

AZIZI BANK

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

31 December 2021

Independent Auditors' Report

To the shareholders of Azizi Bank ("the 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 31 December 2021, 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 give true and fair view of the financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of Islamic Bank of Afghanistan, the Law of Banking in Afghanistan and directives 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 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.

Material Uncertainty Relating to Going Concern

We draw attention to note 1.2 to the consolidated financial statements, which indicates that there is substantial reduction in major streams of income of the Group including interest income on Capital Notes and overnight deposits held with the Da Afghanistan Bank. The Group has taken measures to reduce expenses in line with expected income of the Group, nonetheless fee and commission income has improved subsequent to the year end. Further, the Group 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 Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.



Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and FAS, and for such internal controls as management determine are 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of 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, 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.

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 consolidated financial statements for the year ended 31 December 2020 were audited by another auditor who expressed unqualified audit opinion on the consolidated financial statements for the year ended 31 December 2020 on 2 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
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021AFN '000'.....	2020
Assets			
Cash and cash equivalents	5	16,722,294	36,154,022
Receivable from financial institutions		1,000,000	-
Loans and advances / Islamic financing & related assets	6	5,037,099	5,319,330
Investments	7	11,238,214	26,671,751
Property and equipment	8	1,805,624	1,971,909
Intangible assets	9	208,718	305,486
Non current assets held for sale / Investment in real estate	10	380,986	363,609
Deferred tax asset	11	65,198	65,198
Other assets	12	4,529,081	4,600,832
Total assets		40,987,214	75,452,137
Liabilities			
Deposits from banks	13	4,936	3,694
Deposits from customers	14	17,383,650	54,846,989
Due to Financial Institutions		7,647,911	1,161,750
Current tax liability	16	29,867	42,819
Deferred Tax Liability		-	630
Other liabilities	17	1,284,446	1,185,706
Total liabilities		26,350,810	57,241,588
Equity of unrestricted investment account holders	15	8,245,708	11,919,962
Owner's equity			
Share capital	18	5,367,400	5,367,400
Retained earnings		1,023,296	923,187
		6,390,696	6,290,587
		40,987,214	75,452,137

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 32 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, 2021**

	Note	2021AFN '000'.....	2020
Interest income / Deferred sales and diminishing musharaka rentals	20	554,044	1,096,215
Profit on Islamic investment	21	369,371	234,023
Interest expense	22	(350,642)	(356,172)
Return on unrestricted investment accounts	23	(256,511)	(180,947)
Net interest income / Bank share as mudarib		316,262	793,119
Fee and commission income / Revenue from banking services	24	1,088,307	1,633,628
Fee and commission expense / Expense on banking services		(73,265)	(69,236)
Net fee and commission income / income from banking services		1,015,042	1,564,392
Operating income		1,331,304	2,357,511
Employee benefit expenses	25	(1,171,839)	(1,120,734)
Depreciation and amortization	8 & 9	(409,993)	(356,542)
Finance cost on leases		(15,142)	-
Operating lease expenses		(106,874)	(110,227)
Other expenses	26	(1,296,467)	(1,384,479)
Operating expenses		(3,000,315)	(2,971,982)
Provision for impairment - net	6.3	(478,112)	(534,667)
Foreign exchange gain		1,800,192	686,129
Gain on disposal of non-current asset held for sale		-	1,874
Other non-operating income		464,212	764,529
Non-operating income		2,264,404	1,452,532
Profit before taxation		117,281	303,394
Taxation	27	(62,823)	(60,679)
Profit for the year		54,458	242,715
Other comprehensive income:		48,170	118,917
Items that are or may be reclassified to profit or loss;			
Surplus / Deficit on revaluation of available for sale investments		-	3,149
Related Deferred tax		-	(630)
		48,170	121,436
Total comprehensive income for the year		102,628	364,151

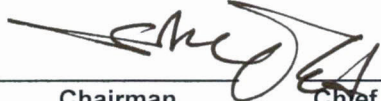
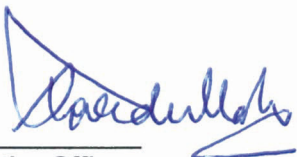

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 Chairman
 Chief Executive Officer
 Chief Financial Officer

AZIZI BANK**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Share capital	Retained earning	Total
AFN '000'.....		
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
	-	375,831	375,831
Balance as at December 31, 2020	<u>5,367,400</u>	<u>923,187</u>	<u>6,290,587</u>
Balance as at January 01, 2021	5,367,400	923,187	6,290,587
Profit for the year	-	54,458	54,458
Other Comprehensive Income	-	48,170	48,170
Equity Proportionate - Prior Periods	-	(2,519)	(2,519)
	-	100,109	100,109
Balance as at December 31, 2021	<u>5,367,400</u>	<u>1,023,296</u>	<u>6,390,696</u>


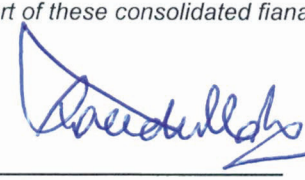

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 _____ Chairman	 _____ Chief Executive Officer	 _____ Chief Financial Officer
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AZIZI BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021AFN '000'.....	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		117,281	303,394
Adjustments for:			
Impairment loss on loans and advances/ Impairment (gain)/ loss on financing		472,191	513,556
Depreciation		303,556	302,303
Amortization on intangible assets		106,437	54,239
Gain on sale of property and equipment		-	(1,874)
Accrued Profits on cash & cash equivalents		-	121,450
Unwinding of lease liability discount		15,142	17,271
Foreign exchange gain		(978,962)	(76,370)
		<u>35,645</u>	<u>1,233,969</u>
Increase / decrease in operating assets and liabilities:			
Loans and advances to customers / Murabaha receivables		(176,662)	1,818,367
Other assets		71,748	(1,331,289)
Right of use assets		(19,816)	(128,484)
Receivable from financial institutions		(1,000,000)	-
Required reserve with DAB		3,228,732	(683,233)
Deposits from banks / Current Accounts from banks		1,242	(48)
Deposits from customers / Current Accounts from customers and unrestricted funds		(41,137,593)	8,428,797
Due to Financial Institutions		6,486,161	(256,290)
Other liabilities		<u>183,278</u>	<u>187,816</u>
Net cash generated from / (used in) operating activities before taxation		<u>(32,327,265)</u>	<u>9,269,605</u>
Taxes paid / collected		(46,536)	(136,116)
Net cash generated from / (used in) operating activities		<u>(32,373,801)</u>	<u>9,133,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments made / investments divested		15,434,626	(10,315,858)
Investments in subsidiary and Afghanistan payment system		-	19,665
Purchase of property and equipment		(151,367)	(302,600)
Purchase of intangible assets / Islamic Banking - development cost		(9,669)	94,835
Non-current assets held for sale / Investment in Real Estate		(17,377)	740
Proceed from sale of property and equipment		33,914	86,841
Net cash generated from investing activities		<u>15,290,127</u>	<u>(10,416,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease Liability		17,065	131,499
Payment against lease liability		(115,349)	(144,727)
Issuance/Redemption of share capital		-	-
Net cash generated from financing activities		<u>(98,284)</u>	<u>(13,228)</u>
Net increase in cash and cash equivalents		<u>(17,181,958)</u>	<u>(1,296,116)</u>
Net cash and cash equivalents at beginning of the year		31,069,849	32,289,595
Effect of exchange rate changes		978,962	76,370
Cash and cash equivalents at the end of the year	5	<u>14,866,853</u>	<u>31,069,849</u>

The annexed notes 1 to 32 form an integral part of these consolidated financial statements.

 _____ Chairman	 _____ Chief Executive Officer	 _____ Chief Financial Officer
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