

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NEW KABUL BANK**

Qualified Opinion

We have audited the accompanying financial statements of New Kabul Bank (the Bank), which comprise the statement of financial position as at December 31, 2022, 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, except for the effects of matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, 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), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank (DAB).

Basis for Qualified Opinion

The Bank has been acting as agent for Western Union for home remittance services receiving US Dollars (USDs) from Western Union and paying equivalent Afghani (AFN) to the customers in Afghanistan.

During the audit we noted that the Bank is maintaining two separate account heads for recording of transactions related to Western Union as follows;

a. Remittance in transit – inwards (presented in note 9 to the financial statements)

This account is used to record payments made to customers in AFN i.e. whenever payment is made to customer on behalf of Western Union an equivalent amount is debited to this account in AFN as receivable. As at the December 31, 2022 an amount of AFN 700.74 million (2021: AFN 324.92 million) is appearing as receivable from Western Union.

b. Remittance in transit – outwards (presented in note 14 to the financial statements)

This account is used to record actual receipts from Western Union in USD i.e. whenever payment is received from Western Union an equivalent amount is credited to this account in USD as payable. As at the December 31, 2022 an amount of USD 6.67 million (2021: USD 3.12 million) equivalent to AFN 595.16 million (2021: AFN 323.12 million) is appearing as payable to Western Union.

Accounting and Financial Reporting Issues:

- (i) The Bank has not treated balances of the above two accounts as per IAS 21 "The Effects of Changes in Foreign Exchange Rates" that requires "a foreign currency transaction to be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction".

Both accounts being similar in nature and from the same counter party are required to be net off to reflect the net amount of receivable or payable by applying the exchange rate at the reporting date, in case it is in foreign currency.

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Impact on the financial statements:

- (i) Based on accounting principles management should net off the receivable and payable accounts created above and should present in the financial statements on a net basis; actual balance receivable from Western Union at the reporting date is USD 5,406 (2021: USD 5,099) equivalent to AFN 482,269 (2021: AFN 528,001).
- (ii) Had the correct accounting been done, Remittance in transit – inwards (presented in note 9 to the financial statements) and Remittance in transit – outwards (presented in note 14 to the financial statements) would have been reduced by AFN 700.25 million (2021: AFN 324.38 million) and AFN 595.16 million (2021: AFN 323.12 million) respectively and the profit before tax would have been reduced by AFN 105.09 million for the year.

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 International Ethics Standards 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.

Other Matter

The annual financial statements of the Bank for the year ended on December 31, 2021, were audited by another auditor who had expressed unmodified opinion on those financial statements.

Other Information

In connection with our audit of the financial statements, we have been informed by management that there is no other information that is attached by them along with the financial statements and our auditor's report thereon.

Responsibilities of the 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 issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, 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, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Auditors' 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 the 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.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Shafiq, FCA.

UHY Shafiq Umar Daraz & Co.
Chartered Accountants
Date: *March 18, 2023*
Kabul, Afghanistan

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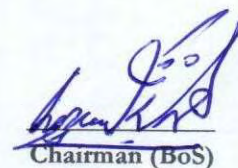
NEW KABUL BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	31-Dec-2022 AFN	31-Dec-2021
ASSETS			
Cash and bank balances	5	10,346,550,068	7,147,424,342
Investment in DAB capital notes	6	-	4,178,017,555
Property and equipment	7	75,908,696	57,149,487
Intangible assets	8	-	-
Other assets	9	1,397,361,206	1,036,659,144
Total Assets		11,819,819,970	12,419,250,528
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	1,000,000,000	1,000,000,000
Reserve from MoF		3,238,831,229	3,238,831,229
Accumulated losses		(2,152,629,079)	(2,159,214,986)
Revaluation surplus	11	25,878,621	25,878,621
Total equity		2,112,080,771	2,105,494,864
LIABILITIES			
Deposit from customers	12	8,295,724,543	9,005,148,863
Deferred grant	13	3,170,246	5,172,711
Deferred tax liability	11	6,469,655	6,469,655
Other liabilities	14	1,402,374,755	1,296,964,435
Total Liabilities		9,707,739,199	10,313,755,664
Total Equity and Liabilities		11,819,819,970	12,419,250,528
CONTINGENCIES AND COMMITMENTS	15		VHT.

The annexed notes from 01 to 27 form integral part of these financial statements


 Chief Financial Officer


 Chief Executive Officer


 Chairman (BoS)

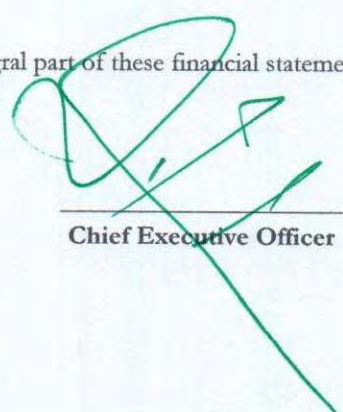
NEW KABUL BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

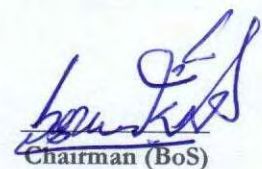
		31-Dec-2022	31-Dec-2021
	Note AFN	
Interest income	16	134,733	261,401,330
Interest expenses		-	(7,525)
Net interest income		134,733	261,393,805
Income from fee and commission	17	673,758,423	756,293,433
Expenses on fee and commission		(1,288,934)	(3,442,025)
Net fee and commission income		672,469,489	752,851,408
Other operating income	18	86,379,518	30,141,694
Amortization of deferred grant	13	2,002,465	2,034,140
Foreign exchange (loss) / gain		(67,402,921)	159,553,599
Net operating income		693,583,284	1,205,974,646
Employee benefits & expenses	19	(353,032,355)	(506,139,816)
Depreciation	7.2	(18,783,853)	(43,426,689)
Depreciation on right of use assets	7.6	(51,702,154)	-
Revaluation deficit		-	(8,519,476)
Provision against other assets	9.3	(3,805,447)	(14,449,220)
Other expenses	20	(258,027,091)	(446,566,181)
Total operating expenses		(685,350,900)	(1,019,101,382)
Profit before tax		8,232,384	186,873,264
Taxation	21	(1,646,477)	(37,374,653)
Net Profit for the year		6,585,907	149,498,611
Other Comprehensive Income (Items that will not be reclassified to profit or loss)			
Revaluation surplus (property & equipment)		-	3,097,226
Deferred tax on revaluation surplus		-	(619,445)
		-	2,477,781
Total Comprehensive Income for the year		6,585,907	151,976,392
Earnings per share (EPS)		6.59	149.50

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 Chief Financial Officer


 Chief Executive Officer


 Chairman (BoS)

**NEW KABUL BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share capital	Reserve from MoF	Accumulated losses	Surplus on Revaluation (Fixed Assets)	Total
Balance as at January 01, 2021	1,000,000,000	3,238,831,229	(2,308,713,597)	23,400,840	1,953,518,472
Total comprehensive income	-	-	149,498,611	-	149,498,611
Profit for the year	-	-	-	2,477,781	2,477,781
Other comprehensive income	-	-	149,498,611	2,477,781	151,976,392
Balance as at December 31, 2021	1,000,000,000	3,238,831,229	(2,159,214,986)	25,878,621	2,105,494,864
Balance as at January 01, 2022	1,000,000,000	3,238,831,229	(2,159,214,986)	25,878,621	2,105,494,864
Total comprehensive income	-	-	6,585,907	-	6,585,907
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	6,585,907	-	6,585,907
Balance as at December 31, 2022	1,000,000,000	3,238,831,229	(2,152,629,079)	25,878,621	2,112,080,771

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Chief Financial Officer

Chief Executive Officer

Chairman (BoS)

V.H.Y.

NEW KABUL BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	31-Dec-2022	31-Dec-2021
Note AFN	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,232,384	186,873,264
Adjustments for:		
Depreciation	7.2 18,783,853	43,426,689
Depreciation on right of use assets	7.6 51,702,154	-
Revaluation deficit	-	8,519,476
Amortization of deferred grant	13 (2,002,465)	(2,034,140)
Gain on sale of fixed assets	(3,151,439)	-
Exchange loss / (gain)	67,402,921	(159,553,599)
	140,967,408	77,231,690
Working capital changes		
Other assets	9 (362,289,644)	(235,514,961)
Required Reserve with Da Afghanistan Bank	5.1.1 263,474,761	771,982,960
Deposits from customers	12 (709,424,320)	(9,710,813,098)
Other liabilities	14 105,322,080	562,989,706
	(561,949,715)	(8,534,123,703)
Advance tax	29,345	(42,192,970)
Net cash used in operating activities	(561,920,370)	(8,576,316,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property & equipment	7.2 (8,171,702)	(10,951,321)
Additions in right of use assets	(83,710,755)	-
Proceeds from disposal of property & equipment	3,193,269	-
Advance against capital commitment	7 2,595,411	(17,198,270)
Decrease in investment in DAB capital notes	6 4,178,017,555	7,097,247,416
Changes in placements with domestic banks	-	771,900,000
Net cash generated from investing activities	4,091,923,778	7,840,997,825
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase / (decrease) in cash and cash equivalents	3,530,003,408	(735,318,848)
Cash and cash equivalents at beginning of the year	6,446,522,959	7,022,288,208
Effect of exchange differences	(67,402,921)	159,553,599
Cash and cash equivalents at end of the year	5.3 9,909,123,446	6,446,522,959

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Chief Financial Officer

Chief Executive Officer

Chairman (BoS)