



# Audited Financial Statements

*for Azizi Bank*

*(For the year ended December 31, 2020)*

**Confidential**

**MGI ILYAS SAEED CHARTERED ACCOUNTANTS**

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Date: March 01, 2021

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Azizi Bank

### Opinion

We have audited the financial statements of **Azizi Bank - AZB (the Bank)**, which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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) 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 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.

### Responsibilities of 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, 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 is responsible for overseeing the Bank's financial reporting process.

### **Auditor's 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 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 of the Bank 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.

*mgj DSCA*



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

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

	Note	2020 ..... AFN '000' .....	2019
<b>ASSETS</b>			
Cash and bank balances	5	20,030,374	22,672,318
Loans and advances to customers	6	4,820,150	6,840,712
Investments	7	17,432,874	12,466,678
Investment in subsidiary	8	1,775,000	1,775,000
Investment in APS	9	-	19,665
Property and equipment	10	1,519,023	1,451,985
Intangible assets	11	43,932	33,357
Non-current assets held for sale	12	268,066	268,066
Deferred tax		-	2,920
Other assets	13	1,471,091	1,421,775
<b>Total assets</b>		<b>47,360,509</b>	<b>46,952,476</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits from banks	14	3,694	3,742
Deposits from customers	15	40,165,485	40,012,940
Deferred tax		630	-
Current tax liability	16	42,819	121,807
Other liabilities	17	615,957	505,686
<b>Total liabilities</b>		<b>40,828,585</b>	<b>40,644,175</b>
<b>Equity</b>			
Share capital	18	5,367,400	5,367,400
Revaluation surplus / deficit on available for sale investments		2,519	(11,681)
Retained earnings		1,162,005	952,582
<b>Total equity</b>		<b>6,531,924</b>	<b>6,308,301</b>
<b>Total equity and liabilities</b>		<b>47,360,509</b>	<b>46,952,476</b>

**CONTINGENCIES AND COMMITMENTS**

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*The annexed notes 1 to 30 form an integral part of these financial statements.*

		
Chairman	Chief Executive Officer	Chief Financial Officer

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

	Note	2020 ..... AFN '000' .....	2019
Interest income	20	984,851	1,193,554
Interest expense	20	(356,172)	(388,704)
<b>Net interest income</b>		<b>628,679</b>	<b>804,850</b>
Fee and commission income	21	1,491,108	1,538,890
Fee and commission expense	21	(35,145)	(34,762)
<b>Net fee and commission income</b>		<b>1,455,963</b>	<b>1,504,128</b>
<b>Operating income</b>		<b>2,084,642</b>	<b>2,308,978</b>
Net impairment (loss) on loans and advances	6	(496,414)	(256,970)
Provision against time deposits, accrued interest, account receivable and non-funded facilities		-	-
Employee benefit expenses	22	(775,302)	(696,655)
Depreciation on fixed assets	10	(245,269)	(242,753)
Amortization of intangible assets	11	(16,980)	(16,775)
Office rent expense		(10,767)	(9,179)
Other expenses	23	(922,238)	(851,781)
<b>Operating expenses</b>		<b>(2,466,970)</b>	<b>(2,074,113)</b>
Foreign Exchange Gain		76,370	111,269
Gain on disposal of property and equipment		1,874	1,004
Other operating income	24	565,863	271,181
<b>Non-operating income</b>		<b>644,107</b>	<b>383,454</b>
<b>Profit before taxation</b>		<b>261,779</b>	<b>618,319</b>
Taxation	25	(52,356)	(296,411)
<b>Profit for the year</b>		<b>209,423</b>	<b>321,908</b>
Other comprehensive income:			
<b>Items that are or may be reclassified to profit or loss;</b>		<b>3,149</b>	<b>(14,601)</b>
Surplus / Deficit on revaluation of available for sale investments		(630)	2,920
Related Deferred tax		2,519	(11,681)
<b>Total comprehensive income for the year</b>		<b>211,942</b>	<b>310,227</b>
<b>Earnings per share (AFN)</b>		<b>390</b>	<b>600</b>

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Chairman



Chief Executive Officer



Chief Financial Officer

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

	Share capital	Surplus / (Deficit) on revaluation of available for sale investments	Retained earnings	Total
	..... AFN '000' .....			
Balance as at January 01, 2019	5,367,400	(38,780)	630,674	5,959,294
Profit for the year	-	-	321,908	321,908
Other comprehensive income:				
Fair value reserve	-	33,874	-	33,874
Related tax	-	(6,775)	-	(6,775)
Total comprehensive income	-	27,099	321,908	349,007
Transactions with owners				
Ordinary share issue/Redemption	-	-	-	-
Balance as at December 31, 2019	<u>5,367,400</u>	<u>(11,681)</u>	<u>952,582</u>	<u>6,308,301</u>
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
Transactions with owners				
Ordinary share issue/Redemption	-	-	-	-
Balance as at December 31, 2020	<u>5,367,400</u>	<u>2,519</u>	<u>1,162,005</u>	<u>6,531,924</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

  
 Chairman

  
 Chief Executive Officer

  
 Chief Financial Officer

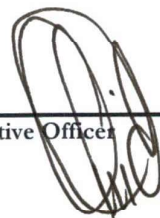
**AZIZI BANK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
Note	..... AFN '000'	.....
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	261,779	618,319
<b>Adjustments for:</b>		
Gain on disposal of property and equipment	(1,874)	(1,004)
Depreciation	245,269	242,753
Amortization	16,980	16,775
Net impairment (reversal)/loss on loans and advances	496,414	256,970
Unwinding of discount related to lease liability	17,271	20,504
Foreign exchange gain	(76,370)	(111,269)
	<b>959,469</b>	<b>1,043,048</b>
<b>Increase / decrease in operating assets and liabilities:</b>		
Loans and advances to customers	1,524,148	288,129
Other assets	(49,316)	43,838
Right of use assets	(128,484)	(488,831)
Required deposits with DAB	(105,183)	(225,072)
Deposits from banks	(48)	118
Deposits from customers	152,545	5,734,101
Other liabilities	106,228	(40,900)
	<b>2,459,359</b>	<b>6,354,431</b>
Tax paid	(127,793)	(201,503)
<b>Net cash generated from operating activities</b>	<b>2,331,566</b>	<b>6,152,928</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment made / investments divested	(4,951,996)	430,988
Purchase of property and equipment	(268,788)	(161,037)
Non-current assets held for sale	-	39,741
Purchase of intangible assets	(27,555)	(10,554)
Proceeds from sale of property and equipment	86,841	2,745
Investment in subsidiary and APS	19,665	(748)
<b>Net cash used in investing activities</b>	<b>(5,141,835)</b>	<b>301,136</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease liability	131,499	465,054
Payment against lease liability	(144,727)	(118,331)
<b>Net cash generated from financing activities</b>	<b>(13,228)</b>	<b>346,723</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2,823,497)</b>	<b>6,800,787</b>
Cash and cash equivalents at beginning of the year	19,636,403	12,724,347
Effect of exchange rate changes	76,370	111,269
<b>Cash and cash equivalents at the end of the year</b>	<b>16,889,276</b>	<b>19,636,403</b>

The annexed notes 1 to 30 form an integral part of these financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer