



Reviewed Financial Statements

for Azizi Bank

(For the Half year ended June 30, 2020)

Confidential

MGI ILYAS SAEED CHARTERED ACCOUNTANTS

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Date: August 09, 2020

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, 2020 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 six months period 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, 2020 and of its condensed interim financial performance and its condensed interim cash flows for the six months period 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).

For and on behalf of;

Muhammad Abdul Basit (ACA, CIA, CISA & APRM) – Engagement Partner

Ilyas Saeed Chartered Accountants

Kabul, Afghanistan.



AZIZI BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		Un-audited 30-Jun-2020	Audited 31-Dec-2019
	Note AFN '000'	
ASSETS			
Cash and bank balances	5	24,034,396	22,672,318
Loans and advances to customers	6	5,370,731	6,840,712
Investments	7	9,697,391	12,466,678
Investment in subsidiary	8	1,775,000	1,775,000
Investment in APS		-	19,665
Property and equipment	9	1,346,516	1,451,985
Intangible assets	10	37,981	33,357
Non-current assets held for sale	11	268,066	268,066
Deferred tax		224	2,920
Other assets	12	1,477,507	1,421,774
Total assets		44,007,811	46,952,476
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	13	3,694	3,742
Deposits from customers	14	37,055,070	40,012,940
Current tax liability	15	36,592	121,807
Other liabilities	16	446,999	505,686
Total liabilities		37,542,355	40,644,175
Equity			
Share capital	17	5,367,400	5,367,400
Revaluation surplus / deficit on available for sale investments		(895)	(11,681)
Retained earnings		1,098,951	952,582
Total equity		6,465,456	6,308,301
Total equity and liabilities		44,007,811	46,952,476
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 25 form an integral part of the condensed interim financial statements.

Chief Executive Officer



Kurman Gosh

Chief Financial Officer

AZIZI BANK

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2020

		Quarter ended 30-Jun-2020	Six months ended 30-Jun-2020	Quarter ended 30-Jun-2019	Six months ended 30-Jun-2019
	Note	AFN '000'			
Interest income	19	236,754	519,399	306,325	563,891
Interest expense	19	(92,495)	(178,391)	(113,274)	(218,226)
Net interest income		144,259	341,008	193,051	345,665
Fee and commission income	20	283,621	590,910	301,085	633,582
Fee and commission expense	20	(6,302)	(14,654)	(3,544)	(8,855)
Net fee and commission income		277,319	576,256	297,541	624,727
Operating income		421,578	917,264	490,592	970,392
Net impairment (loss)/reversal on loans and advances		20,734	(147,620)	(123,873)	(97,002)
Employee benefit expenses	21	(171,846)	(395,865)	(169,609)	(339,462)
Depreciation on fixed assets		(63,126)	(120,413)	(30,242)	(60,302)
Amortization of intangible assets		(4,092)	(7,625)	(4,389)	(8,530)
Office rent expense		(6,012)	(8,989)	(33,544)	(61,738)
Other expenses	22	(183,001)	(367,930)	(210,308)	(399,774)
Operating expenses		(407,343)	(1,048,442)	(571,965)	(966,808)
Foreign Exchange Gain		15,842	3,019	144,000	155,255
Gain on disposal of property and equipment		288	288	-	-
Other income		262,836	310,833	43,719	89,836
Non-operating income		278,966	314,140	187,719	245,091
Profit before income tax		293,201	182,961	106,346	248,676
Income tax expense	23	(36,592)	(36,592)	(21,269)	(222,482)
Profit for the period		256,609	146,369	85,077	26,194
Other comprehensive income:					
Items that are or may be reclassified to profit or loss;					
Surplus / Deficit on revaluation of available for sale investments		(1,118)	13,483	54,343	21,515
Related Deferred tax		224	(2,697)	(10,869)	(4,303)
		(895)	10,786	43,475	17,212
Total comprehensive income for the period		255,714	157,155	128,552	43,406
Earnings per share (AFN)		476.42	292.80	239.50	80.87

The annexed notes 1 to 25 form an integral part of the condensed interim financial statements.



Chief Executive Officer

Kuan Genah
Chief Financial Officer

AZIZI BANK

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020**

	Share capital	Surplus / (Deficit) on revaluation of available for sale investments	Retained earnings	Total
 AFN '000'			
Balance as at January 01, 2019 - (Audited)	5,367,400	(38,780)	630,673	5,959,293
Total comprehensive income for six months period ended 30 June, 2019				
Profit for six months period ended June 30, 2019	-	-	26,193	26,193
Other comprehensive income:				
Fair value reserve	-	69,990	-	69,990
Related tax	-	(13,998)	-	(13,998)
	-	55,992	-	82,185
Balance as at June 30, 2019 (Un-audited)	5,367,400	17,212	656,866	6,041,478
Total comprehensive income for the six months period ended December 31, 2019				
Profit for six months ended December 31, 2019	-	-	295,716	295,716
Other comprehensive income:				
Fair value reserve	-	(36,116)	-	(36,116)
Related tax	-	7,223	-	7,223
	-	(28,893)	-	(28,893)
Balance as at December 31, 2019	5,367,400	(11,681)	952,582	6,308,301
Balance as at January 01, 2020 - (Audited)	5,367,400	(11,681)	952,582	6,308,301
Total comprehensive income for six months period ended June 30, 2020				
Profit for the period	-	-	146,369	146,369
Other comprehensive income:				
Fair value reserve	-	13,483	-	13,483
Related tax	-	(2,697)	-	(2,697)
Total comprehensive income	-	10,786	146,369	157,155
Transactions with owners				
Ordinary share issue/Redemption	-	-	-	-
Balance as at June 30, 2020 - (Un-Audited)	5,367,400	(895)	1,098,951	6,465,456

The annexed notes 1 to 25 form an integral part of the condensed interim financial statements.

Chief Executive Officer



Chief Financial Officer

Chief Financial Officer

AZIZI BANK

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2020

	30-Jun-2020	30-Jun-2019
Note	AFN	'000'
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	182,961	248,675
Adjustments for:		
Depreciation	9 120,412	60,302
Amortization	10 7,625	8,530
Net impairment (reversal)/loss on loans and advances	6 147,620	97,002
Gain on disposal of property and equipment	(288)	
Foreign exchange gain	-	(155,255)
	458,330	259,254
Increase / decrease in operating assets and liabilities:		
Loans and advances to customers	1,322,361	(457,579)
Other assets	(55,733)	57,835
Required deposits with DAB	(324,218)	-
Deposits from banks	(48)	200
Deposits from customers	(2,957,870)	2,089,280
Other liabilities	(3,286)	(25,536)
Tax paid	(1,560,464)	1,923,454
Net cash generated from operating activities	(1,679,573)	1,731,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment made / investments divested	2,780,073	1,498,838
Purchase of property and equipment	9 (14,942)	(38,106)
Sale proceeds from disposal of property and equipments	288	
Non-current assets held for sale	-	16,146
Purchase of intangible assets	10 (12,249)	(3,035)
Investment in subsidiary and APS	19,665	(1,265)
Net cash used in investing activities	2,772,834	1,472,578
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment against lease liability	(55,401)	-
Net cash generated from financing activities	(55,401)	-
Net increase in cash and cash equivalents	1,037,860	3,203,607
Cash and cash equivalents at beginning of the period	19,636,403	22,159,366
Cash and cash equivalents at the end of the period	20,674,263	25,362,973

The annexed notes 1 to 25 form an integral part of the condensed interim financial statements.

Chief Executive Officer



Keena Ghosh

Chief Financial Officer

1. STATUS AND NATURE OF OPERATIONS

Azizi Bank ("the Bank") is a commercial bank registered and operating in Afghanistan. The bank obtained a business license from Afghanistan Investment Support Agency and is a limited liability company. The Bank commenced its operations on 13 June 2006 under the license for commercial banking issued to it by Da Afghanistan Bank, the central bank of Afghanistan ("DAB") under the law of banking in Afghanistan. The principal activity of the bank is to provide commercial and retail banking services within Afghanistan.

The Registered office of the bank is located at ZANBAQ Square, Kabul, Afghanistan. The Bank has 76 branches and 03 extension counters (2019 :76 and 03 extension counters).

2. BASIS OF PREPARATION**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB). Whenever, the requirements of the Law of Banking in Afghanistan differs with the requirements of IFRS, the requirement of the Law of Banking in Afghanistan and directives issued by Da Afghanistan Bank (DAB) takes precedence.

2.2 Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except as otherwise disclosed in accounting policies.

2.3 Mandatory Departure

Mandatory departure of International Financial reporting Standards (IFRS) - 9 "Financial Instruments" as resolved in Commercial Banks Consultative Group (CBCG) meeting held in Da Afghanistan Bank (DAB) on December 5, 2018, implications of IFRS-9 have been deferred till 2021. Further deliberations of financial decisions would be communicated in the respective years.

2.4 Functional and presentation currency

These condensed interim financial statements are presented in Afghani ("AFN") which is the bank's functional currency. Except or otherwise indicated, the financial information presented in AFN has been rounded to be nearest thousand.

3. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial years. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and judgment will, by definition, rarely equal the related actual results. The following material estimates, assumptions and judgments used to measure and classify the carrying amounts of assets and liabilities, have been taken into consideration:

- a) Provision for loan losses
- b) Provision for income taxes
- c) Useful life of property and equipment and intangible assets
- d) Held to maturity investments

4. SIGNIFICANT ACCOUNTING POLICIES

Summary of accounting policies will be read with the last year audited financial statements.

AZIZI BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited 30-Jun-2020AFN	Audited 31-Dec-2019 '000'.....
5. CASH AND BANK BALANCES			
Cash in hand	5.1	4,138,876	4,316,200
Remittances in transit	5.2	127,595	-
		4,266,471	4,316,200
Balances with banks:			
Balances with Da Afghanistan Bank	5.3	16,942,738	13,840,041
Balances with other banks	5.4	2,825,187	4,516,077
		19,767,925	18,356,118
		<u>24,034,396</u>	<u>22,672,318</u>
5.1 Cash in hand			
Local currency		2,121,049	1,863,560
Foreign currency		2,017,828	2,452,640
		<u>4,138,876</u>	<u>4,316,200</u>
5.2 Remittances in transit			
Remittance in transit - DAB		13,165	-
Remittances in transit - others		114,430	-
		<u>127,595</u>	<u>-</u>
5.3 Balances with Da Afghanistan Bank			
Required reserve with Da Afghanistan Bank	5.3.1	3,360,133	3,035,915
Overnight Deposits			
Local currency	5.3.2	5,654,399	4,627,184
Current Account			
Local currency		1,932,525	1,673,218
Foreign currency		5,995,680	4,503,724
		<u>16,942,738</u>	<u>13,840,041</u>
5.3.1 This represents the required reserve account maintained with Da Afghanistan Bank in Afghani, US Dollar and Euro currencies to meet minimum reserve requirement in accordance with Article 64 "Required reserve for banks" of Da Afghanistan Bank Law. Da Afghanistan Bank (DAB) made it mandatory vide their circular issued in July, 2017, that all Banks to maintain required reserve on all customer deposits accepted in local currency and foreign currency @ 8% and 10% respectively. They carry interest rate @ 0% (2019: 0%).			
5.3.2 These overnight deposits carry interest @ 0.10% (2019: 0.10%)			
5.4 Short-term Placement with Other banks are considered as cash equivalents as they are short-term instruments with maturity upto one year and can be realized through pre maturity.			
	Note	Un-audited 30-Jun-2020AFN	Audited 31-Dec-2019 '000'.....
5.5 Cash and cash equivalents			
Cash and bank balances		24,034,396	22,672,318
Required reserve with Da Afghanistan Bank		(3,360,133)	(3,035,915)
		<u>20,674,263</u>	<u>19,636,403</u>
5.5.1 Balances with Da Afghanistan Bank (DAB) under required reserves account are not available for day to day operations of the bank and therefore are not part of cash and cash equivalent.			

AZIZI BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019AFN '000'.....
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6. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers at amortized cost	6.1	5,370,731	6,840,712
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All loans and advances are expected to be recovered within five years of the balance sheet date.

	30 June 2020 (Unaudited)			31 December 2019		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount

	30 June 2020 (Unaudited)			31 December 2019		
Running finances	4,485,756	(545,071)	3,940,686	6,223,885	(394,775)	5,829,111
Terms loans	1,484,667	(195,309)	1,289,358	1,062,784	(204,932)	857,852
Other public consumer loans	143,205	(2,518)	140,687	162,147	(8,397)	153,749
	6,113,628	(742,897)	5,370,731	7,448,816	(608,104)	6,840,712

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019AFN '000'.....
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6.2 Maturity profile of the loans and advances to customers is as under:

Recoverable within one year	4,485,756	6,223,885
Recoverable after more than one year	1,627,872	1,224,930
	6,113,628	7,448,816

6.3 Impairment allowance on loans and advances

Balance at beginning of period/year	608,104	342,572
Allowance for the year	147,620	256,970
Write off during the year	-	-
Currency fluctuation	(12,827)	8,562
	134,793	265,532
Balance as at the end of the year	742,897	608,104

7. INVESTMENTS

Available for sale

Foreign Bonds	7.1	404,321	2,098,840
Revaluation gain / (loss)		(1,118)	(14,601)
		403,203	2,084,239

Held to maturity

Bonds		4,734,772	1,650,205
Capital notes with DAB		3,364,287	4,484,483
Placements in other banks		1,195,129	4,247,751
		9,294,188	10,382,439
		9,697,391	12,466,678

7.1 Foreign bonds amounting to AFN 2,098 million previously held as Available for Sale as at 31 December 2019 have been classified as Held to Maturity because the management now intends to hold these investments till maturity. They carry interest rate ranging between 1.5% to 7.875% p.a having maximum maturity upto February, 2031.

AZIZI BANK

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019
8. INVESTMENT IN SUBSIDIARY			
Opening balance		1,775,000	1,775,000
Issuance of shares		-	-
Closing balance	8.1	<u>1,775,000</u>	<u>1,775,000</u>

8.1 This represents investment in Islamic Bank of Afghanistan (Formerly: Bakhtar Bank), 100 % subsidiary of Azizi Bank that has been shifted from conventional banking to fully Islamic banking with approval from the Da Afghanistan Bank (DAB) dated April 09, 2018 and have secured License No. 13704.

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019
9. PROPERTY AND EQUIPMENT			
Cost:			
Opening balance	9.1	2,508,113	2,353,097
Additions during the period/year		14,942	161,037
Disposals during the period/year		(1,807)	(6,021)
Closing balance		<u>2,521,249</u>	<u>2,508,113</u>
Accumulated depreciation			
Opening balance	9.1	1,056,128	817,655
Depreciation charged during the period/year		120,412	242,753
Reversal / Adjustments		(1,807)	(4,280)
Closing balance		<u>1,174,733</u>	<u>1,056,128</u>
Net book value		<u>1,346,516</u>	<u>1,451,985</u>

9.1 This includes balance amounting to AFN 488.83 million and AFN 124.31 million respectively, representing right of use asset and corresponding depreciation recognized by the Bank at the time the Bank initially adopted IFRS 16 "Leases" during the year 2019.

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019
10. INTANGIBLE ASSETS			
Cost			
Opening balance		259,560	249,006
Additions during the period/year		12,249	10,554
Closing balance		<u>271,809</u>	<u>259,560</u>
Accumulated amortization:			
Opening balance		226,203	209,428
Charged for the period / year		7,625	16,775
Closing Balance		<u>233,828</u>	<u>226,203</u>
Net book value		<u>37,981</u>	<u>33,357</u>

11. NON-CURRENT ASSETS HELD FOR SALE

Opening balance	268,066	307,807
Currency fluctuation	-	(18,826)
Deletion - Property sold out	-	(20,915)
Total non-current assets held for sale	<u>268,066</u>	<u>268,066</u>

AZIZI BANK
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020**

	Note	Un-audited 30-Jun-2020AFN '000'.....	Audited 31-Dec-2019
12. OTHER ASSETS			
Accrued interest on capital notes		14,184	2,228
Accrued interest on Placement with other Banks		2,945	12,357
Accrued interest on Bonds		77,532	49,555
Receivable against sale of collateral		759,651	867,218
Security deposits		381,755	378,296
Advances to suppliers		47,647	24,099
Payment against tax assessment / advance tax		1,755	-
Prepayments		69,427	38,625
Cash shortages recoverable from staff		13	32
Inventory of prizes		2,753	2,753
Pool account for Afghanistan Payment System and CDM		23,316	23,499
M-Paisa Imprest Account		39,637	13,240
Others		56,891	9,873
		<u>1,477,507</u>	<u>1,421,774</u>
13. DEPOSITS FROM BANKS			
Bank-e-Millie Afghan		1,997	2,018
Pashtany Bank		1,697	1,724
		<u>3,694</u>	<u>3,742</u>
14. DEPOSITS FROM CUSTOMERS			
Term deposits	14.1	3,854,709	4,448,099
Saving deposits		7,947,608	8,465,579
Current deposits		21,026,084	21,529,245
Margin deposits		4,226,670	5,570,018
		<u>37,055,070</u>	<u>40,012,940</u>
14.1 Term and saving deposits carry interest rates ranging from 1% to 4% (2019: 1% to 4%) per annum.			
15. CURRENT TAX LIABILITY			
Opening for the period/year		121,807	33,676
Charged for the period/year		36,592	296,411
Adjustment/paid during the period/year		<u>(121,807)</u>	<u>(208,280)</u>
Closing for the period/year		<u>36,592</u>	<u>121,807</u>
16. OTHER LIABILITIES			
Withholding taxes payable		11,326	18,154
Remittances payable		273	-
Western Union outbound		44,290	15,500
Accrued interest on term deposits		45,155	32,921
Lease Liability	16.1	311,826	367,227
Others		34,129	71,883
		<u>446,999</u>	<u>505,686</u>

AZIZI BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited 30-Jun-2020	Audited 31-Dec-2019
	AFN '000'.....	
16.1 Maturity analysis at the reporting date is as follows;			
Upto one year		43,214	98,615
One upto two years		73,163	73,163
Two upto three years		61,124	61,124
Three upto four years		44,793	44,793
Four upto five years		27,621	27,621
Over five years		61,911	61,911
		<u>311,826</u>	<u>367,227</u>
17. SHARE CAPITAL			
Authorized capital			
750,000 (2019: 750,000) ordinary shares of AFN 10,000 each		<u>7,500,000</u>	<u>7,500,000</u>
Issued and paid up capital			
536,740 (2019: 536,740) ordinary shares of AFN 10,000 each		<u>5,367,400</u>	<u>5,367,400</u>
	Note	Un-audited 30-Jun-2020	Audited 31-Dec-2019
	AFN '000'.....	
18. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Letter of Credit		<u>296,122</u>	<u>1,223,827</u>
Guarantees		<u>19,990,056</u>	<u>21,279,273</u>
Unused Portion of Overdraft & Master Card	18.1	<u>1,460,194</u>	<u>712,998</u>
18.1 This pertains to the unused portion of the overdraft & Master Card facilities given to the customers.			

AZIZI BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Quarter ended 30-Jun-2020	Six months ended 30-Jun-2020	Quarter ended 30-Jun-2019	Six months ended 30-Jun-2019
.....AFN '000'.....					
19. NET INTEREST INCOME					
Interest income					
Cash and cash equivalents	19.1	89,452	189,452	87,356	161,232
Loans and advances to customers		147,302	329,947	218,969	402,659
Total interest income		236,754	519,399	306,325	563,891
Interest expense					
Deposits from banks		-	-	-	-
Deposits from customers	19.2	92,495	178,391	113,274	218,226
Total interest expense		92,495	178,391	113,274	218,226
Net interest income		144,259	341,008	193,051	345,665

19.1 This includes interest income amounting to Afn 19.428 million and Afn 135.422 million (2019: Afn 1.498 million and Afn 23.114 million) earned during the period from capital notes and foreign bonds respectively.

	Note	Quarter ended 30-Jun-2020	Six months ended 30-Jun-2020	Quarter ended 30-Jun-2019	Six months ended 30-Jun-2019
.....AFN '000'.....					
19.2 Deposits from customers					
Interest on:					
Term deposits		68,948	133,872	49,912	81,569
Saving deposits		23,547	44,519	63,362	136,657
		92,495	178,391	113,274	218,226

20. NET FEE AND COMMISSION INCOME

Fee and commission income

Commission income	173,547	347,774	202,490	425,428
Account servicing fee	110,074	243,135	98,595	208,154
Total fee and commission income	283,621	590,910	301,085	633,582

Fee and commission expense

Inter-bank transaction fees	6,302	14,654	3,544	8,855
	6,302	14,654	3,544	8,855
Net fee and commission income	277,319	576,256	297,541	624,727

21. EMPLOYEE BENEFIT EXPENSES

Salaries and wages	164,066	373,272	152,573	306,532
Staff welfare	7,132	20,702	14,167	29,041
Staff training expenses	648	1,891	2,870	3,889
	171,846	395,865	169,609	339,462

AZIZI BANK
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FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Quarter ended 30-Jun-2020	Six months ended 30-Jun-2020	Quarter ended 30-Jun-2019	Six months ended 30-Jun-2019
22. OTHER EXPENSES					
Repair and maintenance		5,271	15,826	9,401	15,822
Travelling expense		12,855	28,981	17,591	32,853
Advertising and publicity		22,977	39,287	32,860	52,234
Printing and stationery		14,729	27,554	15,716	34,973
Communication		1,109	1,691	857	1,127
Internet and connectivity		12,501	14,117	7,317	13,440
Electricity and power		12,816	29,649	15,224	26,767
Office supplies		1,168	3,124	1,364	2,876
Security expenses		23,313	66,830	52,107	98,705
Legal and professional charges		26,359	51,158	22,275	28,094
Postage and courier		45	72	69	139
Software maintenance		14,122	19,724	3,359	13,018
Deposit insurance premium		16,286	16,286	16,786	32,724
Others		19,450	53,631	15,379	46,999
		183,001	367,930	210,308	399,774
23. RELATED PARTY TRANSACTIONS					

Related parties comprise of The Islamic Bank of Afghanistan (formerly Bakhtar Bank) in which bank holds 100% shares, Azizi Hotak Group Company Limited, Azizi investments, related group companies in which shareholders of the bank have ownership or management rights and also includes all management personnel.

Transactions with key management personnel and other related parties

	2020		2019	
	Maximum balance	Closing balance	Maximum balance	Closing balance
Short term loans to key management personnel	52,523	52,523	60,973	60,973

Interest on short term loans to key management personnel is charged at 6% per annum for expat staff, and from only 1 % processing fee up to 6% per annum interest for local staff depending upon their tenure of employment with the Bank. Key management personnel compensation comprised of short term employee benefits (salary and bonuses) amounting to AFN 52.87 Million (2019: AFN 4.4 Million).

In addition to salaries and cash benefits, the Bank also provides non-cash benefits to executives which includes furnished accommodation, meals and travel equivalent to a sum of AFN 11.89 Million (2019:AFN 12.75 Million).

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24. Capital management

Minimum Capital Requirement

Current requirement for minimum financial capital is AFN. 1 billion as per the requirements of DAB through its Circular Reference No. 703/904 dated August 08, 2010. The Bank's financial capital is Afn 5.367 billion (2019:A FN 5.367 billion).

Regulatory capital

The Bank's regulator Da Afghanistan Bank sets and monitors capital requirements for the Bank. The capital adequacy of the Bank is assessed in two tiers as per regulations of the Da Afghanistan Bank.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be minimum 6% of risk weighted assets.

- Tier 2 or supplementary capital, which includes other instruments which, to a varying degree, fall short of the quality of Tier 1 capital, but nonetheless contribute to the overall strength of a bank as a going concern.

Regulatory capital is the sum of Tier 1 and Tier 2 capital and Tier 2 capital cannot exceed amount of Tier 1 capital. The Bank's regulatory capital position at June 30, 2020 and December 31, 2019 is as follows:

	Un-audited 30-Jun-2020	Audited 31-Dec-2019
AFN '000'.....	
Tier 1 capital		
Total equity capital	6,465,456	6,308,301
Add: Other Equity Components	895	11,681
Less: Profit/Loss of Current Year (if positive)	(146,369)	(321,908)
Less: Intangible assets	(37,981)	(33,357)
Less: Net Deferred Tax Assets	(224)	(2,920)
Total tier 1 (core) capital	6,281,777	5,961,797
Tier 2 capital		
Add: Profit/Loss of Current Year (if positive)	146,369	321,908
General loss reserves	-	-
Total Tier 2 (Supplementary) Capital	146,369	321,908
Deducted Equity Investments	(1,775,000)	(1,794,665)
Total regulatory capital	4,653,146	4,489,040

25. AUTHORIZATION

The condensed interim financial statements for the half year ended June 30, 2020 have been approved and authorized for issue by the Board of Supervisors on 10th August 2020.

Chief Executive Officer



Chief Financial Officer

