

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF GHANZANFAR BANK****Introduction**

We have audited the financial statements of Ghazanfar Bank (the Bank), which comprise the statement of financial position as of 31 December 2022, and the statement of comprehensive income, the 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 at 31 December 2022, and of 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 the 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 for Accountants' Code of Ethics for Professional Accountants 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 8.3.2 of the financial statements which demonstrates the additional impairment allowance would rise for the loans and advances if the asset classification provisioning regulation became into effect as of December 31, 2022.

**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 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 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 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, to 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.

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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 the audit.

#### Other Matters

The financial statements for the year ended 31 December 2021 were audited by another auditor who has expressed unmodified audit opinion dated 21 March 2022.

*Mazars Afghanistan Limited*

**Chartered Accountants**

**Engagement Partner:** Muhammad Saqlain Siddiqui

**Date:** 08 May 2023

**Place:** Kabul, Afghanistan



**GHAZANFAR BANK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022**

	Note	2022 ----- AFN '000 -----	2021 -----
<b>ASSETS</b>			
Cash and cash equivalents	5	<b>7,330,956</b>	4,390,697
Placements	6	-	1,087,485
Investments	7	<b>1,620,943</b>	1,192,182
Loans and advances	8	<b>2,264,178</b>	3,731,838
Property and equipment	9	<b>273,907</b>	348,280
Intangible assets	10	-	4,365
Deferred tax assets	23	<b>33,322</b>	13,080
Other assets	11	<b>1,691,419</b>	1,744,847
<b>Total assets</b>		<b><u>13,214,725</u></b>	<b><u>12,512,774</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	12	<b>1,267,000</b>	1,267,000
Capital Reserves		<b>60,932</b>	42,632
Retained earnings		<b>784,233</b>	668,194
Revaluation deficit on financial instruments at FVOCI		<b>(133,287)</b>	(52,320)
<b>Total equity</b>		<b><u>1,978,878</u></b>	<b><u>1,925,506</u></b>
<b>LIABILITIES</b>			
Deposits from customers	13	<b>9,393,451</b>	8,966,873
Deposits from financial institutions	14	<b>1,641,071</b>	1,344,728
Other liabilities	15	<b>118,191</b>	134,235
Lease liability	16	<b>34,516</b>	76,441
Provision for taxation		<b>48,618</b>	64,991
<b>Total liabilities</b>		<b><u>11,235,847</u></b>	<b><u>10,587,268</u></b>
<b>Contingencies and commitments</b>	17		
<b>Total equity and liabilities</b>		<b><u>13,214,725</u></b>	<b><u>12,512,774</u></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 COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		2022	2021
	Note	----- AFN '000 -----	-----
Interest income		<b>199,501</b>	502,634
Interest expense		<b>(37,769)</b>	(78,628)
<b>Net interest income</b>	18	<b>161,732</b>	424,006
Fee and commission income		<b>628,160</b>	272,557
Fee and commission expense		<b>(22,799)</b>	(28,093)
<b>Net fee and commission income</b>	19	<b>605,361</b>	244,464
Income from dealing in foreign currencies		<b>(153,197)</b>	228,804
		<b>613,896</b>	897,274
Other income	20	<b>6,018</b>	148,731
Impairment allowances and charge off	8.4	<b>(31,153)</b>	(179,866)
Gain on sale of securities		<b>22,550</b>	60,826
Employee compensation	21	<b>(128,338)</b>	(157,618)
Operating lease expenses		<b>(3,064)</b>	(1,071)
Finance cost on lease liability	16	<b>(7,015)</b>	(8,864)
Depreciation	9.4	<b>(54,410)</b>	(61,014)
Amortization	10	<b>(4,364)</b>	(26,143)
Administrative expense	22	<b>(209,763)</b>	(240,175)
		<b>(415,557)</b>	(613,924)
<b>Profit before tax</b>		<b>204,358</b>	432,080
Taxation	23	<b>(48,144)</b>	(66,061)
<b>Profit after tax</b>		<b>156,214</b>	366,019
<b>Other comprehensive loss</b>			
<i>Items to be reclassified subsequently to profit or loss</i>			
- Unrealized loss on revaluation of investment	7	<b>(166,609)</b>	(65,400)
- Related deferred tax	23	<b>33,322</b>	13,080
		<b>(133,287)</b>	(52,320)
<i>Items not to be classified subsequently to profit &amp; loss</i>			
		-	-
<b>Total comprehensive income for the period</b>		<b>22,927</b>	313,699

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

 <b>Chief Financial Officer</b>	 <b>Chief Executive Officer</b>	 <b>Chairman</b>
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**GHAZANFAR BANK**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share capital	Capital Reserves	Retained Earnings	Revaluation deficit on financial instruments at FVOCI	Total
	AFN '000				
Balance as at December 31, 2020	1,267,000	27,789	475,419	(24,230)	1,745,978
Profit for the period	-	-	366,019	-	366,019
Dividend Distribution	-	-	(158,401)	-	(158,401)
Contingency reserve fund	-	14,843	(14,843)	-	-
Other comprehensive income for the period - unrealized	-	-	-	(28,089)	(28,089)
<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>
Profit for the period	-	-	156,214	-	156,214
Dividend Distribution	-	-	(21,874)	-	(21,874)
Contingency reserve fund	-	18,300	(18,300)	-	-
Revaluation deficit on financial instruments at FVOCI	-	-	-	(80,967)	(80,967)
	-	18,300	116,040	(80,967)	53,372
<b>Balance as at December 31, 2022</b>	<b>1,267,000</b>	<b>60,932</b>	<b>784,233</b>	<b>(133,287)</b>	<b>1,978,878</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, 2022**

	2022	2021
	----- AFN '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	204,358	432,080
<b>Adjustments for:</b>		
Net impairment loss on financial assets	31,153	179,866
Gain on disposal	-	3,954
Finance cost on lease liability	7,015	8,864
Exchange gain on lease liability	(6,133)	3,006
Fixed assets written-off	1,168	68,426
CWIP expensed out	1,218	2,013
Depreciation	54,410	61,014
Amortization	4,364	26,143
	<u>297,553</u>	<u>785,365</u>
<b>Changes in current assets</b>		
Loans and advances	1,418,426	452,041
Other assets	53,880	(468,965)
	<u>1,472,306</u>	<u>(16,924)</u>
<b>Changes in current liabilities</b>		
Deposits from customers	426,578	(3,262,032)
Deposits from financial institutions	296,343	(510,942)
Other liabilities	(16,044)	37,740
	<u>706,877</u>	<u>(3,735,234)</u>
	<u>2,476,736</u>	<u>(2,966,793)</u>
Income tax paid	(64,517)	(54,423)
<b>Net cash flow from / (used in) operating activities</b>	<u>2,412,219</u>	<u>(3,021,215)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,319)	(19,839)
Proceeds from disposal of property and equipment	-	(4,587)
Capital work in progress	309	(4,273)
Placements - net	1,087,485	138,405
Investments - net	(509,729)	593,093
<b>Net cash flow from investing activities</b>	<u>574,746</u>	<u>702,798</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(26,894)	(37,935)
Dividend paid	(19,812)	(143,472)
<b>Net cash used in financing activities</b>	<u>(46,706)</u>	<u>(181,407)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<u>2,940,259</u>	<u>(2,499,824)</u>
Cash and cash equivalents, beginning of period	4,390,697	6,890,521
<b>Cash and cash equivalents, end of period</b>	<u>7,330,956</u>	<u>4,390,697</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, 2022**

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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 2022 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 15 branches with Islamic banking operations (2021: 19 branches with Islamic banking operations) in different provinces of Afghanistan and number of employees are 338 (2021: 344) 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.

Mandatory departure of International Financial reporting Standards (IFRS) - 9 "Financial Instruments", based on the decision of Da Afghanistan Bank until further notice.

**2.2 New and amended standards and interpretation**

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Bank's financial statements.

**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

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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;  
The Bank reviews loans and advances to customer balances monthly for possible impairment and records the provision for possible loan losses in accordance with DAB regulations as disclosed in note 8. However, during the year, DAB has issued a circular to the banks, notifying further deferral of ACPR regulation application from 01 September 2021 to 28 February 2023. Accordingly, the bank has opted deferral in the application of ACPR, in the preparation of financial statements for the year ended on 31 December 2022.
- b) Note 09 Depreciation rates for property and equipment;
- c) Note 10 Amortization rates for intangible assets; and
- d) Note 24 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 stated.

### **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.

For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Bank has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being January 1, 2019. At this date, the Bank has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for prepaid/ accrued lease payments that existed at the date of transition.



**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Bank has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Bank has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The Bank did not have any finance lease. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 10.48% to 12.26% per annum. The Bank has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

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

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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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.

**Extension options for leases**

When the Bank has the option to extend a lease, management uses its judgement to determine whether 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.

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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:

- 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.



**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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- 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.

**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.

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**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.

**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    |

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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-	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.

#### **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.

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**GHAZANFAR BANK**  
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**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.

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





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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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**NOTES TO THE FINANCIAL STATEMENTS**  
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		2022	2021
	Note	----- AFN '000 -----	-----
<b>5 CASH AND CASH EQUIVALENTS</b>			
Cash in hand	5.1	<b>1,030,998</b>	1,043,065
Balances with banks	5.2	<b>4,883,774</b>	3,132,585
Balances with investment managers	5.3	<b>345,184</b>	215,047
Short term placements	5.4	<b>1,071,000</b>	-
		<b>7,330,956</b>	4,390,697
<b>5.1 Cash in hand</b>			
Local currency		<b>248,111</b>	177,997
Foreign currencies		<b>782,887</b>	865,068
		<b>1,030,998</b>	1,043,065
<b>5.2 Balances with banks</b>			
<i>Balances with central bank</i>			
Local currency current accounts		<b>2,211,942</b>	90,295
Foreign currency current accounts		<b>574,664</b>	2,147,971
		<b>2,786,606</b>	2,238,266
<i>Balances with other banks (domestic)</i>		<b>36</b>	47
<i>Balances with other banks (foreign)</i>		<b>2,097,132</b>	894,272
		<b>4,883,774</b>	3,132,585
<b>5.3 Balances with other financial institutions</b>			
This represents balances held with the investment management companies (First Abu Dhabi Bank, SHUAA Capital, and Daman Investments).			
<b>5.4 Short term placements</b>			
These include short time deposits (less than 3 months) having BB risk rating with foreign banks, carrying interest rate ranging from 2022: 3% to 3.75% per annum.			
<b>6 PLACEMENTS</b>			
These include deposits with foreign banks carrying interest rate ranging from 2021: 1.75% to 2.60% per annum.			

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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		2022	2021
	Note	----- AFN '000 -----	-----
<b>7 INVESTMENTS</b>			
<i>Available for sale</i>			
Investment in bonds	7.1	<b>338,474</b>	400,237
<i>Held for trading</i>			
Investment in equity	7.2	<b>179,357</b>	380,400
Investment in gold		-	411,545
		<b>517,831</b>	1,192,182
Loss reserve on debt instruments		<b>(13,388)</b>	-
<i>Held to maturity</i>			
Investment in bonds	7.3	<b>1,116,500</b>	-
		<b>1,116,500</b>	-
		<b>1,620,943</b>	1,192,182

- 7.1** This include foreign currency investment in; Sovereign bond of Republic of Sri Lanka having risk rating (RD) and coupon rate of 5.75% per annum with the maturity of April 18, 2023, and Emerging Market Infrastructure Bond having risk rating (Aa2) and 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.

Cost - net	Unrealized gain/ (loss)	Market value
..... (AFN '000) .....	..... (AFN '000) .....	.....
<b>356,971</b>	<b>(18,497)</b>	<b>338,474</b>

- 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 investments.

	Cost	Unrealized gain/ (loss)	Market value
	..... (AFN '000) .....	..... (AFN '000) .....	.....
<b>Shares of listed</b>	<b>327,469</b>	<b>(148,112)</b>	<b>179,357</b>

- 7.3** These represent an investment in Sovereign bonds of Turkey (risk rating B2), Qatar (risk rating AA-), and Egypt (risk rating B2) having coupon rates ranging from 1.52% to 5.58% per annum. These investments have a maturity date of April 23, 2023. SHUAA Capital PSC UAE and FABS investment advisors are acting as the custodian of these investments.

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		2022	2021
		----- AFN '000 -----	-----
<b>8</b>	<b>LOANS AND ADVANCES TO CUSTOMERS - NET</b>		
	Conventional Loans	8.1	2,193,399
	Islamic Loans	8.2	410,578
			2,603,977
			3,268,467
			857,245
			4,125,712
	<b>IMPAIRMENT</b>		
	Conventional Loans	8.1	(315,647)
	Islamic Loans	8.2	(24,151)
			(339,798)
			(365,853)
			(28,022)
			(393,875)
			2,264,178
			3,731,838

		31 December 2022			31 December 2021			
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount	
Note		..... AFN '000 .....			..... AFN '000 .....			
8.1	Conventional financing							
	Running finance	8.1.1	1,020,293	(223,377)	796,917	1,930,349	(258,765)	1,671,585
	SME loans	8.1.2	17,773	(26)	17,746	33,223	(26)	33,197
	Term loans	8.1.3	1,155,333	(92,244)	1,063,088	1,304,895	(107,062)	1,197,833
			2,193,399	(315,647)	1,877,751	3,268,467	(365,853)	2,902,614
8.2	Islamic financing							
	Murabaha	8.2.1	410,578	(24,151)	386,427	857,245	(28,022)	829,223
			2,603,977	(339,798)	2,264,178	4,125,712	(393,875)	3,731,838

**8.1.1** The facility to meet working capital requirements carries interest ranging from 9% to 15.5% (2021: 6.5% to 15.5%) 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.

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**GHAZANFAR BANK****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2022**

- 8.1.2** These are extended to the Small and Medium Enterprises and carry interest from 6.5% to 30% (2021: 6.5% to 30%) 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.
- 8.1.3** These are term loan facilities extended to customers and carry interest ranging from 6.5% to 15% (2021: 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 72,853 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.
- 8.2.1** 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 8.10% to 39% (2021: 7% 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 153,103 thousands which are partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

**8.3 Impairment allowance on loans and advances**

Opening balance  
Charge for the year  
Reversal made during the year  
Net impairment allowance on funded facilities  
Closing balance

	2022	2021
	----- AFN '000 -----	
	<b>393,876</b>	195,705
	<b>(54,024)</b>	205,886
	<b>(53)</b>	(7,716)
	<b>(54,077)</b>	198,170
	<b>339,799</b>	393,876



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**8.3.1 Set out below shows, Classification of loans and advances to customers based on ACPR deferral up to 28 February 2023**

Standard (Optional)  
 Watch-list  
 Substandard  
 Doubtful  
 Loss

Less: Write offs

31 December 2022		
Provisioning rates	Amount outstanding	Provision held
1%	1,722,951	22
5%	225,269	11,381
25%	36,735	9,245
50%	602,536	302,199
100%	16,486	16,951
	2,603,977	339,799
	-	-
	<u>2,603,977</u>	<u>339,799</u>

**8.3.2** During the year, the DAB has issued a circular to the banks, notifying further deferral of the ACPR regulation application from 01 September 2021 to 28 February 2023. Accordingly, the bank has opted for deferral in the application of ACPR, in preparing the financial statements for the year ended on 31 December 2022. The ACPR if effective as of 31 December 2022, would have result in additional provision amounting to AFN 872.451mn.

**8.4 Net impairment allowance and charge off**

Net impairment allowance on funded facilities  
 Impairment allowance on receivables from financial institutions  
 Net provision on AFS investments  
 Exchange difference  
 Net impairment allowance on non-funded facilities  
 Net provision on accrued interest/ profit  
 Loan charged off during the year

2022	2021
----- AFN '000 -----	
(54,077)	198,170
-	79,936
13,124	-
54,024	(99,334)
-	122
18,082	523
-	450
<u>31,153</u>	<u>179,866</u>

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**GHAZANFAR BANK**  
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**9 Property and equipment**

Property and equipment  
Capital work-in progress  
Right-of-use assets

Note	2022 AFN '000	2021
9.1	<b>204,354</b>	232,736
9.2	<b>3,840</b>	5,366
9.3	<b>65,714</b>	110,177
	<b>273,907</b>	348,279

**9.1 Property and equipment**

Description	Land	Building	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total
<b>Cost</b>	<b>AFN '000'</b>						
Balance as at December 31, 2020	35,362	200,946	45,578	129,034	90,117	51,037	552,074
Additions during the year	-	-	2,057	6,481	4,333	6,967	19,839
Transfer from capital work-in-progress	-	-	1,279	889	-	2,106	4,273
Relocation	-	-	2,169	(16,736)	2,940	7,039	(4,587)
Disposals	-	-	(16,882)	(36,505)	(673)	(14,366)	(68,426)
Balance as at December 31, 2021	35,362	200,946	34,201	83,163	96,718	52,783	503,173
<b>Additions during the year</b>	-	-	<b>2,016</b>	<b>997</b>	-	<b>307</b>	<b>3,319</b>
<b>Transfer from capital work-in-progress</b>	-	-	<b>309</b>	-	-	-	<b>309</b>
<b>Disposals</b>	-	-	<b>(1,016)</b>	<b>(43)</b>	-	<b>(110)</b>	<b>(1,168)</b>
<b>Balance as at December 31, 2022</b>	<b>35,362</b>	<b>200,946</b>	<b>35,510</b>	<b>84,117</b>	<b>96,718</b>	<b>52,980</b>	<b>505,633</b>
<b>Accumulated Depreciation</b>							
Balance as of December 31, 2020	-	52,096	31,773	103,649	87,378	37,394	312,291
Depreciation for the year	-	6,692	3,078	13,223	1,291	6,202	30,485
Relocation	-	(3)	2,187	(16,631)	2,941	6,918	(4,587)
Disposals	-	-	(16,410)	(36,505)	(673)	(14,164)	(67,752)
Balance as at December 31, 2021	-	<b>58,785</b>	<b>20,628</b>	<b>63,736</b>	<b>90,936</b>	<b>36,351</b>	<b>270,437</b>
<b>Depreciation for the year</b>	-	<b>6,692</b>	<b>2,966</b>	<b>13,887</b>	<b>1,766</b>	<b>6,646</b>	<b>31,956</b>
<b>Disposals</b>	-	-	<b>(1,009)</b>	<b>(43)</b>	-	<b>(63)</b>	<b>(1,114)</b>
<b>Balance as at December 31, 2022</b>	-	<b>65,477</b>	<b>22,585</b>	<b>77,581</b>	<b>92,702</b>	<b>42,934</b>	<b>301,279</b>
<b>Carrying Amount</b>							
- December 31, 2021	35,362	142,161	13,573	19,427	5,782	16,432	232,736
- December 31, 2022	<b>35,362</b>	<b>135,469</b>	<b>12,925</b>	<b>6,536</b>	<b>4,016</b>	<b>10,046</b>	<b>204,354</b>
Depreciation rates		3.33%	6% - 25%	25% - 50%	16% - 25%	15% - 50%	

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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		2022	2021
	Note	AFN '000	AFN '000
<b>9.2 Capital work-in progress</b>			
Opening balance		5,366	8,222
Additions during the year		-	3,430
Transfer to property and equipment		(309)	(4,273)
Expensed		(1,218)	(2,013)
<b>Closing balance</b>		<b>3,840</b>	<b>5,366</b>
<b>9.3 Right-of-use assets</b>			
<b>Cost:</b>			
Opening balance		184,912	181,416
Additions during the year		7,786	49,531
Lease modification		(10,663)	(9,855)
Write-Off		(19,011)	(32,501)
Adjustment		(122)	(3,679)
<b>Closing balance</b>		<b>162,902</b>	<b>184,912</b>
<b>Accumulated depreciation:</b>			
Opening balance		74,735	44,206
Depreciation expense for the year		22,454	30,528
<b>Closing balance</b>		<b>97,188</b>	<b>74,735</b>
<b>Carry amount</b>		<b>65,714</b>	<b>110,177</b>
<b>9.4 Depreciation</b>			
Property and equipment		31,956	30,485
Right-of-use assets		22,454	30,528
		<b>54,410</b>	<b>61,014</b>
<b>10 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance		83,365	78,778
Transfer from Property and Equipment		-	4,587
<b>Closing balance</b>		<b>83,365</b>	<b>83,365</b>
<b>Amortization</b>			
Opening balance		79,001	48,271
Amortization for the year		4,364	26,143
Transfer from Property and Equipment		-	4,587
<b>Closing balance</b>		<b>83,365</b>	<b>79,001</b>
<b>Carrying Amount</b>		<b>-</b>	<b>4,364</b>
<b>11 OTHER ASSETS</b>			
	Note	2022	2021
		AFN '000	AFN '000
Restricted deposits with DAB	11.1	682,578	636,441
Prepayments	11.2	72,673	70,728
Receivable from Western Union		37,524	21,778
Profit receivable	11.3	5,776	20,948
Interest receivable		18,598	39,566
Security deposits	11.4	776,985	843,251
Receivable from financial institutions	11.5	95,039	110,288
Others		2,246	1,847
		<b>1,691,419</b>	<b>1,744,847</b>

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**11.1 Restricted deposits with DAB**

Local currency		103,371	50,705
Foreign currencies		579,207	585,736
	11.1.1	<u>682,578</u>	<u>636,441</u>

**11.1.1** This represents non-interest bearing statutory reserves maintained with DAB as minimum reserve calculated at 6% for local currency and 8% of foreign currency deposits in accordance with Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB.

**11.2** This includes prepayment against Hairatan lease agreement a related party amounting AFN 49.67 million (2021: AFN 51.61mn).

**11.3** This includes profit receivable on account of Murabaha investments, Sovereign sukuks and Murabaha facility.

		2022	2021
		----- AFN '000 -----	-----
<b>11.4 Security deposits</b>			
Pashtany bank	11.4.1	446,250	517,850
Ziraat bank	11.4.2	300,187	289,986
Others		30,547	35,415
		<u>776,985</u>	<u>843,251</u>

**11.4.1** This represents a cash margin amounting to US\$ 5 mn with Pashtany bank against the bank guarantee issued to DABS.

**11.4.2** This represents cash margins with Ziraat bank in respect of letters of credit issued to Biltek Afghan Co. and Galaxy Pharma with amounts of US\$ 2.44 mn and US\$ 923K respectively.

**11.5 Receivable from financial institutions**

		2022	2021
		----- AFN '000 -----	-----
Receivable from financial institutions	11.5.1	219,585	254,817
Provision reserve on receivables from FIs		(124,546)	(144,529)
		<u>95,039</u>	<u>110,288</u>

**11.5.1** This represents receivables from in respect of nostro accounts with foreign defaulted banks in 2019, named JSC Capital Bank amounting to US\$ 2.2 mn equivalent AFN199 mn and Tengri Bank amounting to US\$ 330 thousands equivalent AFN29.5 mn.  
As of today, the bank was able to made recoveries amounting to USD 389K, and commitment of receiving the outstanding in two installments prior to end of 2023, from the insolvency practitioner of the defaulted bank. As result, no additional provision was made in respect of remaining balance.

		2022	2021
		----- AFN '000 -----	-----
<b>12 SHARE CAPITAL</b>			
Authorized 126,700 (2021: 126,700) ordinary shares of AFN 10,000 each	Note	<u>1,267,000</u>	<u>1,267,000</u>
Issued, subscribed and paid-up - 126,700 (31 December 2021: 126,700) ordinary shares of AFN		<u>1,267,000</u>	<u>1,267,000</u>

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**GHAZANFAR BANK**  
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13	DEPOSITS FROM CUSTOMERS	Note	2022	2021
			----- AFN '000 -----	-----
	<b>Conventional</b>			
	Current deposits		3,505,787	3,833,655
	Saving deposits		490,330	720,415
	Term deposits		100,487	281,295
			<u>4,096,604</u>	<u>4,835,365</u>
	<b>Islamic</b>			
	Al Wadiah current deposits		2,072,112	544,504
	Mudarabah saving deposits		886,257	1,083,179
	Mudarabah fixed deposits		564,330	717,191
			<u>3,522,699</u>	<u>2,344,874</u>
	<b>Margin deposits</b>			
	Margin deposits - expired		18,547	21,497
	Margin deposits - unexpired	13.1	1,755,601	1,765,137
			<u>1,774,148</u>	<u>1,786,634</u>
			<u>9,393,451</u>	<u>8,966,873</u>

**13.1** This represent cash margin money held against bank guarantee ranging from 5% to 100% of the guarantee amount.

14	DEPOSITS FROM FINANCIAL INSTITUTIONS	2022	2021
		----- AFN '000 -----	-----
	<b>Deposits from Banks</b>		
	Demand Deposits of Banks	343,733	-
	<b>Deposits from OFI's</b>		
	Current deposits	226,340	101,888
	Term deposits	1,070,998	1,242,840
		<u>1,297,338</u>	<u>1,344,728</u>
		<u>1,641,071</u>	<u>1,344,728</u>

15	OTHER LIABILITIES	2022	2021
		----- AFN '000 -----	-----
	Interest payable on customer deposits	11,861	15,035
	Withholding tax	13,716	12,637
	Unearned commission on bank guarantees	12,255	32,761
	Accrued expenses	24,670	26,444
	Dividend Payable	16,991	14,929
	Investment risk reserve	12,641	5,919
	Other liabilities	26,057	26,510
		<u>118,191</u>	<u>134,235</u>

**15.1** This includes sundry deposits, rent payable, CSC intermediary account and other suspend liabilities.

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	2022	2021
	----- AFN '000 -----	
<b>16 LEASE LIABILITY</b>		
Opening balance	76,441	99,286
Addition during the year	7,786	49,531
Payment during the period - principal	(26,894)	(37,935)
Accrued finance cost	7,015	8,864
Lease modification	(4,066)	(9,855)
Write off	(19,634)	(36,456)
Exchange rate fluctuation	(6,133)	3,006
<b>Closing balance</b>	<b>34,516</b>	<b>76,441</b>
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>		
Contingencies - Bank guarantees issued	6,118,656	6,477,875
Letters of credits	127,698	42,982
	<b>6,246,354</b>	<b>6,520,857</b>
<b>Commitments</b>		
Un-used portion of Overdraft	6,725	130,201
<b>18 NET INTEREST INCOME</b>		
<b>Interest income</b>		
Interest income on Capital Note	-	42,533
Interest income on Placements	21,628	28,617
Loans and advances	139,457	421,191
Bonds and Sukuk	38,416	10,293
	<b>199,501</b>	<b>502,634</b>
<b>Interest expense</b>		
Customer deposits	7,932	31,681
Short term borrowing (inter-bank deal)	-	10,046
Deposits from financial institutions	29,837	36,901
Total interest expense	37,769	78,628
<b>Net interest income</b>	<b>161,732</b>	<b>424,006</b>

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		2022	2021
		----- AFN '000 -----	
<b>18.1 Interest expense on customers deposits</b>			
Term deposits		4,902	21,436
Saving deposits		3,030	10,245
		<u>7,932</u>	<u>31,681</u>
<b>19 NET FEE AND COMMISSION INCOME</b>			
<b>Fee and commission income</b>			
Commission on bank guarantees		60,466	107,182
Commission on letter of credits		4,002	3,590
Loan processing fee		2,019	14,247
Fund transfer fee		490,401	115,304
Deposit accounts servicing		31,632	32,234
Commission on cash management		39,640	-
		<u>628,160</u>	<u>272,557</u>
<b>Fee and commission expense</b>			
Inter bank transaction fee		11,195	10,118
Electronic banking fee		11,604	17,975
<b>Net fee and commission income</b>		<u>605,361</u>	<u>244,464</u>
<b>20 OTHER INCOME</b>			
(Loss)/ Gain on sale of investment in gold		(9,817)	102,680
Recovery of loan previously written off		2,859	38,018
Other		12,976	8,033
		<u>6,018</u>	<u>148,731</u>
<b>21 EMPLOYEE COMPENSATION</b>			
Salaries and wages		128,329	155,707
Staff bonus		9	1,720
Staff welfare		-	191
		<u>128,338</u>	<u>157,618</u>
<b>22 ADMINISTRATIVE EXPENSE</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		----- AFN '000 -----	
Security guards expenses		20,534	35,346
Software annual maintenance		19,963	19,407
Insurance	22.1	22,700	37,785
Communication		6,744	10,413
Advertisement		11,856	16,740
Travelling and conveyance		5,965	9,543
Utilities		10,389	11,305
Fuel		5,247	4,139
Repair and maintenance		6,837	11,230
Stationery and printing		5,389	6,484
Directors meeting fees		8,984	7,351
Donation	22.2	52,120	42,329
Food expenses		6,696	8,060
Staff training		1,667	1,287
Audit fee		2,475	3,910
Legal & advisory fee		13,227	4,862
Other expenses		8,970	9,984
		<u>209,763</u>	<u>240,175</u>

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- 22.1** This includes insurance expenses related to the bank cash and deposit that are secured by Afghanistan Insurance Corporation (ICA) and Afghanistan Deposit Protection Fund (ADPF) respectively.
- 22.2** Since COVID 19 epidemic started, Afghanistan had been severely affected 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. 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. With the economic downturn following COVID 19 and subsequent events in the country, Ghazanfar Bank has committed to continuing its corporate social responsibility this year.

<b>23</b>	<b>TAXATION</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
			<b>----- AFN '000 -----</b>	<b>-----</b>
	<b>- Current tax</b>			
	Current	23.1	<b>48,144</b>	66,061
	Prior		-	-
			<b>48,144</b>	<b>66,061</b>
	<b>- Deferred tax</b>			
	Tax gain on revaluation of financial instruments		<b>33,322</b>	13,080
			<b>33,322</b>	<b>13,080</b>
<b>23.1</b>	<b>Effective tax rate reconciliation is as follows:</b>			
	Accounting profit before tax		<b>204,358</b>	432,080
	Tax at applicable rate of 20%		<b>40,872</b>	86,416
	Non-deductible tax expense		<b>24,784</b>	28,085
	Dividend - deductible expense		<b>(3,962)</b>	(28,694)
	Other deductible expenses		<b>(13,550)</b>	(19,746)
			<b>48,144</b>	<b>66,061</b>

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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. Mr. Mohammad Ibrahim Ghazanfar and Mr. Mohammad Ismail Ghazanfar each holds 35.5% of issued, subscribed and paid up capital while remaining 29% is held by Mr. Mohammad Yousuf Ghazanfar.

**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:

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2022	2021	2022	2021
	AFN '000			
<b>(a) Loans and advances to related parties</b>				
Loans outstanding at the beginning of the year	-	-	67,273	69,955
Loans issued during the year	-	-	-	67,913
Loans repayments during the year	-	-	9,616	70,595
Exchange gain	-	-	-	-
Loans outstanding at the end of the year	-	-	57,657	67,273
Interest income earned	-	-	4,400	5,724

The facilities provided to related parties carry mark-up of 7% p.a. (31 December 2021: 7% p.a.) payable on monthly basis and are secured against mortgage of residential property and personal guarantees of directors and representative of shareholders of the Bank.

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2022	2021	2022	2021
	AFN '000			
<b>(b) Deposits from related parties</b>				
Deposits at the beginning of the year	4,163	11,082	4,999	14,097
Deposits received during the year	58,313	24,078	584,793	213,756
Deposits repaid during the year	52,445	30,998	580,791	222,854
Exchange rate difference	-	-	-	-
Deposits at the end of the year	10,030	4,163	9,001	4,999
Interest expense on deposits	-	-	-	-

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2022	2021	2022	2021
	AFN '000			
<b>(c) Other related party transactions</b>				
Prepayment/ Security Deposit for Hairatan Branch	-	-	49,679	51,613
Directors' fee	8,984	7,351	-	-
Rent paid	651	-	4,023	154
Donation paid	-	-	52,120	42,329

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2022	2021	2022	2021
	AFN in '000			
<b>(d) Key Management compensation</b>				
Salaries and other short-term benefits	-	-	28,381	31,373
	-	-	28,381	31,373

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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'					
<b>2022</b>							
Cash and cash equivalents	5	-	-	-	7,330,956	-	7,330,956
Placements	6	-	-	-	-	-	-
Investments	7	-	-	1,116,500	-	504,443	1,620,943
Loans and advances to customers	8	-	-	-	2,264,178	-	2,264,178
Others assets	11	-	-	-	1,652,068	-	1,652,068
		-	-	1,116,500	11,247,202	504,443	12,868,145
Deposits from customers	13	-	-	-	9,393,451	-	9,393,451
Deposits from financial institutions	14	-	-	-	1,641,071	-	1,641,071
Other liabilities	15	-	-	-	92,220	-	92,220
Lease liability	16	-	-	-	34,516	-	34,516
		-	-	-	11,161,258	-	11,161,258
<b>2021</b>							
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	-	10,476,879

**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:

- 26.1** 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.

**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.



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

***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 exceeds marginally, sector exposures are within regulatory limit.

***Cash and cash equivalents***

The Bank held cash and cash equivalents of Afs 7,331 million (2021: Afs 4,391 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 contractually agreed.

**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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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:

	<b>2022</b>	<b>2021</b>
Closing balance for the year ended	<b>46%</b>	36%
Average for the year	<b>41%</b>	46%
Maximum for the year	<b>47%</b>	56%
Minimum for the year	<b>34%</b>	32%

***Maturity analysis for financial liabilities***

	<b>Note</b>	<b>Carrying amount</b>	<b>Gros Cash Outflow</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
					<b>AFN '000'</b>			
<b>2022</b>								
Deposits from customers	13	<b>9,393,451</b>	<b>9,393,451</b>	<b>5,596,446</b>	<b>1,376,587</b>	<b>2,420,418</b>	-	-
Deposits from financial institutions	14	<b>1,641,071</b>	<b>1,641,071</b>	<b>570,073</b>	-	<b>1,070,998</b>	-	-
Other liabilities	15	<b>118,191</b>	<b>118,191</b>					
Lease liability	16	<b>34,516</b>	<b>34,516</b>					
		<b>11,187,229</b>	<b>11,187,229</b>	<b>6,166,519</b>	<b>1,376,587</b>	<b>3,491,416</b>	-	-
<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>	-

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.

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**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 2022**

**Assets**

		<b>Total</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
	<b>Note</b>	..... AFN '000' .....			
Cash and cash equivalents	5	3,799,904	3,594,960	196,077	8,866
Placements	6	1,071,000	1,071,000	-	-
Investments	7	1,634,331	1,634,331	-	-
Loans and advances	8	1,891,684	1,891,684	-	-
Other assets	11	1,610,213	1,592,167	18,046	-
		<b>10,007,132</b>	<b>9,784,142</b>	<b>214,124</b>	<b>8,866</b>

**Exposure to currency risk (cont.)**

**Liabilities**

		<b>Total</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>
	<b>Note</b>	..... AFN '000' .....			
Deposits from customers	13	7,107,543	6,897,215	204,607	5,720
Deposits from financial institutions	14	1,458,442	1,458,442	-	-
Other liabilities	15	72,587	72,201	368	18
Lease liabilities	16	6,597	6,597	-	-
		<b>8,645,168</b>	<b>8,434,455</b>	<b>204,975</b>	<b>5,739</b>

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<b>Net foreign currency exposure</b>		<b>1,361,964</b>	<b>1,349,688</b>	<b>9,149</b>	<b>3,128</b>
<b>31 December 2021</b>					
<b>Assets</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 to customers	8	2,929,666	2,929,666	-	-
Other assets	11	1,651,533	1,632,062	19,471	-
		<u>10,779,130</u>	<u>10,401,547</u>	<u>364,090</u>	<u>13,494</u>
<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>
Net foreign currency exposure		<b>1,513,122</b>	<b>1,422,428</b>	<b>86,901</b>	<b>3,794</b>

***Exposure to currency risk (cont.)***

in AFN	2022		2021	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	90.00	89.25	83.76	103.57
Euro	94.92	94.46	97.93	113.15
GBP	109.49	106.45	112.61	130.22

***Sensitivity analysis***

A 10% strengthening of the Afghani, as indicated below, against the USD, Euro and GBP at 31 December 2022 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.

	2022		2021	
	Equity	Profit or loss	Equity	Profit or loss
US\$	107,975	134,969	(113,794)	(142,243)
Euro	732	915	(6,952)	(8,690)
GBP	250	313	(304)	(379)

A 10% weakening of the Afghani against the above currencies at 31 December 2022 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**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 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 complies with these regulations.

The Bank's regulatory capital position as on December 31, 2022 is as follows:

	2022	2021
	----- AFN '000 -----	
<b>Tier 1 capital</b>		
Share holders' equity	1,978,878	1,925,506
Less: Other Equity Components	133,287	52,320
Less: Profit for the period / year	(156,214)	(366,019)
Less: Intangible assets	-	(4,365)
Net Deferred Tax Assets	(33,322)	(13,080)
<b>Total tier 1 (core) capital</b>	<b>1,922,630</b>	<b>1,594,362</b>
<b>Tier 2 capital</b>		
General allowances on Standard Advances	22	22
Add: Profit for the year	156,214	366,019
<b>Total tier 2 (supplementary) capital</b>	<b>156,236</b>	<b>366,041</b>
<b>Total Regulatory capital = Tier 1 + Tier 2</b>	<b>2,078,865</b>	<b>1,960,403</b>
<b>Risk-weight categories</b>		
<b>0% risk weight:</b>		
Cash in Afghani and fully-convertible foreign currencies	1,030,998	1,043,065
Direct claims on DAB	3,469,184	2,874,707
Direct Claims on Central Governments of Category A Countries	604,017	-
Loans Collateralized by Blocked Deposits	-	120,000
Others	-	444,702
<b>Total</b>	<b>5,104,199</b>	<b>4,482,474</b>
<b>0% risk-weight total (above total x 0%)</b>	<b>-</b>	<b>-</b>

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**GHAZANFAR BANK**  
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**FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022	2021
	----- AFN '000 -----	
<b>20% risk weight:</b>		
Demand Deposits with Banks	2,442,352	1,109,366
Time Deposits with Banks	1,071,000	1,087,485
Loans Guaranteed by Multilateral Lending Institutions	165,098	-
Other	-	411,545
Total	<b>3,678,450</b>	<b>2,608,396</b>
<b>20% Risk-Weight Total (Above Total x 20%)</b>	<b>735,690</b>	<b>521,679</b>
<b>100% risk weight</b>		
Loans gross amount	2,099,103	3,561,010
Property & Equipment's	273,907	348,280
All Other Assets	2,168,984	1,640,526
Total	<b>4,541,994</b>	<b>5,549,816</b>
<b>100% Risk-Weight Total (Above Total x 100%)</b>	<b>4,541,994</b>	<b>5,549,816</b>
<b>Off-balance-sheet items with 0% Credit Conversion Factor</b>		
Undrawn loan and overdraft facilities	6,725	130,201
Total	<b>6,725</b>	<b>130,201</b>
<b>0% Credit Conversion Factor Total (Above Total x 0%)</b>	-	-
<b>Off-balance-sheet items with 20% Credit Conversion Factor</b>		
Commercial letters of credit	-	-
100% Risk Weight	68,779	34,385
Total	<b>13,756</b>	<b>6,877</b>
<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
100% Risk Weight	1,067,508	2,533,482
Total	1,067,508	2,971,052
<b>100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)</b>	<b>1,067,508</b>	<b>2,971,052</b>
	<b>6,358,949</b>	<b>9,049,425</b>
<b>Tier 1 Capital Ratio</b>	<b>30.24</b>	<b>17.62</b>
<b>Regulatory Capital Ratio</b>	<b>32.69</b>	<b>21.66</b>

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**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

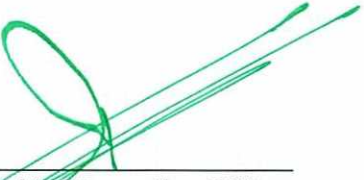
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**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on 08/May/2023 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.

  
\_\_\_\_\_  
**Chief Financial Officer**  
  
\_\_\_\_\_  
**Chief Executive Officer**  
\_\_\_\_\_  
**Chairman**  


**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2022**

**30 ISLAMIC BANKING INFORMATION**

**30.1 Islamic Banking Financial Position**

The Bank has the following interim financial position as at December 31, 2022, for Islamic Banking operations:

	2022	2021
	----- AFN '000 -----	
<b>ASSETS</b>		
Cash and cash equivalents	3,215,515	910,120
Murabaha with Financial Institutions	1,071,000	1,087,485
Investments in Sukuk securities	402,352	-
Murabaha Islamic Financing	386,427	829,223
Other assets	281,573	221,176
<b>Total assets</b>	<b>5,356,868</b>	<b>3,048,004</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Retained earnings	189,976	191,300
<b>Total equity</b>	<b>189,976</b>	<b>191,300</b>
<b>LIABILITIES</b>		
Al Wadiah current deposits	2,072,112	544,504
Mudarabah saving deposits	886,257	1,083,179
Mudarabah fixed deposits	2,178,859	1,188,276
Other liabilities	29,664	20,680
Provision for taxation	-	20,065
<b>Total liabilities</b>	<b>5,166,892</b>	<b>2,856,704</b>
<b>Total equity and liabilities</b>	<b>5,356,868</b>	<b>3,048,004</b>
<b>Contingencies and commitments</b>	<b>1,229,307</b>	<b>1,029,314</b>

Chief Financial Officer

Chief Executive Officer

Chairman



**GHAZANFAR BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**30.2 Islamic Banking Profit or Loss**

The Bank has the following profit or loss for the period ended December 31, 2022, from Islamic Banking operations:

	2022	2021
	----- AFN '000 -----	
Total profit income	61,192	128,463
Total profit expense	(9,256)	(18,478)
<b>Net profit</b>	<b>51,937</b>	<b>109,985</b>
Revenue from banking services	73,837	26,031
Expense on banking services	(2,653)	(2,852)
<b>Net revenue form banking services</b>	<b>71,184</b>	<b>23,179</b>
Income from dealing in foreign currencies	(49,143)	89,271
	<b>73,979</b>	<b>222,435</b>
Other income	5,769	7,837
Impairment allowances and charge off	-	(13,370)
Employee compensation	(27,071)	(39,287)
Operating lease expenses	(663)	(237)
Finance cost on lease liability	(1,551)	(1,864)
Depreciation and Amortization	(13,364)	(18,707)
Administrative expense	(38,423)	(54,020)
	<b>(81,072)</b>	<b>(127,486)</b>
<b>Profit before tax</b>	<b>(1,324)</b>	<b>102,785</b>
Taxation	-	(20,173)
<b>Profit after tax</b>	<b>(1,324)</b>	<b>82,613</b>

**31 GENERAL**

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

 <b>Chief Financial Officer</b>	 <b>Chief Executive Officer</b>	 <b>Chariman</b>
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