

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, 2021, 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, 2021, 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. 23 of the condensed interim financial statements, which describes that the prior period error was prospectively rectified (partially) in these financial statements instead of rectifying the error retrospectively due to the parametrization limitation of the banks' accounting system. 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.

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.

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 Global

Kabul.



NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

| 31-Dec-2021 | 31-Dec-2020 | | 31-Dec-2021 | 31-Dec-2020 |
|--------------------------------------|--------------------|-------------------------------------|-----------------------|-----------------------|
| USD | | | AFN | |
| ASSETS | | | | |
| 69,023,895 | 110,055,351 | Cash and bank balances | 7,147,424,342 | 8,495,172,551 |
| 40,347,828 | 146,071,576 | Investment in DAB capital notes | 4,178,017,555 | 11,275,264,971 |
| - | 10,000,000 | Placements with domestic banks | - | 771,900,000 |
| 551,902 | 1,008,535 | Property and equipment | 57,149,487 | 77,848,836 |
| - | - | Intangible assets | - | - |
| 10,011,194 | 10,365,003 | Other assets | 1,036,659,144 | 800,074,589 |
| 119,934,819 | 277,500,465 | Total Assets | 12,419,250,528 | 21,420,260,947 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| 14,353,380 | 14,353,380 | Share capital | 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 |
| (34,680,113) | (36,123,847) | Accumulated losses | (2,159,214,986) | (2,308,713,597) |
| 327,087 | 303,159 | Revaluation surplus | 25,878,621 | 23,400,840 |
| (8,740,924) | (2,298,463) | Currency translation loss | - | - |
| 20,333,122 | 25,307,921 | Total equity | 2,105,494,864 | 1,953,518,472 |
| LIABILITIES | | | | |
| 86,964,257 | 242,466,148 | Deposit from customers | 9,005,148,863 | 18,715,961,961 |
| 49,954 | 93,365 | Deferred grant | 5,172,711 | 7,206,851 |
| 62,479 | 75,790 | Deferred tax liability | 6,469,655 | 5,850,210 |
| 12,525,007 | 9,557,241 | Other liabilities | 1,296,964,435 | 737,723,453 |
| 99,601,697 | 252,192,544 | Total Liabilities | 10,313,755,664 | 19,466,742,475 |
| 119,934,819 | 277,500,465 | Total Equity and Liabilities | 12,419,250,528 | 21,420,260,947 |
| CONTINGENCIES AND COMMITMENTS | | | | |

The annexed notes from 1 to 29 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, 2021

| 31-Dec-2021 | 31-Dec-2020 | | Note | 31-Dec-2021 | 31-Dec-2020 |
|-----------------|--------------|--|------|-----------------|-----------------|
| USD | | | | AFN | |
| 2,524,397 | 3,291,638 | Interest income | | 261,401,330 | 254,081,511 |
| (73) | - | Interest expenses | | (7,525) | - |
| 2,524,324 | 3,291,638 | Net interest income | 17 | 261,393,805 | 254,081,511 |
| 7,303,655 | 15,267,042 | Income from fee and commission | | 756,293,433 | 1,178,462,969 |
| (33,240) | (69,359) | Expenses on fee and commission | | (3,442,025) | (5,353,794) |
| 7,270,415 | 15,197,683 | Net fee and commission income | 18 | 752,851,408 | 1,173,109,175 |
| 1,831,920 | 748,147 | Other operating income | 19 | 189,695,293 | 57,749,463 |
| 19,644 | 26,352 | Income recognized from / amortization of deferred grant | 14 | 2,034,140 | 2,034,140 |
| 11,646,303 | 19,263,820 | Net operating income | | 1,205,974,646 | 1,486,974,289 |
| (4,887,878) | (7,244,104) | Employee benefits & expenses | 20 | (506,139,816) | (559,172,367) |
| (419,379) | (196,808) | Depreciation | 8.2 | (43,426,689) | (15,191,620) |
| (82,274) | - | Revaluation deficit | | (8,519,476) | - |
| (139,539) | 9,285 | Provision against other assets | 10.3 | (14,449,220) | 716,690 |
| - | - | Provision against bank guarantees | | - | - |
| (4,312,566) | (7,191,708) | Other expenses | 21 | (446,566,181) | (555,127,975) |
| (9,841,636) | (14,623,335) | Total operating expenses | | (1,019,101,382) | (1,128,775,272) |
| 1,804,667 | 4,640,485 | Profit before tax | | 186,873,264 | 358,199,017 |
| (360,933) | (928,101) | Taxation | 22 | (37,374,653) | (71,640,082) |
| 1,443,734 | 3,712,384 | Net profit for the year | | 149,498,611 | 286,558,935 |
| | | Other Comprehensive Income (Items that will not be reclassified to profit or loss) | | | |
| 29,910 | 378,949 | Revaluation surplus (property & equipment) | | 3,097,226 | 29,251,050 |
| (5,982) | (75,790) | Deferred tax on revaluation surplus | | (619,445) | (5,850,210) |
| 23,928 | 303,159 | | 12 | 2,477,781 | 23,400,840 |
| 1,467,662 | 4,015,543 | Total Comprehensive income for the period | | 151,976,392 | 309,959,775 |
| 1.44 | 3.71 | Earnings per share (EPS) | | 149.50 | 286.56 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

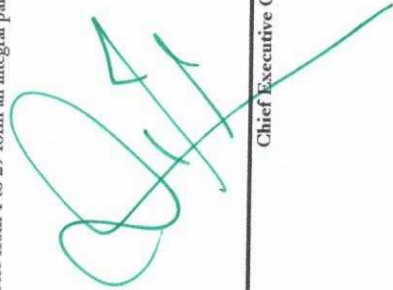
Chairman (BoS)

NEW KABUL BANK

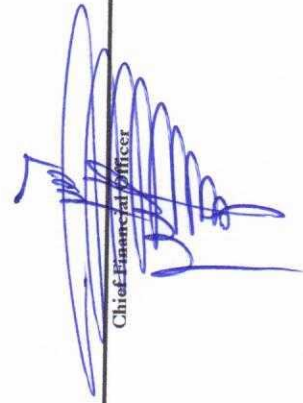
STATEMENT OF CHANGES IN EQUITY
OR THE YEAR ENDED DECEMBER 31, 2021

| Share Capital | Reserve from MoF | Accumulated Profit/(loss) | Surplus on Revaluation (Fixed Assets) | Currency translation loss / gain | Total |
|---------------------------------|------------------|---------------------------|---------------------------------------|----------------------------------|-------------|
| 14,353,380 | 49,073,692 | (39,836,231) | - | (2,372,681) | 21,218,160 |
| Balance as at January 01, 2020 | | | | | |
| - | - | 3,712,384 | - | 74,218 | 3,786,603 |
| - | - | - | 303,158.96 | - | 303,159 |
| - | - | 3,712,384 | 303,159 | 74,218 | 4,089,761 |
| Total comprehensive income | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 14,353,380 | 49,073,692 | (36,123,847) | 303,159 | (2,298,463) | 25,307,921 |
| Balance as at December 31, 2020 | | | | | |
| 14,353,380 | 49,073,692 | (36,123,847) | 303,159 | (2,298,463) | 25,307,921 |
| - | - | 1,443,734 | - | (6,442,461) | (4,998,727) |
| - | - | - | 23,928 | - | 23,928 |
| - | - | 1,443,734 | 23,928 | (6,442,461) | (4,974,799) |
| Total comprehensive income | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 14,353,380 | 49,073,692 | (34,680,113) | 327,087 | (8,740,924) | 20,333,122 |
| Balance as at December 31, 2021 | | | | | |

: annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Chairman (BoS)

165

NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

| 31-Dec-2021 | 31-Dec-2020 | | 31-Dec-2021 | 31-Dec-2020 |
|--|--------------|--|-----------------|-----------------|
| USD | | | AFN | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| 1,804,667 | 4,640,485 | Profit before tax | 186,873,264 | 358,199,017 |
| Adjustments for: | | | | |
| 419,379 | 196,808 | Depreciation | 43,426,689 | 15,191,620 |
| 82,274 | - | Revaluation deficit | 8,519,476 | - |
| (19,644) | (26,353) | Amortization of deferred grant | (2,034,140) | (2,034,140) |
| - | (31,805) | Gain on sale of fixed assets | - | (2,455,000) |
| - | 2,766 | Assets written off | - | 213,529 |
| (1,540,836) | (314,419) | Adjustment for exchange (gain)/losses | (159,553,599) | (24,269,997) |
| 745,840 | 4,467,482 | | 77,231,690 | 344,845,029 |
| Increase/Decrease in Current Assets and Liabilities | | | | |
| (2,274,408) | 386,622 | Increase / (decrease) in other assets | (235,514,961) | 29,843,388 |
| 7,455,171 | (1,273,495) | Required Reserve with Da Afghanistan Bank | 771,982,960 | (98,301,112) |
| (93,778,977) | 9,530,723 | Changes in deposits from customers | (9,710,813,098) | 735,676,524 |
| 5,436,888 | (1,276,672) | Increase / (decrease) in other liabilities | 562,989,707 | (98,546,342) |
| (82,415,486) | 11,834,660 | | (8,534,123,703) | 913,517,487 |
| (407,465) | (373,733) | Advance tax | (42,192,970) | (28,848,483) |
| (82,822,951) | 11,460,927 | Net cash (used in)/ generated from operating activities | (8,576,316,673) | 884,669,004 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| (105,759) | (80,868) | Additions to Fixed Assets (Property & Equipment) | (10,951,321) | (6,242,180) |
| - | - | Assets received under government grant | - | - |
| - | 31,805 | Proceeds from disposal of fixed assets | - | 2,455,000 |
| (166,087) | (103,084) | Advance against capital commitment | (17,198,270) | (7,957,061) |
| 68,539,328 | (20,837,585) | Increase in investment in DAB capital notes | 7,097,247,416 | (1,608,453,216) |
| 7,454,370 | 25,122,425 | Changes in placements with domestic banks | 771,900,000 | 1,939,200,000 |
| 75,721,852 | 4,132,693 | Net cash (used in)/ generated from investing activities | 7,840,997,825 | 319,002,543 |
| - | - | CASH FLOWS FROM FINANCING ACTIVITIES | - | - |
| (7,101,099) | 15,593,620 | Net changes in cash and cash equivalents | (735,318,848) | 1,203,671,547 |
| 67,815,434 | 75,066,028 | Cash and cash equivalents at beginning of the year | 7,022,288,208 | 5,794,346,664 |
| 1,540,836 | 314,419 | Effect of exchange differences | 159,553,599 | 24,269,997 |
| 62,255,171 | 90,974,067 | Cash and cash equivalents at end of the year | 6,446,522,959 | 7,022,288,208 |

The annexed notes from 1 to 29 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Chairman (BoS)