

AZIZI BANK

**Annual Audit of the Financial
Statements for the year ended**

31 December 2021

Independent Auditors' Report

To the shareholders of Azizi Bank

Opinion

We have audited the financial statements of Azizi Bank ("the Bank"), which comprise the statement of financial position as at 31 December 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 give true and fair view of the financial position of the Bank as at 31 December 2021, 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.

Basis of 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.

Material Uncertainty Relating to Going Concern

We draw attention to note 1.2 to the financial statements, which indicates that there is substantial reduction in major streams of income of the Bank including interest income on Capital Notes and overnight deposits held with the Da Afghanistan Bank. The Bank has taken measures to reduce expenses in line with expected income of the Bank, nonetheless fee and commission income has improved subsequent to the year end. Further, the Bank secured commitment from the shareholders to ensure liquidity and to fund the obligations as they may fall due. These necessary steps were taken due to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

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 IFRSs, and for such internal controls as management determine are 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 Responsibilities for the Audit of 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, 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.

Other Matter

The financial statements for the year ended 31 December 2020 were audited by another auditor who expressed unqualified audit opinion on the financial statements for the year ended 31 December 2020 on 1 March 2021.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Najmussaib Shah – FCA.

Crowe Horwath Afghanistan

Crowe Horwath Afghanistan

Place: Kabul, Afghanistan

Date:



AZIZI BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		2021	2020
	Note AFN '000'	
ASSETS			
Cash and bank balances	5	8,547,577	20,030,374
Loans and advances to customers	6	4,442,038	4,820,150
Investments	7	706,530	17,432,874
Investment in subsidiary	8	1,775,000	1,775,000
Property and equipment	9	1,386,823	1,519,023
Intangible assets	10	32,374	43,932
Non-current assets held for sale	11	268,066	268,066
Other assets	12	1,734,636	1,471,091
Total assets		18,893,044	47,360,509
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	13	4,936	3,694
Deposits from customers	14	11,839,153	40,165,485
Deferred tax		-	630
Current tax liability	15	-	42,819
Other liabilities	16	584,560	615,957
Total liabilities		12,428,649	40,828,585
Equity			
Share capital	17	5,367,400	5,367,400
Revaluation surplus / deficit on available for sale investments		-	2,519
Retained earnings		1,096,995	1,162,005
Total equity		6,464,395	6,531,924
Total equity and liabilities		18,893,044	47,360,509
CONTINGENCIES AND COMMITMENTS			
	18		

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

		
Chairman	Deputy Chief Executive Officer	Chief Financial Officer

AZIZI BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

		2021	2020
	Note AFN '000'	
Interest income	19	489,014	984,851
Interest expense	19	(350,642)	(356,172)
Net interest income		138,372	628,679
Fee and commission income	20	1,008,051	1,491,108
Fee and commission expense	20	(32,473)	(35,145)
Net fee and commission income		975,578	1,455,963
Operating income		1,113,950	2,084,642
Net impairment loss on loans and advances	6	(458,893)	(496,414)
Employee benefit expenses	21	(807,661)	(775,302)
Depreciation on fixed assets	9	(246,310)	(245,269)
Amortization of intangible assets	10	(19,423)	(16,980)
Finance cost on leases		(15,142)	(17,271)
Office rent expense		(12,733)	(10,767)
Other expenses	22	(867,821)	(904,967)
Operating expenses		(2,427,983)	(2,466,970)
Foreign exchange gain - net		978,962	76,370
Gain on disposal of property and equipment		-	1,874
Other operating income	23	303,017	565,863
Non-operating income		1,281,979	644,107
Profit before taxation		(32,054)	261,779
Taxation	24	(32,956)	(52,356)
Profit for the year		(65,010)	209,423
Other comprehensive income			
<i>Items that may be reclassified to profit or loss;</i>			
Surplus on revaluation of available for sale investments		-	3,149
Related Deferred tax		-	(630)
		-	2,519
Total comprehensive income for the year		(65,010)	211,942
Earnings per share (AFN)		(121)	390

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

 Chairman	 Deputy Chief Executive Officer	 Chief Financial Officer
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AZIZI BANK**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED DECEMBER 31, 2021**

	Share capital	Revaluation reserve on financial instrument at FVOCI	Retained earnings	Total
 AFN '000'			
Balance as at January 01, 2020	5,367,400	(11,681)	952,582	6,308,301
Profit for the year	-	-	209,423	209,423
Other comprehensive income:				
Fair value reserve	-	17,750	-	17,750
Related tax	-	(3,550)	-	(3,550)
Total comprehensive income	-	14,200	209,423	223,623
Balance as at December 31, 2020	5,367,400	2,519	1,162,005	6,531,924
Balance as at January 01, 2021	5,367,400	2,519	1,162,005	6,531,924
Profit for the year	-	-	(65,010)	(65,010)
Other comprehensive income:				
Fair value reserve	-	(3,149)	-	(3,149)
Related tax	-	630	-	630
Total comprehensive income	-	(2,519)	(65,010)	(67,529)
Balance as at December 31, 2021	5,367,400	-	1,096,995	6,464,395




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

		
Chairman	Deputy Chief Executive Officer	Chief Financial Officer

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

		2021	2020
		AFN '000'	
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		(32,054)	261,779
Adjustments for:			
Gain on disposal of property and equipment		-	(1,874)
Depreciation	9	246,310	245,269
Amortization	10	19,423	16,980
Net impairment loss on loans and advances	6.6	458,893	496,414
Unwinding of discount related to lease liability		15,142	17,271
Foreign exchange gain		(978,962)	(76,370)
		(271,248)	959,469
Increase / decrease in operating assets and liabilities:			
Loans and advances to customers		(80,781)	1,524,148
Other assets		(263,548)	(49,316)
Right of use assets		(19,816)	(128,484)
Required deposits with DAB		2,293,686	(105,183)
Deposits from banks		1,242	(48)
Deposits from customers		(28,326,332)	152,545
Other liabilities		51,745	106,228
		(26,615,052)	2,459,359
Tax paid		(76,402)	(127,793)
Net cash (used in) / generated from operating activities		(26,691,455)	2,331,566
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment made / investments divested		16,723,825	(4,951,996)
Purchase of property and equipment		(128,209)	(268,788)
Purchase of intangible assets		(7,865)	(27,555)
Proceeds from sale of property and equipment		33,914	86,841
Investment in subsidiary and APS		-	19,665
Net cash generated from / (used in) investing activities		16,621,666	(5,141,833)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability		17,065	131,499
Payment against lease liability		(115,349)	(144,727)
Net cash used in financing activities		(98,284)	(13,228)
Net increase in cash and cash equivalents		(10,168,073)	(2,823,497)
Cash and cash equivalents at beginning of the year		16,889,276	19,636,403
Effect of exchange rate changes		978,962	76,370
Cash and cash equivalents at the end of the year	5	7,700,165	16,889,276

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

		
Chairman	Deputy Chief Executive Officer	Chief Financial Officer