



Audited Financial Statements

for New Kabul Bank

(For the year ended December 31, 2019)

MGI ILYAS SAEED CHARTERED ACCOUNTANTS

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Date: March 11, 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of New Kabul Bank

Opinion

We have audited the financial statements of **New Kabul Bank - NKB (the Bank)**, which comprise the statement of financial position as at December 31, 2019, 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the requirements of the Law of Banking in Afghanistan along with Laws and Regulations issued by Da Afghanistan Bank (DAB).

Basis for 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 the 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.

Other Matter

The Financial Statements of the bank for the year ended December 31, 2018 audited by another auditor who expressed unmodified opinion on the financial statements on April 02, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Muhammad Abdul Basit – ACA, CIA, CISA & APRM

Engagement Partner

Ilyas Saeed Chartered Accountants

Kabul, Afghanistan.


Dated:


NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

31-Dec-2019	31-Dec-2018		31-Dec-2019	31-Dec-2018
..... USD AFN	
		ASSETS		
92,550,089	124,819,773	Cash and bank balances	5 7,168,929,895	9,402,673,524
124,797,466	114,520,914	Investment in capital notes	6 9,666,811,755	8,626,860,443
35,000,000	30,000,000	Placement	7 2,711,100,000	2,259,900,000
642,960	522,262	Property and equipment	8 49,803,695	39,342,022
-	-	Intangible assets	9 -	-
11,266,584	12,448,469	Other assets	10 872,709,575	937,743,163
<u>264,257,099</u>	<u>282,311,418</u>	Total assets	<u>20,469,354,920</u>	<u>21,266,519,152</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
(39,836,231)	(42,304,434)	Accumulated losses	(2,595,272,532)	(2,786,459,574)
(2,372,681)	(1,842,516)	Currency translation loss	-	-
<u>21,218,160</u>	<u>19,280,122</u>	Total equity	<u>1,643,558,697</u>	<u>1,452,371,655</u>
		LIABILITIES		
232,123,489	253,757,756	Deposits from customers	12 17,980,285,437	19,115,571,743
10,915,450	9,273,540	Other liabilities	13 845,510,786	698,575,754
<u>243,038,939</u>	<u>263,031,296</u>	Total liabilities	<u>18,825,796,223</u>	<u>19,814,147,497</u>
<u>264,257,099</u>	<u>282,311,418</u>	Total equity and liabilities	<u>20,469,354,920</u>	<u>21,266,519,152</u>
		CONTINGENCIES AND COMMITMENTS	14	

The annexed notes from 1 to 26 form an integral part of these financial statements.


 (Khyber Omar Khail)
 Chief Executive Officer


 (P.K. Agrawal)
 Chief Financial Officer


 (Taj Mohammad Akbar)
 BoS Chairman

24/12/19

NEW KABUL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

31-Dec-2019	31-Dec-2018		31-Dec-2019	31-Dec-2018
..... USD AFN	
1,359,306	589,943	Interest income	105,291,863	44,440,386
(106)	-	Interest expense	(8,219)	-
1,359,200	589,943	Net interest income	105,283,644	44,440,386
15,007,414	16,848,541	Fee and commission income	1,162,474,281	1,269,200,589
(102,311)	(242,513)	Fee and commission expense	(7,924,979)	(18,268,506)
14,905,103	16,606,028	Net fee and commission income	1,154,549,302	1,250,932,083
1,795,698	1,923,738	Other operating income	139,094,776	144,915,198
18,060,001	19,119,709	Net operating income	1,398,927,722	1,440,287,667
(7,467,762)	(7,704,690)	Employee benefit expense	(578,452,864)	(580,394,314)
(133,879)	(149,808)	Depreciation	(10,370,270)	(11,285,070)
-	-	Amortization	-	-
10,186	(111,998)	Provision against other assets	789,005	(8,436,828)
14,362	(14,769)	Provision against bank guarantees	1,112,517	(1,112,517)
(7,237,833)	(7,270,445)	Other expenses	(560,642,542)	(547,682,631)
(14,814,926)	(15,251,710)	Operating expenses	(1,147,564,154)	(1,148,911,360)
3,245,076	3,867,998	Profit before tax	251,363,568	291,376,307
(776,872)	(777,773)	Taxation	(60,176,526)	(58,589,662)
2,468,204	3,090,225	Profit for the year after tax	191,187,042	232,786,645
-	-	Other comprehensive income	-	-
2,468,204	3,090,225	Total comprehensive income	191,187,042	232,786,645
2.47	3.09	Earnings per share	191.19	232.79

The annexed notes from 1 to 26 form an integral part of these financial statements.

(Khyber OmarKhail)
Chief Executive Officer


(P.K. Agrawal)
Chief Financial Officer

(Taj Mohammad Akbar)
BoS Chairman

NEW KABUL BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Share capital	Reserve from MoF	Accumulated Profit/(loss)	Currency translation loss	Total	
..... USD AFN
14,353,380	49,073,692	(45,394,659)	(1,842,516)	16,189,897	Balance as at January 01, 2018
-	-	3,090,225	-	3,090,225	Total comprehensive income for the year 2018
14,353,380	49,073,692	(42,304,434)	(1,842,516)	19,280,122	Balance as at December 31, 2018
14,353,380	49,073,692	(42,304,434)	(1,842,516)	19,280,122	Balance as at January 01, 2019
-	-	2,468,203	(530,165)	1,938,038	Total comprehensive income for the year
14,353,380	49,073,692	(39,836,231)	(2,372,681)	21,218,160	Balance as at December 31, 2019

The annexed notes from 1 to 26 form an integral part of these financial statements.


 (Khyber Omar Khail)
 Chief Executive Officer


 (P.K. Agrawal)
 Chief Financial Officer


 (Taj Mohammad Akbar)
 BoS Chairman

NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

31-Dec-2019	31-Dec-2018		31-Dec-2019	31-Dec-2018
..... USD AFN	
CASH FLOWS FROM OPERATING ACTIVITIES				
3,245,076	3,867,998	Profit before tax	251,363,568	291,376,307
		Adjustments for:		
133,879	149,808	Depreciation	8 10,370,270	11,285,070
(341,922)	(694,978)	Exchange gain	(26,485,265)	(52,352,664)
3,037,033	3,322,828		235,248,573	250,308,713
Increase/decrease in current assets and liabilities				
298,510	(1,427,963)	Other assets	10 23,122,598	(107,568,440)
2,415,448	-	Required reserve with Da Afghanistan Bank	187,100,576	-
(14,656,420)	(22,698,793)	Deposits from customers	12 (1,135,286,306)	(1,709,900,072)
1,896,915	1,765,097	Other liabilities	13 146,935,032	132,964,721
(7,008,514)	(19,038,831)		(542,879,527)	(1,434,195,078)
(235,806)	(108,780)	Advance tax paid	(18,265,536)	(8,194,379)
(7,244,320)	(19,147,611)	Net cash (used in)/generated from operating activities	(561,145,063)	(1,442,389,457)
CASH FLOWS FROM INVESTING ACTIVITIES				
(268,938)	(165,040)	Investment in operating fixed assets	8 (20,831,943)	(12,432,444)
(13,425,656)	(57,616,007)	Investment in capital notes - net	6 (1,039,951,312)	(4,340,213,830)
(5,824,942)	(30,000,000)	Placement	7 (451,200,000)	(2,259,900,000)
(19,519,536)	(87,781,047)	Net cash (used in)/ generated from investing activities	(1,511,983,255)	(6,612,546,274)
CASH FLOWS FROM FINANCING ACTIVITIES				
(26,763,856)	(106,928,658)	Net decrease in cash and cash equivalents	(2,073,128,318)	(8,054,935,731)
101,226,307	210,322,219	Cash and cash equivalents at beginning of the year	7,840,989,717	15,843,572,784
341,922	694,978	Effect of exchange differences	26,485,265	52,352,664
74,804,373	104,088,539	Cash and cash equivalents at end of the year	5.3 5,794,346,664	7,840,989,717

The annexed notes from 1 to 26 form an integral part of these financial statements.

(Khyber Omar Khail)
Chief Executive Officer

(P.K. Agrawal)
Chief Financial Officer

(Taj Mohammad Akbar)
BoS Chairman