



Audited Consolidated Financial Statements

for Azizi Bank

(For the year ended December 31, 2020)

Confidential

MGI ILYAS SAEED CHARTERED ACCOUNTANTS

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Date: March 02, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Azizi Bank (Group)

Opinion

We have audited the consolidated financial statements of **Azizi Bank** (the Holding Bank) and its subsidiary, **Islamic Bank of Afghanistan** (together hereinafter referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and with the requirements of the Law of Banking in Afghanistan along with Laws and Regulations issued by Da Afghanistan Bank (DAB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Board of Supervisors is responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Supervisors 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.

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Muhammad Abdul Basit – ACA, CIA, CISA & APRM
Engagement Partner
Ilyas Saeed Chartered Accountants
Kabul, Afghanistan.
Dated:

AZIZI BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020AFN '000'.....	2019
Assets			
Cash and cash equivalents	5	36,154,022	36,690,534
Loans and advances / Islamic Financing & Related Assets	6	5,319,330	7,634,111
Investments	7	26,671,751	16,362,635
Investment in Afghanistan Payment System / Other investment	8	-	138,841
Property and equipment	9	1,971,909	1,925,677
Intangible assets	10	305,486	329,753
Non current assets held for sale / Investment in Real Estate	11	363,609	364,349
Deferred tax asset	12	65,198	76,440
Other assets	13	4,600,832	3,268,006
Total assets		75,452,137	66,790,346
Liabilities			
Deposits from banks	14	3,694	3,742
Deposits from customers	15	54,846,989	49,608,925
Due to Financial Institutions		1,161,750	1,418,040
Current tax liability	17	42,819	121,807
Deferred Tax Liability		630	-
Other liabilities	18	1,185,706	993,846
Total liabilities		57,241,588	52,146,360
Equity of Unrestricted Investment Account Holders	16	11,919,962	8,729,230
Owner's equity			
Share capital	19	5,367,400	5,367,400
Retained earnings		923,187	547,356
		6,290,587	5,914,756
		75,452,137	66,790,346
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The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

 Chairman
  Chief Executive Officer
  Chief Financial Officer

AZIZI BANK
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	NoteAFN '000'.....	
Interest income / Deferred sales and diminishing musharaka rentals	20	1,096,215	1,372,208
Profit on Islamic investment	21	234,023	121,583
Interest expense	22	(356,172)	(388,704)
Return on unrestricted investment accounts	23	(180,947)	(187,431)
Net interest income / Bank share as mudarib		793,119	917,656
Fee and commission income / Revenue from banking services	24	1,633,628	1,721,881
Fee and commission expense / Expense on banking services		(69,236)	(62,358)
Net fee and commission income / income from banking services		1,564,392	1,659,523
Operating income		2,357,511	2,577,179
Employee benefit expenses	25	(1,120,734)	(1,005,869)
Depreciation and amortization	9&10	(356,542)	(356,892)
Operating lease expenses		(110,227)	(101,036)
Other expenses	26	(1,384,479)	(1,334,279)
Operating expenses		(2,971,982)	(2,798,076)
Provision for impairment - net	6	(534,667)	(273,762)
Foreign exchange gain		686,129	779,667
Gain on disposal of non-current asset held for sale		1,874	1,004
Other non-operating income		764,529	460,801
Non-operating income		1,452,532	1,241,472
Profit before taxation		303,394	746,813
Taxation	27	(60,679)	(322,145)
Profit for the year		242,715	424,668
Other comprehensive income:		118,917	14,022
Items that are or may be reclassified to profit or loss;			
Surplus / Deficit on revaluation of available for sale investments		3,149	(14,601)
Related Deferred tax		(630)	2,920
		121,436	2,341
Total comprehensive income for the year		364,151	427,009

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

AZIZI BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Retained earning	Total
AFN '000'.....		
Balance as at January 01, 2019	5,367,400	80,914	5,448,314
Profit for the year	-	424,845	424,845
Other Comprehensive Income	-	41,597	41,597
Balance as at December 31, 2019	<u>5,367,400</u>	<u>547,356</u>	<u>5,914,756</u>
Balance as at January 01, 2020	5,367,400	547,356	5,914,756
Profit for the year	-	242,715	242,715
Other Comprehensive Income	-	121,436	121,436
Equity Proportionate - Prior Periods	-	11,680	11,680
Balance as at December 31, 2020	<u>5,367,400</u>	<u>923,187</u>	<u>6,290,587</u>

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Chairman

Chief Executive Officer




Chief Financial Officer

AZIZI BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020AFN '000'.....	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		303,394	746,813
Adjustments for:			
Impairment loss on loans and advances/ Impairment (gain)/ loss on financing		513,556	267,645
Depreciation		302,303	299,872
Amortization on intangible assets		54,239	57,021
Provision against non-funded facilities		-	-
Gain on sale of property and equipment		(1,874)	(1,004)
Accrued Profits on cash & cash equivalents		121,450	-
Unwinding of lease liability discount		17,271	20,504
Foreign exchange gain		(76,370)	(111,092)
		<u>1,233,969</u>	<u>1,279,759</u>
Increase / decrease in operating assets and liabilities:			
Loans and advances to customers / Murabaha receivables		1,818,367	344,191
Other assets		(1,331,289)	(576,125)
Right of use assets		(128,484)	(488,831)
Required reserve with DAB		(683,233)	(525,245)
Deposits from banks / Current Accounts from banks		(48)	118
Deposits from customers / Current Accounts from customers and unrestricted funds		8,428,797	8,782,287
Short term financing - Shuaa Capital		(256,290)	1,041,490
Other liabilities		187,816	85,443
Net cash generated from / (used in) operating activities before taxation		<u>9,269,605</u>	<u>9,943,087</u>
Taxes paid / collected		(136,116)	(227,238)
Net cash generated from / (used in) operating activities		<u>9,133,489</u>	<u>9,715,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made / investments divested		(10,315,858)	(1,735,323)
Investments in subsidiary and Afghanistan payment system		19,665	(748)
Purchase of property and equipment		(302,600)	(371,118)
Purchase of intangible assets / Islamic Banking - development cost		94,835	27,534
Non-current assets held for sale / Investment in Real Estate		740	52,827
Proceed from sale of property and equipment		86,841	2,744
Net cash generated from investing activities		<u>(10,416,377)</u>	<u>(2,024,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease Liability		131,499	465,054
Payment against lease liability		(144,727)	(118,331)
Issuance/Redemption of share capital		-	-
Net cash generated from financing activities		<u>(13,228)</u>	<u>346,723</u>
Net increase in cash and cash equivalents		<u>(1,296,116)</u>	<u>8,038,488</u>
Net cash and cash equivalents at beginning of the year		32,289,595	24,139,838
Effect of exchange rate changes		76,370	111,269
Cash and cash equivalents at the end of the year	5	<u>31,069,849</u>	<u>32,289,595</u>

The annexed notes 1 to 33 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer