

Report on Review of Interim Financial Statements to Shareholders

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **New Kabul Bank** ("the bank") as at **June 30, 2016**, and the related Condensed Interim income statement, 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 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). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent auditor of the entity". A review of interim financial information consist of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance we would become aware of all significant matters that might be identified in an audit. 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 June 30, 2016 and of its financial performance and its condensed interim cash flows for the three month period than 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
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Auditors & Business Advisors
Kabul



NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016

Unaudited	Audited		Unaudited	Audited	
30-June-2016	31-Dec-2015		30-June-2016	31-Dec-2015	
..... USD			Note	AFN	
ASSETS					
196,919,774	147,291,895	Cash and cash equivalents	5	13,471,281,761	10,082,130,215
17,121,311	27,365,903	Investment in capital notes	6	1,171,268,870	1,873,196,077
1,181,177	1,130,817	Property and equipment	7	80,804,326	77,404,418
-	-	Intangible assets	8	-	-
41,086,377	41,137,428	Claim receivable from MOF	9	2,810,719,049	2,815,856,977
43,064,913	39,175,207	Other assets	10	2,946,070,615	2,681,542,832
<u>299,373,552</u>	<u>256,101,250</u>	Total assets		<u>20,480,144,621</u>	<u>17,530,130,519</u>
EQUITY AND LIABILITIES					
EQUITY					
-	-	Share capital	11	-	-
(49,955,912)	(50,041,300)	Accumulated losses		(3,417,483,974)	(3,425,326,970)
<u>(49,955,912)</u>	<u>(50,041,300)</u>	Total equity		<u>(3,417,483,974)</u>	<u>(3,425,326,970)</u>
LIABILITIES					
336,202,304	296,208,605	Deposits from customers	12	22,999,599,600	20,275,478,960
13,127,160	9,933,945	Other liabilities	13	898,028,995	679,978,529
<u>349,329,464</u>	<u>306,142,550</u>	Total liabilities		<u>23,897,628,595</u>	<u>20,955,457,489</u>
<u>299,373,552</u>	<u>256,101,250</u>	Total equity and liabilities		<u>20,480,144,621</u>	<u>17,530,130,519</u>
Contingencies and Commitment		14	-	-	

The annexed notes from 1 to 21 form an integral part of these financial statements.

(Chief Financial Officer)

(Chief Executive Officer)

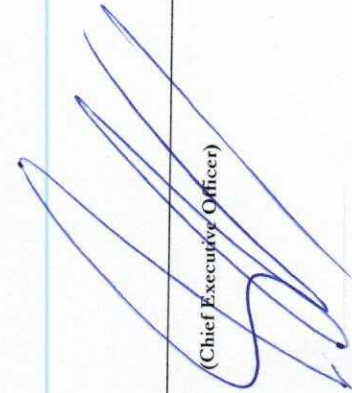
(Chairman)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Half year ended 30-June-2016	Quarter ended 30-June-2016	Half year ended 30-Jun-15	Quarter ended 30-Jun-15	Half year ended 30-June-2016	Quarter ended 30-Jun-15	Half year ended 30-Jun-15	Quarter ended 30-Jun-15
USD		AFN					
597,636	176,392	1,915,180	983,032	Interest income			
				Interest expense			
597,636	176,392	1,915,180	983,032	Net interest income			
8,511,010	4,845,231	7,248,782	5,713,489	Fee and commission income			
(131,870)	(65,440)	(172,183)	(70,724)	Fee and commission expense			
8,379,140	4,779,791	7,076,599	5,642,765	Net fee and commission income			
966,741	509,432	675,863	355,409	Other operating income			
9,943,517	5,465,615	9,667,642	6,981,206	Net operating income			
(4,323,873)	(2,115,155)	(5,391,950)	(2,481,767)	Employee benefit expense			
-	-	(2,318)	-	Provision against other assets			
(5,504,997)	(3,095,522)	(5,980,661)	(3,530,911)	Other expenses			
(9,828,870)	(5,210,677)	(11,374,929)	(6,012,678)	Operating expenses			
114,647	254,938	(1,707,287)	968,528	Profit / (Loss) before tax			
-	-	-	-	Taxation			
114,647	254,938	(1,707,287)	968,528	Profit / (Loss) for the period			
-	-	-	-	Other comprehensive income			
114,647	254,938	(1,707,287)	968,528	Total comprehensive income / (loss)			

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(Chief Financial Officer)


(Chief Executive Officer)



(Chairman)

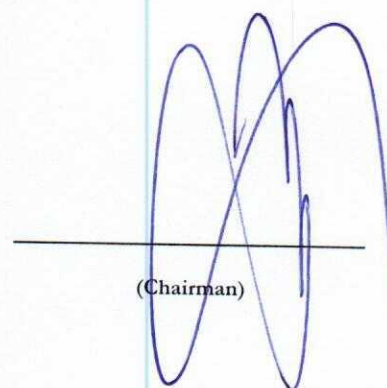
NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

30-June-2016	30-Jun-15		30-June-2016	30-Jun-15
..... USD .....			..... AFN	
CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM OPERATING ACTIVITIES	
114,647	(1,707,286)	Profit / (Loss) before tax	7,842,996	(103,666,393)
-	-	Adjustments for:	-	-
114,647	(1,707,286)	Transfer of assets	7,842,996	(103,666,393)
Increase/decrease in current assets and liabilities			Increase/decrease in current assets and liabilities	
75,105	(830,515)	Claim receivable from MOF	9 5,137,928	(50,428,893)
(3,227,690)	7,126,027	Other assets	10 (220,806,242)	432,692,368
39,820,503	(33,895,954)	Deposits from customers	12 2,724,120,640	(2,058,162,303)
3,187,406	(1,383,438)	Other liabilities	13 218,050,466	(84,002,347)
39,969,971	(30,691,166)		2,734,345,788	(1,863,567,568)
(639,110)	(2,335,985)	Advance tax paid	(43,721,541)	(141,840,979)
39,330,861	(33,027,151)	Net cash (used in)/generated from operating activities	2,690,624,247	(2,005,408,547)
CASH FLOWS FROM INVESTING ACTIVITIES			CASH FLOWS FROM INVESTING ACTIVITIES	
(49,699)	(52,392)	Investment in operating fixed assets	(3,399,908)	(3,181,224)
10,260,594	6,426,985	Investment in capital notes - net	6 701,927,207	390,246,510
10,210,895	6,374,593	Net cash (used in)/ generated from investing activities	698,527,299	387,065,287
CASH FLOWS FROM FINANCING ACTIVITIES			CASH FLOWS FROM FINANCING ACTIVITIES	
49,541,756	(26,652,558)	Net decrease in cash and cash equivalents	3,389,151,546	(1,618,343,261)
147,378,018	175,208,357	Cash and cash equivalents at beginning of the period	10,082,130,215	10,638,651,447
-	-	Effect of exchange differences	-	-
196,919,774	148,555,799	Cash and cash equivalents at end of the period	5 13,471,281,761	9,020,308,186

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(Chief Financial Officer)


(Chief Executive Officer)

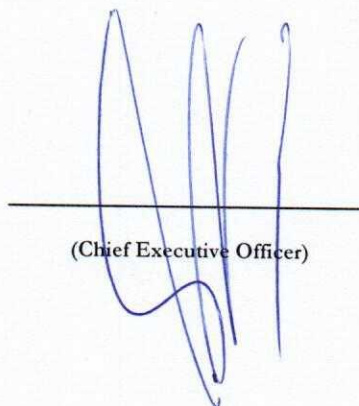

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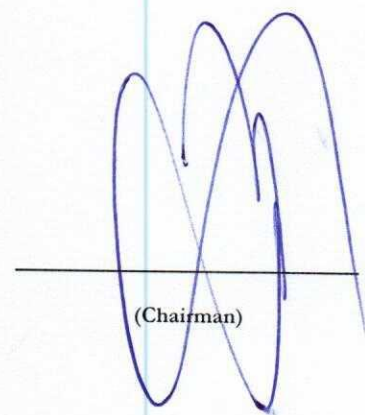
NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Share capital	Accumulated loss	Total		Share capital	Accumulated loss	Total
..... USD .....				..... AFN		
-	(49,547,946)	(49,547,946)	Balance as at January 01, 2015	-	(3,389,575,016)	(3,389,575,016)
-	(1,515,369)	(1,515,369)	Total comprehensive loss for the half year ended June 30, 2015	-	(103,666,393)	(103,666,393)
-	(51,063,315)	(51,063,315)	Balance as at June 30, 2015	-	(3,493,241,409)	(3,493,241,409)
-	(50,070,559)	(50,070,559)	Balance as at January 01, 2016	-	(3,425,326,970)	(3,425,326,970)
-	114,647	114,647	Total comprehensive loss for the half year ended June 30, 2016	-	7,842,996	7,842,996
-	(49,955,912)	(49,955,912)	Balance as at June 30, 2016	-	(3,417,483,974)	(3,417,483,974)

The annexed notes from 1 to 21 form an integral part of these financial statements.


(Chief Financial Officer)


(Chief Executive Officer)


(Chairman)

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 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 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 condensed interim financial statements have been prepared in accordance with requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting 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 condensed interim financial statements have been prepared on the historical cost basis.

3.2 Use of critical accounting estimates and judgments

The preparation of condensed interim 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.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements of the Bank for the year ended December 31, 2015.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2015.

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2015.

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

		Unaudited 30-June-2016	Audited 31-Dec-2015
	Note	..... AFN	
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		928,755,203	775,965,227
Foreign currency		849,339,357	544,080,414
		<u>1,778,094,560</u>	<u>1,320,045,641</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	6,424,840,479	4,231,036,094
Balances with other banks	5.2	5,268,346,722	4,531,048,480
		<u>11,693,187,201</u>	<u>8,762,084,574</u>
		<u>13,471,281,761</u>	<u>10,082,130,215</u>
5.1 Balances with Da Afghanistan Bank			
Current account			
Local currency		3,993,859,075	1,513,036,801
Foreign currency		2,430,981,404	2,717,999,293
		<u>6,424,840,479</u>	<u>4,231,036,094</u>
		<u>6,424,840,479</u>	<u>4,231,036,094</u>
5.2 Balances with other banks			
Current accounts			
Local currency		37,000	17,000
Foreign currency		5,254,607,722	4,517,341,480
		<u>5,254,644,722</u>	<u>4,517,358,480</u>
Deposit accounts			
Foreign currency		13,682,000	13,690,000
		<u>5,268,326,722</u>	<u>4,531,048,480</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
1 year capital notes		1,171,268,870	1,873,196,077
	6.1	<u>1,171,268,870</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 6.64% to 6.65% (2015: 6.69% to 6.7%) per annum.		

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

		Unaudited 30-June-2016	Audited 31-Dec-2015
	Note	..... AFN	
7 PROPERTY AND EQUIPMENT		80,804,326	77,404,418
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.		
		Unaudited 30-June-2016	Audited 31-Dec-2015
		..... AFN	
9 CLAIM RECEIVABLE FROM MOF			
Gross amount of claim from MOF		14,930,855,887	14,950,547,399
Unrealized foreign currency revaluation gain		(12,120,136,838)	(12,134,690,422)
		2,810,719,049	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 June 30, 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 30-June-2016	Audited 31-Dec-2015
	Note	..... AFN	
10 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	10.1	1,633,825,000	1,733,813,000
Advances and prepayments	10.2	71,832,804	82,748,785
Receivable from remittances		492,357,444	140,688,961
Accrued interest and commission	10.3	127,374,173	201,495,466
Advance tax		552,025,254	508,303,713
Staff loan		10,569,981	1,397,296
Others	10.4	58,085,959	13,095,611
		2,946,070,615	2,681,542,832

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 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 30-June-2016	Audited 31-Dec-2015
	..... AFN	
10.2 Advances and prepayments		
Advance payment to contractors	38,754,556	45,778,605
Prepaid rent	33,078,248	36,970,180
	<u>71,832,804</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 (MoF).

	Unaudited 30-June-2016	Audited 31-Dec-2015
Note	..... AFN	

10.4 Others

Gross amount	152,797,165	107,499,974
Allowance for doubtful receivables		
Opening balance	(94,404,363)	(90,486,111)
Charge for the year	-	(140,737)
Exchange difference of provision	(306,843)	(3,777,515)
Reversal due to recovery	-	-
Closing balance	(94,711,206)	(94,404,363)
Net amount	<u>58,085,959</u>	<u>13,095,611</u>

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 30-June-2016	Audited 31-Dec-2015
Note	..... AFN	

11 SHARE CAPITAL

Authorized

1,000,000 ordinary shares of AFN 1,000 each

1,000,000,000 1,000,000,000

Issued, subscribed and paid-up capital

11.1

- -

- 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 HALF YEAR ENDED JUNE 30, 2016

12 DEPOSITS FROM CUSTOMERS

Local currency

Current deposits

Saving deposits

Foreign currency

Current deposits

Saving deposits

Note	Unaudited 30-June-2016	Audited 31-Dec-2015
	..... AFN	
12.1	7,905,238,701	6,437,401,591
	6,122,560,747	4,932,197,957
	14,027,799,448	11,369,599,548
12.1	4,970,262,637	4,808,136,038
	4,001,537,515	4,097,743,375
	8,971,800,152	8,905,879,412
	22,999,599,600	20,275,478,960

12.1 Saving deposits carry no interest (2015: nil) per annum.

13 OTHER LIABILITIES

Margin money against bank guarantees

Remittances payable

CSC bank payables

Withholding taxes payable

Accrued expenses and other liabilities

Unaudited 30-June-2016	Audited 31-Dec-2015
..... AFN	
373,946,368	413,396,327
377,028,642	103,000,021
27,082,849	19,496,752
4,959,081	4,016,264
115,012,055	140,069,165
898,028,995	679,978,529

14 CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantees issued on behalf of customers

14.1	373,946,370	397,521,562
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14.1 All guarantees are secured against 100% cash margin.

15 NET INTEREST INCOME / (EXPENSE)

Interest income on:

Investment in capital notes

Interest bearing bank accounts

Interest expense on:

Deposits from customers

Net interest income

Note	Unaudited 30-June-2016	Unaudited 30-Jun-15
	..... AFN	
15.1	38,293,888	97,330,421
	2,590,395	18,959,294
	40,884,283	116,289,715
	-	-
	40,884,283	116,289,715

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Unaudited 30-June-2016	Unaudited 30-Jun-15
15.1 Interest expense on:	..... AFN	
Term deposits	-	-
Saving deposits	-	-
	<u>-</u>	<u>-</u>
16 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission on remittances	40,552,697	30,169,086
Commission on Western Union operations	44,871,331	36,563,677
Commission on collections	6,286,051	5,529,534
Commission on salary distribution	372,860,910	273,887,006
Commission on bank guarantees	828,714	646,994
Account maintenance fee	116,838,524	93,349,758
	<u>582,238,227</u>	<u>440,146,056</u>
Fee and commission expense		
Inter-bank transaction fee	(9,021,225)	(10,454,926)
Net fee and commission income	<u>573,217,002</u>	<u>429,691,130</u>
17 OTHER OPERATING INCOME		
Income from cash operations	19,359,103	21,316,328
Foreign exchange gain	8,757,867	2,250,429
Income from call centre services	30,867,243	15,261,557
Miscellaneous	7,150,545	2,210,109
	<u>66,134,758</u>	<u>41,038,423</u>
18 EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	270,177,540	296,692,863
Food and other amenities	25,618,625	30,706,342
	<u>295,796,165</u>	<u>327,399,205</u>
19 OTHER EXPENSES		
Rent and taxes	62,469,480	80,290,579
Communication expense	44,166,190	43,203,253
Security expense	161,434,922	138,675,064
Insurance	6,792,037	5,152,990
Fuel and electricity	24,043,212	30,101,416
Software services	42,541,541	33,383,285
Advertisement	497,038	4,131,295
Repair and maintenance	8,450,229	8,573,806
Stationery and printing	11,956,056	11,730,021
Audit fee	300,000	-
Others	13,946,177	7,904,011
	<u>376,596,882</u>	<u>363,145,719</u>

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016


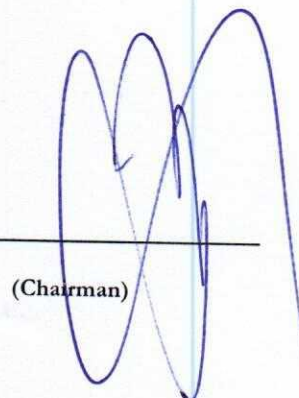
20 TAXATION

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 GENERAL

The condensed interim financial statements for the half year ended June 30, 2016 (including comparatives) have been approved and authorized for issue by the Board of Directors on August 11, 2016


(Chief Financial Officer)
(Chief Executive Officer)
(Chairman)