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Audit Report & Condensed Interim Financial Statements

Azizi Bank Kabul, Afghanistan

For the half year ended June 30, 2019

By:	Ilyas Saeed Chartered Accountants
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TO THE SHAREHOLDERS OF AZIZI BANK

Report on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Azizi Bank ("the bank") as of June 30, 2019 and the related condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Financial Reporting Standards (IFRSs), requirements of the Banking Law of Afghanistan and directives issued by the Da Afghanistan Bank (DAB). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements do not give a true and fair view of the condensed interim financial position of the bank as at June 30, 2019 and of its condensed interim financial performance and its condensed interim cash flows for the half year then ended in accordance with International Financial Reporting Standards (IFRSs), requirements of the Banking Law of Afghanistan and directives issued by the Da Afghanistan Bank (DAB).

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Ilyas Saeed Chartered Accountants

Kabul, Afghanistan.

Date:

MGI ILYAS SAEED
Chartered Accountants

30 JUL 2019

Audit - Tax - Advisory

AZIZI BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

		Un-audited 30-Jun-2019	Audited 31-Dec-2018
	NoteAFN '000'.....	
ASSETS			
Cash and cash equivalents	5	25,362,973	22,159,366
Loans and advances to customers	6	7,940,392	7,385,811
Investments	7	4,764,796	6,246,391
Investment in subsidiary		1,775,000	1,775,000
Investment in Afghanistan Payment System		20,183	18,918
Property and equipment		1,024,415	1,046,611
Intangible assets		34,084	39,578
Non-current assets held for sale	8	291,661	307,807
Deferred tax asset	9	-	9,695
Other assets	10	1,407,779	1,465,614
Total assets		42,621,282	40,454,791
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks		3,824	3,624
Deposits from customers		36,368,119	34,278,839
Current tax liability	9	49,735	33,676
Deferred tax liability	9	4,303	-
Other liabilities		153,823	179,359
Total liabilities		36,579,804	34,495,498
Equity			
Share capital		5,367,400	5,367,400
Revaluation reserve for available for sale investments		17,212	(38,780)
Retained earnings		656,866	630,673
Total equity		6,041,478	5,959,293
Total equity and liabilities		42,621,282	40,454,791

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive Officer



Kumaran Gohosh
Chief Financial Officer

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AZIZI BANK
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

		Quarter ended 30-Jun-2019	Six months ended 30-Jun-2019	Quarter Ended 30-Jun-2018	Six months ended 30-Jun-2018
	NoteAFN		'000'.....	
Interest income	12	306,325	563,891	262,342	490,270
Interest expense	12	(113,274)	(218,226)	(121,718)	(235,035)
Net interest income		193,051	345,665	140,624	255,235
Fee and commission income	13	301,085	633,582	282,525	511,151
Fee and commission expense	13	(3,544)	(8,855)	(10,252)	(19,576)
Net fee and commission income		297,541	624,727	272,273	491,575
Operating income		490,592	970,392	412,897	746,810
Net impairment loss on loans and advances	6.2	(123,873)	(97,002)	(359)	(847,984)
Provision against time deposits, accrued interest, account receivable and non-funded facilities		-	-	-	176,625
Employee benefit expenses		(169,609)	(339,462)	(144,211)	(317,568)
Depreciation on fixed assets		(30,242)	(60,302)	(26,591)	(52,257)
Amortization of intangible assets		(4,389)	(8,530)	(3,147)	(6,758)
Operating lease expenses		(33,544)	(61,738)	(29,108)	(54,804)
Other expenses		(210,308)	(399,774)	(198,023)	(380,268)
Operating expenses		(571,965)	(966,808)	(401,439)	(1,483,013)
Foreign exchange gain		144,000	155,255	108,161	142,035
Gain on disposal of property and equipment		-	-	568	623
Other income		43,719	89,836	7,256	14,464
Non-operating income		187,719	245,091	115,985	157,122
Profit / (loss) before taxation		106,346	248,675	127,442	(579,081)
Taxation		(21,269)	(222,482)	-	(78,201)
Profit / loss for the period		85,077	26,193	127,442	(657,282)
Other comprehensive income / loss for the period:					
Items that are or may be reclassified to profit or loss;					
Surplus / (Deficit) on revaluation of available for sale investments		54,343	21,515	(22,506)	(29,481)
Related deferred tax		(10,869)	(4,303)	4,501	5,896
		43,475	17,212	(18,005)	(23,585)
Total comprehensive income / loss for the period		128,552	43,405	109,437	(680,867)

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

AZIZI BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

	Share capital	(Deficit) on revaluation of available for sale investments	Retained earnings	Total
AFN '000'.....			
Balance as at January 01, 2018	5,367,400	-	463,483	5,830,883
Loss for the period	-	-	(657,282)	(657,282)
Other comprehensive income:				
Fair value reserve	-	(29,481)	-	(29,481)
Related tax	-	5,896	-	5,896
Total comprehensive income	-	(23,585)	(657,282)	(680,867)
Balance as at June 30, 2018	5,367,400	(23,585)	(193,799)	5,150,016
Balance as at July 01, 2018	5,367,400	(23,585)	(193,799)	5,150,016
Profit for the period	-	-	824,472	824,472
Other comprehensive income:				
Fair value reserve	-	(18,993)	-	(18,993)
Related tax	-	3,799	-	3,799
Total comprehensive income	-	(15,195)	824,472	809,277
Balance as at December 31, 2018	5,367,400	(38,780)	630,673	5,959,293
Balance as at January 01, 2019	5,367,400	(38,780)	630,673	5,959,293
Profit for the period	-	-	26,193	26,193
Other comprehensive income:				
Fair value reserve	-	69,990	-	69,990
Related tax	-	(13,998)	-	(13,998)
	-	55,992	-	55,992
Total comprehensive income	-	55,992	26,193	82,185
Balance as at June 30, 2019	5,367,400	17,212	656,866	6,041,478

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive Officer



Kumar Gosh

Chief Financial Officer

AZIZI BANK

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019**

	30-Jun-2019	30-Jun-2018
NoteAFN '000'.....	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	248,675	(657,282)
Adjustments for:		
Gain on disposal of property and equipment	-	(623)
Depreciation	60,302	52,257
Amortization	8,530	6,758
Net impairment (reversal) / loss	97,002	847,984
Foreign exchange gain	(155,255)	(176,625)
	<u>259,254</u>	<u>72,469</u>
Increase / decrease in operating assets and liabilities:		
Loans and advances to customers	(457,579)	(967,586)
Other assets	57,835	(257,516)
Deposits from banks	200	(184,308)
Deposits from customers	2,089,280	(1,074,329)
Other liabilities	(25,536)	356,995
	<u>1,923,454</u>	<u>(2,054,275)</u>
Tax paid / adjusted	(192,425)	-
Net cash generated from / used in operating activities	<u>1,731,029</u>	<u>(2,054,275)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments - net	1,498,838	(2,786,156)
Purchase of property and equipment	(38,106)	(63,537)
Non-current assets held for sale	16,146	(8,456)
Purchase of intangible assets	(3,035)	-
Proceeds from sale of property and equipment	-	6,885
Investment in Afghanistan Payment System	(1,265)	(860)
Net cash used in / generated from investing activities	<u>1,472,578</u>	<u>(2,852,124)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	-
Net cash generated from financing activities	-	-
Net increase in cash and cash equivalents	<u>3,203,607</u>	<u>(4,906,399)</u>
Cash and cash equivalents at beginning of the period	<u>22,159,366</u>	<u>19,858,653</u>
Cash and cash equivalents at the end of the period	<u>25,362,973</u>	<u>14,952,254</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

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Chief Executive Officer



Chief Financial Officer