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank (DAB).

### *Practitioner Responsibility*

Our responsibility is to express a conclusion on this interim financial information based on our review. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400, engagement to Review Historical Financial Statements (ISRE) 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that cause to believe that accompanying interim financial information does not give a true and fair view of the condensed interim financial position of the bank as at March 31, 2016 and of its financial performance and its condensed interim cash flows for the three month period then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) rules and regulations.

  
Horwath MAK  
HMAE

Auditors & Business Advisors  
Kabul



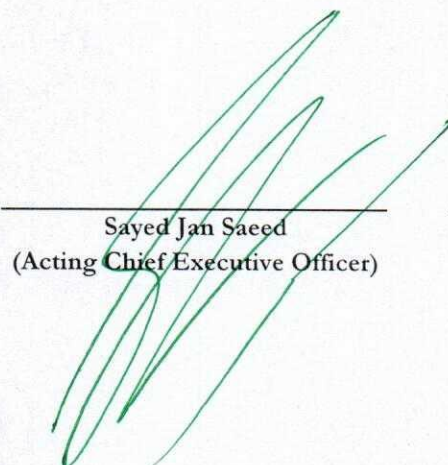


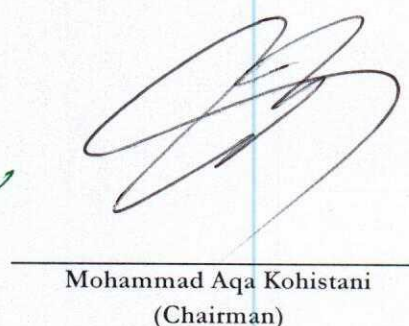
NEW KABUL BANK  
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2016

Unaudited	Audited		Unaudited	Audited	
31-Mar-2016	31-Dec-2015		31-Mar-2016	31-Dec-2015	
..... USD .....			Note.....	AFN .....	
ASSETS					
174,765,445	147,291,895	Cash and cash equivalents	5	12,002,890,784	10,082,130,215
-	27,365,903	Investment in capital notes	6	-	1,873,196,077
1,147,864	1,130,817	Property and equipment	7	78,835,315	77,404,418
-	-	Intangible assets	8	-	-
40,903,183	41,137,428	Claim receivable from MOF	9	2,809,230,602	2,815,856,977
42,766,205	39,175,206	Other assets	10	2,937,182,904	2,681,542,832
259,582,697	256,101,249	Total assets		17,828,139,605	17,530,130,519
EQUITY AND LIABILITIES					
EQUITY					
-	-	Share capital	11	-	-
(50,013,459)	(50,041,300)	Accumulated losses		(3,434,924,356)	(3,425,326,970)
(50,013,459)	(50,041,300)	Total equity		(3,434,924,356)	(3,425,326,970)
LIABILITIES					
296,483,113	296,208,604	Deposits from customers	12	20,362,460,142	20,275,478,960
13,113,043	9,933,945	Other liabilities	13	900,603,819	679,978,529
309,596,156	306,142,549	Total liabilities		21,263,063,961	20,955,457,489
259,582,697	256,101,249	Total equity and liabilities		17,828,139,605	17,530,130,519

The annexed notes from 1 to 22 form an integral part of these financial statements.

  
Shoaib Sheikh  
(Chief Financial Officer)

  
Sayed Jan Saeed  
(Acting Chief Executive Officer)

  
Mohammad Aqa Kohistani  
(Chairman)

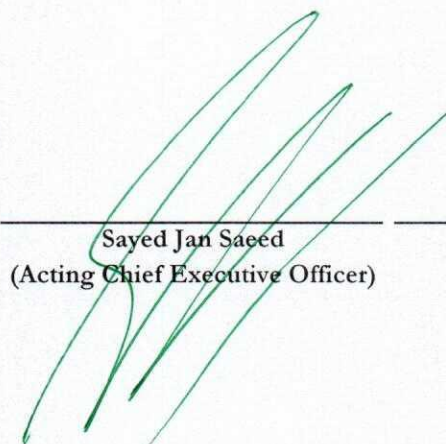


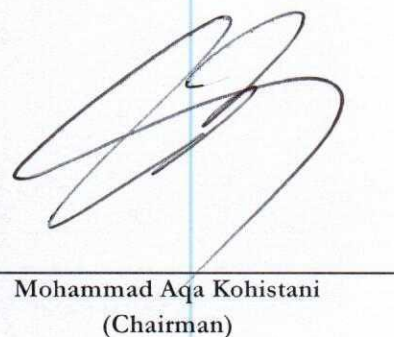
NEW KABUL BANK  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

31-Mar-2016	31-Mar-15		Note	31-Mar-2016	31-Mar-15
..... USD .....				..... AFN .....	
419,588	977,041	Interest income		28,817,277	56,600,010
-	-	Interest expense		-	-
419,588	977,041	Net interest income	15	28,817,277	56,600,010
3,651,368	1,609,235	Fee and commission income		250,775,967	93,222,994
(66,169)	(106,345)	Fee and commission expense		(4,544,492)	(6,160,560)
3,585,199	1,502,890	Net fee and commission income	16	246,231,475	87,062,434
455,511	335,888	Other operating income	17	31,284,503	19,458,006
4,460,298	2,815,819	Net operating income		306,333,255	163,120,450
(2,200,035)	(3,050,342)	Employee benefit expense	18	(151,098,411)	(176,706,315)
-	(2,429)	Provision against other assets	10.4	-	(140,737)
(2,400,003)	(2,567,733)	Other expenses	19	(164,832,230)	(148,748,798)
(4,600,038)	(5,620,504)	Operating expenses		(315,930,641)	(325,595,850)
(139,740)	(2,804,685)	Loss before tax		(9,597,386)	(162,475,400)
-	-	Taxation	20	-	-
(139,740)	(2,804,685)	Loss for the year / period		(9,597,386)	(162,475,400)
-	-	Other comprehensive income		-	-
(139,740)	(2,804,685)	Total comprehensive loss		(9,597,386)	(162,475,400)

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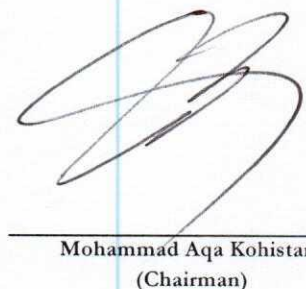
NEW KABUL BANK  
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

31-Mar-2016	31-Mar-15		31-Mar-2016	31-Mar-15
..... USD .....			..... AFN .....	
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(139,741)	(2,804,685)	Loss before tax	(9,597,386)	(162,475,400)
		<b>Adjustments for:</b>		
-	-	Transfer of assets	-	-
(139,741)	(2,804,685)		(9,597,386)	(162,475,400)
		<b>Increase/decrease in current assets and liabilities</b>		
96,482	(1,406,152)	Claim receivable from MOF	6,626,375	(81,458,362)
(3,352,446)	5,645,420	Other assets	(230,246,021)	327,039,181
1,266,470	(20,024,260)	Deposits from customers	86,981,182	(1,160,005,382)
3,212,366	508,374	Other liabilities	220,625,290	29,450,125
1,083,131	(18,081,303)		74,389,440	(1,047,449,838)
(369,744)	(1,046,966)	Advance tax paid	(25,394,051)	(60,650,730)
713,387	(19,128,269)	<b>Net cash (used in)/generated from operating activities</b>	48,995,389	(1,108,100,568)
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(20,834)	168,465	Investment in operating fixed assets	(1,430,897)	9,759,169
27,274,259	6,736,518	Investment in capital notes - net	1,873,196,077	390,246,510
27,253,425	6,904,983	<b>Net cash (used in)/ generated from investing activities</b>	1,871,765,180	400,005,679
-	-	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
27,966,812	(12,223,286)	<b>Net decrease in cash and cash equivalents</b>	1,920,760,569	(708,094,889)
146,798,633	183,646,667	Cash and cash equivalents at beginning of the year	10,082,130,215	10,638,651,447
-	-	Effect of exchange differences	-	-
174,765,445	171,423,381	<b>Cash and cash equivalents at end of the year</b>	12,002,890,784	9,930,556,558

The annexed notes from 1 to 22 form an integral part of these financial statements.

  
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(Chief Financial Officer)

  
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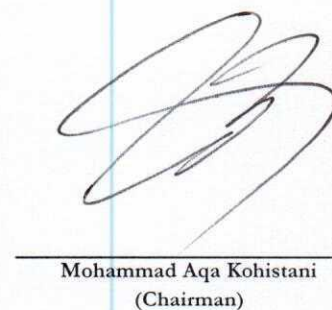
NEW KABUL BANK  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

Share capital	Accumulated loss	Total		Share capital	Accumulated loss	Total
..... USD .....				..... AFN .....		
-	(49,353,160)	(49,353,160)	Balance as at January 01, 2015	-	(3,389,575,016)	(3,389,575,016)
-	(2,365,687)	(2,365,687)	Total comprehensive loss for the three months ended March 31, 2015	-	(162,475,400)	(162,475,400)
-	(51,718,847)	(51,718,847)	Balance as at March 31, 2015	-	(3,552,050,416)	(3,552,050,416)
-	(49,873,719)	(49,873,718)	Balance as at January 01, 2016	-	(3,425,326,970)	(3,425,326,970)
-	(139,740)	(139,741)	Total comprehensive loss for the three months ended March 31, 2016	-	(9,597,386)	(9,597,386)
-	(50,013,459)	(50,013,459)	Balance as at March 31, 2016	-	(3,434,924,356)	(3,434,924,356)

The annexed notes from 1 to 22 form an integral part of these financial statements.

  
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(Chief Financial Officer)

  
Sayed Jan Saeed  
(Acting Chief Executive Officer)

  
Mohammad Aqa Kohistani  
(Chairman)

**NEW KABUL BANK**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2016**

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**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.

**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.

**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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of accounting policies will be read with the last year audited financial statements.



## NEW KABUL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

		Unaudited 31-Mar-2016	Audited 31-Dec-2015
	Note	..... AFN .....	
<b>5 CASH AND CASH EQUIVALENTS</b>			
<b>Cash in hand:</b>			
Local currency		818,874,750	775,965,227
Foreign currency		636,166,719	544,080,414
		<u>1,455,041,469</u>	<u>1,320,045,641</u>
<b>Balances with banks:</b>			
Balances with Da Afghanistan Bank	5.1	4,468,098,280	4,231,036,094
Balances with other banks	5.2	6,079,751,035	4,531,048,480
		<u>10,547,849,315</u>	<u>8,762,084,574</u>
		<u>12,002,890,784</u>	<u>10,082,130,215</u>
<b>5.1 Balances with Da Afghanistan Bank</b>			
<b>Current account</b>			
Local currency		2,473,857,992	1,513,036,801
Foreign currency		1,994,240,288	2,717,999,293
		<u>4,468,098,280</u>	<u>4,231,036,094</u>
		<u>4,468,098,280</u>	<u>4,231,036,094</u>
<b>5.2 Balances with other banks</b>			
<b>Current accounts</b>			
Local currency		17,000	17,000
Foreign currency		6,060,998,035	4,517,341,480
		<u>6,061,015,035</u>	<u>4,517,358,480</u>
<b>Deposit accounts</b>			
Foreign currency		13,736,000	13,690,000
		<u>6,074,751,035</u>	<u>4,531,048,480</u>
<b>6 INVESTMENT IN CAPITAL NOTES</b>			
<b>Held to maturity</b>			
1 year capital notes		-	1,873,196,077
	6.1	<u>-</u>	<u>1,873,196,077</u>
<b>6.1</b>	These are classified as held to maturity having maximum period of 1 year carrying interest rate ranging from nil (2015: 6.69% to 6.7%) per annum.		

## NEW KABUL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

		Unaudited 31-Mar-2016	Audited 31-Dec-2015
	Note	..... AFN .....	
<b>7 PROPERTY AND EQUIPMENT</b>		<b>78,835,315</b>	<b>77,404,418</b>
<b>8 INTANGIBLE ASSETS</b>			
<b>Gross carrying amount</b>			
Opening balance		295,161,839	295,161,839
Additions during the period		-	-
Closing balance		295,161,839	295,161,839
<b>Accumulated amortization</b>			
Opening balance		295,161,839	295,161,839
Charge for the year / period		-	-
Closing balance		295,161,839	295,161,839
<b>Written down value</b>	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.			
		Unaudited 31-Mar-2016	Audited 31-Dec-2015
		..... AFN .....	
<b>9 CLAIM RECEIVABLE FROM MOF</b>			
Gross amount of claim from MOF		15,099,254,047	14,950,547,399
Unrealized foreign currency revaluation gain		(12,290,023,445)	(12,134,690,422)
		2,809,230,602	2,815,856,977
9.1 Claim represents 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 comprises of currency wise amounts using the prevailing exchange rate as at March 31, 2016. The claim has been lodged with KBR for their consideration, however, as confirmed through letter #127793 dated March 11, 2015 MOF will bear the difference of asset and liabilities.			
		Unaudited 31-Mar-2016	Audited 31-Dec-2015
	Note	..... AFN .....	
<b>10 OTHER ASSETS</b>			
Required reserve with Da Afghanistan Bank	10.1	1,682,285,871	1,733,813,000
Advances and prepayments	10.2	73,117,254	82,748,785
Receivable from remittances		420,328,420	140,688,961
Accrued interest and commission	10.3	205,289,530	201,495,466
Advance tax		533,697,764	508,303,713
Staff loan		10,683,835	1,397,296
Others	10.4	11,780,230	13,095,611
		2,937,182,904	2,681,542,832



# NEW KABUL BANK

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS ENDED MARCH 31, 2016

- 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 carries no interest (2015: nil) per annum. Required reserve is a restricted balance with DAB and is not available for use in the Bank's day-to-day operations.

	Unaudited 31-Mar-2016	Audited 31-Dec-2015
	..... AFN .....	

### 10.2 Advances and prepayments

Advance payment to contractors	45,690,662	45,778,605
Prepaid rent	27,426,592	36,970,180
	<u>73,117,254</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.

	Unaudited 31-Mar-2016	Audited 31-Dec-2015
Note	..... AFN .....	

### 10.4 Others

<b>Gross amount</b>	<b>106,187,809</b>	107,499,974
<b>Allowance for doubtful receivables</b>		
Opening balance	(94,404,363)	(90,486,111)
Charge for the year	-	(140,737)
Exchange difference of provision	(3,215)	(3,777,515)
Reversal due to recovery	-	-
Closing balance	(94,407,578)	(94,404,363)
<b>Net amount</b>	<b>11,780,230</b>	13,095,611

10.4.1

- 10.4.1** This include receivable from staff and others on account of cash shortages. Allowance has been recognized on the basis of recoverability of these shortages on case to case basis, while recovery represent amount received from insurer against cash shortages.

	Unaudited 31-Mar-2016	Audited 31-Dec-2015
Note	..... AFN .....	

## 11 SHARE CAPITAL

<b>Authorized</b>		
1,000,000 ordinary shares of AFN 1,000 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued, subscribed and paid-up capital</b>	<b>11.1</b>	
	-	-

- 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.

## NEW KABUL BANK

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2016

		Unaudited 31-Mar-2016	Audited 31-Dec-2015
	Note	..... AFN	.....
<b>12 DEPOSITS FROM CUSTOMERS</b>			
Local currency			
Current deposits		6,074,710,599	6,437,401,591
Saving deposits	12.1	4,861,626,782	4,932,197,957
		10,936,337,381	11,369,599,548
Foreign currency			
Current deposits		5,360,022,823	4,808,136,038
Saving deposits	12.1	4,066,099,938	4,097,743,375
		9,426,122,761	8,905,879,413
		20,362,460,142	20,275,478,961
12.1 Saving deposits carry no interest (2015: nil) per annum.			
		Unaudited 31-Mar-2016	Audited 31-Dec-2015
		..... AFN	.....
<b>13 OTHER LIABILITIES</b>			
Margin money against bank guarantees		403,106,143	413,396,327
Remittances payable		358,539,295	103,000,021
CSC bank payables		22,560,345	19,496,752
Withholding taxes payable		5,108,847	4,016,264
Accrued expenses and other liabilities		111,289,189	140,069,165
		900,603,819	679,978,529
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
Contingencies			
Guarantees issued on behalf of customers	14.1	375,502,441	397,521,562
14.1 All guarantees are secured against 100% cash margin.			
		Unaudited 31-Mar-2016	Unaudited 31-Mar-15
	Note	..... AFN	.....
<b>15 NET INTEREST INCOME / (EXPENSE)</b>			
Interest income on:			
Investment in capital notes		28,565,719	48,906,338
Interest bearing bank accounts		251,558	7,693,672
		28,817,277	56,600,010
Interest expense on:			
Deposits from customers		-	-
Net interest income		28,817,277	56,600,010



NEW KABUL BANK  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016

	Unaudited 31-Mar-2016	Unaudited 31-Mar-15
<b>16 NET FEE AND COMMISSION INCOME</b>		
<b>Fee and commission income</b>		
Commission on remittances	17,276,807	15,082,293
Commission on Western Union operations	18,475,173	16,685,847
Commission on collections	3,145,485	2,043,706
Commission on salary distribution	163,563,670	12,224,388
Commission on bank guarantees	447,866	312,853
Account maintenance fee	47,866,966	46,873,906
	<u>250,775,967</u>	<u>93,222,994</u>
<b>Fee and commission expense</b>		
Inter-bank transaction fee	(4,544,492)	(6,160,560)
<b>Net fee and commission income</b>	<u>246,231,475</u>	<u>87,062,434</u>
<b>17 OTHER OPERATING INCOME</b>		
Income from cash operations	9,509,475	10,784,808
Foreign exchange gain	5,650,158	514,464
Income from call centre services	13,272,931	7,061,285
Miscellaneous	2,851,939	1,097,449
	<u>31,284,503</u>	<u>19,458,006</u>
<b>18 EMPLOYEE BENEFIT EXPENSE</b>		
Salaries and wages	136,002,120	160,491,032
Food and other amenities	15,096,291	16,215,283
	<u>151,098,411</u>	<u>176,706,315</u>
	Unaudited 31-Mar-2016	Unaudited 31-Mar-15
<b>19 OTHER EXPENSES</b>	..... AFN .....	
Rent and taxes	33,510,608	42,652,458
Communication expense	21,992,819	21,583,680
Security expense	59,419,875	38,783,660
Insurance	3,279,237	3,270,434
Fuel and electricity	12,632,490	14,827,145
Software services	21,676,474	16,857,373
Advertisement	382,383	1,221,385
Repair and maintenance	1,429,930	1,621,330
Stationery and printing	6,952,892	4,190,259
Others	3,555,522	3,741,075
	<u>164,832,230</u>	<u>148,748,798</u>

**20 TAXATION****Current and deferred tax**

No provision for the current year income tax has been made in these financial statements due to net tax loss for the year and no deferred tax asset has been recognized due to non-availability of future taxable profits.

**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 period:

Short-term staff advances	Maximum balance	Closing balance
	..... AFN .....	
Chief Executive Officer	-	-
Deputy Chief Executive Officer	-	-
Chief Financial Officer	360,000	200,000
Chief Operating Officer	240,000	120,000

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

Moreover, during the year AFN 2.38 million (2015: AFN 1.83 million) are paid to key management personnel as remuneration.



NEW KABUL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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**Other transactions with related parties**

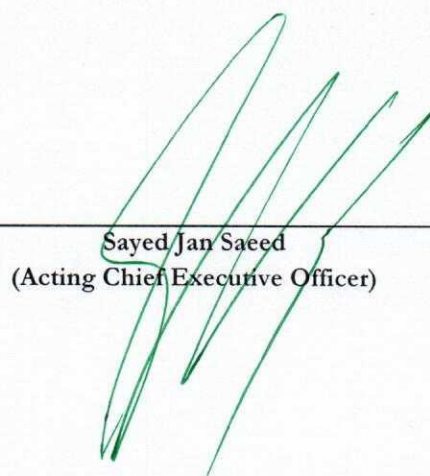
There are no significant related party transaction except for normal banking services to government and its institutions for salary distribution and related deposit accounts.

**22 GENERAL**

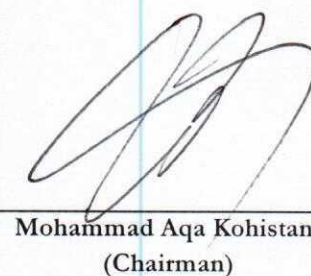
The condensed interim financial statements for the three months ended March 31, 2016 (including comparatives) have been approved and authorized for issue by the Board of Directors on May 29, 2016 *final*



Shoaib Sheikh  
(Chief Financial Officer)



Sayed Jan Saeed  
(Acting Chief Executive Officer)



Mohammad Aqa Kohistani  
(Chairman)