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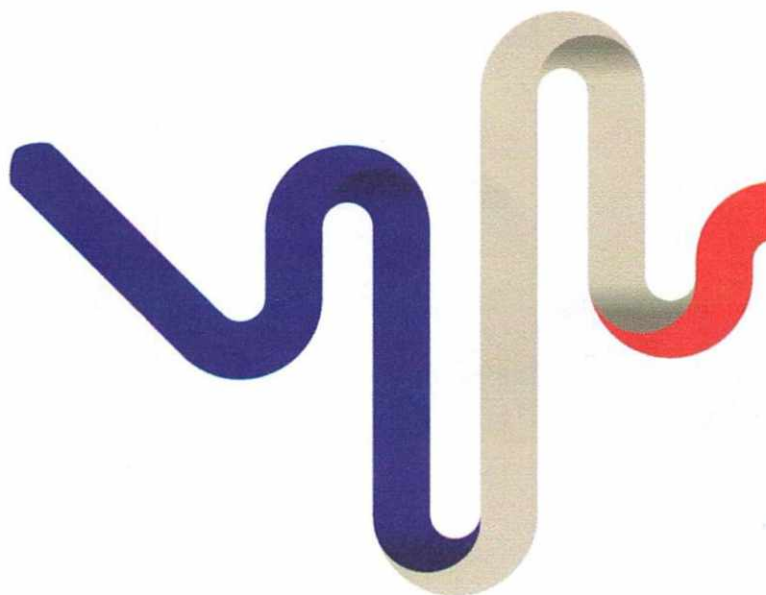
## Ghazanfar Bank

Financial Statements and Audit Report for the  
year ended December 31, 2021

Auditors:

**Grant Thornton Afghanistan**

**Member firm of Grant Thornton International Limited**



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# Independent auditors' report

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## To the Shareholders of Ghazanfar Bank

### Opinion

We have audited the financial statements of **Ghazanfar Bank (the Bank)**, which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements give a true and fair view of the financial position of the Bank as of December 31, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank.

### Basis for 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 the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board of Accountants' *Code of Ethics of Professional Accountants (IESBA Code)* together 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 and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to note 8.8 of the financial statements which describe the effects of suspension of "Assets Classification and Provisioning Regulations" by Da Afghanistan Bank. Our opinion is not modified in respect of this matter.

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### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank, 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.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's





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ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton Afghanistan*

**Grant Thornton Afghanistan**

**Chartered Accountants**



Engagement Partner: Saqib Rehman Qureshi - FCA

Location: Kabul, Afghanistan

Date: 21-Mar-2022

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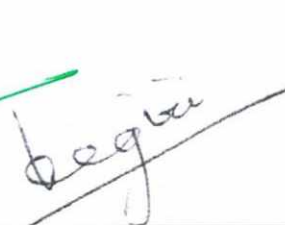
**GHAZANFAR BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

		2021	2020
	Note	----- AFN '000 -----	
<b>ASSETS</b>			
Cash and cash equivalents	5	4,390,697	6,890,521
Placements	6	1,087,485	1,225,890
Investments	7	1,192,182	1,813,364
Loans and advances	8	3,731,838	4,364,717
Property and equipment	9	348,280	385,215
Intangible assets	10	4,365	30,507
Other assets	11	1,757,927	1,369,472
<b>Total assets</b>		<b>12,512,774</b>	<b>16,079,687</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Authorised capital			
126,700 ordinary shares of			
AFN 10,000 each (2020: AFN 10,000)		1,267,000	1,267,000
Share capital	12	1,267,000	1,267,000
Capital Reserves		42,632	27,789
Retained earnings		668,194	475,419
Revaluation surplus/ deficit on financial instruments at FVOCI		(52,320)	(24,230)
<b>Total equity</b>		<b>1,925,506</b>	<b>1,745,978</b>
<b>LIABILITIES</b>			
Deposits from customers	13	8,966,873	12,228,905
Deposits from financial institutions	14	1,344,728	1,855,670
Other liabilities	15	134,235	96,495
Lease liability	16	76,441	99,286
Provision for taxation		64,991	53,353
<b>Total liabilities</b>		<b>10,587,268</b>	<b>14,333,709</b>
Contingencies and commitments	17		
<b>Total equity and liabilities</b>		<b>12,512,774</b>	<b>16,079,687</b>

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

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Chairman

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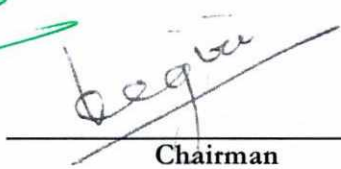
**GHAZANFAR BANK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Note	2021 ----- AFN '000 -----	2020 -----
Interest income		502,634	456,031
Interest expense		(78,628)	(48,410)
<b>Net interest income</b>	18	<b>424,006</b>	<b>407,621</b>
Fee and commission income		272,557	259,322
Fee and commission expense		(10,118)	(6,677)
<b>Net fee and commission income</b>	19	<b>262,439</b>	<b>252,645</b>
Income from dealing in foreign currencies		228,804	42,433
		<u>915,249</u>	<u>702,699</u>
Other income	20	148,731	89,333
Impairment allowances and charge off	8.6	(179,866)	(84,105)
Gain/ (Loss) on sale of securities		60,826	(11,960)
Employee compensation	21	(157,618)	(130,172)
Operating lease expenses		(1,071)	(692)
Finance cost on lease liability		(8,864)	(9,392)
Depreciation		(61,014)	(47,318)
Amortization		(26,143)	(26,708)
Administrative expense	22	(258,150)	(253,728)
		<u>(631,900)</u>	<u>(564,075)</u>
<b>Profit before tax</b>		<b>432,080</b>	<b>227,957</b>
Taxation	23	(66,061)	(60,648)
<b>Profit after tax</b>		<b>366,019</b>	<b>167,309</b>
<b>Other comprehensive income</b>			
<i>Items to be reclassified subsequently to profit or loss</i>			
- Unrealized gain/(loss) on revaluation of AFS investment		(65,400)	(31,428)
- Related deferred tax		13,080	6,286
		<u>(52,320)</u>	<u>(25,142)</u>
<i>Items not to be classified subsequently to profit &amp; loss</i>			
		-	-
<b>Total comprehensive income for the period</b>		<b>313,699</b>	<b>142,167</b>

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

  
**Chief Financial Officer**

  
**Chief Executive Officer**

  
**Chairman**

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**GHAZANFAR BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Share capital	Capital Reserves	Retained Earnings	Revaluation surplus/ deficit on financial instruments at FVOCI	Total
	..... AFN '000 .....				
Balance as at December 31, 2019	1,247,800	27,789	327,310	912	1,603,811
Profit for the period	-	-	167,309	-	167,309
Dividend Distribution	19,200	-	(19,200)	-	-
Other comprehensive income for the period - unrealized	-	-	-	(25,142)	(25,142)
<b>Balance as at December 31, 2020</b>	<b>1,267,000</b>	<b>27,789</b>	<b>475,419</b>	<b>(24,230)</b>	<b>1,745,978</b>
Profit for the period	-	-	366,019	-	366,019
Dividend Distribution	-	-	(158,401)	-	(158,401)
Contingency reserve fund	-	14,843	(14,843)	-	-
Revaluation surplus/ deficit on financial instruments at FVOCI	-	-	-	(28,089)	(28,089)
	-	14,843	192,775	(28,089)	179,528
<b>Balance as at December 31, 2021</b>	<b>1,267,000</b>	<b>42,632</b>	<b>668,194</b>	<b>(52,320)</b>	<b>1,925,506</b>

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

Chief Financial Officer

Chief Executive Officer




Chairman



**GHAZANFAR BANK**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
	----- AFN '000 -----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	432,080	227,957
<b>Adjustments for:</b>		
Net impairment (reversal) / loss on financial assets	179,866	84,105
Gain on disposal	3,954	-
Finance cost on lease liability	8,864	9,392
Exchange loss on lease liability	3,006	(113)
Fixed assets written-off	68,426	1,180
Intangible assets written-off	-	135
CWIP expensed out	2,013	16
Depreciation	61,014	47,318
Amortization	26,143	26,708
	<u>785,365</u>	<u>396,699</u>
<b>(Increase) / decrease in current assets</b>		
Loans and advances	452,041	(1,572,534)
Loans to financial institutions	-	70,000
Other assets	(468,965)	(263,782)
	<u>(16,924)</u>	<u>(1,766,316)</u>
<b>Increase / (decrease) in current liabilities</b>		
Deposits from customers	(3,262,032)	2,047,619
Deposits from financial institutions	(510,942)	1,823,662
Other liabilities	37,740	28,601
	<u>(3,735,234)</u>	<u>3,899,882</u>
	<u>(2,966,793)</u>	<u>2,530,265</u>
Tax paid	(54,423)	(21,108)
<b>Net cash generated from / (used in) operating activities</b>	<u>(3,021,215)</u>	<u>2,509,157</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(19,839)	(19,961)
Proceeds from disposal of property and equipment	(4,587)	-
Capital work in progress	(4,273)	(7,837)
Placements - net	138,405	1,001,209
Investments - net	593,093	(1,477,413)
<b>Net cash used in investing activities</b>	<u>702,798</u>	<u>(504,003)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(37,935)	(65,500)
Dividend paid	(143,472)	-
<b>Net cash used in financing activities</b>	<u>(181,407)</u>	<u>(65,500)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,499,824)</u>	<u>1,939,654</u>
Cash and cash equivalents, beginning of period	6,890,521	4,950,867
<b>Cash and cash equivalents, end of period</b>	<u><u>4,390,697</u></u>	<u><u>6,890,521</u></u>

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

**Chief Financial Officer**
**Chief Executive Officer**
**Chairman**



**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**1 STATUS AND NATURE OF BUSINESS**

Ghazanfar Bank ("the Bank") is a commercial bank incorporated under the Law in Afghanistan. The registered office of the bank is located at Wazir Akbar Khan Street, Sher Pur, District 10, and Kabul, Afghanistan.

The Bank obtained business license from Afghanistan Investment Support Agency (AISA) bearing license no: D-29098 renewed in 2016 and is registered as a limited liability company. The Bank commenced its operations on March 1, 2009 under the license for commercial banking issued by the Da Afghanistan Bank (DAB) under the Law of Banking in Afghanistan. Currently, the Bank is being operated with 19 branches with Islamic banking operations (2020: 19 branches with Islamic banking operations) in different provinces of Afghanistan and number of employees are 344 (2020: 413) at the year end.

**2 STATEMENT OF COMPLIANCE**

- 2.1** These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of the Law of Banking in Afghanistan, other laws and regulations issued by Da Afghanistan Bank. In case requirements differ, the provisions of the Law of Banking in Afghanistan and regulation issued by DAB will prevail.

Da Afghanistan Bank, vide its circular no. E-02 dated April 9, 2020, deferred the applicability of IFRS 9 "Financial Instruments". Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements..

- 2.2 Standards, amendments and interpretations to published accounting standards that became effective in the current year**

Following accounting standards and amendments became applicable in the current year:

- Interest Rate Benchmark Reform: Phase 2 - Amendments to IAS 39, IFRS 7, IFRS 4, IFRS 16, IFRS 9.
- IFRS 9 Amendments regarding replacement issues in the context of the IBOR reform
- IFRS 16 Amendment to extend the exemption from assessing whether a COVID 19-Related rent concession is a lease modification
- IFRS 4 Amendments regarding replacement issues in the context of the IBOR reform

- 2.3 Standards, interpretations and amendments to published accounting standards that are not yet effective**

<b>Standards, Interpretations and Amendments</b>	<b>Effective date (accounting periods beginning on or after)</b>
- IAS 1 Presentation of financial statements Amendments regarding disclosure of accounting policies	January 01, 2023
- IAS 12 Amendments regarding deferred tax on leases and decommissioning obligations	January 01, 2023
- References to the Conceptual Framework	January 01, 2022
- Proceeds before Intended Use (Amendments to IAS 16)	January 01, 2022

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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- Annual Improvements to IFRS Standards 2018-2020 Cycle  
(Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41) January 01, 2022
- Classification of Liabilities as Current or Non-current -  
Amendment to IAS 1 January 01, 2023

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

### **3 BASIS OF PREPARATION**

#### **3.1 Basis of measurement**

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

#### **3.2 Use of critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following:

- a) Note 8 Provision against non-performing loans and advances to customers
- b) Note 09 Depreciation rates for property and equipment
- c) Note 10 Amortization rates for intangible assets
- d) Note 23 Income taxes

#### **3.3 Functional and presentation currency**

These financial statements are presented in Afghani (AFN), which is the Bank's functional currency.

### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless or otherwise state.

#### **4.1 IFRS 16 Leases**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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Following accounting policy change has been adopted by the Bank pursuant to IFRS 16:

**4.1.1 Leased assets**

**The Bank as a Lessee**

For any new contracts entered into on or after January 1, 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- a) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- b) The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- c) The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment within operating fixed assets and lease liabilities have been disclosed on the face of the statement of financial position.

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**Extension options for leases**

When the Bank has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

**4.2 Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise of cash and balances with central bank (unrestricted) and balances with other banks.

**4.3 Financial instruments**

**Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

**Classification and subsequent measurement of financial assets and financial liabilities**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- at fair value through profit or loss ("FVTPL")
- at fair value through other comprehensive income ("FVTOCI")
- at amortized cost
- Loans and receivables

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

**a) Classification, recognition and subsequent measurement of financial assets**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. The Bank's cash and cash equivalents, investments (other than held for trading), loans and receivables and other assets fall into this category of financial instruments.

The Bank determines allowance for impairment loans and advances in accordance with "Asset Classifications and Provisioning Regulation" issued by DAB in December 2017.

**Loans and advances to customers**

The outstanding principal of the advances are classified in accordance with the Asset Classification and Provisioning Regulation issued by DAB as follows:

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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- a) **Standard:** These are loans and advances, which are paying in a current manner or at most past due for the period of 1-30 days, fully secured and is supported by sound net worth, profitability, liquidity and cash flow of the obligor. Standard assets are sufficiently secured with respect to the repayment of both the principal amount and interest. An overdraft would be regarded as Standard if monthly interest payments and other charges are past due for 1-30 days, and there was regular activity on the account with no sign of a hard core of debt developing. The Bank does not maintain provision on standard loans.
- b) **Watch:** These are loans and advances which are adequately protected but are potentially weak. Such an asset constitutes an unwarranted credit risk, but not to the point of requiring a classification of Substandard. The credit risk may be minor, and most instances, bank management can correct the noted deficiencies with increased attention. Further, all loans and advances which are past due by 31 to 60 days for principal or interest payments are classified as Watch. A provision is maintained in the books of account not less than 5% of value of such loans and advances.
- c) **Substandard:** These are loans and advances which show clear manifestations of credit weaknesses that jeopardize the liquidation of the debt. Substandard loans and advances include loans to borrowers whose cash flows are not sufficient to meet currently maturing debts, loans to borrowers which are significantly undercapitalized, and loans to borrowers lacking sufficient working capital to meet their operating needs.

Further, all loans and advances which are past due by 61 to 120 days for principal or interest payments are also classified as Substandard. A provision is maintained in the books of account not less than 25% of value of such loans and advances.

- d) **Doubtful:** These are loans and advances which display all the weaknesses inherent in loans and advances classified as Substandard but with the added characteristics that they are not well secured and the weaknesses make collection or liquidation in full, on the basis of currently available information, highly questionable and improbable. The possibility of loss is extremely high, but because of certain mitigating circumstances, which may work to the advantage and strengthening of the facility, its classification as an estimated loss is postponed until its more defined status is ascertained. Further all loans and advances which are past due by 121 to 480 days for principal or interest payments are also classified as Doubtful. A provision is maintained in the books of account not less than 50% of value of such loans and advances.
- e) **Loss:** These are loans and advances which are considered uncollectible and of such little value that their continuation as recoverable facilities is not defensible. This classification does not imply that the facility has absolutely no recoverable value, but rather it is not practical or desirable to defer making full provisions for the facility even though partial recover in future may not be entirely ruled out. Loans and advances classified as Loss include those to bankrupt companies and insolvent firms with negative working capital and cash flow or those to judgment debtors with no means or foreclosable collateral to settle the debts. Further, all loans and advances which are past due over 481 days for principal and interest payments are classified as Loss. This category of loans shall be retained in bank balance sheet for the period of 6 month for recovery purposes and 100% loan loss provisioning should be made. After 6 months, they shall be immediately written off with the provisioning made.
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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**b) Classification and subsequent measurement of financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in statement of comprehensive income. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

**4.4 Investment in equity instruments**

Investment in equity instruments is carried at cost less impairment if any.

**4.5 Loans and advances**

Loans and advances are stated net of provisions against non-performing loans and advances. Specific and general provision are made based on an appraisal of the loan portfolio that takes into account Regulations and other directives issued by the Da Afghanistan Bank from time to time.

The provisions made / reversed during the year are charged to the statement of comprehensive income and accumulated provision is netted off against loans and advances. Loans and advances are written off when there is no realistic prospect of recovery or when the regulation requires.

In Murabaha transactions, the Bank purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date.

**4.6 Property and equipment**

**Owned**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes expenditure that is directly attributable to the acquisition of fixed assets.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are recognized in statement of comprehensive income.

Land is not depreciated. Depreciation on all other fixed assets is calculated using the straight-line method to allocate their depreciable cost to their residual values over their estimated useful lives.

The depreciation method, residual values and useful lives of fixed assets are reviewed and adjusted (if appropriate) at each balance sheet date.

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Depreciation**

Depreciation is recognized in profit and loss account on straight-line basis from the month of use over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

-	Building	30 years
-	Furniture and fixture	4-10 years
-	Computer equipment	4 years
-	Vehicles	6 years
-	Office equipment	5 years
-	Right-of-use assets	3 -10 years

**4.7 Intangible assets**

Intangible assets include computer software which are capitalized on the basis of costs incurred to acquire and bring those to use for intended purpose. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

These costs are amortized over their expected useful lives using the straight-line method from the date it is available for use since this most closely reflects the pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of software is three to ten years.

Amortization methods, useful lives and residual values are reassessed at each financial year end and adjusted, if appropriate.

**4.8 Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**4.9 Deposits**

These are recorded at the amount of proceeds received.

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**4.10 Taxation**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of comprehensive except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

**Current tax**

Current tax is the expected tax payable or receivable on the taxable income for the year (using tax rates enacted or substantively enacted at the balance sheet date), and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on temporary differences relating to: (i) the initial recognition of goodwill; (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**4.11 Employee compensation**

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

**4.12 Foreign currency transactions**

Transactions in foreign currencies are translated to Afghani at exchange rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Afghani at the exchange rate prevailing at that reporting date. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

**4.13 Interest income and expense**

Mark-up /interest /return on advances and investments is recognized in the statement of comprehensive income using effective interest rate method, and in case of advances classified as doubtful or loss, mark - up is recognized on receipt basis. Mark-up /interest /return on rescheduled /restructured loans and advances and investments is recognized as permitted by DAB. Income from Murabaha is accounted for on a time proportionate basis over the period of Murabaha transaction. Gain or loss on sale of investments are recognized in statement of comprehensive income in the year in which these arise.

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The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**4.14 Fee and commission**

Fees and commission income include account servicing fees and sales commissions and are recognized as the related services are performed.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

**4.15 Lease payments**

Payments under operating leases are recognized in statement of comprehensive income on straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**4.16 Dividends**

Dividend payments are recognized in the year in which these are approved by BOS and DAB with the appropriations to capital reserves required by Corporations and Limited Liability Companies Law of Afghanistan.

**4.17 Provisions**

Provisions for restructuring costs and legal claims are recognized when:

- a) the Bank has a present legal or constructive obligation as a result of past events;
- b) it is more likely than not that an outflow of resources will be required to settle the obligation; and
- c) The amount has been reliably estimated.

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations.

**4.18 Off-setting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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		2021	2020
	Note	----- AFN '000 -----	-----
<b>5 CASH AND CASH EQUIVALENTS</b>			
Cash in hand	5.1	1,043,065	915,930
Balances with banks	5.2	3,347,632	5,974,591
		<u>4,390,697</u>	<u>6,890,521</u>
<b>5.1 Cash in hand</b>			
Local currency		177,997	203,015
Foreign currencies		865,068	712,915
		<u>1,043,065</u>	<u>915,930</u>
<b>5.2 Balances with banks</b>			
<i>Balances with central bank</i>			
Local currency current accounts		90,295	773,658
Local currency deposit account (Overnight deposit)		-	38
Foreign currency current accounts		2,147,971	3,210,528
		<u>2,238,266</u>	<u>3,984,224</u>
<i>Balances with other banks (foreign/ domestic)</i>		1,109,366	1,990,367
		<u>3,347,632</u>	<u>5,974,591</u>

**6 PLACEMENTS**

These include short time deposits with foreign banks carrying interest rate ranging from 1.75% to 2.60% (2020: 1.2% to 3.45%) per annum.

		2021	2020
	Note	----- AFN '000 -----	-----
<b>7 INVESTMENTS</b>			
<i>Instruments at fair value through OCI</i>			
Investment in bonds	7.1	400,237	14,864
Investment in equity	7.2	380,400	121,895
		<u>780,637</u>	<u>136,759</u>
<i>Instruments at fair value through profit or loss</i>			
Investment in gold		411,545	-
		<u>411,545</u>	<u>-</u>
<i>Debt instruments at amortized cost</i>			
Capital notes with DAB		-	1,367,750
Investment in bonds		-	308,855
		<u>-</u>	<u>1,676,605</u>
		<u>1,192,182</u>	<u>1,813,364</u>

- 7.1** This include foreign currency investment in; Sovereign bond of Republic of Sri Lanka having coupon rate of 5.75% per annum with the maturity of April 18, 2023, and Emerging Market Infrastructure Bond having coupon rate of 5% per annum with the maturity of Sep 16, 2026. These bonds are listed on Singapore exchange (SGX). SHUAA Capital PSC UAE and DAMAAN investment advisors are the custodians of investments.

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- 7.2 This represents investment in equity market which are listed on NYSE and NASDAQ stock exchanges. SHUAA Capital PSC UAE and FABS are acting as the securities custodian of these

	Cost	Unrealized gain/ (loss)	Market value
	..... (AFN '000) .....		
Shares of listed entities	431,857	(51,457)	380,400

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8 LOANS AND ADVANCES**

LOANS AND ADVANCES		31 December 2021			31 December 2020		
	Note	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		..... AFN '000 .....			..... AFN '000 .....		
<b>Conventional financing</b>							
Running finance	8.1	1,930,349	(258,765)	1,671,585	2,634,384	(108,240)	2,526,144
SME loans	8.2	33,223	(26)	33,197	25,546	(24)	25,522
Term loans	8.3	1,304,895	(107,062)	1,197,833	821,008	(79,709)	741,300
		3,268,467	(365,853)	2,902,615	3,480,939	(187,973)	3,292,966
<b>Islamic financing</b>							
Murabaha	8.4	857,245	(28,022)	829,223	1,079,483	(7,732)	1,071,751
		4,125,712	(393,875)	3,731,838	4,560,422	(195,705)	4,364,717

- 8.1** The facility to meet working capital requirements carries interest ranging from 6.5% to 15.5% (2020: 9% to 15%) per annum. These facilities are extended for maximum period of twelve months and these are secured against personal guarantees and mortgage of residential and/or commercial properties of the borrowers.
- 8.2** These are extended to the Small and Medium Enterprises carry interest from 6.5% to 30% (2020: 7% to 15%) per annum with maximum period of Six years. These are secured against personal guarantees and mortgage of residential properties of the borrower. These include loans and advances to SMEs amounting to AFN 357 thousands which are partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with them.
- 8.3** These are term loan facilities extended to customers carries interest ranging from 5.5% to 15% (2020: 5.5% to 15%) per annum. These facilities are extended for maximum period of ten years. These are secured against personal guarantees, corporate guarantee, and mortgage of residential and/or commercial properties of the borrowers. These include loans and advances to SMEs amounting to AFN 214,515 thousands (2020: 257,531 thousands) which are partially backed by Afghanistan Credit Guarantee Foundation (ACGF) and Development Finance Corporation (DFC-USAID) guarantees to the extent defined in agreement with them.
- 8.4** These represents murabaha agreements under which the Bank provided funds to meet capital and other requirements of the borrower on a fixed profit sharing basis ranging from 7% to 39% (2020: 4.33% to 39%). These facilities are extended for a maximum period of sixty months and secured against personal guarantees and mortgage of residential and/or commercial properties of the borrower. These include loans and advances amounting to AFN 406,428 thousands (2020: 290,107 thousands) which are partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.
- 8.5** The credit quality of the loan and advances according to the Asset Classification and Provisioning Regulation is as follows:



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	Standard	Watch	Sub-standard	Doubtful	Loss	Total
<b>As at 31-Dec-2021</b>	..... AFN '000 .....					
<b>Conventional:</b>						
Running finance	1,199,217	233,033	10,826	487,273	-	1,930,349
SME loans	32,749	475	-	-	-	33,223
Term loans	1,062,989	29,691	-	212,215	-	1,304,895
<b>Islamic:</b>						-
Murabaha	761,070	8,347	67,321	887	19,620	857,245
	<u>3,056,025</u>	<u>271,545</u>	<u>78,147</u>	<u>700,376</u>	<u>19,620</u>	<u>4,125,712</u>
<b>As at 31-Dec-2020</b>						
<b>Conventional:</b>						
Running finance	2,312,674	116,825	-	204,885	-	2,634,384
SME loans	25,448	-	98	-	-	25,546
Term loans	657,177	5,404	-	157,978	450	821,008
<b>Islamic:</b>						
Murabaha	1,064,072	-	-	15,411	-	1,079,483
	<u>4,059,370</u>	<u>122,229</u>	<u>98</u>	<u>378,275</u>	<u>450</u>	<u>4,560,422</u>
					2021	2020
					----- AFN '000 -----	

**8.6 Impairment allowance on loans and advances**

Opening balance	195,705	145,869
Charge for the year	205,886	90,273
Reversal made during the year	(7,716)	(40,437)
Net impairment allowance on funded facilities	198,170	49,836
Closing balance	<u>393,876</u>	<u>195,705</u>

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	2021	2020
	----- AFN '000 -----	
<b>8.7 Net impairment allowance and charge off</b>		
Net impairment allowance on funded facilities	198,170	49,836
Impairment allowance on receivables from financial institutions	79,936	34,086
Exchange difference	(99,334)	944
Net impairment allowance on non-funded facilities	122	-
Net provision on accrued interest/ profit	523	(1,280)
Loan charged off during the year	450	519
	<u>179,866</u>	<u>84,105</u>

- 8.8 On December 31, 2021, Da Afghanistan Bank provided exemption to all banks from implementation of "Asset Classification and Provisioning Regulations" (ACPR) up till the end of June 2022. This regulation deals with provisioning against the loans and advances, suspension of interest on non-performing loans, re-possessed assets, classification of off-balance sheet items, classification of investments and other assets, credit risk management, etc. The objective was to protect the banking sector from imminent risk of default and financial impact of current economic turmoil.

This relaxations has significant impact on the these financial statements and has helped the bank in avoiding additional provisioning on loans and advances and other exposures in current economic meltdown.

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GHAZANFAR BANK  
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						2021		2020	
						AFN '000			

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	Note	2021 ----- AFN '000 -----	2020 -----
<b>9.2 Capital work-in progress</b>			
Opening balance		8,222	1,087
Additions during the year		3,430	7,837
Transfer to property and equipment		4,273	686
Transfer to intangible assets		-	-
Expensed		2,013	16
<b>Closing balance</b>		<b>5,366</b>	<b>8,222</b>
<b>9.3 Right-of-use assets</b>			
<b>Cost:</b>			
Opening balance		181,416	122,298
Additions during the year		49,531	59,118
Lease modification		(9,855)	-
Write-Off		(32,501)	-
Adjustment		(3,679)	-
Closing balance		184,912	181,416
<b>Accumulated depreciation:</b>			
Opening balance		44,206	21,526
Depreciation expense for the year		30,528	22,680
Closing balance		74,735	44,206
<b>Carry amount</b>		<b>110,177</b>	<b>137,210</b>
<b>9.4 Depreciation expense</b>			
Property and equipment		30,485	24,638
Right-of-use assets		30,528	22,680
		<b>61,014</b>	<b>47,318</b>
<b>10 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance		78,778	104,132
Transfer from Property and Equipment		4,587	-
Written-off	10.1	-	25,354
Closing balance		83,365	78,778
<b>Amortization</b>			
Opening balance		48,271	46,781
Amortization for the year		26,143	26,708
Transfer from Property and Equipment		4,587	-
Written-off		-	25,219
Closing balance		79,001	48,271
<b>Carrying Amount</b>		<b>4,365</b>	<b>30,507</b>

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		2021	2020
		----- AFN '000 -----	-----
<b>11</b>	<b>OTHER ASSETS</b>	<b>Note</b>	
	Restricted deposits with DAB	11.1	636,441 1,059,646
	Prepayments		70,728 66,600
	Receivable from Western Union		21,778 22,432
	Profit receivable	11.2	20,948 12,537
	Interest receivable		39,566 8,737
	Security deposits		843,251 26,211
	Cash call		- -
	Deferred tax		13,080 6,058
	Receivable from financial institutions	11.3	110,288 163,316
	Others		1,847 3,935
			<u>1,757,927</u> <u>1,369,472</u>
<b>11.1</b>	<b>Restricted deposits with DAB</b>		
	Local currency		50,705 123,608
	Foreign currencies		585,736 936,038
		11.1.1	<u>636,441</u> <u>1,059,646</u>
<b>11.1.1</b>	This represents non-interest bearing statutory reserves maintained with DAB as minimum reserve calculated at 5% for local currency and 7% of foreign currency deposits in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB.		
<b>11.2</b>	This includes profit receivable on account of Murabaha investments, Sovereign sukuks and Murabaha facility.		
<b>11.3</b>	<b>Receivable from financial institutions</b>		
		2021	2020
		----- AFN '000 -----	-----
	Receivable from financial institutions	254,817	197,402
	Provision reserve on receivables from FIs	(144,529)	(34,086)
		<u>110,288</u>	<u>163,316</u>
<b>11.3</b>	This represents receivables from two foreign banks, namely JSC Capital Bank and Tengri Banks. Both Banks are under default from 2019 against which the provision was made as per "Asset Classification and Provisioning Regulations" (ACPR) up till June 2021. However after suspension of ACPR, as explained in note 8.8, no further provisioning was recorded against these balances.		
		2021	2020
		----- AFN '000 -----	-----
<b>12</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>		
	2021	2020	
	<u>Number of shares</u>		
	<u>126,700</u>	<u>126,700</u>	Ordinary shares of AFN 10,000 each, fully paid in cash
		<u>1,267,000</u>	<u>1,267,000</u>

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		2021	2020
	Note	----- AFN '000 -----	-----
<b>13 DEPOSITS FROM CUSTOMERS</b>			
<b>Conventional</b>			
Current deposits		3,833,655	6,300,453
Saving deposits	13.1	720,415	937,758
Term deposits	13.2	281,295	504,504
		<u>4,835,365</u>	<u>7,742,714</u>
<b>Islamic</b>			
Al Wadiah current deposits		544,504	872,728
Mudarabah saving deposits	13.3	1,083,179	1,071,606
Mudarabah fixed deposits	13.4	717,191	1,061,764
		<u>2,344,874</u>	<u>3,006,098</u>
<b>Margin deposits</b>			
Margin deposits - expired		21,497	16,021
Margin deposits - unexpired	13.5	1,765,137	1,464,072
		<u>1,786,634</u>	<u>1,480,093</u>
		<u>8,966,873</u>	<u>12,228,905</u>

- 13.1 Saving deposits carry interest ranging from 1% to 1.5% (2020: 1% to 1.5%) per annum.
- 13.2 Term deposits carry interest ranging from 1.25% to 2.75% (2020: 1.25% to 2.75%) per annum with maturity ranging from three months to two years (2020: three months to two years).
- 13.3 The profit disbursed during the year on the Mudarabah saving deposits ranged from 0.19% to 0.70% (2020: 0.28% to 0.79%) per annum based on monthly distribution of the return yielded on Islamic investments.
- 13.4 Profit distribution rates on murabaha fixed deposits during the year ranged from 0.37% to 1.39% (2020: 0.93% to 1.97%) per annum based on monthly distribution of the return on Islamic investments with maturity of one year.
- 13.5 This represent cash margin money held against bank guarantee ranging from 5% to 100% of the guarantee amount.

	2021	2020
	----- AFN '000 -----	-----
<b>14 DEPOSITS FROM FINANCIAL INSTITUTIONS</b>		
<b>Deposits from Banks</b>		
Demand Deposits of Banks	-	900,000
<b>Deposits from OFI's</b>		
Current deposits	101,888	1,450
Term deposits	1,242,840	954,219
	1,344,728	955,670
	<u>1,344,728</u>	<u>1,855,670</u>

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	2021	2020
	----- AFN '000 -----	
<b>15 OTHER LIABILITIES</b>		
Interest payable on customer deposits	15,035	12,329
Withholding tax	12,637	13,548
Unearned commission on bank guarantees	32,761	36,383
Accrued expenses	26,444	17,191
Dividend Payable	14,929	-
Other liabilities	32,429	17,044
	<u><b>134,235</b></u>	<u><b>96,495</b></u>
<b>16 LEASE LIABILITY</b>		
Opening balance	99,286	96,390
Addition during the year	49,531	59,118
Payment during the period - principal	(37,935)	(65,500)
Accrued finance cost	8,864	9,392
Lease modification	(9,855)	
Write off	(36,456)	
Exchange rate fluctuation	3,006	(113)
<b>Closing balance</b>	<u><b>76,441</b></u>	<u><b>99,286</b></u>
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Contingencies - Bank guarantees issued	6,477,875	5,110,107
Letters of credits	42,982	86,423
	<u><b>6,520,857</b></u>	<u><b>5,196,530</b></u>
<b>Commitments</b>		
Un-used portion of Overdraft	<u><b>130,201</b></u>	<u><b>27,833</b></u>
<b>18 NET INTEREST INCOME</b>		
<b>Interest income</b>		
Interest income on Capital Note	42,533	1,678
Interest income on Placements	28,617	52,186
Loans and advances	421,191	394,434
Bonds and Sukuk	10,293	7,733
	<u><b>502,634</b></u>	<u><b>456,031</b></u>
<b>Interest expense</b>		
Customer deposits	31,681	32,349
Short term borrowing (inter-bank deal)	10,046	-
Deposits from financial institutions	36,901	16,061
Total interest expense	<u><b>78,628</b></u>	<u><b>48,410</b></u>
<b>Net interest income</b>	<u><b>424,006</b></u>	<u><b>407,621</b></u>

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	2021	2020
	----- AFN '000 -----	
<b>18.1 Interest expense on customers deposits</b>		
Term deposits	21,436	21,593
Saving deposits	10,245	10,757
	<u>31,681</u>	<u>32,349</u>
<b>19 NET FEE AND COMMISSION INCOME</b>		
<b>Fee and commission income</b>		
Commission on bank guarantees	107,182	94,049
Commission on letter of credits	3,590	2,803
Loan processing fee	14,247	23,574
Fund transfer fee	115,304	113,554
Deposit accounts servicing	32,234	25,342
	<u>272,557</u>	<u>259,322</u>
<b>Fee and commission expense</b>		
Inter bank transaction fee	(10,118)	(6,677)
<b>Net fee and commission income</b>	<u>262,439</u>	<u>252,645</u>
<b>20 OTHER INCOME</b>		
Gain on sale of investment in gold	102,680	3,571
Recovery of loan previously written off	38,018	82,216
Other	8,033	3,546
	<u>148,731</u>	<u>89,333</u>
<b>21 EMPLOYEE COMPENSATION</b>		
Salaries and wages	155,707	129,231
Staff bonus	1,720	844
Staff welfare	191	97
	<u>157,618</u>	<u>130,172</u>

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

		2021	2020
	Note	----- AFN '000 -----	-----
<b>22 ADMINISTRATIVE EXPENSE</b>			
Security guards expenses		35,346	38,189
Software annual maintenance		19,407	17,641
Insurance		37,785	34,306
Communication		10,413	9,741
Advertisement		16,740	24,779
Travelling and conveyance		9,543	6,477
Utilities		11,305	11,948
Fuel		4,139	2,915
Repair and maintenance		11,230	11,578
Stationery and printing		6,484	6,106
Donation	22.1	42,329	41,395
Food expenses		8,060	5,926
Staff training		1,287	1,924
Legal & Audit fee		8,772	7,258
Other expenses		35,310	33,545
		<u>258,150</u>	<u>253,728</u>

**22.1** During the year, COVID 19 severely affected Afghanistan and consequently government imposed strictions to contain the virus. These SOPs hampered the business activities and resulted in partial economy shut down for several months. Keeping in view the plight of the poorest sections of society, particularly labour, having lost their daily wages depend on either government support or private charity for food; the bank decided to contribute a substantial amount for this most vulnerable section. This support was made through Ghazanfar Foundation, which has vast experience in charity work, and is a related party.

		2021	2020
	Note	----- AFN '000 -----	-----
<b>23 TAXATION</b>			
Current	23.1	66,061	54,338
Prior		-	6,310
		<u>66,061</u>	<u>60,648</u>

**23.1 Effective tax rate reconciliation is as follows:**

Accounting profit before tax	<u>432,080</u>	<u>227,957</u>
Tax at applicable rate of 20% (2020: 20%)	86,416	45,591
Non-deductible tax expense	28,085	25,031
Other deductible expenses	(48,440)	(16,284)
	<u>66,061</u>	<u>54,338</u>

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**24 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

**Parent and ultimate controlling entity**

The Bank is owned by individual shareholders owing equity shares in different proportions.

**Associated entities**

Associated entities include all sister companies under Ghazanfar Group including Ghazanfar Naft and Gas, Ghazanfar investments and Ghazanfar Foundation.

**Key management personnel**

Key management personnel includes Board of Supervisors, Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, Chief Operation Officer and Chief Islamic Banking Officer.

**Transactions with related parties**

Transactions and balances with related parties, including remuneration and benefits paid to key management personnel under the terms of their employment are as follows:

	2021	2020
	----- AFN '000 -----	-----
<b>Balances at year end</b>		
<i><b>Shareholders</b></i>		
Prepayment/ Security Deposit for Hairatan Branch	51,613	53,306
Deposits	2,222	5,840
<i><b>Key management personnel</b></i>		
Deposits	4,163	11,082
<i><b>Associated entities</b></i>		
Loans and advances	67,273	69,955
Deposits	4,999	14,097
<b>Transaction during the year</b>		
<i><b>Key management personnel</b></i>		
Short term employee benefits	31,373	21,123
<i><b>Associated entities</b></i>		
Interest income on loans and advances	5,724	5,952
Rent paid	154	154
Donation paid	42,329	41,395

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**GHAZANFAR BANK**  
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**25 FINANCIAL ASSETS AND LIABILITIES**

*Accounting classifications and fair values*

The table below sets out the carrying amounts of the Bank's financial assets and financial liabilities:

		Held for Trading	Designated at Fair Value	Held to Maturity	At amortized cost	Available for sale	Total carrying amount
	Note	AFN '000'					
2021							
Cash and cash equivalents	5	-	-	-	4,390,697	-	4,390,697
Placements	6	-	-	1,087,485	-	-	1,087,485
Investments	7	411,545	-	-	-	780,637	1,192,182
Loans and advances to customers	8	-	-	-	3,731,838	-	3,731,838
Others assets	11	-	-	-	1,687,199	-	1,687,199
		411,545	-	1,087,485	9,809,734	780,637	12,089,401
Deposits from customers	13	-	-	-	8,966,873	-	8,966,873
Deposits from financial institutions	14	-	-	-	1,344,728	-	1,344,728
Other liabilities	15	-	-	-	88,837	-	88,837
Lease liability	16	-	-	-	76,441	-	76,441
		-	-	-	10,476,879	-	22,566,280
2020							
Cash and cash equivalents	5	-	-	-	6,890,521	-	6,890,521
Placements	6	-	-	1,225,890	-	-	1,225,890
Investments	7	-	-	308,855	1,367,750	136,759	1,813,364
Loans and advances to customers	8	-	-	-	4,364,717	-	4,364,717
Others assets	11	-	-	-	1,302,872	-	1,302,872
		-	-	1,534,745	13,925,860	136,759	15,597,364
Deposits from customers	13	-	-	-	12,228,905	-	12,228,905
Deposits from financial institutions	14	-	-	-	1,855,670	-	1,855,670
Other liabilities	15	-	-	-	46,564	-	46,564
Lease liability	16	-	-	-	99,286	-	99,286
		-	-	-	14,230,425	-	29,827,790

**25.1** The fair values of financial assets and financial liabilities approximates their carrying amounts at the reporting date. Held for trading investment categorized in Level 1 of IFRS 13 while available for sale investments are categorized in Level 2 of IFRS 13.

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## 26 FINANCIAL RISK MANAGEMENT

### **Introduction and overview**

The Bank has exposure to the following risks from its use of financial instruments:

- a) credit risk
- b) liquidity risk
- c) market risks

This note presents information about Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

### ***Risk management framework***

The Board of Supervisor has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Management Board, Asset and Liability Committee (ALCO), Risk Management committee of the board (RMCB) and a Credit Committee which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Supervisors on their activities. The Bank's Management Board is assisted in these functions by the internal audit department.

The Bank's Internal Audit and Compliance Departments are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

### **26.1 Credit risk**

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and placements with other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

### ***Management of credit risk***

The Board has delegated responsibility for the management of credit risk to its Credit Committee. Credit department reporting to the Bank Credit Committee is responsible for oversight of the Bank's credit risk.

A separate credit department has been established by the Bank that is responsible for oversight of the Bank's credit risk and which is reportable to the Credit Committee. The Credit department is headed by Chief Credit Officer (CCO). Chief Credit Officer along with credit department staff looks after credit risk matters and conduct portfolio analysis for managing credit risk.

The Bank has established and maintained a sound loan portfolio in terms of well-defined credit policy approved by the Board. The credit evaluation system comprises of well designed credit appraisal, sanctioning and review procedures for the purposes of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio.

The amount of credit risk in this regard is represented by the carrying amounts of the assets at the reporting date. Exposure to credit risk is managed through regular analysis of borrower to meet interest and capital repayment obligations and by changing their lending limits where appropriate. Exposure to credit risk is also managed against personal guarantees of the borrowers and mortgage of immoveable property duly registered with the court of law.

In addition to the above, there were no lending commitments except as disclosed in Note 17.

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**GHAZANFAR BANK**  
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***Past due but not impaired loans***

Past due but not impaired loans are those for which contractual interest or principal payments are past due but the Bank believes impairment is not appropriate.

***Allowances for impairment***

The Bank establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its loan portfolio calculated in accordance with the DAB regulations.

***Write-off policy***

The Bank recognized 100% provision on loans categorized as loss. These loans are kept on books of account for additional six months and after that loans would be written off as per Da Afghanistan bank regulations. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before allowing to written off, it is ensured that all possible avenues of recovery, inclusive of legal action are exhausted or legal action is not advisable.

The Bank holds collateral against loans and advances in the form of mortgage interest over residential and/or commercial properties and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

***Concentration of credit risks by sector***

All the loans have been disbursed in geographical territory of Afghanistan. The Bank monitors concentrations of credit risk by sector. Exposure to any sector should not exceed 40% of the regulatory capital at any time and as of the balance sheet date, except for Petroleum and Lubricants sector where it

***Cash and cash equivalents***

The Bank held cash and cash equivalents of Afs 3,348 million (2020: Afs 5,975 million) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with central bank and other banks.

***Settlement risk***

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honor its obligation to deliverable cash, other assets as

**26.2 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

***Management of liquidity risk***

The Board ensures that the Bank has necessary tools and framework to cater the requirements of liquidity risk management and the Bank is capable to confronting uneven liquidity scenarios. The Bank's management is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. Asset & Liability Committee (ALCO) is entrusted with the responsibility of managing the mismatch in maturities to ensure sufficient available cash flow to meet possible withdrawal of deposits, other commitment or challenges associated with sudden changes in market conditions, whilst enabling the Bank to pursue valued business opportunities. For day to day liquidity risk management integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problem.

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**GHAZANFAR BANK**  
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The Bank relies on deposits from customers as its primary source of funding. Deposits from customers generally has shorter maturities and large proportion of them are repayable on demand. For day to day liquidity risk management integration of liquidity scenario will ensure that the Bank is best prepared to respond to an unexpected problem.

***Exposure to liquidity risk***

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalent less any deposits from banks. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's Regulator (Da Afghanistan Bank). Detail of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period was as follows:

	2021	2020
Closing balance for the year ended	36%	56%
Average for the year	46%	52%
Maximum for the year	56%	60%
Minimum for the year	32%	47%

***Maturity analysis for financial liabilities***

	Note	Carrying amount	Gros Cash Outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
..... AFN '000' .....								
<b>2021</b>								
Deposits from customers	13	8,966,873	8,966,873	4,399,656	1,803,594	1,765,137	998,486	-
Deposits from financial institutions	14	1,344,728	1,344,728	101,888	-	-	1,242,840	-
Other liabilities	15	134,235	134,235	-	-	-	-	-
Lease liability	16	76,441	76,441	-	-	-	-	-
		<b>10,522,277</b>	<b>10,522,277</b>	<b>4,501,544</b>	<b>1,803,594</b>	<b>1,765,137</b>	<b>2,241,326</b>	<b>-</b>
<b>2020</b>								
Deposits from customers	13	12,228,905	12,228,905	7,189,202	2,009,364	1,464,072	1,566,268	-
Deposits from financial institutions	14	1,855,670	1,855,670	851,450	50,000	29,028	925,192	-
Other liabilities	15	96,495	96,495	-	-	-	-	-
Lease liability	16	99,286	99,286	-	-	-	-	-
		<b>14,280,356</b>	<b>14,280,356</b>	<b>8,040,652</b>	<b>2,059,364</b>	<b>1,493,100</b>	<b>2,491,459</b>	<b>-</b>



**GHAZANFAR BANK**  
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The above table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow/(out flow) disclosed in the above table is the contractual, undiscounted cash flow on the financial liability.

**26.3 Market risks**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with in acceptable parameters, while optimizing the return on risk.

***Management of market risks***

To manage and control market risk, a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically. Overall authority for market risk is vested in ALCO. The Bank's Assets and Liability Committee (ALCO) is responsible for the development of detailed risk management policies and day to day review of their implementation.

***Exposure to interest rate risk***

The Bank's risk to which not-trading portfolios are exposed is the risk of loss from fluctuations in the future flows or fair values of financial instrument because of change in market interest rates. Interest rate risk managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day to day monitoring activities. The Bank holds the instruments which do not carry variable interest rate and are not subject to future changes in market interest rates.

***Exposure to currency risk***

The Bank's exposure to foreign currency risk was as follows based on notional amounts.

**31 December 2021**

		<b>Total</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
<b>Assets</b>	<b>Note</b>	<b>..... AFN '000' .....</b>			
Cash and cash equivalents	5	4,122,405	3,764,292	344,619	13,494
Placements	6	1,087,485	1,087,485	-	-
Investments	7	988,042	988,042	-	-
Loans and advances	8	2,929,666	2,929,666	-	-
Other assets	11	1,651,533	1,632,062	19,471	-
		<b>10,779,131</b>	<b>10,401,547</b>	<b>364,090</b>	<b>13,494</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

*Exposure to currency risk (cont.)*

		Total	USD	EUR	GBP
	Note	..... AFN '000' .....			
<b>Liabilities</b>					
Deposits from customers	13	7,894,788	7,608,367	276,743	9,678
Deposits from financial institutions	14	1,300,203	1,300,203	-	-
Other liabilities	15	55,210	54,742	446	22
Lease liabilities	16	15,807	15,807	-	-
		<u>9,266,008</u>	<u>8,979,119</u>	<u>277,189</u>	<u>9,700</u>
<b>Net foreign currency exposure</b>		<u>1,513,123</u>	<u>1,422,428</u>	<u>86,901</u>	<u>3,794</u>
<b>31 December 2020</b>					
<b>Assets</b>					
Cash and cash equivalents	5	5,913,810	5,639,341	266,781	7,688
Placements	6	1,225,890	1,225,890	-	-
Investments	7	445,613	445,613	-	-
Loans and advances to customers	8	2,730,594	2,730,594	-	-
Other assets	11	1,194,062	1,147,595	46,467	-
		<u>11,509,969</u>	<u>11,189,033</u>	<u>313,248</u>	<u>7,688</u>
<b>Liabilities</b>					
Deposits from customers	13	10,187,713	9,930,370	253,245	4,098
Deposits from financial institutions	14	954,272	954,272	-	-
Other liabilities	15	43,370	42,794	558	18
Lease liabilities	16	41,025	41,025	-	-
		<u>11,226,379</u>	<u>10,968,461</u>	<u>253,803</u>	<u>4,116</u>
<b>Net foreign currency exposure</b>		<u>283,590</u>	<u>220,573</u>	<u>59,445</u>	<u>3,573</u>

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*Exposure to currency risk (cont.)*

in AFN	2021		2020	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	83.76	103.57	76.77	77.10
Euro	97.93	113.15	86.53	94.03
GBP	112.61	130.22	97.05	103.23

*Sensitivity analysis*

A 10% strengthening of the Afghani, as indicated below, against the USD, Euro and GBP at 31 December 2021 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2021		2020	
	Equity	Profit or loss	Equity	Profit or loss
US\$	(113,794)	(142,243)	(17,646)	(22,057)
Euro	(6,952)	(8,690)	(4,756)	(5,944)
GBP	(304)	(379)	(286)	(357)

A 10% weakening of the Afghani against the above currencies at 31 December 2021 would have equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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**GHAZANFAR BANK**  
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**27 CAPITAL MANAGEMENT**

***Regulatory capital***

Da Afghanistan Bank (DAB) sets and monitors capital requirements for all Banks. Bank is required to maintain at all times the paid up capital plus reserves in excess of Afs 1 billion and regulatory capital to be 12% of the risk weighted assets. The capital adequacy of the Bank is assessed in two tiers as per regulations of the DAB.

- Tier 1 or core capital, consisting of the highest quality capital elements that fully meet all the essential characteristics of capital; to be 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

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 complies with these regulations.

The Bank's regulatory capital position as on December 31, 2020 is as follows:

	2021	2020
	----- AFN '000 -----	-----
<b>Tier 1 capital</b>		
Share holders' equity	1,925,506	1,745,978
Less: Other Equity Components	52,320	24,230
Less: Profit for the period / year	(366,019)	(167,309)
Less: Intangible assets	(4,365)	(30,507)
Net Deferred Tax Assets	(13,080)	(6,058)
<b>Total tier 1 (core) capital</b>	<b>1,594,362</b>	<b>1,566,334</b>
<b>Tier 2 capital</b>		
General allowances on Standard Advances	22	26
Revaluation Reserves on Available-for Sale Investments	-	-
Add: Profit for the year	366,019	167,309
<b>Total tier 2 (supplementary) capital</b>	<b>366,041</b>	<b>167,335</b>
<b>Total Regulatory capital = Tier 1 + Tier 2</b>	<b>1,960,403</b>	<b>1,733,669</b>
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	1,043,065	915,930
Direct claims on DAB	2,874,707	6,411,620
Loans Collateralized by Blocked Deposits	120,000	267,625
Others	444,702	407,797
<b>Total</b>	<b>4,482,474</b>	<b>8,002,971</b>
<b>0% risk-weight total (above total x 0%)</b>	<b>-</b>	<b>-</b>

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	2021	2020
	----- AFN '000 -----	
<b>20% risk weight:</b>		
Demand Deposits with Banks	1,109,366	1,990,367
Time Deposits with Banks	1,087,485	1,225,890
Other	411,545	-
Guaranteed by Multilateral Lending Institutions	-	-
Total	<u>2,608,396</u>	<u>3,216,257</u>
<b>20% Risk-Weight Total (Above Total x 20%)</b>	<u>521,679</u>	<u>643,251</u>
<b>100% risk weight</b>		
Loans gross amount	3,561,010	3,885,000
Property & Equipment's	348,280	385,215
All Other Assets	1,640,526	783,468
Total	<u>5,549,816</u>	<u>5,053,683</u>
<b>100% Risk-Weight Total (Above Total x 100%)</b>	<u>5,549,816</u>	<u>5,053,683</u>
<b>Off-balance-sheet items with 0% Credit Conversion Factor</b>		
Undrawn loan and overdraft facilities	130,201	27,833
Guarantees	-	-
Total	<u>130,201</u>	<u>27,833</u>
<b>0% Credit Conversion Factor Total (Above Total x 0%)</b>	<u>-</u>	<u>-</u>
<b>Off-balance-sheet items with 20% Credit Conversion Factor</b>		
Commercial letters of credit	-	-
100% Risk Weight	34,385	57,826
Total	<u>6,877</u>	<u>11,565</u>
<b>20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)</b>		
<b>Off-balance sheet items with 100% Credit Conversion Factor</b>		
Guarantees and Standby Letters of Credit		
20% Risk Weight	437,570	476,939
100% Risk Weight	2,533,482	1,675,438
Total	<u>2,971,052</u>	<u>2,152,377</u>
<b>100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)</b>	<u>2,971,052</u>	<u>2,152,377</u>
	<u>9,049,425</u>	<u>7,860,876</u>
<b>Tier 1 Capital Ratio</b>	<u>17.62</u>	<u>19.93</u>
<b>Regulatory Capital Ratio</b>	<u>21.66</u>	<u>22.05</u>

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**GHAZANFAR BANK**  
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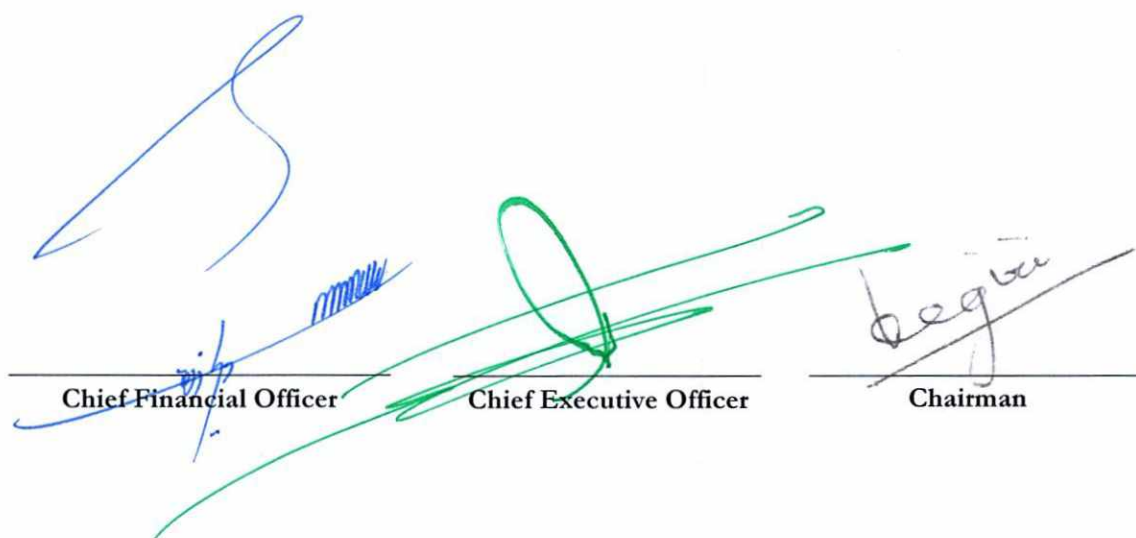
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**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on 20 March 2022 by the Board of Supervisors of the Bank.

**29 GENERAL**

No significant reclassification/rearrangement has been made in these audited financial statements. Figures have been rounded off to the nearest Thousand of AFN.



Handwritten signatures of the Chief Financial Officer, Chief Executive Officer, and Chairman are present above their respective titles. The Chief Financial Officer's signature is in blue ink, the Chief Executive Officer's is in green ink, and the Chairman's is in black ink. There is also a handwritten signature in black ink to the right of the Chairman's signature.

Chief Financial Officer      Chief Executive Officer      Chairman

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2021**

**ISLAMIC BANKING INFORMATION**

**Islamic Banking Financial Position**

The Bank has the following interim financial position as at December 31, 2021, for Islamic Banking operations:

	2021	2020
	----- AFN '000 -----	
<b>ASSETS</b>		
Cash and cash equivalents	910,120	2,204,903
Murabaha with Financial Institutions	1,087,485	346,950
Investments in Sukuk securities	-	154,420
Murabaha Islamic Financing	829,223	1,071,751
Other assets	221,176	321,763
<b>Total assets</b>	<b>3,048,004</b>	<b>4,099,787</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Retained earnings	191,300	108,687
<b>Total equity</b>	<b>191,300</b>	<b>108,687</b>
<b>LIABILITIES</b>		
Al Wadiah current deposits	544,504	872,728
Mudarabah saving deposits	1,083,179	1,071,606
Mudarabah fixed deposits	1,188,276	1,498,608
Deposits from financial institutions	-	50,002
Other liabilities	20,680	495,464
Provision for taxation	20,065	2,691
<b>Total liabilities</b>	<b>2,856,704</b>	<b>3,991,099</b>
<b>Total equity and liabilities</b>	<b>3,048,004</b>	<b>4,099,787</b>
<b>Contingencies and commitments</b>	<b>1,029,314</b>	<b>945,746</b>

Chief Financial Officer

Chief Executive Officer

Chairman

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

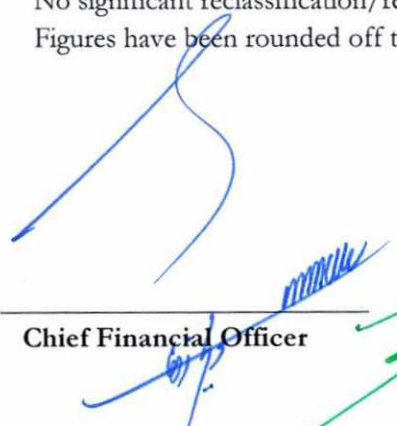
**Islamic Banking Profit or Loss**

The Bank has the following profit or loss for the period ended December 31, 2021, from Islamic Banking operations:

	2021	2020
	----- AFN '000 -----	
Total profit income	128,463	85,239
Total profit expense	(18,478)	(12,787)
<b>Net profit</b>	<b>109,985</b>	<b>72,452</b>
Revenue from banking services	26,031	18,700
Expense on banking services	(2,852)	(1,273)
<b>Net revenue form banking services</b>	<b>23,179</b>	<b>17,426</b>
Income from dealing in foreign currencies	89,271	5,580
	<b>222,435</b>	<b>95,459</b>
Other income	7,837	10,699
Impairment allowances and charge off	(13,370)	(4,653)
Gain/ (Loss) on sale of Sukuk securities	-	-
Employee compensation	(39,287)	(29,235)
Operating lease expenses	(237)	(128)
Finance cost on lease liability	(1,864)	(1,551)
Depreciation and Amortization	(18,707)	(13,131)
Administrative expense	(54,020)	(55,260)
	<b>(127,486)</b>	<b>(103,958)</b>
<b>Profit before tax</b>	<b>102,785</b>	<b>2,199</b>
Taxation	(20,173)	(440)
<b>Profit after tax</b>	<b>82,613</b>	<b>1,759</b>

**GENERAL**

No significant reclassification/rearrangement has been made in these audited financial statements. Figures have been rounded off to the nearest Thousand of AFN.

  
**Chief Financial Officer**

  
**Chief Execu**

  
**Chariman**

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