Audit Report & Condensed Interim Financial Statements

Azizi Bank Kabul, Afghanistan

For the half year ended June 30, 2019

By: Contact:

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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:



AZIZI BANK

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT HINE 30 2019

| | | Un-audited | Audited |
|--|------|--|--|
| | _ | 30-Jun-2019 | 31-Dec-2018 |
| | Note | AFN ' | 000' |
| ASSETS | - | | 16.00 |
| 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 | - 1 | 20,183 | 18,918 |
| Property and equipment | - 1 | 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 | - 1 | 9,695 |
| Other assets | 10 | 1,407,779 | 1,465,614 |
| Total assets | _ | 42,621,282 | 40,454,791 |
| EQUITY AND LIABILITIES Liabilities | | | |
| Liabilities | | | |
| Deposits from banks | Γ | 3,824 | 3,624 |
| | | 3,824 36,368,119 | |
| Deposits from banks | 9 | | 34,278,839 |
| Deposits from banks Deposits from customers | 9 | 36,368,119 | 34,278,839 |
| Deposits from banks Deposits from customers Current tax liability | | 36,368,119 49,735 | 34,278,839 33,676 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability | | 36,368,119 49,735 4,303 | 34,278,839 33,676 - 179,359 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities | | 36,368,119 49,735 4,303 153,823 | 34,278,839 33,676 - 179,359 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities Total liabilities | | 36,368,119 49,735 4,303 153,823 | 34,278,839 33,676 - 179,359 34,495,498 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities Total liabilities Equity | | 36,368,119 49,735 4,303 153,823 36,579,804 | 34,278,839 33,676 179,359 34,495,498 5,367,400 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities Total liabilities Equity Share capital | | 36,368,119 49,735 4,303 153,823 36,579,804 | 34,278,839 33,676 179,359 34,495,498 5,367,400 (38,780 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities Total liabilities Equity Share capital Revaluation reserve for available for sale investments | | 36,368,119 49,735 4,303 153,823 36,579,804 5,367,400 17,212 | 34,278,839 33,676 179,359 34,495,498 5,367,400 (38,780 630,673 |
| Deposits from banks Deposits from customers Current tax liability Deferred tax liability Other liabilities Total liabilities Equity Share capital Revaluation reserve for available for sale investments Retained earnings | | 36,368,119 49,735 4,303 153,823 36,579,804 5,367,400 17,212 656,866 | 3,624 34,278,839 33,676 - 179,359 34,495,498 5,367,400 (38,780) 630,673 5,959,293 40,454,791 |

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

Chief Executive Officer

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

| Note | | | Quarter ended 30-Jun-2019 | Six months ended 30-Jun-2019 | Quarter Ended 30-Jun-2018 | Six months ended 30-Jun-2018 |
|--|---|------------|---------------------------------|--|---------------------------------|---|
| Interest expense 12 | | Note | | | | |
| Net interest income | Interest income | 12 | 306,325 | 563,891 | 262,342 | 490,270 |
| Fee and commission income 13 (3,544) (633,582 (10,252) (10,252) (10,575 (10,257) (10,257) (10,575 (10,257) (10,257) (10,257) (10,575 (10,257) (10,2 | Interest expense | 12 | (113,274) | (218,226) | (121,718) | (235,035) |
| Net fee and commission expense 13 (3,544) (8,855) (10,252) (19,576) | | | 193,051 | | 140,624 | 255,235 |
| Net fee and commission income 297,541 624,727 272,273 491,575 | Fee and commission income | 13 | 301,085 | | | |
| Net impairment loss on loans and advances 6.2 (123,873) (97,002) (359) (847,984) 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 176,625 1 | Fee and commission expense | 13 | (3,544) | Name and Address of the Owner, where the Owner, which is | | |
| Net impairment loss on loans and advances 6.2 (123,873) (97,002) (359) (847,984) 176,625 interest, account receivable and non-funded facilities Employee benefit expenses (169,609) (339,462) (144,211) (317,568) (52,257) (60,302) (26,591) (52,257) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (67,580) (31,47) (198,023) (380,2680) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (198,023) (399,774) (| Net fee and commission income | | 297,541 | 624,727 | 272,273 | 491,575 |
| Provision against time deposits, accrued interest, account receivable and non-funded facilities Employee benefit expenses Depreciation on fixed assets Amortization of intangible assets Operating lease expenses Operating expenses Operating expenses (210,308) Operating expenses (571,965) Operating expenses | Operating income | | 490,592 | 970,392 | 412,897 | 746,810 |
| Provision against thile deposits, actriced interest, account receivable and nonfunded facilities Employee benefit expenses 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 (571,965) (966,808) (401,439) (1,483,013) Foreign exchange gain Gain on disposal of property and equipment Other income 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: Items that are or may be reclassified to profit or loss; Surplus / (Deficit) on revaluation of available for sale investments Related deferred tax (10,869) (4,303) 4,501 5,896 (23,585) Total comprehensive income / loss for | Net impairment loss on loans and advances | 6.2 | (123,873) | (97,002) | (359) | |
| Employee benefit expenses (169,609) (339,462) (144,211) (317,568) (26,591) (52,257) (26,591) (52,257) (26,591) (52,257) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (26,591) (6,758) (29,108) (399,774) (198,023) (380,268) (390,268) (399,774) (198,023) (380,268) (401,439) (1,483,013) (4,483,013) (5,4804) (1,483,013) (5,4804) (1,483,013) | | | - | - | - | 176,625 |
| Depreciation on fixed assets | | | (169,609) | (339,462) | (144,211) | (317,568) |
| Amortization of intangible assets Operating lease expenses Operating lease expenses Other expenses Operating | | | (30,242) | (60,302) | (26,591) | (52,257) |
| Operating lease expenses (33,544) (210,308) (399,774) (29,108) (380,268) (380,268) (54,804) (210,308) (399,774) (198,023) (380,268) (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: 127,442 (657,282) (657,282) Other comprehensive income / loss for the period: 127,442 (657,282) (22,506) (29,481) for sale investments (10,869) (4,303) 4,501 5,896 Total c | • | | | | (3,147) | 100000000000000000000000000000000000000 |
| 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: 127,442 (657,282) Other sale investments 54,343 21,515 (22,506) (29,481) for sale investments (10,869) (4,303) 4,501 5,896 Total comprehensive income / loss for | U | | (2. 5) 5/4 | | (29,108) | (54,804) |
| Foreign exchange gain Gain on disposal of property and equipment Other income Non-operating income Profit / (loss) before taxation Taxation Cater of the period 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 Related deferred tax (10,869) Total comprehensive income / loss for Items that comprehensive income / loss for (10,869) Total comprehensive income / loss for Items for sale investments Items that are or may be reclassified to profit or loss; Total comprehensive income / loss for | | | 2 3 5 | 1000 120 120 | 75 21 22 | (380,268) |
| Gain on disposal of property and equipment Other income - - 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 Total comprehensive income / loss for 43,475 17,212 (18,005) (23,585) | Operating expenses | | (571,965) | (966,808) | (401,439) | (1,483,013) |
| Gain on disposal of property and equipment Other income - - 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) For sale investments (10,869) (4,303) 4,501 5,896 Total comprehensive income / loss for 43,475 17,212 (18,005) (23,585) | Foreign exchange gain | | 144,000 | 155,255 | 108,161 | 142,035 |
| 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) For sale investments Related deferred tax (10,869) (4,303) 4,501 5,896 Total comprehensive income / loss for Total comprehensive income / loss for | | | - | - | 568 | 623 |
| 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 | | | 43,719 | 89,836 | 7,256 | 14,464 |
| 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 54,343 21,515 (22,506) (29,481) for sale investments Related deferred tax (10,869) (4,303) 4,501 5,896 43,475 17,212 (18,005) (23,585) | Non-operating income | | 187,719 | 245,091 | 115,985 | 157,122 |
| 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 54,343 21,515 (22,506) (29,481) for sale investments (10,869) (4,303) 4,501 5,896 Related deferred tax (10,869) (10,869) (10,805) (23,585) Total comprehensive income / loss for | | | 106,346 | 248,675 | 127,442 | (579,081) |
| Other comprehensive income / loss for the period: Items that are or may be reclassified to profit or loss; Surplus / (Deficit) on revaluation of available 54,343 21,515 (22,506) (29,481) for sale investments Related deferred tax (10,869) (4,303) 4,501 5,896 43,475 17,212 (18,005) (23,585) | Taxation | | (21,269) | (222,482) | | (78,201) |
| Items that are or may be reclassified to profit or loss; Surplus / (Deficit) on revaluation of available 54,343 21,515 (22,506) (29,481) for sale investments (10,869) (4,303) 4,501 5,896 43,475 17,212 (18,005) (23,585) Total comprehensive income / loss for | Profit / loss for the period | | 85,077 | 26,193 | 127,442 | (657,282) |
| Items that are or may be reclassified to profit or loss; Surplus / (Deficit) on revaluation of available 54,343 21,515 (22,506) (29,481) for sale investments (10,869) (4,303) 4,501 5,896 43,475 17,212 (18,005) (23,585) Total comprehensive income / loss for | Other comprehensive income / loss for the p | eriod: | | | 200 | |
| Related deferred tax (10,869) (4,303) 4,501 5,896 (23,585) Total comprehensive income / loss for | Items that are or may be reclassified to pro Surplus / (Deficit) on revaluation of available | ofit or lo | | 21,515 | (22,506) | (29,481) |
| 43,475 17,212 (18,005) (23,585) Total comprehensive income / loss for | | | (10.860) | (4.303) | 4 501 | 5 896 |
| | Related deferred tax | | | | | (23,585) |
| | Total comprehensive income / loss for | | | | | |
| | | | 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

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 '0 | 000' | |
| Balance as at January 01, 2018 Loss for the period Other comprehensive income: | 5,367,400 | - | 463,483 (657,282) | 5,830,883 (657,282) |
| Fair value reserve Related tax | | (29,481) 5,896 | - | (29,481) 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 Other comprehensive income: | | - | 824,472 | 824,472 |
| Fair value reserve Related tax | - | (18,993) 3,799 | - | (18,993) 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 Other comprehensive income: | - | - | 26,193 | 26,193 |
| 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 |
| | | - Al- | | m |

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

Chief Executive 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 |
|---|------|-------------|-------------|
| | Note | AFN | '000' |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit / (loss) before taxation | Γ | 248,675 | (657,282) |
| Adjustments for: | _ | | |
| Gain on disposal of property and equipment | Г | - | (623) |
| Depreciation | | 60,302 | 52,257 |
| Amortization | | 8,530 | 6,758 |
| Net impairment (reversal) / loss | 6.2 | 97,002 | 847,984 |
| Foreign exchange gain | - 1 | (155,255) | (176,625) |
| | _ | 259,254 | 72,469 |
| Increase / decrease in operating assets and liabilities: | | | |
| Loans and advances to customers | Г | (457,579) | (967,586) |
| Other assets | - 1 | 57,835 | (257,516) |
| Deposits from banks | . | 200 | (184,308) |
| Deposits from customers | - 1 | 2,089,280 | (1,074,329) |
| Other liabilities | | (25,536) | 356,995 |
| | _ | 1,923,454 | (2,054,275) |
| Tax paid / adjusted | _ | (192,425) | - |
| Net cash generated from /used in operating activities | _ | 1,731,029 | (2,054,275) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments - net | Г | 1,498,838 | (2,786,156) |
| Purchase of property and equipment | - 1 | (38,106) | (63,537) |
| Non-current assets held for sale | - 1 | 16,146 | (8,456) |
| Purchase of intangible assets | | (3,035) | - |
| Proceeds from sale of property and equipment | | - | 6,885 |
| Investment in Afghanistan Payment System | L | (1,265) | (860) |
| Net cash used in / generated from investing activities | _ | 1,472,578 | (2,852,124) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of shares | Г | - | - |
| Net cash generated from financing activities | _ | - ' | - |
| Net increase in cash and cash equivalents | Ē | 3,203,607 | (4,906,399) |
| Cash and cash equivalents at beginning of the period | L | 22,159,366 | 19,858,653 |
| Cash and cash equivalents at the end of the period | 5 _ | 25,362,973 | 14,952,254 |
| The annexed notes 1 to 17 form an integral part of these financial statements | | | W |

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

Kuman Chosh

Chief Executive Officer