

NEW KABUL BANK
Kabul - Afghanistan

Un-audited Condensed Interim Financial Statements
along with accompanying information

For the half year ended June 30, 2017

INDEPENDENT REVIEW REPORT TO SHAREHOLDERS

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **New Kabul Bank** ("the bank") as of **June 30, 2017**, 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 half year 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 (ISRE) 2410, which applies to review the historic financial information performed by the independent auditor of the entity. A review of interim financial information consists of making inquiries, 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 that 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, 2017 and of its financial performance and its condensed interim cash flows for the half year 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

Auditors & Business Advisors
Kabul




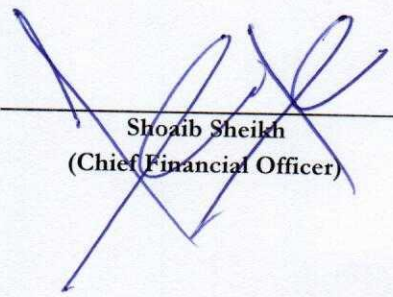
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NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

Unaudited	Audited		Unaudited	Audited	
30-Jun-17	31-Dec-2016		30-Jun-17	31-Dec-2016	
USD			AFN		
		Note			
ASSETS					
187,578,434	189,216,253	Cash and cash equivalents	5	12,772,215,582	12,645,322,186
98,918,984	120,326,148	Investment in capital notes	6	6,735,393,640	8,041,396,488
570,918	769,184	Property and equipment		38,873,834	51,404,549
-	-	Intangible assets	7	-	-
36,031,883	58,130,146	Other assets	8	2,453,410,884	3,884,837,626
323,100,219	368,441,731	Total assets		21,999,893,940	24,622,960,849
EQUITY AND LIABILITIES					
EQUITY					
-	-	Share capital	9	-	-
62,253,359	63,427,072	Reserve from MoF		4,238,831,229	4,238,831,229
(46,777,072)	(50,492,855)	Accumulated losses		(3,185,050,811)	(3,374,437,512)
15,476,287	12,934,217	Total equity		1,053,780,418	864,393,717
LIABILITIES					
299,381,898	328,773,331	Deposits from customers	10	20,384,913,447	21,971,921,742
8,242,034	26,734,183	Other liabilities	11	561,200,075	1,786,645,390
307,623,932	355,507,514	Total liabilities		20,946,113,522	23,758,567,132
323,100,219	368,441,731	Total equity and liabilities		21,999,893,940	24,622,960,849
-	-	Contingencies and commitments	12	-	-

The annexed notes from 1 to 20 form an integral part of these financial statements.


Khyber Omarkhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

Half year ended 30-Jun-17	Quarter ended 30-Jun-17	Half year ended 30-Jun-16	Quarter ended 30-Jun-16	
USD				
2,788,280	1,429,113	597,636	176,392	Interest income
-	-	-	-	Interest expense
2,788,280	1,429,113	597,636	176,392	Net interest income
8,335,211	4,329,502	8,511,010	4,845,231	Fee and commission income
(151,868)	(62,162)	(131,870)	(65,440)	Fee and commission expense
8,183,343	4,267,340	8,379,140	4,779,791	Net fee and commission income
1,355,135	476,533	966,741	509,432	Other operating income
12,326,758	6,172,986	9,943,517	5,465,615	Net operating income
(4,176,857)	(2,081,787)	(4,323,873)	(2,115,155)	Employee benefit expense
(211,772)	(101,615)	-	-	Depreciation expense
(23,858)	(23,858)	-	-	Provision against other assets
(4,428,078)	(2,081,767)	(5,504,997)	(3,095,522)	Other expenses
(8,840,565)	(4,289,027)	(9,828,870)	(5,210,677)	Operating expenses
3,486,193	1,883,959	114,647	254,938	Profit before tax
(704,776)	(381,405)	-	-	Taxation
2,781,417	1,883,959	114,647	254,938	Profit for the period
-	-	-	-	Other comprehensive income
2,781,417	1,883,959	114,647	254,938	Total Comprehensive income for the period

The annexed notes from 1 to 20 form an integral part of these financial statements.

Khyber Omar Khail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

Note

Half year ended 30-Jun-17	Quarter ended 30-Jun-17	Half year ended 30-Jun-16	Quarter ended 30-Jun-16	
189,854,019	97,308,278	40,884,283	12,067,006	
189,854,019	97,308,278	40,884,283	12,067,006	
567,544,487	294,795,788	582,238,227	331,462,260	
(10,340,705)	(4,232,608)	(9,021,225)	(4,476,733)	
557,203,782	290,563,180	573,217,002	326,985,527	
92,271,123	32,447,164	66,134,758	34,850,255	
839,328,924	420,318,622	680,236,043	373,902,788	
(284,402,197)	(141,748,884)	(295,796,165)	(144,697,754)	
(14,419,546)	(6,918,984)	-	-	
(1,624,465)	(1,624,465)	-	-	
(301,507,804)	(141,747,545)	(376,596,882)	(211,764,652)	
(601,954,012)	(292,039,878)	(672,393,047)	(356,462,406)	
237,374,912	128,278,744	7,842,996	17,440,382	
(47,988,211)	(25,969,861)	-	-	
189,386,701	102,308,883	7,842,996	17,440,382	
189,386,701	102,308,883	7,842,996	17,440,382	

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NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
..... USD			
-	-	(50,070,559)	(50,070,559)
Balance as at January 01, 2016			
-	-	114,647	114,647
Total comprehensive income for the half year ended June 30, 2016			
-	-	(49,955,912)	(49,955,912)
Balance as at June 30, 2016			
-	62,253,359	(49,558,489)	12,694,870
Balance as at January 01, 2017			
-	-	2,781,417	2,781,417
Total comprehensive income for the half year ended June 30, 2017			
-	62,253,359	(46,777,072)	15,476,287
Balance as at June 30, 2017			

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
..... AFN			
-	-	(3,425,326,970)	(3,425,326,970)
Total comprehensive income for the half year ended June 30, 2016			
-	-	7,842,996	7,842,996
-	-	(3,417,483,974)	(3,417,483,974)
Balance as at June 30, 2016			
-	4,238,831,229	(3,374,437,512)	864,393,717
Balance as at January 01, 2017			
-	-	189,386,701	189,386,701
Total comprehensive income for the half year ended June 30, 2017			
-	4,238,831,229	(3,185,050,811)	1,053,780,418
Balance as at June 30, 2017			

The annexed notes from 1 to 20 form an integral part of these financial statements.

Khyber Omarkhail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

30-Jun-17	30-Jun-16		30-Jun-17	30-Jun-16
..... USD .....			..... AFN	
		CASH FLOWS FROM OPERATING ACTIVITIES	Note	
3,486,193	114,647	Profit before tax	237,374,912	7,842,996
211,772	-	Adjustments for:	14,419,546	-
3,697,965	114,647	Depreciation	251,794,458	7,842,996
		Increase/decrease in current assets and liabilities		
-	75,105	Claim receivable from MOF	-	5,137,928
20,732,223	(3,227,690)	Other assets	1,411,657,082	(220,806,242)
(23,307,509)	39,820,503	Deposits from customers	(1,587,008,295)	2,724,120,640
(17,997,434)	3,187,406	Other liabilities	(1,225,445,315)	218,050,466
(16,874,755)	39,969,971		(1,149,002,070)	2,734,345,788
(414,430)	(639,110)	Advance tax paid	(28,218,551)	(43,721,541)
(17,289,185)	39,330,861	Net cash (used in)/generated from operating activities	(1,177,220,621)	2,690,624,247
		CASH FLOWS FROM INVESTING ACTIVITIES		
(27,740)	(49,699)	Investment in operating fixed assets	(1,888,831)	(3,399,908)
19,180,538	10,260,594	Investment in capital notes - net	1,306,002,848	701,927,207
19,152,798	10,210,895	Net cash (used in)/ generated from investing activities	1,304,114,017	698,527,299
		CASH FLOWS FROM FINANCING ACTIVITIES		
1,863,613	49,541,756	Net decrease in cash and cash equivalents	126,893,396	3,389,151,546
185,714,821	147,378,018	Cash and cash equivalents at beginning of the period	12,645,322,186	10,082,130,215
-	-	Effect of exchange differences	-	-
187,578,434	196,919,774	Cash and cash equivalents at end of the period	12,772,215,582	13,471,281,761

The annexed notes from 1 to 20 form an integral part of these financial statements.

Khyber Omarkhail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

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 sixty four branches and forty 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.

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

		Unaudited 30-Jun-17	Audited 31-Dec-2016
	Note	..... AFN	
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		765,854,205	529,504,938
Foreign currency		150,118,468	251,442,008
		<u>915,972,673</u>	<u>780,946,946</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	9,074,850,114	8,770,339,424
Balances with other banks	5.2	2,781,392,795	3,094,035,816
		<u>11,856,242,909</u>	<u>11,864,375,240</u>
		<u>12,772,215,582</u>	<u>12,645,322,186</u>
5.1 Balances with Da Afghanistan Bank			
Overnight deposits			
Local currency	5.1.1	2,400,271,483	758,451,455
Current account			
Local currency		838,417,900	1,070,549,849
Foreign currency		5,836,160,731	6,941,338,120
		<u>6,674,578,631</u>	<u>8,011,887,969</u>
		<u>9,074,850,114</u>	<u>8,770,339,424</u>
5.1.1 This represents overnight deposits with Da Afghanistan Bank, carrying interest rates ranging from 0.78% to 0.8 % per annum.			
5.2 Balances with other banks			
Current accounts			
Local currency		17,000	17,000
Foreign currency		2,767,757,795	3,080,652,816
		<u>2,767,774,795</u>	<u>3,080,669,816</u>
Deposit accounts			
Foreign currency		13,618,000	13,366,000
		<u>2,781,392,795</u>	<u>3,094,035,816</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
7 days capital notes		-	249,912,531
28 days capital notes		299,182,069	2,293,760,915
91 days capital notes		1,929,217,834	989,259,799
182 days capital notes		2,631,844,273	1,462,044,909
1 year capital notes		1,875,149,464	3,046,418,334
	6.1	<u>6,735,393,640</u>	<u>8,041,396,488</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% (2016: 1.78% to 6.7%) per annum.			

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NEW KABUL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2017

	Note	Unaudited 30-Jun-17	Audited 31-Dec-2016
		..... AFN	
7 INTANGIBLE ASSETS			
Gross carrying amount			
Opening balance		295,161,839	295,161,839
Additions during the year / 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	7.1	-	-

- 7.1 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.

	Note	Unaudited 30-Jun-17	Audited 31-Dec-2016
		..... AFN	
8 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	8.1	1,569,037,000	1,709,334,000
Advances and prepayments	8.2	36,813,415	40,208,760
Receivable from remittances		110,207,004	1,391,507,044
Accrued interest and commission	8.3	158,286,446	152,788,908
Security deposit		43,119,329	42,349,767
Advance tax		517,302,948	537,072,608
Staff loan		11,443,301	4,635,512
Others	8.4	7,201,441	6,941,027
		2,453,410,884	3,884,837,626

- 8.1 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 (2016: 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.

	Note	Unaudited 30-Jun-17	Audited 31-Dec-2016
		..... AFN	
8.2 Advances and prepayments			
Advance payment to contractors		25,224,224	11,414,407
Prepaid rent		11,589,191	28,794,352
		36,813,415	40,208,760

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

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

		Unaudited 30-Jun-17	Audited 31-Dec-2016
	Note	..... AFN	
8.4 Others			
Gross amount		102,848,779	93,524,774
Allowance for doubtful receivables			
Opening balance		(93,524,774)	(94,404,363)
Charge for the period		(1,624,465)	(399,309)
Exchange difference of provision		(498,099)	1,278,898
Reversal due to recovery		-	-
Closing balance		(95,647,338)	(93,524,774)
Net amount	8.4.1	7,201,441	-
8.4.1 This 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.			
	Note	Unaudited 30-Jun-17	Audited 31-Dec-2016
		..... AFN	
9 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	9.1	-	-
9.1 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.			
	Note	Unaudited 30-Jun-17	Audited 31-Dec-2016
		..... AFN	
10 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		8,109,137,521	8,703,765,228
Saving deposits	10.1	5,509,356,469	5,095,128,763
		13,618,493,990	13,798,893,991
Foreign currency			
Current deposits		3,697,726,359	4,528,186,507
Saving deposits	10.1	3,068,693,098	3,644,841,245
		6,766,419,457	8,173,027,751
		20,384,913,447	21,971,921,742

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

10.1 Saving deposits carry no interest (2016: nil) per annum.

	Unaudited 30-Jun-17	Audited 31-Dec-2016
	..... AFN	
11 OTHER LIABILITIES		
Margin money against bank guarantees	392,487,211	319,837,543
Remittances payable	1,805,029	1,321,578,914
CSC bank payables	29,477,395	30,382,360
Withholding taxes payable	2,784,349	6,473,566
Accrued expenses and other liabilities	134,646,091	108,373,007
	<u>561,200,075</u>	<u>1,786,645,390</u>

12 CONTINGENCIES AND COMMITMENTS

Contingencies

Guarantees issued on behalf of customers	12.1	<u>365,120,631</u>	<u>292,977,356</u>
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12.1 All guarantees are secured against 100% cash margin.

	Unaudited 30-Jun-17	Unaudited 30-Jun-16
	..... AFN	

13 NET INTEREST INCOME / (EXPENSE)

Interest income on:

Investment in capital notes	187,673,524	38,293,888
Interest bearing bank accounts	2,180,495	2,590,395
	<u>189,854,019</u>	<u>40,884,283</u>

Interest expense on:

Deposits from customers	-	-
Net interest income	<u>189,854,019</u>	<u>40,884,283</u>

14 NET FEE AND COMMISSION INCOME

Fee and commission income

Commission on remittances	69,084,892	40,552,697
Commission on Western Union operations	35,686,915	44,871,331
Commission on collections	3,397,241	6,286,051
Commission on salary distribution	355,877,971	372,860,910
Commission on bank guarantees	3,635,896	828,714
Account maintenance fee	99,861,572	116,838,524
	<u>567,544,487</u>	<u>582,238,227</u>

Fee and commission expense

Inter-bank transaction fee	(10,340,705)	(9,021,225)
Net fee and commission income	<u>557,203,782</u>	<u>573,217,002</u>

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NEW KABUL BANK

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017**

15 OTHER OPERATING INCOME

Income from cash operations	6,302,308	19,359,103
Foreign exchange gain	48,374,203	8,757,867
Income from call centre services	32,289,486	30,867,243
Miscellaneous	5,305,126	7,150,545
	<u>92,271,123</u>	<u>66,134,758</u>

16 EMPLOYEE BENEFIT EXPENSE

Salaries and wages	259,738,137	270,177,540
Food and other amenities	24,664,060	25,618,625
	<u>284,402,197</u>	<u>295,796,165</u>

17 OTHER EXPENSES

Rent and taxes	49,525,982	62,469,480
Communication expense	37,403,037	44,166,190
Security expense	107,806,256	161,434,922
Insurance	6,237,552	6,792,037
Fuel and electricity	23,598,538	24,043,212
Software services	44,720,195	42,541,541
Advertisement	442,755	497,038
Repair and maintenance	6,149,623	8,450,229
Stationery and printing	10,087,600	11,956,056
Audit fee	5,126,396	300,000
Others	10,409,870	13,946,177
	<u>301,507,804</u>	<u>376,596,882</u>

18 TAXATION

Current	47,988,211	-
	<u>47,988,211</u>	<u>-</u>

18.1

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

19 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.

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

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 Financial Officer	541,680	68,090
Chief Operating Officer	120,000	75,976

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

Moreover, during the period AFN 6.91 million (2016: AFN 4.64 million) are 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.

20 GENERAL

The condensed interim financial statements for the half year ended June 30, 2017 (including comparatives) have been approved and authorized for issue by the General Assembly of Shareholders on Aug 09, 2017

Figures have been rounded off to nearest Afghanis.

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Khyber Omarkhail
(Chief Executive Officer)



Shoaib Sheikh
(Chief Financial Officer)