

## 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, 2020, 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, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan (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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

1. We draw attention to the note no. 2.4 of the financial statements, which describes that the bank has initiated the process of implementation of International Financial Reporting Standard (IFRS) – 16 "Leases". Our opinion is not modified in respect of this matter.
2. We draw attention to the note no. 12 of the financial statements, which describes that the confirmation of approval of revaluation report of property, plant and equipment will be done once the supervisory team of Da Afghanistan Bank (DAB) would be visiting for general supervision of the bank. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, 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. However, we have found nothing to be of significant nature to be reported as key audit matters.

### *Other Matter*

The financial statements of the Bank for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 14, 2020.

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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 Da Afghanistan Bank (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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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We communicate with those charged with governance 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.

*Lynx Eyed Chartered Accountants*

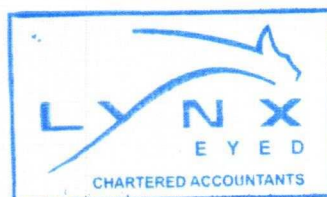
Engagement Partner: Atal Bahand

Lynx Eyed Chartered Accountants

An independent member firm of Morison KSi

Kabul.

Date: *20. March. 2021*



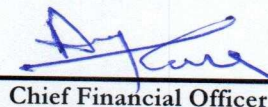



NEW KABUL BANK  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2020

31-Dec-2020	31-Dec-2019		31-Dec-2020	31-Dec-2019
USD			AFN	
<b>ASSETS</b>				
110,055,351	92,550,089	Cash and bank balances	5 8,495,172,551	7,168,929,895
146,071,576	124,797,466	Investment in DAB capital notes	6 11,275,264,971	9,666,811,755
10,000,000	35,000,000	Placements with domestic banks	7 771,900,000	2,711,100,000
1,008,535	642,960	Property and equipment	8 77,848,836	49,803,695
-	-	Intangible assets	9 -	-
10,365,003	11,266,584	Other assets	10 800,074,589	872,709,575
277,500,465	264,257,099	<b>Total Assets</b>	<b>21,420,260,947</b>	<b>20,469,354,920</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
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
(36,123,847)	(39,836,231)	Accumulated losses	(2,308,713,597)	(2,595,272,532)
303,159	-	Revaluation surplus	12 23,400,840	-
(2,298,463)	(2,372,681)	Currency translation loss	-	-
25,307,921	21,218,160	<b>Total equity</b>	<b>1,953,518,472</b>	<b>1,643,558,697</b>
<b>LIABILITIES</b>				
242,466,148	232,123,489	Deposit from customers	13 18,715,961,961	17,980,285,437
93,365	119,300	Deferred grant	14 7,206,851	9,240,991
75,790	-	Deferred tax liability	12 5,850,210	-
9,557,241	10,796,150	Other liabilities	15 737,723,453	836,269,795
252,192,544	243,038,939	<b>Total Liabilities</b>	<b>19,466,742,475</b>	<b>18,825,796,223</b>
277,500,465	264,257,099	<b>Total Equity and Liabilities</b>	<b>21,420,260,947</b>	<b>20,469,354,920</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
			16 <b>LECA</b>	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Chairman (BoS)



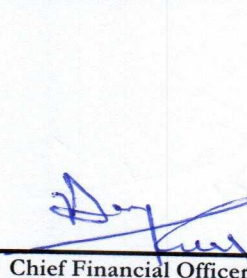
NEW KABUL BANK  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020

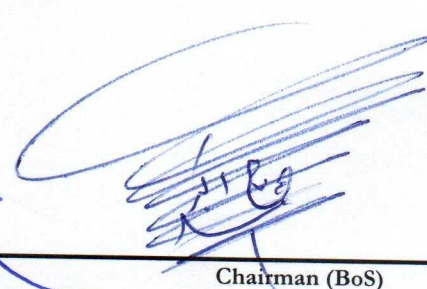
31-Dec-2020	31-Dec-2019		Note	31-Dec-2020	31-Dec-2019
..... USD .....				..... AFN .....	
3,291,638	1,359,306	Interest income		254,081,511	105,291,863
-	(106)	Interest expenses		-	(8,219)
3,291,638	1,359,200	<b>Net interest income</b>	17	254,081,511	105,283,644
15,267,042	15,007,414	Income from fee and commission		1,178,462,969	1,162,474,281
(69,359)	(102,311)	Expenses on fee and commission		(5,353,794)	(7,924,979)
15,197,683	14,905,103	<b>Net fee and commission income</b>	18	1,173,109,175	1,154,549,302
748,147	1,793,510	Other operating income	19	57,749,463	138,925,264
26,352	2,188	Income recognized from / amortization of deferred grant	14	2,034,140	169,512
19,263,820	18,060,001	<b>Net operating income</b>		1,486,974,289	1,398,927,722
(7,244,104)	(7,467,762)	Employee benefits & expenses	20	(559,172,367)	(578,452,864)
(196,808)	(133,879)	Depreciation	8.2	(15,191,620)	(10,370,270)
-	-	Amortization	9	-	-
9,285	10,186	Provision against other assets	10.3	716,690	789,005
-	14,362	Provision against bank guarantees		-	1,112,517
(7,191,708)	(7,237,833)	Other expenses	21	(555,127,975)	(560,642,542)
(14,623,335)	(14,814,926)	<b>Total operating expenses</b>		(1,128,775,272)	(1,147,564,154)
4,640,485	3,245,075	<b>Profit before tax</b>		358,199,017	251,363,568
(928,101)	(776,872)	Taxation	22	(71,640,082)	(60,176,526)
3,712,384	2,468,203	<b>Net profit for the year</b>		286,558,935	191,187,042
		<b>Other Comprehensive Income</b>			
		(Items that will not be reclassified to profit or loss)			
378,949	-	Revaluation surplus (property & equipment)		29,251,050	-
(75,790)	-	Deferred tax on revaluation surplus		(5,850,210)	-
303,159	-		12	23,400,840	-
4,015,543	2,468,203	<b>Total Comprehensive income for the period</b>		309,959,775	191,187,042
3.71	2.47	<b>Earnings per share (EPS)</b>		286.56	191.19

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The annexed notes from 1 to 28 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

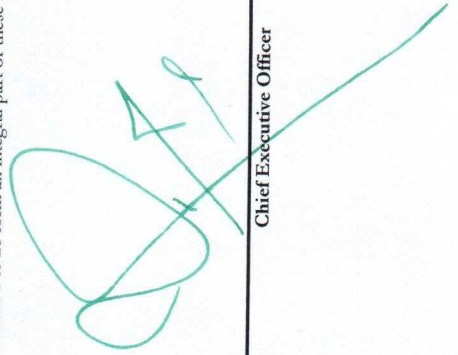
  
Chairman (BoS)



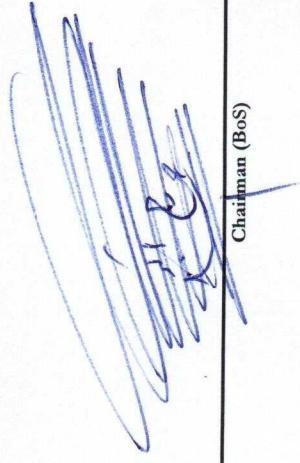
NEW KABUL BANK  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2020

Share Capital	Reserve from MoF	Accumulated Profit/(loss)	Surplus on Revaluation (Fixed Assets)	Currency translation loss / gain	Total	USD .....					
						Share capital	Reserve from MoF	Accumulated Profit/(loss)	Surplus on Revaluation (Fixed Assets)	Total	
..... AFN .....											
14,353,380	49,073,692	(42,304,434)	-	(1,842,516)	19,280,122	Balance as at January 01, 2019	1,000,000,000	3,238,831,229	(2,786,459,574)	-	1,452,371,655
						Total comprehensive income					
-	-	2,468,203	-	(530,165)	1,938,038	Profit for the year	-	-	191,187,042	-	191,187,042
-	-	-	-	(530,165)	1,938,038	Other comprehensive income	-	-	191,187,042	-	191,187,042
14,353,380	49,073,692	(39,836,231)	-	(2,372,681)	21,218,160	Balance as at December 31, 2019	1,000,000,000	3,238,831,229	(2,595,272,532)	-	1,643,558,697
14,353,380	49,073,692	(39,836,231)	-	(2,372,681)	21,218,160	Balance as at January 01, 2020	1,000,000,000	3,238,831,229	(2,595,272,532)	-	1,643,558,697
						Total comprehensive income					
-	-	3,712,384	-	74,218	3,786,602	Profit for the year	-	-	286,558,935	-	286,558,935
-	-	-	303,159	-	303,159	Other comprehensive income	-	-	-	23,400,840	23,400,840
-	-	3,712,384	303,159	74,218	4,089,761		-	-	286,558,935	23,400,840	309,959,775
14,353,380	49,073,692	(36,123,847)	303,159	(2,298,463)	25,307,921	Balance as at December 31, 2020	1,000,000,000	3,238,831,229	(2,308,713,597)	23,400,840	1,953,518,472

The annexed notes from 1 to 28 form an integral part of these financial statements.



Chief Executive Officer



Chairman (BoS)

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NEW KABUL BANK  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

31-Dec-2020	31-Dec-2019		31-Dec-2020	31-Dec-2019
..... USD .....			..... AFN .....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
4,640,485	3,245,076	Profit before tax	358,199,017	251,363,568
<b>Adjustments for:</b>				
196,808	133,879	Depreciation	8.2 15,191,620	10,370,270
-	-	Amortization of intangible assets	9 -	-
(26,353)	(2,188)	Amortization of deferred grant	14 (2,034,140)	(169,512)
(31,805)	-	Gain on sale of fixed assets	(2,455,000)	-
2,766	-	Assets written off	8.2 213,529	-
(314,419)	(341,922)	Adjustment for exchange (gain)/losses	19 (24,269,997)	(26,485,265)
4,467,482	3,034,844		344,845,029	235,079,061
<b>Increase/Decrease in Current Assets and Liabilities</b>				
386,622	298,510	Increase / (decrease) in other assets	10 29,843,388	23,122,598
(1,273,495)	2,415,448	Required Reserve with Da Afghanistan Bank	5.1.1 (98,301,112)	187,100,576
9,530,723	(14,656,420)	Changes in deposits from customers	13 735,676,524	(1,135,286,306)
(1,276,672)	1,777,615	Increase / (decrease) in other liabilities	15 (98,546,342)	137,694,041
11,834,660	(7,130,003)		913,517,487	(552,290,030)
(373,733)	(235,806)	Advance tax	(28,848,483)	(18,265,536)
11,460,927	(7,365,809)	<b>Net cash (used in)/ generated from operating activities</b>	884,669,004	(570,555,566)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(80,868)	(268,938)	Additions to Fixed Assets (Property & Equipment)	8.2 (6,242,180)	(20,831,943)
-	121,489	Assets received under government grant	14 -	9,410,503
31,805	-	Proceeds from disposal of fixed assets	2,455,000	-
(103,084)	-	Advance against capital commitment	8 (7,957,061)	-
(20,837,585)	(13,425,656)	Increase in investment in DAB capital notes	6 (1,608,453,216)	(1,039,951,312)
25,122,425	(5,824,942)	Changes in placements with domestic banks	7 1,939,200,000	(451,200,000)
4,132,693	(19,398,047)	<b>Net cash (used in)/ generated from investing activities</b>	319,002,543	(1,502,572,752)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
-	-		-	-
15,593,620	(26,763,856)	<b>Net changes in cash and cash equivalents</b>	1,203,671,547	(2,073,128,318)
75,066,028	101,226,307	<b>Cash and cash equivalents at beginning of the year</b>	5,794,346,664	7,840,989,717
314,419	341,922	Effect of exchange differences	24,269,997	26,485,265
90,974,067	74,804,373	<b>Cash and cash equivalents at end of the year</b>	5.3 7,022,288,208	5,794,346,664

The annexed notes from 1 to 28 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Chairman (BoS)