

## 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 December 31, 2018, 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 financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan (DAB).

### *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 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.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there is one key audit matter to communicate in our report.

- i. As explained in note 2.3 to these financial statements, management has not adopted the implications of International Financial Reporting Standard (IFRS) – 9 "Financial Instruments".

### *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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and with the requirements of the Law of Banking in Afghanistan and directives issued by the Central Bank of Afghanistan (DAB), 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.

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

*Auditor's Responsibility*

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 the users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Crowe Horwath Afghanistan, Auditors and Business Advisors (A member firm of Crowe Global) website at: [www.crowe.com](http://www.crowe.com). This description forms part of our auditor's report.



Crowe Horwath Afghanistan  
Auditors and Business Advisors  
Kabul



**AZIZI BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	Note	2018 .....AFN '000'.....	2017
<b>ASSETS</b>			
Cash and cash equivalents	5	12,724,347	19,858,653
Loans and advances to customers	6	7,385,811	7,852,453
Investments	7	12,870,567	3,823,370
Investment in subsidiary	8	1,775,000	1,725,000
Investment in APS	9	18,918	17,458
Property and equipment	10	1,046,611	1,015,759
Intangible assets	11	39,578	39,886
Non-current assets held for sale	12	307,807	293,451
Deferred tax		9,695	-
Other assets	13	4,276,457	2,814,706
<b>Total assets</b>		<b>40,454,791</b>	<b>37,440,735</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits from banks	14	3,624	187,837
Deposits from customers	15	34,278,839	31,046,591
Current tax liability	16	33,676	-
Other liabilities	17	179,359	375,424
<b>Total liabilities</b>		<b>34,495,498</b>	<b>31,609,852</b>
<b>Equity</b>			
Share capital	18	5,367,400	5,367,400
Revaluation deficit on available for sale investments		(38,780)	-
Retained earning		630,673	463,483
<b>Total equity</b>		<b>5,959,293</b>	<b>5,830,883</b>
<b>Total equity and liabilities</b>		<b>40,454,791</b>	<b>37,440,735</b>
<b>Contingencies and commitments</b>	25		

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



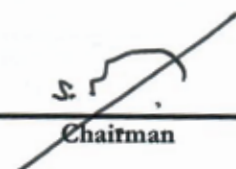


Chairman                      Chief Executive Officer                      Chief Financial Officer


**AZIZI BANK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 .....AFN '000'.....	2017
Interest income	19	1,070,477	954,922
Interest expense	19	(472,446)	(607,829)
<b>Net interest income</b>		<b>598,031</b>	<b>347,093</b>
Fee and commission income	20	1,216,996	1,352,906
Fee and commission expense	20	(32,876)	(32,089)
<b>Net fee and commission income</b>		<b>1,184,120</b>	<b>1,320,817</b>
<b>Operating income</b>		<b>1,782,151</b>	<b>1,667,910</b>
Net impairment (loss) on loans and advances	6.6	(887,788)	(5,761)
Provision against time deposits, accrued interest, account receivable and non-funded facilities		176,625	(172,328)
Employee benefit expenses	21	(671,320)	(518,399)
Depreciation on fixed assets	10	(110,308)	(30,126)
Amortization of intangible assets	11	(14,186)	(13,188)
Operating lease expenses		(119,340)	(111,837)
Other expenses	22	(822,363)	(789,425)
<b>Operating expenses</b>		<b>(2,448,680)</b>	<b>(1,641,064)</b>
Foreign Exchange Gain		140,227	104,673
Gain on disposal of property and equipment		4,633	1,216
Other non-operating income		828,407	81,589
<b>Non-operating income</b>		<b>973,267</b>	<b>187,478</b>
<b>Profit before taxation</b>		<b>306,738</b>	<b>214,324</b>
Taxation	23	(139,548)	(42,865)
<b>Profit for the year</b>		<b>167,190</b>	<b>171,459</b>
Other comprehensive income:			
<b>Items that are or may be reclassified to profit or loss;</b>			
Deficit on revaluation of available for sale investments		(48,475)	-
Related Deferred tax		9,695	-
		(38,780)	-
<b>Total comprehensive income for the year</b>		<b>128,410</b>	<b>171,459</b>

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

  
Chairman

  
Chief Executive Officer


  
Chief Financial Officer

**AZIZI BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	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
Profit for the year	-	-	167,190	167,190
Other comprehensive income:				
Fair value reserve	-	(48,475)	-	(48,475)
Related deferred tax	-	9,695	-	9,695
Total comprehensive income	-	(38,780)	167,190	128,410
Transactions with owners				
Ordinary share issue/Redemption	-	-	-	-
<b>Balance as at December 31, 2018</b>	<b>5,367,400</b>	<b>(38,780)</b>	<b>630,673</b>	<b>5,959,293</b>
Balance as at January 01, 2017	5,367,400	-	292,024	5,659,424
Profit for the year	-	-	171,459	171,459
Other comprehensive income:				
Fair value reserve	-	-	-	-
Related deferred tax	-	-	-	-
Total comprehensive income	-	-	171,459	171,459
Transactions with owners				
Ordinary share issue/Redemption	-	-	-	-
<b>Balance as at December 31, 2017</b>	<b>5,367,400</b>	<b>-</b>	<b>463,483</b>	<b>5,830,883</b>

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

  
Chairman

  
Chief Executive Officer

*Kumar Ghosh*  
Chief Financial Officer

**AZIZI BANK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018 .....AFN	2017 '000'.....
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		306,738	214,324
<b>Adjustments for:</b>			
Gain on disposal of property and equipment		(4,633)	(1,216)
Depreciation	10	110,308	30,126
Amortization	11	14,186	13,188
Net impairment (reversal)/loss on loans and advances	6.6	887,788	5,761
Provision against non-funded facilities, time deposits and other assets		(176,625)	-
Foreign exchange gain		(140,227)	(104,673)
		<u>997,535</u>	<u>157,510</u>
<b>Increase / decrease in operating assets and liabilities:</b>			
Loans and advances to customers		(421,146)	(532,092)
Other assets		(1,461,751)	(474,374)
Deposits from banks		(184,213)	(3,389,907)
Deposits from customers		3,232,248	7,506,791
Other liabilities		(19,440)	157,044
		<u>2,143,233</u>	<u>3,424,972</u>
Tax paid		(105,872)	-
<b>Net cash generated from /used in operating activities</b>		<u>2,037,361</u>	<u>3,424,972</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment made / investments divested		(9,095,672)	(506,119)
Purchase of property and equipment		(142,312)	(230,016)
Non-current assets held for sale		(14,356)	(2,028)
Purchase of intangible assets		(13,878)	(7,734)
Proceeds from sale of property and equipment		5,785	1,216
Investment in subsidiary and APS		(51,460)	(150,750)
<b>Net cash used in / generated from investing activities</b>		<u>(9,311,894)</u>	<u>(895,431)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of shares		-	-
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>(7,274,533)</u>	<u>2,529,541</u>
Cash and cash equivalents at beginning of the year		19,858,653	17,224,439
Effect of exchange rate changes		140,227	104,673
<b>Cash and cash equivalents at the end of the year</b>	5	<u>12,724,347</u>	<u>19,858,653</u>

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





Chairman                      Chief Executive Officer                      Chief Financial Officer