

NEW KABUL BANK

**Un-Audited Interim Financial Statements
For the period ended September 30, 2018**

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 September 30, 2018**, 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 nine months 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 September 30, 2018 and of its financial performance and its condensed interim cash flows for the nine months 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.

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, during 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 Bank has initiated the process of amendments in Article of Association, however the process is not yet completed. Our conclusion is not qualified in this respect.


Crowe Horwath Afghanistan
Auditors & Business Advisors
Kabul





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NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018

Unaudited	Audited		Unaudited	Audited	
30-Sep-18	31-Dec-2017		30-Sep-18	31-Dec-2017	
..... USD		Note AFN		
ASSETS					
80,322,085	227,408,825	Cash and cash equivalents	5	6,076,365,721	15,843,572,784
97,058,514	61,527,869	Investment in capital notes	6	7,342,476,601	4,286,646,613
30,000,000	-	Placement	7	2,269,500,000	-
533,250	548,222	Property and equipment	8	40,340,392	38,194,648
-	-	Intangible assets	9	-	-
28,908,755	35,054,598	Other assets	10	2,186,947,299	2,442,253,813
236,822,604	324,539,514	Total assets		17,915,630,013	22,610,667,858
EQUITY AND LIABILITIES					
EQUITY					
13,218,771	14,353,380	Share capital	11	1,000,000,000	1,000,000,000
42,813,367	49,073,692	Reserve from MoF		3,238,831,229	3,238,831,229
(38,090,920)	(45,394,659)	Accumulated losses		(2,881,578,086)	(3,019,246,219)
-	(527,245)	Currency translation loss		-	-
17,941,218	17,505,168	Total equity		1,357,253,143	1,219,585,010
LIABILITIES					
212,007,511	298,915,915	Deposits from customers	12	16,038,368,189	20,825,471,815
6,873,875	8,118,431	Other liabilities	13	520,008,681	565,611,033
218,881,386	307,034,346	Total liabilities		16,558,376,870	21,391,082,848
236,822,604	324,539,514	Total equity and liabilities		17,915,630,013	22,610,667,858
-	-	Contingencies and commitments	14	-	-

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


Khyber Omarkhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK

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Khyber Omarkhail
(Chief Executive Officer)

Slooth Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

USD				AFN			
Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total	Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
-	62,052,865	(49,398,880)	12,653,985	-	4,238,831,229	(3,374,437,512)	864,393,717
-	-	4,225,819	4,225,819	-	-	288,665,675	288,665,675
Balance as at January 01, 2017				Balance as at Sep 30, 2017			
-	62,052,865	(45,173,061)	16,879,804	-	4,238,831,229	(3,085,771,837)	1,153,059,392
13,218,771	42,813,367	(39,910,723)	16,121,415	1,000,000,000	3,238,831,229	(3,019,246,219)	1,219,585,010
-	-	1,819,803	1,819,803	-	-	137,668,133	137,668,133
Total comprehensive income for the nine months ended September 30, 2017				Total comprehensive income for the nine months ended September 30, 2018			
13,218,771	42,813,367	(38,090,920)	17,941,218	1,000,000,000	3,238,831,229	(2,881,578,086)	1,357,253,143

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

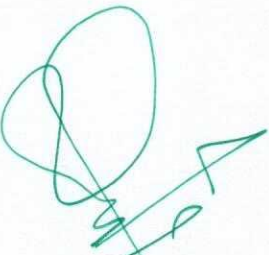
Khyber Omarkhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

30-Sep-18	30-Sep-17		Note	30-Sep-18	30-Sep-17
..... USD AFN	
CASH FLOWS FROM OPERATING ACTIVITIES					
2,266,238	5,276,168	Profit before tax		171,440,933	360,415,065
		Adjustments for:			
110,333	305,070	Depreciation		8,346,671	20,839,307
2,376,571	5,581,238			179,787,604	381,254,372
Increase/decrease in current assets and liabilities					
2,999,874	17,448,257	Other assets		226,940,484	1,191,890,469
(63,279,625)	(20,446,961)	Deposits from customers		(4,787,103,626)	(1,396,731,905)
(602,807)	(17,113,251)	Other liabilities		(45,602,352)	(1,169,006,145)
(58,505,987)	(14,530,717)			(4,425,977,890)	(992,593,209)
(71,471)	(629,765)	Advance tax paid		(5,406,770)	(43,019,221)
(58,577,458)	(15,160,482)	Net cash (used in)/ generated from operating activities		(4,431,384,660)	(1,035,612,430)
CASH FLOWS FROM INVESTING ACTIVITIES					
(138,697)	(8,094)	Investment in operating fixed assets		(10,492,415)	(552,931)
(40,394,316)	15,039,999	Investment in capital notes - net		(3,055,829,988)	1,027,382,358
(30,000,000)	-	Placement		(2,269,500,000)	-
(70,533,013)	15,031,905	Net cash (used in)/ generated from investing activities		(5,335,822,403)	1,026,829,427
-	-	CASH FLOWS FROM FINANCING ACTIVITIES		-	-
(129,110,471)	(128,577)	Net decrease in cash and cash equivalents		(9,767,207,063)	(8,783,003)
209,432,556	185,116,706	Cash and cash equivalents at beginning of the period		15,843,572,784	12,645,322,186
-	-	Effect of exchange differences		-	-
80,322,085	184,988,129	Cash and cash equivalents at end of the period		6,076,365,721	12,636,539,183

The annexed notes from 1 to 22 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 NINE MONTHS ENDED SEPTEMBER 30, 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 period ended September 30, 2018 (including comparatives) have been approved and authorized for issue by the Board of Directors on ~~Nov-13~~ 2018

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 NINE MONTHS ENDED SEPTEMBER 30, 2018

		Unaudited 30-Sep-18	Audited 31-Dec-2017
	Note AFN	
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		1,091,091,798	820,755,933
Foreign currency		152,366,370	77,550,546
		<u>1,243,458,168</u>	<u>898,306,479</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	4,802,000,785	14,264,118,505
Balances with other banks	5.2	30,906,768	681,147,800
		<u>4,832,907,553</u>	<u>14,945,266,305</u>
		<u>6,076,365,721</u>	<u>15,843,572,784</u>
5.1 Balances with Da Afghanistan Bank			
Overnight deposits			
Local currency	5.1.1	1,013,916,693	7,950,788,596
Current account			
Local currency		924,211,048	740,429,992
Foreign currency		2,863,873,044	5,572,899,917
		<u>3,788,084,092</u>	<u>6,313,329,909</u>
		<u>4,802,000,785</u>	<u>14,264,118,505</u>
5.1.1 This represents overnight deposits with Da Afghanistan Bank, carrying interest rates ranging from 0.10% per annum (2017: 0.10% to 0.80% per annum).			
5.2 Balances with other banks			
Current accounts			
Local currency		3,477,129	17,000
Foreign currency		27,429,639	681,130,800
		<u>30,906,768</u>	<u>681,147,800</u>
Deposit accounts			
Foreign currency		-	-
		<u>30,906,768</u>	<u>681,147,800</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
7 days capital notes		499,985,475	-
28 days capital notes		2,199,415,578	799,810,267
91 days capital notes		4,145,340,244	3,192,782,763
182 days capital notes		497,735,304	294,053,583
	6.1	<u>7,342,476,601</u>	<u>4,286,646,613</u>
6.1 These are classified as held to maturity having maximum period of 182 days carrying interest rate ranging from 0.15% to 0.90% (2017: 1.78% to 6.70%) per annum.			

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Note	Unaudited 30-Sep-18 AFN	Audited 31-Dec-2017
7 PLACEMENT			
Term Deposit - 3 months		756,500,000	-
Term Deposit - 6 months		1,513,000,000	-
	7.1	<u>2,269,500,000</u>	<u>-</u>
7.1 This represents the amount placed in fixed deposit account with Bank-e-Millie Afghan. This carries interest rate of 1% to 1.25%.			
8 PROPERTY AND EQUIPMENT		<u>40,340,392</u>	<u>38,194,648</u>
9 INTANGIBLE ASSETS		<u>-</u>	<u>-</u>
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 and thus carry no written down value.			
10 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	10.1	1,549,086,511	1,696,612,218
Advances and prepayments	10.2	24,741,995	36,949,672
Receivable from remittances		48,657,466	71,458,599
Accrued interest and commission	10.3	41,788,372	45,904,051
Security deposit		1,616,701	44,854,335
Advance tax		499,302,392	527,668,422
Staff loan		9,459,100	4,824,335
Others	10.4	12,294,762	13,982,181
		<u>2,186,947,299</u>	<u>2,442,253,813</u>
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.			
		Unaudited 30-Sep-18 AFN	Audited 31-Dec-2017
10.2 Advances and prepayments			
Advance payment to contractors		12,134,604	26,057,247
Prepaid rent		12,607,391	10,892,426
		<u>24,741,995</u>	<u>36,949,672</u>
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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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

		Unaudited 30-Sep-18	Audited 31-Dec-2017
	Note AFN	
10.4	This includes doubtful receivable provisioned as follows:		
Gross amount		107,854,157	99,942,397
Allowance for doubtful receivables			
Opening balance		(99,942,397)	(93,524,774)
Charge for the period		(5,583,496)	(5,711,202)
Exchange difference of provision		(2,328,264)	(1,105,730)
Reversal due to recovery		-	399,309
Closing balance		(107,854,157)	(99,942,397)
Net amount	10.4.1	-	-

10.4.1 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 30-Sep-18	Audited 31-Dec-2017
	Note AFN	
11 SHARE CAPITAL			
Authorized			
1,000,000 ordinary shares of AFN 1,000 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	11.1	1,000,000,000	1,000,000,000

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 and issuance of share capital.

The net equity after adjustment of Kabul Bank Receivership receivable was below AFN 1 billion (Minimum amount for share capital) due to losses incurred by New Kabul Bank in previous years therefore it was directed by the shareholder i.e. MoF to fund the remaining equity out of the profits of the bank. In August 2017 after crossing the One billion in overall equity due to interim profits and on instructions of Financial Supervision Department of Da Afghanistan Bank, bank had transferred AFN One billion 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). Management has initiated the process of making relevant changes in Articles of Association and approached licensing department of Da Afghanistan Bank to seek necessary amendments as per rules and regulations of the Da Afghanistan Bank . However, the process is not yet completed.

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

		Unaudited 30-Sep-18	Audited 31-Dec-2017
	Note AFN	
12 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		6,718,871,379	9,186,530,681
Saving deposits	12.1	4,123,315,506	5,309,780,637
		10,842,186,885	14,496,311,318
Foreign currency			
Current deposits		2,937,837,730	3,557,024,358
Saving deposits	12.1	2,258,343,574	2,772,136,139
		5,196,181,304	6,329,160,497
		16,038,368,189	20,825,471,815
12.1	Saving deposits carry no interest (2017: nil) per annum.		
		Unaudited 30-Sep-18	Audited 31-Dec-2017
	 AFN	
13 OTHER LIABILITIES			
Margin money against bank guarantees - active		202,051,850	156,420,833
Margin money against bank guarantees - expired		64,950,318	188,496,854
Remittances payable		116,165,150	64,593,425
CSC bank payables		2,449,794	5,698,899
Withholding taxes payable		2,875,313	10,659,296
Provision against bank guarantees		2,020,518	-
Accrued expenses and other liabilities		129,495,738	139,741,726
		520,008,681	565,611,033
14 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customers	14.1	202,051,850	316,916,106
14.1	All active guarantees are secured against 100% cash margin.		
		Unaudited 30-Sep-18	Unaudited 30-Sep-17
	 AFN	
15 NET INTEREST INCOME / (EXPENSE)			
Interest income on:			
Investment in capital notes		13,649,171	284,947,445
Interest bearing bank accounts		3,642,521	5,535,690
Placement with BMA		9,465,711	-
		26,757,403	290,483,135
Interest expense on:			
Deposits from customers		-	-
Net interest income		26,757,403	290,483,135

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

16 NET FEE AND COMMISSION INCOME

Fee and commission income

Commission on remittances	188,906,999	108,521,630
Commission on Western Union operations	48,279,564	54,471,779
Commission on collections	4,554,654	5,641,396
Commission on salary distribution	515,078,672	531,473,905
Commission on bank guarantees	3,769,435	4,052,107
Account maintenance fee	115,382,457	146,439,921
	<u>875,971,781</u>	<u>850,600,738</u>

Fee and commission expense

Inter-bank transaction fee	(14,330,757)	(15,253,925)
Net fee and commission income	<u>861,641,024</u>	<u>835,346,813</u>

Unaudited
30-Sep-18

Unaudited
30-Sep-17

Note

..... AFN

17 OTHER OPERATING INCOME

Income from cash operations	921,799	6,683,704
Foreign exchange gain	48,895,259	63,179,065
Income from call centre services	51,995,433	49,016,874
Miscellaneous	15,888,498	15,661,089
	<u>117,700,989</u>	<u>134,540,732</u>

18 EMPLOYEE BENEFIT EXPENSE

Salaries and wages	385,536,429	391,353,908
Food and other amenities	36,499,684	37,475,125
	<u>422,036,113</u>	<u>428,829,033</u>

19 OTHER EXPENSES

Rent and taxes	68,331,738	72,472,950
Communication expense	35,258,498	51,603,039
Security expense	162,332,526	169,068,454
Insurance	6,880,111	5,877,440
Fuel and electricity	32,660,369	35,511,295
Software services	43,545,781	59,754,796
Advertisement	209,215	503,898
Repair and maintenance	12,418,443	9,558,803
Stationery and printing	15,770,700	15,853,100
Audit fee	5,267,987	5,219,595
Others	13,996,317	22,933,130
	<u>396,671,685</u>	<u>448,356,500</u>

20 TAXATION

Current	33,772,800	71,749,390
	<u>33,772,800</u>	<u>71,749,390</u>

20.1

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

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NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

21 RELATED PARTIES

Ultimate controlling entity

Ministry of Finance (MOF) is the ultimate controlling entity of the bank.

Other related parties

As the bank is owned by Ministry of Finance therefore the government and all entities owned by the government are related to the bank.

Key management personnel

Key management personnel includes Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

Transactions with key management personnel

Key management personnel have executed following transaction with the Bank during the period

	Maximum balance	Closing balance
 AFN	
Short-term staff advances		
Chief Executive Officer	-	-
Deputy Chief Executive Officer	-	-
Chief Financial Officer	605,200	151,300
Chief Operating Officer	-	-

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

Moreover, during the year AFN 10.67 million (2017: AFN 10.36 million) are paid to key management personnel as remuneration.


Other transactions with related parties

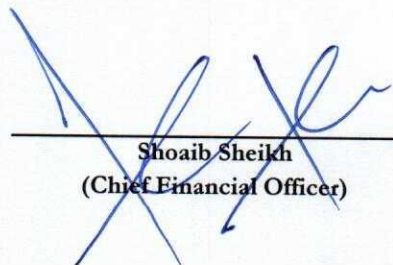
There are no significant related party transaction except for normal banking services to government and its institutions for salary distribution and related deposit accounts.

22 GENERAL

The condensed interim financial statements for the half year ended September 30, 2018 (including comparatives) have been approved and authorized for issue by the General Assembly of Shareholders. CWA

Figures have been rounded off to nearest Afghanis.


Khyber Omarkhail
(Chief Executive Officer)


Shoaib Sheikh
(Chief Financial Officer)