

INDEPENDENT REVIEW REPORT TO SHAREHOLDERS

Introduction

We have reviewed the accompanying Statement of Condensed Interim Financial Position of **Azizi Bank** (“the bank”) as of **June 30, 2018**, and the related Statement of Condensed Interim Comprehensive Income, Statement of Condensed Interim Changes in Equity and Statement of Condensed Interim Cash Flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by the Da Afghanistan Bank (DAB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2410, which applies to review the historic financial information performed by the independent auditor of the entity. A review of interim financial information 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 cause to believe that accompanying interim financial information does not give a true and fair view of the condensed interim financial position of the bank as at June 30, 2018 and of its financial performance and its condensed interim cash flows for the three month period then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) rules and regulations.

Emphasis of matter

We want to draw attention to the matter as explained in Note no. 6.3 “Loan and advances” of these financial statements. Our conclusion is not qualified in this respect.


Crowe Horwath Afghanistan

Auditors & Business Advisors
Kabul



AZIZI BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT June 30, 2018

	Note	Un-Audited 30-Jun-2018AFN '000'.....	Audited 31-Dec-2017
ASSETS			
Cash and cash equivalents	5	14,952,254	19,858,653
Loans and advances to customers	6	7,972,055	7,852,453
Investments	7	6,580,045	3,823,370
Investment in subsidiary	8	1,725,000	1,725,000
Investment in Afghanistan Payment System	9	18,318	17,458
Property and equipment		1,020,777	1,015,759
Intangible assets		33,127	39,886
Non-current assets held for sale		301,907	293,451
Deferred tax	10	5,896	-
Other assets	11	3,072,222	2,814,706
Total assets		35,681,601	37,440,735
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	12	3,529	187,837
Deposits from customers	13	29,972,262	31,046,591
Other liabilities	14	555,794	375,424
Total liabilities		30,531,585	31,609,852
Equity			
Share capital	15	5,367,400	5,367,400
Revaluation surplus / deficit on available for sale investments		(23,585)	-
Retained earning		(193,799)	463,483
Total equity		5,150,016	5,830,883
Total equity and liabilities		35,681,601	37,440,735
Contingencies and commitments	20	-	-

The annexed notes 1-23 form an integral part of these financial statements.

Chief Executive Officer

Chief Finance Officer

AZIZI BANK

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED June 30, 2018

		Quarter ended 30-Jun-2018	Six months ended 30-Jun-2018	Quarter ended 30-Jun-2017	Six months ended 30-Jun-2017
Note	AFN'000'.....			
Interest income	16	262,342	490,270	245,606	508,283
Interest expense	16	(121,718)	(235,035)	(142,547)	(332,441)
Net interest income		140,624	255,235	103,059	175,842
Fee and commission income	17	282,525	511,151	229,313	403,507
Fee and commission expense	17	(10,252)	(19,576)	(6,521)	(19,131)
Net fee and commission income		272,273	491,575	222,792	384,376
Foreign exchange gain		108,161	142,035	(5,731)	51,895
Gain on disposal of property and equipment		568	623	-	(15)
Other operating income		7,256	14,464	13,670	51,345
Operating income		528,881	903,932	333,790	663,443
Net impairment (loss) / gain on loans and advances	6.2	(359)	(847,984)	29,611	263,503
Provision against time deposits, accrued interest, account receivable and non-funded facilities		-	176,625	(9,332)	(176,355)
Employee benefit expenses	18	(144,211)	(317,568)	(120,095)	(245,805)
Depreciation on fixed assets		(26,591)	(52,257)	(20,704)	(40,991)
Amortization of intangible assets		(3,147)	(6,758)	(3,292)	(6,649)
Operating lease expenses		(29,108)	(54,804)	(27,205)	(54,717)
Other expenses	19	(198,023)	(380,268)	(134,832)	(294,218)
Operating expenses		(401,439)	(1,483,013)	(285,849)	(555,232)
(Loss) / Profit before taxation		127,442	(579,081)	47,941	108,211
Taxation	21	-	(78,201)	(9,588)	(21,642)
(Loss) / Profit for the period		127,442	(657,282)	38,353	86,569
Other comprehensive income					
Items that are or may be reclassified to profit or loss:					
Surplus / Deficit on revaluation of available for sale investments		(22,506)	(29,481)	-	-
Related Deferred tax		4,501	5,896	-	-
		(18,005)	(23,585)	-	-
Total comprehensive income for the period		109,437	(680,867)	38,353	86,569

The annexed notes 1-23 form an integral part of these financial statements. *ur*

Chief Executive Officer



Chief Finance Officer



AZIZI BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED June 30, 2018

	Share capital	Surplus / (Deficit) on revaluation of available for sale investment	Retained earnings	Total
AFN '000'.....			
Balance as at January 01, 2018	5,367,400	-	463,483	5,830,883
Profit / (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 January 01, 2017	5,367,400	-	292,024	5,659,424
Comprehensive income:				
Net profit for the period	-	-	86,569	86,569
Balance as at June 30, 2017	5,367,400	-	378,593	5,745,993
Balance as at July 01, 2017	5,367,400	-	378,593	5,745,993
Comprehensive income				
Net profit for the period	-	-	84,890	84,890
Balance as at December 31, 2017	5,367,400	-	463,483	5,830,883

The annexed notes 1-23 form an integral part of these financial statements. CWA.

Chief Executive Officer



Chief Finance Officer



AZIZI BANK

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED June 30, 2018

	Note	30-Jun-18AFN '000'.....	30-Jun-17
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(657,282)	86,569
Adjustments for:			
Depreciation		52,257	40,991
Amortization		6,758	6,649
(gain) / loss on sale of fixed assets		(623)	15
Net impairment loss on loans and advances	6.2	847,984	(263,503)
Provision against non-funded facilities, time deposits and other assets		(176,625)	176,355
		<u>72,469</u>	<u>47,075</u>
Increase / decrease in operating assets and liabilities:			
Loans and advances to customers		(967,586)	1,137,638
Other assets		(257,516)	151,197
Deposits from banks		(184,308)	(1,029,939)
Deposits from customers		(1,074,329)	(4,580,639)
Other liabilities		356,995	494,147
		<u>(2,054,275)</u>	<u>(3,780,521)</u>
Net withholding taxes (paid) / collected		-	-
Net cash generated from /used in operating activities		<u>(2,054,275)</u>	<u>(3,780,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment - Net		(2,786,156)	1,227,640
Property and equipment - Adjustment		-	(20,902)
Non-current assets held for sale		(8,456)	(3,198)
Purchase of property and equipment		(63,537)	-
Purchase of intangible assets		-	(2,872)
Proceeds from sale of property and equipment		6,885	-
Investment in subsidiary		-	(150,000)
Investment in Afghanistan payment system		(860)	-
Net cash used in / generated from investing activities		<u>(2,852,123)</u>	<u>1,050,669</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>(4,906,399)</u>	<u>(2,729,852)</u>
Cash and cash equivalents at beginning of the period		<u>19,858,653</u>	<u>17,224,439</u>
Cash and cash equivalents at the end of the period	5	<u>14,952,254</u>	<u>14,494,587</u>

The annexed notes 1-23 form an integral part of these financial statements. *CMB*



Chief Executive Officer



Chief Finance Officer