

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF GHAZANFAR BANK**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Ghazanfar Bank** (the Bank) as at **30 September 2023**, and the related condensed interim statement of comprehensive income, changes in equity and cash flows for the nine months then ended, and notes to the condensed interim financial information ('here-in-after referred to as the condensed interim financial information'). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with the requirement of the Law of Banking in Afghanistan and International Accounting Standards 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared in all material respects, in accordance with the requirements of Law of Banking in Afghanistan and International Accounting Standards 34 "Interim Financial Reporting".

Emphasis of Matter

We draw attention to note 6.1.2 to the condensed financial information which shows that additional impairment allowance would be required for loan and advances if asset classification provisioning regulation was effective as of 30 September 2023.


Chartered Accountants
Engagement Partner: Muhammad Saqlain Siddiqui
Date: 14 November 2023
Place: Kabul, Afghanistan

GHAZANFAR BANK
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 30 SEPTEMBER 2023

		30-Sep-23	31-Dec-22
		(Un-audited)	(Audited)
	Note AFN '000'	
ASSETS			
Cash and cash equivalents	4	5,689,456	7,330,956
Investments	5	1,577,921	1,620,943
Loans and advances	6	1,765,787	2,264,178
Property and equipment	7	256,353	273,907
Deferred tax assets		22,004	33,322
Other assets	8	1,432,906	1,691,419
Total assets		10,744,427	13,214,725
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	9	7,325,208	9,393,451
Deposits from financial institutions	10	1,430,898	1,641,071
Other liabilities	11	123,054	118,191
Lease liability	12	32,540	34,516
Provision for taxation		477	48,618
Total liabilities		8,912,177	11,235,847
EQUITY			
Share capital		1,267,000	1,267,000
Capital Reserves		60,932	60,932
Retained earnings		592,333	784,233
Revaluation deficit on financial instruments at FVOCI		(88,015)	(133,287)
Total equity		1,832,250	1,978,878
Total equity and liabilities		10,744,427	13,214,725

Contingencies and commitments 13

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

Not


Chief Financial Officer


Chief Executive Officer


Chairman

GHAZANFAR BANK
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		Quarter Ended		Nine months ended	
		30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Note		***** AFN '000' *****			
Interest income		31,405	48,572	122,311	181,536
Interest expense		(3,179)	(10,205)	(9,981)	(33,549)
Net interest income	14	28,226	38,367	112,330	147,987
Fee and commission income		122,821	157,495	338,505	465,385
Fee and commission expense		(5,147)	(3,941)	(19,313)	(16,439)
Net fee and commission income	15	117,674	153,554	319,192	448,946
(Loss) / income from dealing in foreign currencies		(166,895)	9,453	(179,241)	(178,351)
		(20,995)	201,374	252,281	418,581
Other income	16	(22,501)	11,442	(11,164)	1,239
Impairment (allowances) / reversal	6.1	(7,881)	-	(37,458)	53
Gain on sale of securities		568	477	1,565	24,754
Employee compensation	17	(38,564)	(31,741)	(112,952)	(96,225)
Operating lease expenses		(1,472)	(768)	(2,196)	(1,410)
Finance cost on lease liability		107	(1,567)	(2,874)	(5,577)
Depreciation		(11,676)	(13,014)	(35,774)	(42,509)
Amortization		-	-	-	(4,365)
Administrative expense	18	(126,453)	(41,098)	(243,328)	(160,488)
		(185,371)	(87,711)	(433,017)	(285,767)
(Loss) / income before tax		(228,868)	125,105	(191,900)	134,054
Taxation		7,394	14,153	-	(33,272)
(Loss) / income for the period		(221,474)	139,258	(191,900)	100,782
Other comprehensive (loss) / income					
Items to be reclassified subsequently to profit or loss					
- Unrealized loss on revaluation of AFS investment		(3,116)	2,125	(110,019)	(173,143)
- Related deferred tax		623	(425)	22,004	34,629
		(2,493)	1,700	(88,015)	(138,514)
Total comprehensive loss for the period / income		(223,966)	140,958	(279,915)	(37,732)

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Chairman

GHAZANFAR BANK
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

	Issued, subscribed and paid-up share capital	Capital Reserves	Retained Earnings	Revaluation deficit on financial instruments at FVOCI	Total
	AFN '000'				
Balance as at December 31, 2021 (Audited)	1,267,000	42,632	668,194	(52,320)	1,925,506
Profit for the period	-	-	4,492	-	4,492
Revaluation deficit on financial instruments at FVOCI	-	-	-	(87,894)	(87,894)
	-	-	4,492	(87,894)	(83,402)
Balance as at September 31, 2022 (Un-audited)	1,267,000	42,632	672,686	(140,214)	1,842,104
Balance as at December 31, 2022 (Audited)	1,267,000	60,932	784,233	(133,287)	1,978,878
Loss for the period	-	-	(191,900)	-	(191,900)
Revaluation surplus on financial instruments at FVOCI	-	-	-	45,272	45,272
	-	-	(191,900)	45,272	(146,628)
Balance as at September 30, 2023 (Un-audited)	1,267,000	60,932	592,333	(88,015)	1,832,250

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

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Chief Financial Officer

Chief Executive Officer

Chairman


GHAZANFAR BANK
CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

	30-Sep-23 (Un-audited) AFN '000'	30-Sep-22 (Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before tax	(191,900)	134,054
Adjustments for:		
Impairment allowances / (reversal)	37,458	(53)
Finance cost on lease liability	2,874	10,408
Depreciation	35,774	42,509
Amortization	-	4,365
	(115,794)	191,283
Changes in assets		
Loans and advances	460,933	1,351,898
Other assets	258,513	288,271
	719,446	1,640,169
Changes in liabilities		
Deposits from customers	(2,068,244)	(1,475,316)
Deposits from financial institutions	(210,173)	1,003,387
Other liabilities	4,864	(16,256)
	(2,273,553)	1,151,984
Net cash flow used in operating activities before tax	(1,669,901)	1,343,267
Tax paid	(36,823)	(64,516)
Net cash used in / from operating activities	(1,706,724)	1,278,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,747)	(3,135)
Placements	-	28,725
Investments	85,881	(548,641)
Net cash generated from / used in investing activities	83,134	(523,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	(17,911)	(31,173)
Dividend paid	-	(19,615)
Net cash used in financing activities	(17,911)	(50,788)
Net decrease in cash and cash equivalents	(1,641,500)	704,910
Cash and cash equivalents, beginning of the year	7,330,956	4,390,697
Cash and cash equivalents, end of period	<u>5,689,456</u>	<u>5,095,607</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.


Chief Financial Officer


Chief Executive Officer


Chairman

GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

1 STATUS AND NATURE OF BUSINESS

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

The Bank obtained business license from Afghanistan Ministry of Commerce and industries bearing license no: D-29098 renewed in 2019 and is registered as a limited liability company. The bank commenced its operations on 01 March 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 Fifteen branches with Islamic Banking operations (2022: Eighteen branches with Islamic banking operations) in different provinces of Afghanistan.

This condensed interim financial information for the period ended September 30, 2023 (including comparatives) have been approved and authorized for issue by the Board of Supervisors on 15th November 2023.

2 STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information of the Bank for the nine months period ended 30 September 2023 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank. Whenever the requirement of the Law of Banking in Afghanistan differs with the requirements of the IAS 34, the requirement of the Law of Banking in Afghanistan and other laws and regulations issued by Da Afghanistan Bank takes precedence.
- 2.2** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2022.
- 2.3** Comparative statement of financial position is extracted from the annual financial statements as at 31 December 2022 whereas comparative statement of comprehensive income, statement of changes in equity and statement of cash flows have been taken from un-audited condensed interim financial statements for the nine months period ended 30 September 2022.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after 1 January 2023 but are considered not to be relevant or do not have any significant effect on the Bank's operations.

3 ACCOUNTING POLICIES

- 3.1** The accounting policies adopted in preparation of this condensed interim financial information are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended 31 December 2022.
- 3.2** The estimates / judgments assumptions used in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2022.
- 3.3** The financial risk management policies and procedures are the same as those disclosed in annual financial statements of the Bank for the year ended 31 December 2022.

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	 AFN '000'	
4 CASH AND CASH EQUIVALENTS	Note		
Cash in hand	4.1	870,443	1,030,998
Balances with banks	4.2	3,455,719	4,883,774
Balances with investment managers	4.3	593,294	345,184
Short term placements	4.4	770,000	1,071,000
		5,689,456	7,330,956
4.1 Cash in hand			
Local currency		436,221	248,111
Foreign currencies		434,222	782,887
		870,443	1,030,998
4.2 Balances with banks			
<i>Balances with central bank</i>			
Local currency current accounts		247,689	2,211,942
Foreign currency current accounts		2,879,489	574,664
		3,127,178	2,786,606
Balances with other banks (domestic)		31	36
Balances with other banks (foreign)		328,510	2,097,132
		3,455,719	4,883,774
4.3 Balances with investment managers			
This represents unallocated balances maintained with the investment management companies.			
4.4 Short term placements			
This represents short time deposits (less than 3 months) with foreign banks carrying BB risk rating and bearing interest rates ranging from 4% to 5% per annum.			
		30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	 AFN '000'	
5 INVESTMENTS			
<i>Available for sale</i>			
Investment in bonds		295,805	338,474
Loss reserve on debt instruments		(11,550)	(13,388)
		284,255	325,086
<i>Held for trading</i>			
Investment in equity		180,100	179,357
Investment in gold		401,649	-
		581,749	179,357
<i>Held to maturity</i>			
Investment in bonds		711,917	1,116,500
		1,577,921	1,620,943

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

	Note	30-Sep-23 (Un-audited) AFN '000	31-Dec-22 (Audited)
6 LOANS AND ADVANCES TO CUSTOMERS - NET			
Conventional loans		1,723,140	2,193,399
Islamic loans		321,606	410,578
		2,044,746	2,603,977
IMPAIRMENT			
Conventional loans		(272,744)	(315,647)
Islamic loans		(6,215)	(24,151)
	6.1	(278,959)	(339,798)
		1,765,787	2,264,178

6.1 Impairment allowance - summary

Balance at the beginning of the period / year		339,798	393,876
Charge for the period / year		37,458	-
Reversal made during the period / year		(98,298)	(54,077)
Balance at the end of the period / year	6.1.1	278,959	339,798

6.1.1 Impairment - det:	30 September 2023			31 December 2022		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	AFN '000'					
Conventional financing						
Running finance	881,467	(193,104)	688,363	1,020,293	(223,377)	796,917
SME loans	8,867	(26)	8,841	17,773	(26)	17,746
Term loans	832,806	(79,614)	753,192	1,155,333	(92,244)	1,063,088
	1,723,140	(272,744)	1,450,396	2,193,399	(315,647)	1,877,751
Islamic financing						
Murabaha	321,606	(6,215)	315,391	410,578	(24,151)	386,427
	2,044,746	(278,959)	1,765,787	2,603,977	(339,798)	2,264,178

6.1.2 During the period, the DAB has issued a circular to the banks, notifying further deferral of the ACPR application on loans and advances to customers up to 02 April 2024. Accordingly, the bank has opted for deferral in the application of ACPR, in preparing the condensed interim financial information for the period ended on 30 September 2023. The ACPR if effective as of 30 September 2023, would have result in additional provision amounting to AFN 731.69mn.

6.1.3 Net impairment allowance and charge off

Net impairment allowance on funded facilities	(60,840)	(54,130)
Net provision on AFS investments	-	13,124
Exchange loss / (gain) on currency translation	44,319	54,024
Net provision on accrued interest / profit	-	18,082
Loan charged off during the period	53,979	-
Provisions on funded facilities - Net	37,458	31,100

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		30-Sep-23	31-Dec-22
		(Un-audited)	(Audited)
	 AFN '000'	
7	PROPERTY AND EQUIPMENT		
	Operating fixed assets		
	Owned	7.1 189,158	204,354
	Right of use asset	7.2 63,159	65,713
	Capital work in progress	4,036	3,840
		256,353	273,907
7.1	Cost		
	Opening balances	505,633	503,173
	Additions during the period / year	2,747	3,319
	Transfer from capital work in progress	(6)	309
	Disposals during the period / year	(5,722)	(1,168)
	Closing balances	502,652	505,633
	Accumulated Depreciation		
	Opening balances	301,279	270,437
	Charge for the period / year	17,849	31,956
	Adjustment	(6)	-
	Disposals during the period / year	(5,627)	(1,114)
	Closing balances	313,494	301,279
	Written down value	189,158	204,354
7.2	Right of use assets		
	Cost		
	Opening balance	162,902	184,912
	Additions during the period / year	19,778	7,786
	Lease modification	(4,408)	(10,663)
	Write-Off	-	(19,011)
	Adjustment	-	(122)
	Closing balances	178,273	162,902
	Accumulated Depreciation		
	Opening balance	97,189	74,735
	Charge for the period / year	17,925	22,454
	Closing balances	115,114	97,189
	Carrying Amount	63,159	65,713

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	Note AFN '000' AFN '000'
8 OTHER ASSETS			
Restricted deposits with DAB	8.1	622,074	682,578
Prepayments		86,089	72,673
Receivable from Western Union		69,550	37,524
Profit receivable	8.2	3,879	5,776
Interest receivable	8.3	11,589	18,598
Security deposits		26,382	30,548
Cash call	8.4	423,616	746,437
Receivable from humanitarian organization	8.5	174,028	-
Receivable from financial institutions (FIs)	8.6	10,157	95,039
Others		5,542	2,246
		1,432,906	1,691,419

8.1 This represents non-interest bearing statutory reserves maintained with DAB as minimum reserve calculated at 7% for local currency and 9% of foreign currency deposits in accordance with the Banking Regulations.

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

8.3 This comprises of the interest receivable on Sovereign bonds, conventional facilities, and Capital Notes. The interest receivable specifically on Capital Notes amounts to AFN 36.163 million. However, the payment of interest on Capital Notes has been stopped by Da Afghanistan Bank until a final decision is made by the Council of Interim Government. In response to this, the management has taken up the issue with DAB through the Afghanistan Banking Association (ABA) to seek recovery of this outstanding amount.

8.4 This represents cash call AFN 423 million for electricity bill collections, held by Pashtany Bank in favor of DABS (Da Afghanistan Breshna Sherkat).

8.5 This indicates unsecured pre-financing services as a result of physical cash delivery services to humanitarian organizations. As outlined in the agreement, the bank possesses the entitlement to collect the reimbursed funds alongside a commission fee following the successful execution of the delivery. The maximum collection period is 30 days following the delivery of the aforementioned services.

8.6 This represents balances with two foreign banks, JSC Capital Bank and Tengri Bank. The management has reclassified these balances from "cash and bank" to "other assets" because there have been delays in repayments. Additionally, the bank has evaluated the financial stability of these two institutions and, based on the likelihood of default, has set aside a general provision for these balances.

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
 AFN '000' AFN '000'
Receivable from financial institutions	117,608	219,585
Provision reserve on receivables from FIs	(107,451)	(124,546)
	10,157	95,039

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	Note AFN '000' AFN '000'
9 DEPOSITS FROM CUSTOMERS			
Conventional			
Current deposits		2,758,562	3,505,787
Saving deposits		539,803	490,330
Term deposits		86,901	100,487
		3,385,266	4,096,604
Islamic			
Current deposits		1,070,806	2,072,112
Saving deposits		860,530	886,257
Mudarabah fixed deposits		458,941	564,330
		2,390,276	3,522,699
Margin deposits			
Margin deposits - expired		16,022	18,547
Margin deposits - unexpired	9.1	1,533,643	1,755,601
		1,549,665	1,774,148
		7,325,208	9,393,451

- 9.1** Margin deposits unexpired refer to the cash margin money held against bank guarantees, which have not yet matured or expired and deposits range from 10% to 100% of the guarantee amount.

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
 AFN '000' AFN '000'
10 DEPOSITS FROM FINANCIAL INSTITUTIONS		
Deposits from Banks		
Demand Deposits of Banks	126,083	343,733
	126,083	343,733
Deposits from OFI's		
Current deposits	80,817	226,340
Term deposits	1,223,998	1,070,998
	1,304,816	1,297,338
	1,430,898	1,641,071

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

		30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	Note	AFN '000'	AFN '000'
11 OTHER LIABILITIES			
Interest payable on customer deposits		19,995	11,861
Withholding tax		13,618	13,716
Unearned commission on bank guarantees		7,454	12,255
Accrued expenses	11.1	24,977	24,670
Dividend payable		16,991	16,991
Investment risk reserve		11,274	12,641
Other liabilities	11.2	28,746	26,057
		123,054	118,191

11.1 Accrued expenses includes expense, such as electricity bill expenses, audit fees, APPF Security Guards, annual maintenance charges for Oracle, fees for advisory services, and BOS meetings costs.

11.2 Other liabilities includes sundry deposits, rent payable, suspense liabilities and recovery of guaranteed Islamic financing and conventional loans.

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
	AFN '000'	AFN '000'
12 LEASE LIABILITY		
Opening balance	34,516	76,441
Addition during the period / year	19,663	7,786
Payment during the period / year - principal	(17,911)	(26,894)
Accrued finance cost for the period / year	2,874	7,015
Lease modification	(6,597)	(4,066)
Write off	-	(19,634)
Exchange gain	(6)	(6,133)
Carrying amount	32,540	34,516

13 CONTINGENCIES AND COMMITMENTS

Contingencies

Contingencies - Bank guarantees issued	5,573,351	6,118,656
Letters of credits	76,273	127,698

Commitments - Un-used portion of Overdraft	4,620	6,725
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	30-Sep-23 (Un-audited)	30-Sep-22 (Un-audited)
	AFN '000'	AFN '000'
14 NET INTEREST INCOME		
Interest income		
Interest income on Placements	27,318	12,761
Loans and advances	58,367	144,005
Bonds and Sukuk	36,626	24,770
Total interest income	122,311	181,536
Interest expense		
Customer deposits	9,981	33,549
Net interest income	112,330	147,987

14 Interest expense on customers deposits

Term deposits	8,653	30,908
Saving deposits	1,328	2,641
	9,981	33,549

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

	30-Sep-23 (Un-audited)	30-Sep-22 (Un-audited)
 AFN '000'	
15 NET FEE AND COMMISSION INCOME		
Fee and commission income		
Commission on bank guarantees	35,818	47,346
Commission on letter of credits	1,603	3,450
Loan processing fee	-	2,019
Fund transfer fee	255,751	370,816
Deposit accounts servicing	26,924	24,231
Commission on cash management	18,409	17,523
Total fee and commission income	338,505	465,385
Fee and commission expense		
Inter bank transaction fee	(8,390)	(8,838)
Electronic banking fee	(10,923)	(7,601)
Net fee and commission income	319,192	448,946
16 OTHER INCOME		
Loss on revaluation of investment in gold	(23,924)	(9,817)
Recovery of loan previously written off	2,280	2,858
Other	10,480	8,198
	(11,164)	1,239
17 EMPLOYEE COMPENSATION		
Salaries and wages	108,678	96,216
Staff bonus	4,274	9
	112,952	96,225
18 ADMINISTRATIVE EXPENSE		
Security guards expenses	16,955	15,429
Software annual maintenance	11,569	13,913
Insurance	25,395	14,340
Communication	4,280	5,336
Advertisement	15,234	7,304
Travelling and conveyance	6,933	4,868
Utilities	8,411	7,752
Fuel	3,172	3,845
Repair and maintenance	6,618	4,549
Stationery and printing	5,299	3,536
Directors meeting fees	8,018	6,826
Donation	57,215	52,120
Food expenses	5,410	4,695
Staff training	1,493	1,306
Audit fee	780	1,071
Consultancy & advisory	56,579	5,046
Other expenses	9,967	8,552
	243,328	160,488

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

19 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:

	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	----- AFN '000 -----			
Nature of transactions				
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the period / year	-	-	57,657	67,273
Loans issued during the period / year	-	-	-	-
Loans repayments during the period / year	-	-	7,569	9,616
Exchange gain	-	-	-	-
Loans outstanding at the end of the period / year	-	-	50,088	57,657
Interest income earned	-	-	2,852	4,400

The facilities provided to related parties carry mark-up of 7% p.a. (31 December 2022: 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.

	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	30-Sep-23	31-Dec-22	30-Sep-23	31-Dec-22
	----- AFN '000 -----			
Nature of transactions				
(b) Deposits from related parties				
Deposits at the beginning of the period / year	10,030	4,163	9,001	4,999
Deposits received during the period / year	39,945	58,313	130,915	584,793
Deposits repaid during the period / year	33,534	52,445	102,456	580,791
Deposits at the end of the period / year	16,441	10,030	37,460	9,001

(c) Other related party transactions with shareholders and its associated companies

Prepayment / Security Deposit for Hairatan Branch

30-Sep-23	30-Sep-22
----- AFN '000 -----	
48,226	50,158

(d) Related party expenses during the period

Salaries and other short-term benefits
Directors' fee
Rent paid
Donation paid

30-Sep-23	30-Sep-22
24,297	18,545
8,018	6,826
2,896	2,505
57,215	52,120
92,427	79,996

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

20 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 September 30, 2023 is as follows:

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
 AFN '000'	
Tier 1 capital		
Share holders' equity	1,832,250	1,978,878
Less: Other Equity Components	88,015	133,287
Less: Profit for the period / year	-	(156,214)
Less: Intangible assets	-	-
Net Deferred Tax Assets	(22,004)	(33,322)
Total tier 1 (core) capital	1,898,261	1,922,630
Tier 2 capital		
General allowances on standard advances	22	22
Add: Profit for the period / year	-	156,214
Total tier 2 (supplementary) capital	22	156,236
Total Regulatory capital = Tier 1 + Tier 2	1,898,283	2,078,865
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	870,443	1,030,998
Direct claims on DAB	3,749,252	3,469,184
Direct claims on other Governments	-	604,017
Total	4,619,695	5,104,199
0% risk-weight total (above total x 0%)	-	-
20% risk weight:		
Demand deposits with banks	921,835	2,442,352
Short term deposits with banks	770,000	1,071,000
Investment in gold	401,649	-
Guaranteed by multilateral lending institutions	90,349	165,098
Total	2,183,833	3,678,450
20% Risk-Weight Total (Above Total x 20%)	436,767	735,690
50% risk weight:		
Qualifying Residential Mortgage Loans	-	-
Qualifying Real Estate Construction Loans	-	-
Total	-	-
50% risk-weight total (above total x 50%)	-	-

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GHAZANFAR BANK
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
 AFN '000'	
100% risk weight		
Loans and advances - Gross	1,675,438	2,099,103
Property and Equipment	256,353	273,907
All other assets	2,113,169	2,168,984
Total	4,044,960	4,541,994
100% Risk-Weight Total (Above Total x 100%)	4,044,960	4,541,994
Off-balance-sheet items with 0% Credit Conversion Factor		
Undrawn loan and overdraft facilities	4,620	6,725
Guarantees	-	-
Total	4,620	6,725
0% Credit Conversion Factor Total (Above Total x 0%)	-	-
Off-balance-sheet items with 20% Credit Conversion Factor		
Commercial letters of credit	59,894	-
100% Risk Weight	16,379	68,779
Total	76,273	68,779
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	3,276	13,756
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letters of Credit		
20% Risk Weight	3,850	-
100% Risk Weight	423,526	1,067,508
Total	427,376	1,067,508
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	427,376	1,067,508
	4,912,378	6,358,949
Tier 1 Capital Ratio	38.64	30.24
Regulatory Capital Ratio	38.64	32.69

Currently the bank is having above AFN 4,406.65 million expired bank guarantees due to which the risk weight of such guarantees is considered zero which results an increase in Tier 1 Capital ratio and the Regulatory Capital Ratio.

21 GENERAL

No significant reclassification/rearrangement has been made in these condensed interim 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023

22 Islamic Banking Information

22.1 Islamic Banking Financial Position

The Bank has the following interim financial position as at September 30, 2023, for Islamic Banking operations:

	30-Sep-23 (Un-audited)	31-Dec-22 (Audited)
 AFN '000'	
ASSETS		
Cash and cash equivalents	2,533,514	3,215,515
Murabaha with Financial Institutions	-	1,071,000
Investments in Sukuk securities	711,917	402,352
Murabaha Islamic Financing	315,391	386,427
Other assets	630,848	281,573
Total assets	4,191,670	5,356,868
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	116,481	189,976
Total equity	116,481	189,976
LIABILITIES		
Al Wadiah current deposits	1,070,806	2,072,112
Mudarabah saving deposits	860,530	886,257
Mudarabah fixed deposits	886,114	2,178,859
Deposits from financial institutions	1,229,523	-
Other liabilities	28,217	29,664
Provision for taxation	-	-
Total liabilities	4,075,190	5,166,892
Total equity and liabilities	4,191,670	5,356,868
Contingencies and commitments	1,067,470	1,229,307


Chief Financial Officer


Chief Executive Officer


Chairman

GHAZANFAR BANK**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2023****22.2 Islamic Banking Interim Profit or Loss**

The Bank has the following interim profit or loss for the nine months period ended September 30, 2023, from Islamic Banking operations:

	Quarter Ended		Nine months ended	
	30-Sep-23 (Un-audited)	30-Sep-22 (Un-audited)	30-Sep-23 (Un-audited)	30-Sep-22 (Un-audited)
 AFN '000'			
Total profit income	13,936	12,737	46,216	52,317
Total profit expense	(3,180)	(1,473)	(9,982)	(6,423)
Net Profit income	10,756	11,265	36,234	45,894
Revenue from banking services	21,868	27,589	67,410	45,407
Expense on banking services	(357)	(954)	(896)	(2,210)
Net revenue form banking services	21,510	26,635	66,514	43,197
Loss from dealing in foreign currencies	(81,570)	(6,310)	(65,597)	(47,475)
	(49,303)	31,590	37,151	41,616
Other income	7,786	1,933	13,713	3,889
Impairment allowances and charge off	(5,809)	-	(5,350)	-
Employee compensation	(12,357)	(6,156)	(36,015)	(19,252)
Operating lease expenses	(10)	(158)	(256)	(294)
Finance cost on lease liability	(464)	(324)	(1,486)	(1,176)
Depreciation and Amortization	(4,087)	(2,721)	(12,373)	(10,506)
Administrative expense	(23,380)	(10,604)	(67,471)	(24,105)
	(46,107)	(19,963)	(122,952)	(55,333)
(Loss) / income before tax	(87,625)	13,559	(72,088)	(9,829)
Taxation	3,107	-	-	-
(Loss) / income after tax	(84,517)	13,559	(72,088)	(9,829)

23 GENERAL

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

Chief Financial Officer

Chief Executive Officer

Chairman