

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 **March 31, 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 three-month 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 (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 March 31, 2017 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.



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Auditors & Business Advisors
Kabul

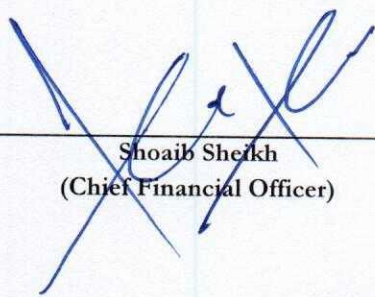


NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

Unaudited	Audited		Unaudited	Audited
31-Mar-2017	31-Dec-2016		31-Mar-2017	31-Dec-2016
..... USD			Note	AFN
ASSETS				
204,766,576	189,216,253	Cash and cash equivalents	5 13,864,744,881	12,645,322,186
97,691,515	120,326,148	Investment in capital notes	6 6,614,692,510	8,041,396,488
654,466	769,184	Property and equipment	7 44,313,912	51,404,549
-	-	Intangible assets	8 -	-
40,441,746	58,130,146	Other assets	9 2,738,310,622	3,884,837,626
<u>343,554,303</u>	<u>368,441,731</u>	Total assets	<u>23,262,061,925</u>	<u>24,622,960,849</u>
EQUITY AND LIABILITIES				
EQUITY				
-	-	Share capital	10 -	-
62,602,736	63,427,072	Reserve from MoF	4,238,831,229	4,238,831,229
(48,550,579)	(50,492,855)	Accumulated losses	(3,287,359,694)	(3,374,437,512)
<u>14,052,157</u>	<u>12,934,217</u>	Total equity	<u>951,471,535</u>	<u>864,393,717</u>
LIABILITIES				
319,399,457	328,773,331	Deposits from customers	11 21,626,537,228	21,971,921,742
10,102,689	26,734,183	Other liabilities	12 684,053,162	1,786,645,390
<u>329,502,146</u>	<u>355,507,514</u>	Total liabilities	<u>22,310,590,390</u>	<u>23,758,567,132</u>
<u>343,554,303</u>	<u>368,441,731</u>	Total equity and liabilities	<u>23,262,061,925</u>	<u>24,622,960,849</u>
Contingencies and commitments		13		

The annexed notes from 1 to 21 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 THREE MONTHS ENDED MARCH 31, 2017

31-Mar-2017	31-Mar-16		Note	31-Mar-2017	31-Mar-16
..... USD .....				..... AFN	
1,366,796	419,588	Interest income		92,545,741	28,817,277
-	-	Interest expense		-	-
1,366,796	419,588	Net interest income	14	92,545,741	28,817,277
4,028,189	3,651,368	Fee and commission income		272,748,699	250,775,967
(90,210)	(66,169)	Fee and commission expense		(6,108,097)	(4,544,492)
3,937,979	3,585,199	Net fee and commission income	15	266,640,602	246,231,475
883,532	455,511	Other operating income	16	59,823,959	31,284,503
6,188,307	4,460,298	Net operating income		419,010,302	306,333,255
(2,106,828)	(2,200,035)	Employee benefit expense	17	(142,653,313)	(151,098,411)
(110,775)	-	Depreciation expense		(7,500,562)	-
-	-	Provision against other assets	9.4	-	-
(2,359,478)	(2,400,003)	Other expenses	18	(159,760,259)	(164,832,230)
(4,577,081)	(4,600,038)	Operating expenses		(309,914,134)	(315,930,641)
1,611,226	(139,740)	Profit / (Loss) before tax		109,096,168	(9,597,386)
(325,186)	-	Taxation	19	(22,018,350)	-
1,286,040	(139,740)	Profit / (Loss) for the period		87,077,818	(9,597,386)
-	-	Other comprehensive income		-	-
1,286,040	(139,740)	Total comprehensive income		87,077,818	(9,597,386)

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


Khyber Omarkhail
(Chief Executive Officer)

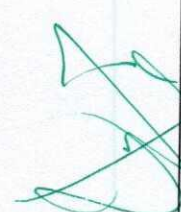

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
..... USD			
-	-	(49,873,718)	(49,873,718)
Balance as at January 01, 2016			
-	-	(139,740)	(139,740)
Total comprehensive loss for the three months ended March 31, 2016			
-	-	(50,013,458)	(50,013,458)
Balance as at March 31, 2016			
-	62,602,736	(49,836,620)	12,766,116
Balance as at January 01, 2017			
-	-	1,286,041	1,286,041
Total comprehensive income for the three months ended March 31, 2017			
-	62,602,736	(48,550,579)	14,052,157
Balance as at March 31, 2017			

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
..... AFN			
-	-	(3,425,326,970)	(3,425,326,970)
-	-	(9,597,386)	(9,597,386)
-	-	(3,434,924,356)	(3,434,924,356)
-	4,238,831,229	(3,374,437,512)	864,393,717
-	-	87,077,818	87,077,818
-	4,238,831,229	(3,287,359,694)	951,471,535

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


Khyber Omarkhail
 (Chief Executive Officer)


Shoaib Sheikh
 (Chief Financial Officer)

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NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

31-Mar-2017 USD	31-Mar-16		31-Mar-2017 AFN	31-Mar-16
			Note	
		CASH FLOWS FROM OPERATING ACTIVITIES		
1,611,227	(139,741)	Profit / (Loss) before tax		109,096,168 (9,597,386)
		Adjustments for:		
110,775	-	Depreciation		7,500,562 -
-	-	Amortization		- -
-	-	Exchange gain		(38,413,503) (5,650,158)
1,722,002	(139,741)			78,183,227 (15,247,544)
		Increase/decrease in current assets and liabilities		
16,668,083	(3,352,446)	Other assets	9	1,128,595,931 (230,246,021)
(5,100,938)	1,266,470	Deposits from customers	11	(345,384,514) 86,981,182
(16,284,038)	3,212,366	Other liabilities	12	(1,102,592,228) 220,625,290
(2,994,891)	986,649			(241,197,584) 62,112,907
(60,364)	(369,744)	Advance tax paid		(4,087,277) (25,394,051)
(3,055,255)	616,905	Net cash (used in)/generated from operating activities		(245,284,861) 36,718,856
		CASH FLOWS FROM INVESTING ACTIVITIES		
(6,054)	(20,834)	Investment in operating fixed assets	7	(409,925) (1,430,897)
21,070,802	27,274,259	Investment in capital notes - net	6	1,426,703,978 1,873,196,077
21,064,748	27,253,425	Net cash (used in)/ generated from investing activities		1,426,294,053 1,871,765,180
-	-	CASH FLOWS FROM FINANCING ACTIVITIES		- -
17,442,168	27,870,330	Net decrease in cash and cash equivalents		1,181,009,192 1,908,484,036
186,757,084	146,798,633	Cash and cash equivalents at beginning of the period		12,645,322,186 10,082,130,215
567,324	82,268	Effect of exchange differences		38,413,503 5,650,158
204,766,576	174,751,231	Cash and cash equivalents at end of the period	5	13,864,744,881 11,996,264,409

The annexed notes from 1 to 21 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 PERIOD ENDED MARCH 31, 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 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 period ended March 31, 2017 (including comparatives) have been approved and authorized for issue by the Board of Directors on May 03, 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.

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 THREE MONTHS ENDED MARCH 31, 2017**

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
	Note	..... AFN	.....
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		712,098,890	529,504,938
Foreign currency		189,208,961	251,442,008
		<u>901,307,851</u>	<u>780,946,946</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	9,723,189,725	8,770,339,424
Balances with other banks	5.2	3,240,247,305	3,094,035,816
		<u>12,963,437,030</u>	<u>11,864,375,240</u>
		<u>13,864,744,881</u>	<u>12,645,322,186</u>
5.1 Balances with Da Afghanistan Bank			
Overnight deposits			
Local currency	5.1.1	630,091,259	758,451,455
Current account			
Local currency		1,588,561,151	1,070,549,849
Foreign currency		7,504,537,315	6,941,338,120
		<u>9,093,098,466</u>	<u>8,011,887,969</u>
		<u>9,723,189,725</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		3,225,688,306	3,080,652,816
		<u>3,225,705,306</u>	<u>3,080,669,816</u>
Deposit accounts			
Foreign currency		13,542,000	13,366,000
		<u>3,239,247,306</u>	<u>3,094,035,816</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
7 days capital notes		99,965,012	249,912,531
28 days capital notes		199,457,034	2,293,760,915
91 days capital notes		247,311,858	989,259,799
182 days capital notes		3,021,540,272	1,462,044,909
1 year capital notes		3,046,418,334	3,046,418,334
	6.1	<u>6,614,692,510</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 THREE MONTHS ENDED MARCH 31, 2017

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
	Note	..... AFN	
7 PROPERTY AND EQUIPMENT		44,313,912	51,404,549
8 INTANGIBLE ASSETS			
Gross carrying amount			
Opening balance		295,161,839	295,161,839
Additions during the period		-	-
Closing balance		<u>295,161,839</u>	<u>295,161,839</u>
Accumulated amortization			
Opening balance		295,161,839	295,161,839
Charge for the year / period		-	-
Closing balance		<u>295,161,839</u>	<u>295,161,839</u>
Written down value	8.1	<u>-</u>	<u>-</u>

- 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-2017	Audited 31-Dec-2016
	Note	..... AFN	
9 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	9.1	1,663,235,000	1,709,334,000
Advances and prepayments	9.2	62,416,596	40,208,760
Receivable from remittances		251,041,543	1,391,507,044
Accrued interest and commission	9.3	184,625,729	152,788,908
Security deposit		42,887,239	42,349,767
Advance tax		519,141,535	537,072,608
Staff loan		7,345,040	4,635,512
Others	9.4	7,617,940	6,941,027
		<u>2,738,310,622</u>	<u>3,884,837,626</u>

- 9.1 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.

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
		..... AFN	
9.2 Advances and prepayments			
Advance payment to contractors		45,784,408	11,414,407
Prepaid rent		16,632,188	28,794,352
		<u>62,416,596</u>	<u>40,208,760</u>

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NEW KABUL BANK

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

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

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
	Note	..... AFN	.....
9.4 Others			
Gross amount		101,490,593	93,524,774
Allowance for doubtful receivables			
Opening balance		(93,524,774)	(94,404,363)
Charge for the year		-	(399,309)
Exchange difference of provision		(347,879)	1,278,898
Reversal due to recovery		-	-
Closing balance		(93,872,653)	(93,524,774)
Net amount	9.4.1	7,617,940	-

- 9.4.1 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.

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
	Note	..... AFN	.....
10 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	10.1	-	-

- 10.1 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 CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2017

		Unaudited 31-Mar-2017	Audited 31-Dec-2016
	Note	..... AFN	
11 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		7,949,116,988	8,703,765,228
Saving deposits	11.1	5,447,297,223	5,095,128,763
		13,396,414,211	13,798,893,991
Foreign currency			
Current deposits		4,813,793,664	4,528,186,507
Saving deposits	11.1	3,416,329,353	3,644,841,245
		8,230,123,017	8,173,027,751
		21,626,537,228	21,971,921,742
11.1	Saving deposits carry no interest (2016: nil) per annum.		
12 OTHER LIABILITIES			
Margin money against bank guarantees		336,148,978	319,837,543
Remittances payable		206,392,273	1,321,578,914
CSC bank payables		31,648,133	30,382,360
Withholding taxes payable		3,314,118	6,473,566
Accrued expenses and other liabilities		106,549,660	108,373,007
		684,053,162	1,786,645,390
13 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customers	13.1	308,935,119	292,977,356
13.1	All guarantees are secured against 100% cash margin.		
		31-Mar-17	31-Mar-16
		..... AFN	
14 NET INTEREST INCOME / (EXPENSE)			
Interest income on:			
Investment in capital notes		91,167,824	28,565,719
Interest bearing bank accounts		1,377,917	251,558
		92,545,741	28,817,277
Interest expense on:			
Deposits from customers		-	-
Net interest income		92,545,741	28,817,277

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

	31-Mar-17	31-Mar-16
	..... AFN	
15 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission on remittances	33,482,210	17,276,807
Commission on Western Union operations	17,060,477	18,475,173
Commission on collections	2,045,698	3,145,485
Commission on salary distribution	166,319,123	163,563,670
Commission on bank guarantees	1,219,121	447,866
Account maintenance fee	52,622,070	47,866,966
	<u>272,748,699</u>	<u>250,775,967</u>
Fee and commission expense		
Inter-bank transaction fee	(6,108,097)	(4,544,492)
Net fee and commission income	<u>266,640,602</u>	<u>246,231,475</u>
16 OTHER OPERATING INCOME		
Income from cash operations	3,934,089	9,509,475
Foreign exchange gain	38,413,503	5,650,158
Income from call centre services	15,353,494	13,272,931
Miscellaneous	2,122,873	2,851,939
	<u>59,823,959</u>	<u>31,284,503</u>
17 EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	128,407,940	136,002,120
Food and other amenities	14,245,373	15,096,291
	<u>142,653,313</u>	<u>151,098,411</u>
18 OTHER EXPENSES		
Rent and taxes	26,413,476	33,510,608
Communication expense	18,723,048	21,992,819
Security expense	53,961,581	59,419,875
Insurance	3,712,756	3,279,237
Fuel and electricity	12,456,909	12,632,490
Software services	27,566,787	21,676,474
Advertisement	46,555	382,383
Repair and maintenance	2,955,893	1,429,930
Stationery and printing	6,855,154	6,952,892
Audit fee	5,033,198	-
Others	2,034,902	3,555,522
	<u>159,760,259</u>	<u>164,832,230</u>
19 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.

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

20 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
Short-term staff advances	..... AFN .....	.....
Chief Executive Officer	-	-
Deputy Chief Executive Officer	-	-
Chief Financial Officer	541,680	541,680
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 3.45 million (2016: AFN 2.38 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.

21 GENERAL

The condensed interim financial statements for the three months ended March 31, 2017 (including comparatives) have been approved and authorized for issue by the General Assembly of Shareholders on


Khyber Omarkhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)