

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, 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, "Review of Interim 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 causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the bank as at September 30, 2017, and of its financial performance and its 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 the Da Afghanistan Bank (DAB).



Horwath MAK

Auditors & Business Advisors
Kabul



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

(Unaudited)	(Audited)		(Unaudited)	(Audited)	
30-Sep-17	31-Dec-2016		30-Sep-17	31-Dec-2016	
..... USD			Note	AFN	
ASSETS					
184,988,130	189,216,253	Cash and cash equivalents	5	12,636,539,183	12,645,322,186
102,679,170	120,326,148	Investment in capital notes	6	7,014,014,130	8,041,396,488
455,543	769,184	Property and equipment		31,118,173	51,404,549
-	-	Intangible assets	7	-	-
39,001,859	58,130,146	Other assets	8	2,664,216,988	3,884,837,626
327,124,702	368,441,731	Total assets		22,345,888,474	24,622,960,849
EQUITY AND LIABILITIES					
EQUITY					
14,639,145	-	Share capital	9	1,000,000,000	-
47,413,720	63,427,072	Reserve from MoF		3,238,831,229	4,238,831,229
(45,173,062)	(50,492,855)	Accumulated losses		(3,085,771,837)	(3,374,437,512)
16,879,803	12,934,217	Total equity		1,153,059,392	864,393,717
LIABILITIES					
301,203,189	328,773,331	Deposits from customers	10	20,575,189,837	21,971,921,742
9,041,710	26,734,183	Other liabilities	11	617,639,245	1,786,645,390
310,244,899	355,507,514	Total liabilities		21,192,829,082	23,758,567,132
327,124,702	368,441,731	Total equity and liabilities		22,345,888,474	24,622,960,849
-	-	Contingencies and commitments	12	-	-

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

Khyber Omarkhail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Quarter ended		Nine months ended		Note	Quarter ended		Nine months ended	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16		30-Sep-17	30-Sep-16		
	USD					AFN			
Interest income	4,252,425	1,473,124	973,480	350,908		290,483,135	100,629,116	63,928,405	23,044,122
Interest expense	4,252,425	1,473,124	973,480	350,908	13	290,483,135	100,629,116	63,928,405	23,044,122
Net interest income									
Fee and commission income	12,452,068	4,143,702	13,119,006	4,252,885		850,600,738	283,056,251	861,525,156	279,286,929
Fee and commission expense	(223,304)	(71,925)	(222,607)	(85,235)		(15,253,925)	(4,913,220)	(14,618,577)	(5,597,352)
Net fee and commission income	12,228,764	4,071,777	12,896,399	4,167,650	14	835,346,813	278,143,031	846,906,579	273,689,577
Other operating income	1,969,561	618,791	1,523,486	516,409		134,540,732	42,269,609	100,047,342	33,912,584
Net operating income	18,450,750	6,163,692	15,393,365	5,034,967	15	1,260,370,680	421,041,756	1,010,882,326	330,646,283
Employee benefit expense	(6,277,690)	(2,114,285)	(6,730,667)	(2,226,386)		(428,829,033)	(144,426,836)	(442,002,930)	(146,206,765)
Depreciation expense	(305,070)	(93,980)	-	-		(20,839,307)	(6,419,761)	-	-
Provision against other assets	(28,265)	(4,484)	-	-	8.4	(1,930,775)	(306,310)	-	-
Other expenses	(6,563,556)	(2,149,739)	(8,328,035)	(2,593,348)	17	(448,356,500)	(146,848,696)	(546,902,073)	(170,305,191)
Operating expenses	(13,174,581)	(4,362,488)	(15,058,702)	(4,819,734)		(899,955,615)	(298,001,603)	(988,905,003)	(316,511,956)
Profit before tax	5,276,169	1,801,204	334,663	215,233		360,415,065	123,040,153	21,977,323	14,134,327
Taxation	(1,050,350)	(347,843)	-	-	18	(71,749,390)	(23,761,179)	-	-
Profit for the period	4,225,819	1,453,361	334,663	215,233		288,665,675	99,278,974	21,977,323	14,134,327
Other comprehensive income	-	-	-	-		-	-	-	-
Total Comprehensive income for the period	4,225,819	1,453,361	334,663	215,233		288,665,675	99,278,974	21,977,323	14,134,327

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

Khyber Omarkhail
(Chief Executive Officer)

Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total	Share capital	Reserve from MoF	Accumulated Profit/(loss)	Total
..... USD .....				..... AFN			
-	-	(52,159,692)	(52,159,692)	-	-	(3,425,326,970)	(3,425,326,970)
-	-	334,663	334,663	-	-	21,977,323	21,977,323
-	-	(51,825,029)	(51,825,029)	-	-	(3,403,349,647)	(3,403,349,647)
-	62,052,865	(49,398,880)	12,653,985	-	4,238,831,229	(3,374,437,512)	864,393,717
14,639,145	(14,639,145)	-	-	1,000,000,000	(1,000,000,000)	-	-
-	-	4,225,818	4,225,818	-	-	288,665,675	288,665,675
14,639,145	47,413,720	(45,173,062)	16,879,803	1,000,000,000	3,238,831,229	(3,085,771,837)	1,153,059,392

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


Khyber Omarkhail
(Chief Executive Officer)

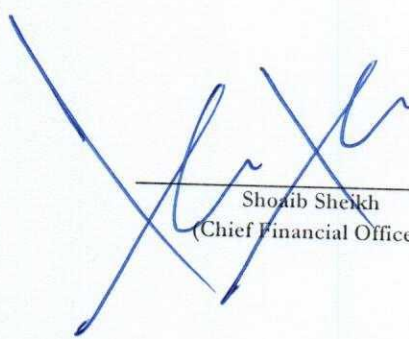
Shoaib Sheikh
(Chief Financial Officer)

NEW KABUL BANK
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

30-Sep-17	30-Sep-16		30-Sep-17	30-Sep-16
..... USD .....			..... AFN	
		CASH FLOWS FROM OPERATING ACTIVITIES		
5,276,169	334,663	Profit before tax	360,415,065	21,977,323
(924,887)	(163,924)	Adjustments for:		
305,070	-	Exchange fluctuation gain	(63,179,065)	(10,764,890)
4,656,352	170,739	Depreciation	20,839,307	-
			318,075,307	11,212,433
		Increase/decrease in current assets and liabilities		
-	743,063	Claim receivable from MOF	-	48,796,957
17,448,257	(9,989,642)	Other assets	1,191,890,469	(656,019,782)
(20,446,961)	1,146,179	Deposits from customers	(1,396,731,905)	75,269,549
(17,113,251)	11,457,798	Other liabilities	(1,169,006,145)	752,433,566
(15,455,603)	3,528,137		(1,055,772,274)	231,692,723
(629,765)	(671,608)	Advance tax paid	(43,019,221)	(44,104,495)
(16,085,368)	2,856,529	Net cash (used in)/ generated from operating activities	(1,098,791,495)	187,588,228
		CASH FLOWS FROM INVESTING ACTIVITIES		
(8,094)	(67,131)	Purchase of property and equipment	(552,931)	(4,408,463)
15,039,999	9,170,014	Investment in capital notes - net	1,027,382,358	602,194,822
15,031,905	9,102,883	Net cash (used in)/ generated from investing activities	1,026,829,427	597,786,359
		CASH FLOWS FROM FINANCING ACTIVITIES		
(1,053,463)	11,959,412	Net decrease in cash and cash equivalents	(71,962,068)	785,374,587
185,116,706	153,527,185	Cash and cash equivalents at beginning of the period	12,645,322,186	10,082,130,215
924,887	163,924	Effect of exchange differences	63,179,065	10,764,890
184,988,130	165,650,521	Cash and cash equivalents at end of the period	12,636,539,183	10,878,269,692

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


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, 2017

1 STATUS AND NATURE OF BUSINESS

New Kabul Bank ("the Bank") is a limited liability company incorporated under the Law in Afghanistan. The registered office of the Bank is located in Kabul, Afghanistan and has sixty four branches and forty eight extension counters. The Bank was registered with Afghanistan Investment Support Agency (AISA) on August 09, 2011 and received commercial banking license from the Da Afghanistan Bank (DAB) central bank of Afghanistan on April 18, 2011. The Bank started its operation on April 21, 2011 upon the liquidation of Kabul Bank and transfer of all good assets, liabilities and operations to the New Kabul Bank.

The control of the bank is with Government of Islamic Republic of Afghanistan and is exercised by the Ministry of Finance who currently intends to hold its control over the Bank. The Bank was established as a bridge bank with the objective of its privatization to private sector or liquidation/ rehabilitation in case of unsuccessful privatization. The Bank is primarily engaged in restrictive commercial banking services in Afghanistan including deposits, collection, disbursement and issuance of bank guarantees.

2 STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan. In case requirements differ, the provisions of the Law of Banking in Afghanistan shall prevail.

3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of accounting policies will be read with the last year audited financial statements.

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	.....
5 CASH AND CASH EQUIVALENTS			
Cash in hand:			
Local currency		1,135,213,942	529,504,938
Foreign currency		165,076,418	251,442,008
		<u>1,300,290,360</u>	<u>780,946,946</u>
Balances with banks:			
Balances with Da Afghanistan Bank	5.1	9,343,728,439	8,770,339,424
Balances with other banks	5.2	1,992,520,384	3,094,035,816
		<u>11,336,248,823</u>	<u>11,864,375,240</u>
		<u>12,636,539,183</u>	<u>12,645,322,186</u>
5.1 Balances with Da Afghanistan Bank			
Overnight deposits			
Local currency	5.1.1	3,479,268,456	758,451,455
Current account			
Local currency		934,056,510	1,070,549,849
Foreign currency		4,930,403,473	6,941,338,120
		<u>5,864,459,983</u>	<u>8,011,887,969</u>
		<u>9,343,728,439</u>	<u>8,770,339,424</u>
5.1.1 This represents overnight deposits with Da Afghanistan Bank, carrying interest rates ranging from 0.7% to 0.8 % per annum.			
5.2 Balances with other banks			
Current accounts			
Local currency		17,000	17,000
Foreign currency		1,992,503,384	3,080,652,816
		<u>1,992,520,384</u>	<u>3,080,669,816</u>
Deposit accounts			
Foreign currency		-	13,366,000
		<u>1,992,520,384</u>	<u>3,094,035,816</u>
6 INVESTMENT IN CAPITAL NOTES			
Held to maturity			
7 days capital notes		399,867,821	249,912,531
28 days capital notes		498,894,119	2,293,760,915
91 days capital notes		2,873,700,233	989,259,799
182 days capital notes		1,366,402,493	1,462,044,909
1 year capital notes		1,875,149,464	3,046,418,334
	6.1	<u>7,014,014,130</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 1.70% to 6.60% (2016: 1.78% to 6.70%) per annum.			

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	
7 INTANGIBLE ASSETS			
Gross carrying amount			
Opening balance		295,161,839	295,161,839
Additions during the period / year		-	-
Closing balance		295,161,839	295,161,839
Accumulated amortization			
Opening balance		295,161,839	295,161,839
Charge for the period / year		-	-
Closing balance		295,161,839	295,161,839
Written down value	7.1	-	-

7.1 Intangible assets includes software licensing, customization and implementation costs for oracle database, mobile and point of sale banking applications which are amortized at the rate of 33%. These intangibles are fully amortized.

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	
8 OTHER ASSETS			
Required reserve with Da Afghanistan Bank	8.1	1,741,547,286	1,709,334,000
Advances and prepayments	8.2	24,434,522	40,208,760
Receivable from remittances		149,815,624	1,391,507,044
Accrued interest and commission	8.3	173,446,527	152,788,908
Security deposit		43,253,697	42,349,767
Advance tax		508,342,439	537,072,608
Staff loan		9,088,180	4,635,512
Others	8.4	14,288,713	6,941,027
		2,664,216,988	3,884,837,626

8.1 This represents the required reserve account maintained with Da Afghanistan Bank to meet minimum reserve requirement in accordance with Article 64 "Required reserve for banks" of Da Afghanistan Bank Law. This carried no interest (2016: nil) per annum. Required reserve is a restricted balance with DAB and is not available for use in the Bank's day-to-day operations. Moreover, During the current period through circular no. 3808/3865 dated 08/06/1396 Da Afghanistan Bank has changed the requirement of required reserve to be maintained as follows;

- For Afghanis : 8%
- For USD/Euro and Other: 10%

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
		..... AFN	
8.2 Advances and prepayments			
Advance payment to contractors		13,516,938	11,414,407
Prepaid rent		10,917,584	28,794,353
		24,434,522	40,208,760

NEW KABUL BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	
8.4 Others			
Gross amount		100,465,728	93,524,774
Allowance for doubtful receivables			
Opening balance		(97,949,884)	(94,404,363)
Charge for the period		(1,930,775)	(399,309)
Exchange difference of provision		(585,069)	1,278,898
Reversal due to recovery		-	-
Closing balance		(100,465,728)	(93,524,774)
Net amount	8.4.1	-	-

- 8.4.1 This include receivable from staff. Allowance has been recognized on the basis of recoverability on cases to case basis, while recovery represent amount received from staff.

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	
9 SHARE CAPITAL			
Authorized			
1,000,000 ordinary shares of AFN 1,000 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	9.1	1,000,000,000	-

- 9.1 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 AFN One billion in the bank as issued, subscribed and paid-up capital on approval of DAB against Letter No. 436 dated November 20, 2016. Licensing process would be duly completed after the finalization of annual profit of the bank for the year ended December 31, 2017.

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
	Note	..... AFN	
10 DEPOSITS FROM CUSTOMERS			
Local currency			
Current deposits		8,493,537,770	8,703,765,228
Saving deposits	10.1	4,962,514,110	5,095,128,763
		13,456,051,880	13,798,893,991
Foreign currency			
Current deposits		4,262,374,886	4,528,186,507
Saving deposits	10.1	2,856,763,071	3,644,841,244
		7,119,137,957	8,173,027,751
		20,575,189,837	21,971,921,742

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

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

		(Unaudited) 30-Sep-17	(Audited) 31-Dec-2016
		..... AFN	
11 OTHER LIABILITIES			
Margin money against bank guarantees		356,287,475	319,837,543
Remittances payable		108,800,060	1,321,578,914
CSC bank payables		972,649	30,382,360
Withholding taxes payable		3,718,915	6,473,566
Accrued expenses and other liabilities		147,860,146	108,373,007
		<u>617,639,245</u>	<u>1,786,645,390</u>
12 CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued on behalf of customers	12.1	<u>328,832,476</u>	<u>292,977,356</u>
12.1 All guarantees are secured against 100% cash margin.			
		(Unaudited) 30-Sep-17	(Unaudited) 30-Sep-16
	Note	..... AFN	
13 NET INTEREST INCOME / (EXPENSE)			
Interest income on:			
Investment in capital notes		284,947,445	58,774,693
Interest bearing bank accounts		5,535,690	5,153,712
		<u>290,483,135</u>	<u>63,928,405</u>
Interest expense on:			
Deposits from customers		-	-
Net interest income		<u>290,483,135</u>	<u>63,928,405</u>
14 NET FEE AND COMMISSION INCOME			
Fee and commission income			
Commission on remittances		108,521,630	63,159,507
Commission on Western Union operations		54,471,779	66,860,624
Commission on collections		5,641,396	8,503,104
Commission on salary distribution		531,473,905	540,150,826
Commission on bank guarantees		4,052,107	1,197,116
Account maintenance fee		146,439,921	181,653,979
		<u>850,600,738</u>	<u>861,525,156</u>
Fee and commission expense			
Inter-bank transaction fee		(15,253,925)	(14,618,577)
Net fee and commission income		<u>835,346,813</u>	<u>846,906,579</u>

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	(Unaudited) 30-Sep-17	(Unaudited) 30-Sep-16
	..... AFN	
15 OTHER OPERATING INCOME		
Income from cash operations	6,683,704	28,038,740
Foreign exchange gain	63,179,065	10,764,890
Income from call centre services	49,016,874	51,810,240
Miscellaneous	15,661,089	9,433,472
	<u>134,540,732</u>	<u>100,047,342</u>
16 EMPLOYEE BENEFIT EXPENSE		
Salaries and wages	391,353,908	404,733,716
Food and other amenities	37,475,125	37,269,214
	<u>428,829,033</u>	<u>442,002,930</u>
17 OTHER EXPENSES		
Rent and taxes	72,472,950	86,441,015
Communication expense	51,603,039	65,798,625
Security expense	169,068,454	229,535,588
Insurance	5,877,440	10,578,646
Fuel and electricity	35,511,295	34,943,603
Software services	59,754,796	65,549,333
Advertisement	503,898	640,888
Repair and maintenance	9,558,803	10,503,136
Stationery and printing	15,853,100	16,736,248
Audit fee	5,219,595	1,150,000
Others	22,933,130	25,024,991
	<u>448,356,500</u>	<u>546,902,073</u>
18 TAXATION		
Current	(71,749,390)	-
	<u>(71,749,390)</u>	<u>-</u>

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

19 RELATED PARTIES

Ultimate controlling entity

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

Other related parties

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

Key management personnel

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

NEW KABUL BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

Transactions with key management personnel

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

Short-term staff advances	Maximum balance	Closing balance
	..... AFN	
Chief Financial Officer	541,680	-
Chief Operating Officer	360,000	90,000

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

Moreover, during the period AFN 10.36 million (2016: AFN 7.44 million) are paid to key management personnel as remuneration.


Other transactions with related parties

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

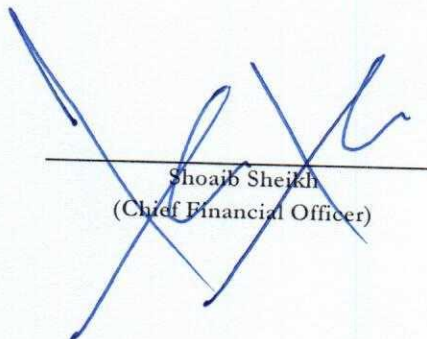
20 GENERAL

The condensed interim financial statements for the nine months ended September 30, 2017 (including comparatives) have been approved and authorized for issue by the General Assembly of Shareholders on Nov 08, 2017.

Figures have been rounded to off to nearest Afghanis. *mmr.*



Khyber Omarkhail
(Chief Executive Officer)



Shoaib Sheikh
(Chief Financial Officer)