

NEW KABUL BANK

**Audited financial statements
with accompanying information
For the year ended December 31, 2018**

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, 2018, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and Laws and Regulations issued by Da Afghanistan Bank (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.

Emphasis of Matter

- i. *We draw attention to Note 11.1, where it is stated that, Bank is owned by Ministry of Finance (MoF) and was 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. The 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.*

However, in the year 2017, Bank's total equity reached over 1 billion AFN and Bank transferred AFN 1 Billion from "Reserve from MoF" to "Share Capital". The process of amendments in Article of Association and license has been started but not yet concluded. Our opinion is not qualified in this matter.

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 that there is one key audit matter to communicate in our report.

- i) As explained in note 2.3 of these financial statements, management has not adapted the implication of IFRS – 9 in their financial statements.

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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 Crowe Horwath - Afghanistan, Auditors and Business Advisors (A member firm of Crowe Global) website at: www.crowe.com. This description forms part of our auditor's report.

Crowe Horwath - Afghanistan

Auditors and Business Advisors


Kabul, Afghanistan

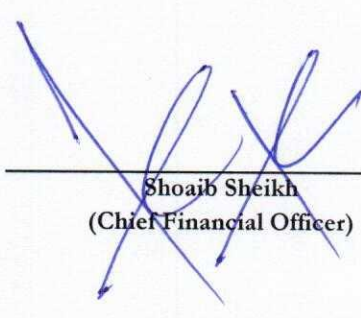


NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

31-Dec-2018	31-Dec-2017		Note	31-Dec-2018	31-Dec-2017
..... USD .....				..... AFN	
ASSETS					
104,088,540	227,408,825	Cash and cash equivalents	5	7,840,989,717	15,843,572,784
114,520,914	61,527,869	Investment in capital notes	6	8,626,860,443	4,286,646,613
30,000,000	-	Placement	7	2,259,900,000	-
522,262	548,222	Property and equipment	8	39,342,022	38,194,648
-	-	Intangible assets	9	-	-
33,179,702	35,054,598	Other assets	10	2,499,426,970	2,442,253,813
<u>282,311,418</u>	<u>324,539,514</u>	Total assets		<u>21,266,519,152</u>	<u>22,610,667,858</u>
EQUITY AND LIABILITIES					
EQUITY					
14,353,380	14,353,380	Share capital	11	1,000,000,000	1,000,000,000
49,073,692	49,073,692	Reserve from MoF		3,238,831,229	3,238,831,229
(42,304,434)	(45,394,659)	Accumulated losses		(2,786,459,574)	(3,019,246,219)
(1,842,516)	(527,245)	Currency translation loss		-	-
<u>19,280,122</u>	<u>17,505,168</u>	Total equity		<u>1,452,371,655</u>	<u>1,219,585,010</u>
LIABILITIES					
253,757,756	298,915,915	Deposits from customers	12	19,115,571,743	20,825,471,815
9,273,540	8,118,431	Other liabilities	13	698,575,754	565,611,033
<u>263,031,296</u>	<u>307,034,346</u>	Total liabilities		<u>19,814,147,497</u>	<u>21,391,082,848</u>
<u>282,311,418</u>	<u>324,539,514</u>	Total equity and liabilities		<u>21,266,519,152</u>	<u>22,610,667,858</u>
Contingencies and commitments					
			14		

The annexed notes from 1 to 25 form an integral part of these financial statements.



Khyber Omar Khail
(Chief Executive Officer)

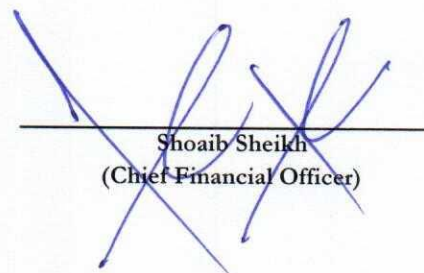

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

31-Dec-2018	31-Dec-2017		31-Dec-2018	31-Dec-2017
..... USD .....			..... AFN	
589,943	4,921,227	Interest income	44,440,386	342,861,918
-	-	Interest expense	-	-
589,943	4,921,227	Net interest income	44,440,386	342,861,918
16,848,541	16,744,764	Fee and commission income	1,269,200,589	1,166,607,699
(242,513)	(276,167)	Fee and commission expense	(18,268,506)	(19,240,552)
16,606,028	16,468,597	Net fee and commission income	1,250,932,083	1,147,367,147
1,923,738	2,456,269	Other operating income	144,915,198	171,128,283
19,119,709	23,846,093	Net operating income	1,440,287,667	1,661,357,348
(7,704,690)	(8,438,957)	Employee benefit expense	(580,394,314)	(587,942,105)
(149,808)	(365,177)	Depreciation	(11,285,070)	(25,441,858)
(111,998)	(81,975)	Provision against other assets	(8,436,828)	(5,711,202)
(14,769)	-	Provision against bank guarantees	(1,112,517)	-
(7,270,445)	(8,582,870)	Other expenses	(547,682,631)	(597,968,567)
(15,251,710)	(17,468,979)	Operating expenses	(1,148,911,360)	(1,217,063,732)
3,867,998	6,377,115	Profit before tax	291,376,307	444,293,616
(777,773)	(1,278,920)	Taxation	(58,589,662)	(89,102,323)
3,090,225	5,098,195	Profit for the year after tax	232,786,645	355,191,293
-	-	Other comprehensive income	-	-
3,090,225	5,098,195	Total comprehensive income	232,786,645	355,191,293

The annexed notes from 1 to 25 form an integral part of these financial statements.

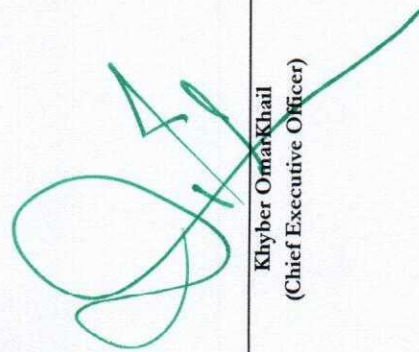

Khyber OmarKhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)

EW KABUL BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Currency translation loss	Total	Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
							AFN	
-	63,427,072	(50,492,855)	(527,245)	12,406,972	-	4,238,831,229	(3,374,437,512)	864,393,717
4,353,380	(14,353,380)	-	-	-	1,000,000,000	(1,000,000,000)	-	-
-	-	5,098,196	-	5,098,196	-	-	355,191,293	355,191,293
4,353,380	49,073,692	(45,394,659)	(527,245)	17,505,168	1,000,000,000	3,238,831,229	(3,019,246,219)	1,219,585,010
4,353,380	49,073,692	(45,394,659)	(1,842,516)	16,189,897	1,000,000,000	3,238,831,229	(3,019,246,219)	1,219,585,010
-	-	3,090,225	-	3,090,225	-	-	232,786,645	232,786,645
4,353,380	49,073,692	(42,304,434)	(1,842,516)	19,280,122	1,000,000,000	3,238,831,229	(2,786,459,574)	1,452,371,655

annexed notes from 1 to 25 form an integral part of these financial statements.


Khyber Omar Khail
(Chief Executive Officer)


Shoaily Sheikh
(Chief Financial Officer)

NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

31-Dec-2018	31-Dec-2017		31-Dec-2018	31-Dec-2017
..... USD .....			..... AFN	
		CASH FLOWS FROM OPERATING ACTIVITIES		
3,090,225	5,098,196	Profit after tax	232,786,645	355,191,293
		Adjustments for:		
149,808	365,177	Depreciation	11,285,070	25,441,858
(694,978)	(1,087,187)	Exchange gain	(52,352,664)	(75,744,351)
2,545,055	4,376,186		191,719,051	304,888,800
		Increase/decrease in current assets and liabilities		
(1,427,963)	20,570,972	Other assets	(107,568,440)	1,433,179,627
(22,698,793)	(16,455,432)	Deposits from customers	(1,709,900,072)	(1,146,449,927)
1,765,097	(17,525,970)	Other liabilities	132,964,721	(1,221,034,357)
(19,816,604)	(9,034,244)		(1,492,784,740)	(629,415,857)
668,994	134,982	Advance tax paid	50,395,283	9,404,186
(19,147,610)	(8,899,262)	Net cash (used in)/generated from operating activities	(1,442,389,457)	(620,011,671)
		CASH FLOWS FROM INVESTING ACTIVITIES		
(165,040)	(175,570)	Investment in operating fixed assets	(12,432,444)	(12,231,957)
(57,616,007)	53,893,353	Investment in capital notes - net	(4,340,213,830)	3,754,749,875
(30,000,000)	-	Placement	(2,259,900,000)	-
(87,781,047)	53,717,783	Net cash (used in)/ generated from investing activities	(6,612,546,274)	3,742,517,918
-	-	CASH FLOWS FROM FINANCING ACTIVITIES	-	-
(106,928,657)	44,818,521	Net increase in cash and cash equivalents	(8,054,935,731)	3,122,506,247
210,322,219	181,503,117	Cash and cash equivalents at beginning of the year	15,843,572,784	12,645,322,186
694,978	1,087,187	Effect of exchange differences	52,352,664	75,744,351
104,088,540	227,408,825	Cash and cash equivalents at end of the year	7,840,989,717	15,843,572,784

The annexed notes from 1 to 25 form an integral part of these financial statements.

Khyber Omar Khail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 (including comparatives) have been approved and authorized for issue by the Board of Directors on April 01st 2019.

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, 2019 or January 01 2020:

	Effective Dates (Accounting period beginning on or after)
Prepayment features with negative compensation - Amendments to IFRS 9	January 01, 2019
Amendments to references to conceptual framework in IFRS standards	January 01, 2019
Annual improvements to IFRS standard 2015-2017 cycle - various standards	January 01, 2019
IFRS 16 – Leases	January 01, 2019
IFRS 19 – Employee Benefits	January 01, 2019
IAS 28 – Investments in Associates and Joint Ventures	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax treatments	January 01, 2019

2.3 Mandatory Departure

Mandatory departure of International Financial Reporting Standards (IFRS) – 9 “Financial Instruments” as resolved in Commercial Banks Consultative Group (CBCG) meeting held in December 5, 2018, implication of IFRS – 9 have been deferred until 2021. Further deliberations of financial decision would be communicated in respective year.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 8 | Depreciation rates for property and equipment |
| c) | Note 9.1 | 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. Figures have been translated into US Dollar at the rate of AFN 75.33 to USD 1 (2017: AFN 69.67 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.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

NEW KABUL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

		31-Dec-2018	31-Dec-2017
	Note	..... AFN	.....
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		757,476,026	820,755,933
Foreign currency		38,565,547	77,550,546
		<u>796,041,573</u>	<u>898,306,479</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	6,909,581,321	14,264,118,505
Balances with other banks	5.2	135,366,823	681,147,800
		<u>7,044,948,144</u>	<u>14,945,266,305</u>
		<u>7,840,989,717</u>	<u>15,843,572,784</u>

5.1 Balances with Da Afghanistan Bank

Overnight deposits

Local currency	5.1.1	2,934,494,784	7,950,788,596
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Current account

Local currency		608,574,918	740,429,992
Foreign currency		3,366,511,619	5,572,899,917
		<u>3,975,086,537</u>	<u>6,313,329,909</u>
		<u>6,909,581,321</u>	<u>14,264,118,505</u>

5.1.1 This represents overnight deposits with Da Afghanistan Bank, carrying interest rates at 0.10% per annum (2017: 0.10% to 0.8 % per annum)

		31-Dec-2018	31-Dec-2017
	Note	..... AFN	.....
5.2 Balances with other banks			
Current accounts			
Local currency		3,506,396	17,000
Foreign currency		131,860,427	681,130,800
		<u>135,366,823</u>	<u>681,147,800</u>
Deposit accounts			
Foreign currency		-	-
		<u>135,366,823</u>	<u>681,147,800</u>

6 INVESTMENT IN CAPITAL NOTES

Held to maturity

28 days capital notes		499,868,124	799,810,267
91 days capital notes		4,244,441,501	3,192,782,763
182 days capital notes		3,882,550,818	294,053,583
	6.1	<u>8,626,860,443</u>	<u>4,286,646,613</u>

6.1 These are classified as held to maturity having maximum period of 1 year carrying interest rate ranging from 0.09% to 0.91% (2017: 0.31% to 6.5%) per annum.

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		<u>31-Dec-2018</u>	<u>31-Dec-2017</u>
	Note AFN
7 PLACEMENT			
Placement With Bank Millie Afghan	7.1	1,506,600,000	-
Placement With Pashtany Bank	7.2	753,300,000	-
		<u>2,259,900,000</u>	<u>-</u>

7.1 This represents two placements of USD 10 million each in fixed deposit account with Bank-e-Millie Afghan for six months maturing on January 28, 2019 and April 27, 2019 respectively. This carries interest rate of 1.25% per annum (2017: nil) and 1.2% per annum (2017: nil) respectively.

7.2 This represents USD 10 million placed in fixed deposit account with Pashtany Bank for six months maturing on May 18, 2019 carrying interest at 1.40% per annum. (2017: nil)

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8 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, 2017		52,517,362	120,273,012	407,129,257	135,719,062	2,479,486	718,118,179
Additions during the year		813,930	5,174,346	6,243,681	-	-	12,231,957
Disposals during the year		-	-	-	-	-	-
Balance as at December 31, 2017		53,331,292	125,447,358	413,372,938	135,719,062	2,479,486	730,350,136
Balance as at January 01, 2018		53,331,292	125,447,358	413,372,938	135,719,062	2,479,486	730,350,136
Additions during the year		489,908	7,473,290	4,469,247	-	-	12,432,445
Disposals during the year	8.2	(330,361)	(45,569,095)	(17,850,583)	(1,220,422)	-	(64,970,461)
Balance as at December 31, 2018		53,490,839	87,351,553	399,991,602	134,498,640	2,479,486	677,812,120
ACCUMULATED DEPRECIATION							
Balance as at January 01, 2017		45,439,604	97,849,186	388,220,912	133,966,981	1,236,947	666,713,630
Charge for the year		948,378	5,341,640	18,163,961	641,106	346,774	25,441,858
Depreciation on disposed assets		-	-	-	-	-	-
Balance as at December 31, 2017		46,387,982	103,190,826	406,384,873	134,608,087	1,583,721	692,155,488
Balance as at January 01, 2018		46,387,982	103,190,826	406,384,873	134,608,087	1,583,721	692,155,489
Charge for the year		1,012,501	5,519,266	4,096,388	310,141	346,774	11,285,070
Depreciation on disposed assets		(330,361)	(45,569,095)	(17,850,583)	(1,220,422)	-	(64,970,461)
Balance as at December 31, 2018		47,070,122	63,140,997	392,630,678	133,697,806	1,930,495	638,470,098
WRITTEN DOWN VALUE AS AT							
- December 31, 2017		6,943,310	22,256,532	6,988,065	1,110,975	895,765	38,194,648
- December 31, 2018		6,420,717	24,210,556	7,360,924	800,834	548,991	39,342,022
Rate of depreciation in %		10	20	33.33	20	10	

8.1 There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2017: nil).

8.2 It represents obsolete assets disposed through auction sale.

NEW KABUL BANK
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	Note	31-Dec-2018 AFN	31-Dec-2017
9 INTANGIBLE ASSETS			
Gross carrying amount			
Opening balance		295,161,839	295,161,839
Additions during the year		-	-
Closing balance		295,161,839	295,161,839
Accumulated amortization			
Opening balance		295,161,839	295,161,839
Charge for the year		-	-
Closing balance		295,161,839	295,161,839
Written down value	9.1	-	-

- 9.1 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	31-Dec-2018 AFN	31-Dec-2017
10 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	10.1	1,561,683,807	1,696,612,218
Advances and prepayments	10.2	3,991,140	36,949,672
Receivable from remittances		381,067,049	71,458,599
Accrued interest and commission	10.3	60,347,425	45,904,051
Security deposit		843,257	44,854,335
Advance tax		477,273,139	527,668,422
Staff loan		3,973,318	4,824,335
Others		10,247,835	13,982,181
		2,499,426,970	2,442,253,813

- 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 (2017: 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	31-Dec-2018 AFN	31-Dec-2017
10.2 Advances and prepayments			
Advance payment to contractors		960,300	26,057,247
Prepaid rent		3,030,840	10,892,426
		3,991,140	36,949,672

- 10.3 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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	Note	31-Dec-2018	31-Dec-2017
	 AFN
10.4 Provisions of Other assets			
Gross amount		14,148,030	99,942,397
Allowance for doubtful receivables			
Opening balance		(99,942,397)	(93,524,774)
Charge for the year		(8,436,828)	(5,711,202)
Exchange difference of provision		(2,398,346)	(1,105,730)
Write off	10.4.1	96,629,541	-
Reversal due to recovery		-	399,309
Closing balance		(14,148,030)	(99,942,397)
Net amount		-	-

10.4.1 This represents the receivable from staff written off on recommendation of Da Afghanistan Bank enumerated in the Full Scope Examination report under asset quality.

	Note	31-Dec-2018	31-Dec-2017
		..... 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	11.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>

11.1 The bank is owned by Ministry of Finance (MoF) which has acquired its ownership through the process of splitting Kabul Bank. 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. However, MoF had injected funds amounting to USD 106 million (AFN 7.048 billion) for the settlement of Kabul Bank Receivership receivable, adjustment of NKB prior year losses and issuance of share capital.

The net equity after adjustment of Kabul Bank Receivership receivable and prior year losses of NKB was below AFN 1 billion (Minimum amount required for share capital). In August 2017 after reaching the One billion Afghanis in overall equity due to interim profits and on instructions of Financial Supervision Department of Da Afghanistan Bank, bank transferred One billion Afghanis to Share Capital - Ministry of Finance. Matter has been officially corresponded with Financial supervision department (FSD) through letter No. 3385/1596 dated 16/05/1396 (August 07, 2017). The management has initiated the process of making relevant changes in Article of Association and approached license department of Da Afghanistan Bank. The process of amendments in Article of Association and license has been started but not yet concluded.

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	31-Dec-2018 AFN	31-Dec-2017
12 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		8,347,962,931	9,186,530,681
Saving deposits	12.1	5,363,548,657	5,309,780,637
		13,711,511,588	14,496,311,318
Foreign currency			
Current deposits		3,295,995,655	3,557,024,358
Saving deposits	12.1	2,108,064,501	2,772,136,139
		5,404,060,155	6,329,160,497
		19,115,571,743	20,825,471,815
12.1 Saving deposits carry no interest (2017: nil) per annum.			
13 OTHER LIABILITIES			
Margin money against bank guarantees - active		111,251,710	156,420,833
Margin money against bank guarantees - expired		72,058,365	188,496,854
Remittances payable		372,088,787	64,593,425
CSC bank payables		465,841	5,698,899
Withholding taxes payable		4,459,047	10,659,296
Provision against bank guarantees		1,112,517	-
Accrued expenses and other liabilities		137,139,487	139,741,726
		698,575,754	565,611,033
14 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customers	14.1	111,251,710	316,916,106
14.1 All guarantees are secured against 100% cash margin.			
Lease Commitments			
Cancellable operating lease rentals are payable as follows:			
Less than one year		53,201,561	35,451,897
Between one and five years		38,633,037	106,426,759
More than five years		-	4,861,259
		91,834,598	146,739,915

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	Note	31-Dec-2018 AFN	31-Dec-2017
15 NET INTEREST INCOME / (EXPENSE)			
Interest income on:			
Investment in capital notes		24,234,496	336,680,446
Interest bearing bank accounts		4,437,070	6,181,472
Placement		15,768,820	-
		<u>44,440,386</u>	<u>342,861,918</u>
Interest expense on:			
Deposits from customers	15.1	-	-
Net interest income		<u>44,440,386</u>	<u>342,861,918</u>
15.1 Interest expense on:			
Term deposits		-	-
Saving deposits		-	-
		<u>-</u>	<u>-</u>
16 NET FEE AND COMMISSION INCOME			
Fee and commission income			
Commission on remittances		278,833,976	154,054,046
Commission on Western Union operations		65,786,125	71,556,907
Commission on collections		7,020,074	8,208,919
Commission on salary distribution		762,667,189	736,395,637
Commission on bank guarantees		4,017,190	4,490,319
Account maintenance fee		150,876,035	191,901,871
		<u>1,269,200,589</u>	<u>1,166,607,699</u>
Fee and commission expense			
Inter-bank transaction fee		(18,268,506)	(19,240,552)
Net fee and commission income		<u>1,250,932,083</u>	<u>1,147,367,147</u>
17 OTHER OPERATING INCOME			
Income from cash operations		1,077,206	6,804,616
Foreign exchange gain		52,352,664	75,744,351
Income from call centre services		71,282,262	67,322,165
Miscellaneous		20,203,066	21,257,151
		<u>144,915,198</u>	<u>171,128,283</u>
18 EMPLOYEE BENEFIT EXPENSE			
Salaries and wages		529,994,427	536,494,673
Food and other amenities		50,399,887	51,447,432
		<u>580,394,314</u>	<u>587,942,105</u>

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	Note	31-Dec-2018 AFN	31-Dec-2017
19 OTHER EXPENSES			
Rent and taxes		96,009,751	109,245,847
Communication expense		45,495,918	61,700,535
Security expense		212,899,102	216,757,766
Insurance		8,769,343	6,054,273
Fuel and electricity		50,196,953	49,691,165
Software services		57,898,429	76,857,537
Advertisement		527,511	1,117,968
Repair and maintenance		14,419,124	16,211,431
Stationery and printing		24,012,533	22,023,583
Audit fee		5,856,984	5,904,011
Others		31,596,983	32,404,451
		<u>547,682,631</u>	<u>597,968,567</u>
20 TAXATION			
Current		58,589,662	89,102,323
	20.1	<u>58,589,662</u>	<u>89,102,323</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:

Short-term staff advances	Maximum balance	Closing balance
	..... AFN	.....
Chief Executive Officer	-	-
Deputy Chief Executive Officer	-	-
Chief Financial Officer	602,640	-
Chief Operating Officer	-	-

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

Moreover, during the year AFN 15.026 million (2017: 14.238 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.

JEW 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 each category 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, 2018		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				
Financial assets						
Cash and cash equivalents	-	-	-	7,840,989,717	7,840,989,717	5
Investment in capital notes	-	-	8,626,860,443	-	8,626,860,443	6
Other assets	-	-	-	2,018,162,691	2,018,162,691	10
	-	-	8,626,860,443	9,859,152,408	18,486,012,851	
Financial liabilities						
Deposits from customers	-	-	-	19,115,571,743	19,115,571,743	12
Other liabilities	-	-	-	698,575,754	698,575,754	13
	-	-	-	19,814,147,497	19,814,147,497	

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	Note	December 31, 2017	Available for sale financial assets				Total	
			Held for trading (FVTPL)	Derivatives used for hedging	Held to maturity	Loans and receivables		
			(carried at fair value)		(carried at amortized cost)			
			.....	.....	AFN	.....	
Financial assets								
Cash and cash equivalents	5		-	-	-	15,843,572,784	15,843,572,784	
Investment in capital notes	6		-	-	4,286,646,613	-	4,286,646,613	
Other assets	9		-	-	-	1,877,635,719	1,877,635,719	
			-	-	4,286,646,613	17,721,208,503	22,007,855,116	
Financial liabilities								
Deposits from customers	11		-	-	-	20,825,471,815	20,825,471,815	
Other liabilities	12		-	-	-	565,611,033	565,611,033	
			-	-	-	21,391,082,848	21,391,082,848	

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.

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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:

	Note	31-Dec-2018 AFN	31-Dec-2017
Classes of financial assets			
Cash and cash equivalents	5	7,044,948,144	14,945,266,305
Investment in capital notes	6	8,626,860,443	4,286,646,613
Other assets	10	2,018,162,691	1,877,635,719
Total carrying amounts		17,689,971,278	21,109,548,637

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 111.252 million (2017: AFN 316.916 million).

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 7,044 million (2017: AFN 14,945 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.

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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.

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:

	31-Dec-2018	31-Dec-2017
	..... % age	
As at period end	86%	97%
Average for the period	91%	95%
Maximum for the period	97%	97%
Minimum for the period	86%	94%

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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
December 31, 2018						
Deposits from customers	19,115,571,743	(19,115,571,743)	(19,115,571,743)	-	-	-
Other liabilities	698,575,754	(698,575,754)	(587,324,044)	(14,830,191)	(34,695,800)	(61,725,719)
	<u>19,814,147,497</u>	<u>(19,814,147,497)</u>	<u>(19,702,895,787)</u>	<u>(14,830,191)</u>	<u>(34,695,800)</u>	<u>(61,725,719)</u>
December 31, 2017						
Deposits from customers	20,825,471,815	(20,825,471,815)	(20,825,471,815)	-	-	-
Other liabilities	565,611,033	(565,611,033)	(409,190,200)	(156,420,833)	-	-
	<u>21,391,082,848</u>	<u>(21,391,082,848)</u>	<u>(21,234,662,015)</u>	<u>(156,420,833)</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.

Maturity analysis for Bank Guarantees

	Gross nominal out flow	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year
December 31, 2018					
Bank Guarantees	111,251,710	-	14,830,191	34,695,800	61,725,719
December 31, 2017					
Bank Guarantees	145,266,618	4,448,001	9,690,636	51,499,522	79,628,459

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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.

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
Note	..... AFN					
December 31, 2018						
Cash and cash equivalents	5	2,934,494,784	2,934,494,784	-	-	-
Balance with other banks		103,146,754	103,146,754	-	-	-
Investment in capital notes	6	8,626,860,443	4,744,309,625	3,882,550,818	-	-
		11,664,501,981	7,781,951,163	3,882,550,818	-	-
Deposits from customers	12	-	-	-	-	-
		11,664,501,981	7,781,951,163	3,882,550,818	-	-
December 31, 2017						
Cash and cash equivalents	5	7,950,788,596	7,950,788,596	-	-	-
Balance with other banks		633,264,376	633,264,376	-	-	-
Investment in capital notes	6	4,286,646,613	3,992,593,030	294,053,583	-	-
		12,870,699,584	12,576,646,002	294,053,583	-	-
Deposits from customers	12	-	-	-	-	-
		12,870,699,584	12,576,646,002	294,053,583	-	-

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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, 2018						
Cash and cash equivalents	5	7,840,989,717	4,304,052,124	3,339,139,328	197,798,265	-
Investment in capital notes	6	8,626,860,443	8,626,860,443	-	-	-
Placement	7	2,259,900,000	-	2,259,900,000	-	-
Other assets	10	2,499,426,970	1,952,013,583	541,925,343	6,209,820	-
		21,227,177,130	14,882,926,150	6,140,964,671	204,008,085	-
Deposits from customers	12	19,115,571,743	13,711,511,591	5,343,898,569	60,161,583	-
Other liabilities	13	698,575,754	182,454,067	518,944,877	785,690	-
		19,814,147,497	13,893,965,658	5,862,843,446	60,947,273	-
Net foreign currency exposure		1,413,029,633	988,960,492	278,121,225	143,060,812	-
December 31, 2017						
Cash and cash equivalents	5	15,843,572,784	9,511,991,521	6,170,981,226	160,600,037	-
Investment in capital notes	6	4,286,646,613	4,286,646,613	-	-	-
Other assets	9	2,442,253,813	1,784,730,571	648,383,181	9,140,061	-
		22,572,473,210	15,583,368,705	6,819,364,407	169,740,098	-
Deposits from customers	11	20,825,471,815	14,509,033,071	6,239,471,748	76,789,785	177,211
Other liabilities	12	565,611,033	196,056,231	369,422,227	33,316	99,259
		21,391,082,848	14,705,089,302	6,608,893,975	76,823,101	276,470
Net foreign currency exposure		1,181,390,362	878,279,403	210,470,432	92,916,997	(276,470)

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The following significant exchange rates applied during the year

	December 31, 2018		December 31, 2017	
	Average rate	Reporting rate	Average rate	Reporting rate
USD	72.50	75.33	68.25	69.67
EUR	84.18	85.98	76.09	82.38

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD and Euro at December 31, 2018 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, 2018		December 31, 2017	
	Equity	Profit or loss	Equity	Profit or loss
	..... AFN			
USD	(22,249,698)	(27,812,123)	(16,837,635)	(21,047,043)
EUR	(11,444,865)	(14,306,081)	(7,433,360)	(9,291,700)

A 10% weakening of the Afghani against the above currencies at December 31, 2018 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.

31-Dec-2018	31-Dec-2017
..... AFN .....	..... AFN
..... "000" .....	..... "000"

24 RISK-WEIGHT CATEGORIES

0% risk weight:

Cash in Afghani and fully-convertible foreign currencies	796,042	898,306
Direct claims on DAB	17,098,126	20,247,377
Direct claims on other Governments	-	-
Others	-	-
Total	17,894,168	21,145,684
0% risk-weight total (above total x 0%)	-	-

20% risk weight:

Direct Claims on Banks Licensed in Category A countries	6,194	6,956
Short term Claims on Banks Licensed in Non Category A Countries	129,173	674,192
20% risk-weight total (above total x 20%)	27,073	136,230

50% risk weight:

Qualifying Residential Mortgage Loans	-	-
Loans to builders	-	-
50% risk-weight total (above total x 50%)	-	-

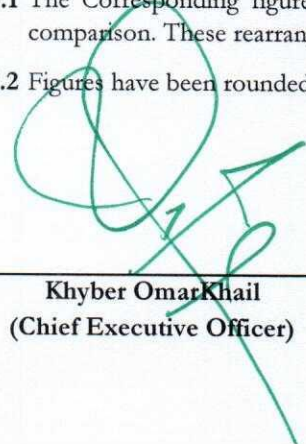
NEW KABUL BANK
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FOR THE YEAR ENDED DECEMBER 31, 2018


	31-Dec-2018	31-Dec-2017
 AFN	
 "000"	
100% risk weight:		
All other assets	3,251,133	883,779
Less: intangible assets	-	-
Less: Deferred tax assets	-	-
All other assets - net	3,251,133	883,779
100% risk-weight total (above total x 100%)	3,251,133	883,779
Credit conversion factor		
0% risk weight:		
conversion Factor Guarnttees and stand by letters of Credit	111,252	316,916
0% credit conversion factor total (risk-weighted total x 0%)	-	-
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Commercial letters of credit	-	-
20% credit conversion factor total (risk-weighted total x 20%)	-	-
20% risk-weight total (above total x 20%)	-	-
100% risk weight:		
Guarantees	-	-
100% credit conversion factor total (risk-weighted total x 100%)	-	-
100% risk-weight total (above total x 100%)	-	-
Total risk-weighted assets	3,278,206	1,020,008
Tier 1 Capital Ratio		
(Tier 1 capital as % of total assets)	37.20%	84.74%
Ratio		
(Regulatory capital as % of total risk-weighted assets)	44.30%	119.57%

25 CORRESPONDING FIGURES

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

25.2 Figures have been rounded off to nearest Afghanis.


Khyber Omar Khail
 (Chief Executive Officer)


Shoaib Sheikh
 (Chief Financial Officer)