

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS 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 2023, 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 2023, 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 7.4.1 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, 2023.

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.





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.


Chartered Accountants
Engagement Partner: Muhammad Saqlain Siddiqui
Date: 19 March 2024
Place: Kabul, Afghanistan



GHAZANFAR BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023	2022
		----- AFN '000 -----	
ASSETS			
Cash and cash equivalents	5	6,200,234	7,330,956
Investments	6	1,089,568	1,620,943
Loans and advances	7	1,666,837	2,264,178
Property and equipment	8	245,544	273,907
Deferred tax assets	21	63,267	33,322
Other assets	9	2,192,659	1,691,419
Total assets		<u>11,458,109</u>	<u>13,214,725</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	1,244,040	1,267,000
Capital reserves		68,743	60,932
Retained earnings		525,844	784,233
Revaluation deficit on financial instruments at FVOCI		(61,887)	(133,287)
Total equity		<u>1,776,740</u>	<u>1,978,878</u>
LIABILITIES			
Deposits from customers	11	8,157,030	9,393,451
Deposits from financial institutions	12	1,356,970	1,641,071
Other liabilities	13	139,288	118,191
Lease liability	14	27,604	34,516
Provision for taxation		477	48,618
Total liabilities		<u>9,681,369</u>	<u>11,235,847</u>
Total equity and liabilities		<u>11,458,109</u>	<u>13,214,725</u>
Contingencies and commitments	15		

The annexed notes from 1 to 27 form an integral part of these financial statements.

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 Chief Financial Officer


 Chief Executive Officer


 Chairman

GHAZANFAR BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	AFN '000	AFN '000
Interest income		166,068	199,501
Interest expense		(13,441)	(37,769)
Net interest income	16	152,627	161,732
Fee and commission income		434,114	628,160
Fee and commission expense		(27,725)	(22,799)
Net fee and commission income	17	406,389	605,361
Loss from dealing in foreign currencies		(390,413)	(153,197)
		168,603	613,896
Other income	18	24,086	6,018
Impairment charge / (reversal) on financial assets	7.5	35,719	(31,153)
Gain on sale of securities		7,507	22,550
Employee compensation	19	(155,059)	(131,599)
Operating lease expenses		(1,006)	(3,064)
Finance cost on lease liability	14	(5,485)	(7,015)
Depreciation	8.4	(47,091)	(54,410)
Amortization	8	-	(4,364)
Administrative expense	20	(310,026)	(206,502)
		(475,441)	(415,557)
(Loss) / Profit before tax		(282,752)	204,358
Taxation	21	47,795	(48,144)
(Loss) / Profit after tax		(234,957)	156,214
Other comprehensive loss			
<i>Items to be reclassified subsequently to profit or loss</i>			
- Unrealized loss on revaluation of investment	6	(77,359)	(166,609)
- Related deferred tax		15,472	33,322
		(61,887)	(133,287)
<i>Items not to be classified subsequently to profit & loss</i>		-	-
Total comprehensive (loss) / income for the year		(296,845)	22,927

The annexed notes from 1 to 27 form an integral part of these financial statements.

 <p>Chief Financial Officer</p>	 <p>Chief Executive Officer</p>	 <p>Chairman</p>
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GHAZANFAR BANK
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- AFN '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(282,752)	204,358
Adjustments for:		
Net impairment (reversals) / allowances on financial assets	(35,719)	31,152
Gain on disposal	93	-
Finance cost on lease liability	5,485	7,015
Exchange gain on lease liability	(3,454)	(6,133)
Fixed assets written-off	6,733	1,168
CWIP expensed out	1,803	1,218
Depreciation	47,091	54,410
Amortization	-	4,364
	(260,720)	297,553
Changes in current assets		
Loans and advances	600,518	1,418,426
Other assets	(467,113)	53,880
	133,405	1,472,306
Changes in current liabilities		
Deposits from customers	(1,236,421)	426,578
Deposits from financial institutions	(284,101)	296,343
Other liabilities	21,097	(16,044)
	(1,499,425)	706,877
	(1,626,740)	2,476,736
Income tax paid	(63,613)	(64,517)
Net cash flow (used in) / from operating activities	(1,690,353)	2,412,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,601)	(3,319)
Proceeds from disposal of property and equipment	121	-
Capital work in progress	2,037	309
Placements - net	-	1,087,485
Investments - net	600,934	(509,729)
Net cash flow from investing activities	599,491	574,746
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	(24,522)	(26,894)
Dividend paid	(15,338)	(19,812)
Net cash used in financing activities	(39,860)	(46,706)
Net (decrease)/ increase in cash and cash equivalents	(1,130,722)	2,940,259
Cash and cash equivalents, beginning of year	7,330,956	4,390,697
Cash and cash equivalents, end of year	6,200,234	7,330,956

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Chief Financial Officer

Chief Executive Officer


Chairman

GHAZANFAR BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed and paid-up share capital	Capital Reserves	Retained Earnings	Revaluation deficit on financial instruments	Total
 AFN '000				
Balance as at December 31, 2021	1,267,000	42,632	668,194	(52,320)	1,925,506
Profit for the year	-	-	156,214	-	156,214
Dividend distribution	-	-	(21,874)	-	(21,874)
Contingency reserve fund	-	18,300	(18,300)	-	-
Revaluation deficit on financial instruments	-	-	-	(80,967)	(80,967)
Balance as at December 31, 2022	1,267,000	60,932	784,233	(133,287)	1,978,878
(Loss) for the year	-	-	(234,957)	-	(234,957)
Dividend distribution	-	-	(15,621)	-	(15,621)
Contingency reserve fund	-	7,811	(7,811)	-	-
Canceled shares	(22,960)	-	-	-	(22,960)
Revaluation gain on financial instruments	-	-	-	71,400	71,400
	(22,960)	7,811	(258,389)	71,400	(202,138)
Balance as at December 31, 2023	1,244,040	68,743	525,844	(61,887)	1,776,740

The annexed notes from 1 to 27 form an integral part of these

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 Chief Financial Officer


 Chief Executive Officer


 Chairman

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 STATUS AND NATURE OF BUSINESS

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

The Bank obtained business license from Afghanistan Investment Support Agency (AISA) bearing license no: D-29098 renewed in 2016 and is registered as a limited liability company. The Bank commenced its operations on March 1, 2009 under the license for commercial banking issued by the Da Afghanistan Bank (DAB) under the Law of Banking in Afghanistan. Currently, the Bank is being operated with 15 branches with Islamic banking operations (2022: 15 branches with Islamic banking operations) in different provinces of Afghanistan and number of employees are 400 (2022: 338) at 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 standard (IFRS)-9 Financial instrument", based on the decision of Da Afghanistan Bank unit until further notice.

3 BASIS OF PREPARATION

3.1 Basis of measurement

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

3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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



GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

a) Note 7 Provision against non-performing loans and advances to customers;
The Bank review loans and advance to customers balance monthly for possible impairment and record the provision for possible loan losses in accordance with DAB regulation as disclosed in note 7. However, during the year DAB has issue a circular to the banks, notifying further deferral of ACPR regulation from 4 Feb 2023 till 04 Feb 2024.
Accordingly, the bank has opted deferral in application of ACPR, in the preparation of Financial statement for the year ended on 31 December 2023.

- b) Note 8 Depreciation rates for property and equipment
- c) Note 9 Amortization rates for intangible assets
- d) Note 21 Income taxes

3.3 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in recognition of a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For the contract in place at date of initial application, the bank has elected to apply the definition a lease from IAS 17 and IFRIC 4 and has not applied IFRS16 to arrangement that were previously not identified as lease under IAS 17 and IFRIC 4. The bank elected not to include initial direct cost in the measurement of the right -of- use asset for operating lease in existence at the date of initiate application of IFRS16, being January 1, 2019 at this date, the bank has also elected to measure the right-of- use asset at the amount of equal to lease liability adjusted for prepaid/ accrued lease payments that existed at the date of transaction.

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

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 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

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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.



GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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. However, during the year DAB has issue a circular to the banks, notifying further deferral of ACPR regulation from 4 Feb 2023 till 04 Feb 2024.

Accordingly, the bank has opted deferral in application of ACPR, in the preparation of Financial statement for the year ended on 31 December 2023.

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.
- 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.



GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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.

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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
- 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.

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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



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FOR THE YEAR ENDED DECEMBER 31, 2023

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 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023	2022
		----- AFN '000 -----	
5 CASH AND CASH EQUIVALENTS			
Cash in hand	5.1	1,100,648	1,030,998
Balances with banks	5.2	3,009,098	4,883,774
Balances with investment managers	5.3	179,688	345,184
Short term placements	5.4	1,910,800	1,071,000
		6,200,234	7,330,956
5.1 Cash in hand			
Local currency		543,578	248,111
Foreign currencies		557,070	782,887
		1,100,648	1,030,998
5.2 Balances with banks			
<i>Balances with central bank</i>			
Local currency current accounts		930,572	2,211,942
Foreign currency current accounts		366,096	574,664
		1,296,668	2,786,606
Balances with other banks (domestic)		29	36
Balances with other banks (foreign)		1,712,401	2,097,132
		3,009,098	4,883,774

5.3 Balances with investment managers

This represents balances maintained with the investment management companies for future investment opportunities.

5.4 Short term placements

This represents short time placements (less than 3 months) with foreign banks carrying BB risk rating and bearing interest rates ranging from 4% to 5.25% (2022: 3% to 3.75%) per annum.

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FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 ----- AFN '000 -----	2022
6 INVESTMENTS			
<i>Available for sale</i>			
Investment in bonds	6.1	10,714	8,276
<i>Held for trading</i>			
Investment in equity	6.2	194,473	179,357
		205,187	187,633
Loss reserve on debt instruments		(10,538)	(13,388)
		194,649	174,245
<i>Held to maturity</i>			
Investment in bonds	6.3	284,377	1,116,500
<i>Investments in:</i>			
Emerging market infrastructure funds	6.3.1	259,925	330,198
Emerging real state development funds	6.3.1	350,618	-
		894,920	1,446,698
		1,089,568	1,620,943

- 6.1** This include foreign currency investment in; Sovereign bond of Republic of Sri Lanka having risk rating (D) and coupon rate of 5.90% per annum with the maturity of April 18, 2024. SHUAA Capital PSC UAE is acting as the investment custodian of this investment.

Cost - net	Unrealized gain/ (loss)	Market value
..... (AFN '000)		
21,053	(10,339)	10,714

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

	Cost	Unrealized gain/ (loss)	Market value
 (AFN '000)		
Shares of listed	261,493	(67,020)	194,473

- 6.3** These represent an investment in Sovereign bonds of Oman (risk rating B+), Indonesia (risk rating BBB), and Bhrain (risk rating B+) having coupon rates ranging from 4.03% to 5.07% per annum with the maturity date of Aug 20, 2024. SHUAA Capital PSC UAE, STP-Partners Ltd and DAMAN investment advisors are acting as the custodian of these investments.

- 6.3.1** This represents investments in Emerging Market Infrastructure and Emerging Real State Development Funds issued by UAE Coorporations, carrying coupon rate of 5% and 7% respectively with maturity date 16 September 2026. The UAE country risk is (AA) (31 December: AA). These investments are made through SHUAA Capital PSC UAE and STP-Partners Ltd asset managers of the bank.

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FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- AFN '000 -----	
7 LOANS AND ADVANCES TO CUSTOMERS - NET		
Conventional Loans	1,568,246	2,193,399
Islamic Loans	353,366	410,578
	1,921,612	2,603,977
IMPAIRMENT		
Conventional Loans	(249,103)	(315,647)
Islamic Loans	(5,672)	(24,151)
	(254,775)	(339,798)
	1,666,837	2,264,179
7.1 Impairment allowance - summary		
Balance at the beginning of the year	339,799	393,876
Charge for the year	37,093	-
Reversals	-	(53)
Exchange rate differences	(62,016)	(54,024)
	314,876	339,799
Write offs	(60,101)	-
Balance at the end of the year	254,775	339,799

7.1.1	Note	31 December 2023			31 December 2022		
		Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
		----- AFN '000 -----			----- AFN '000 -----		
Conventional financing							
Running finance	7.2.1	805,033	(176,423)	628,610	1,020,293	(223,377)	796,917
SME loans	7.2.2	7,129	(26)	7,103	17,773	(26)	17,746
Term loans	7.2.3	756,084	(72,654)	683,430	1,155,333	(92,244)	1,063,088
		1,568,246	(249,103)	1,319,143	2,193,399	(315,647)	1,877,751
Islamic financing							
Murabaha	7.3.1	353,366	(5,672)	347,694	410,578	(24,151)	386,427
		1,921,612	254,775	1,666,837	2,603,977	(339,798)	2,264,178

7.2.1 The facility to meet working capital requirements carries interest ranging from 9% to 15.5% (2022: 9% 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.

7.2.2 These are extended to the Small and Medium Enterprises and carry interest from 7% to 30% (2022: 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.

7.2.3 These are term loan facilities extended to customers and carry interest ranging from 6.5% to 15% (2022: 6.5% 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 16,187 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.

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7.3.1 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 8.2% to 39% (2022: 8.10% 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 143,476 thousands which are partially backed by Afghanistan Credit Guarantee Foundation (ACGF) guarantees to the extent defined in agreement with ACGF.

7.4 **The credit quality of the loan and advances according to the Asset Classification and Provisioning Regulation is as follows:**

	Standard	Watch	Sub-standard	Doubtful	Loss	Total
 AFN '000					
As at 31-Dec-2023						
Conventional:						
Running finance	306,182	158,063	10,826	329,963	-	805,033
SME loans	6,793	336	-	-	-	7,129
Term loans	602,880	9,261	-	143,942	-	756,084
Islamic:						
Murabaha	331,990	2,014	19,362	-	-	353,366
	<u>1,247,845</u>	<u>169,674</u>	<u>30,188</u>	<u>473,905</u>	<u>-</u>	<u>1,921,612</u>
As at 31-Dec-2022						
Conventional:						
Running finance	388,992	200,813	10,826	419,663	-	1,020,293
SME loans	17,405	367	-	-	-	17,773
Term loans	950,929	21,530	-	182,873	-	1,155,333
Islamic:						
Murabaha	365,624	2,559	25,909	-	16,486	410,578
	<u>1,722,951</u>	<u>225,269</u>	<u>36,735</u>	<u>602,536</u>	<u>16,486</u>	<u>2,603,977</u>

7.4.1 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 2024. Accordingly, the bank has opted for deferral in the application of ACPR, in preparing the financial statements for the year ended on 31 December 2023. The ACPR if effective as of 31 December 2023, would have result in additional provision amounting to AFN 696.244mn.

7.5 **Impairment charge / (reversal) on financial assets**

	2023	2022
	----- AFN '000 -----	
Impairment allowance on receivables from financial institutions	74,980	(53)
Net provision on AFS investments	-	13,124
Net impairment allowance on non-funded facilities	(365)	-
Net provision on accrued interest/ profit	(1,803)	18,082
Loan charged off during the year	(37,093)	-
	<u>35,719</u>	<u>31,153</u>

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8	Property and equipment	Description	2023					2022								
			Land	Building	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total	Land	Building	Furniture and fixtures	Computer equipment	Vehicles	Office equipment	Total
	Property and equipment		35,362	200,946	34,201	83,163	96,718	52,783	503,173							
	Capital work-in progress		-	-	2,016	997	-	307	3,319							
	Right-of-use assets		-	-	309	-	-	-	309							
			-	-	(1,016)	(43)	-	(110)	(1,168)							
	8.1 Property and equipment		35,362	200,946	35,510	84,117	96,718	52,980	505,633							
		Additions during the year	-	-	644	1,258	-	1,699	3,601							
		Transfer from capital work-in-progress	-	-	2,037	-	-	-	2,037							
		Disposals	-	-	(278)	(5,625)	-	(830)	(6,733)							
		Balance as at December 31, 2023	35,362	200,946	37,913	79,750	96,718	53,849	504,538							
		Accumulated Depreciation														
		Balance as at January 01, 2022	-	58,785	20,628	63,736	90,936	36,351	270,437							
		Depreciation for the year	-	6,692	2,966	13,887	1,766	6,646	31,956							
		Disposals	-	-	(1,009)	(43)	-	(63)	(1,114)							
		Balance as at December 31, 2022	-	65,477	22,585	77,581	92,702	42,934	301,279							
		Depreciation for the year	-	6,692	3,127	5,663	1,766	5,887	23,135							
		Disposals	-	-	(195)	(5,657)	-	(767)	(6,620)							
		Balance as at December 31, 2023	-	72,169	25,517	77,587	94,468	48,054	317,794							
		Carrying Amount														
		December 31, 2022	35,362	135,469	12,925	6,536	4,016	10,046	204,353							
		December 31, 2023	35,362	128,777	12,396	2,163	2,250	5,795	186,744							
		Depreciation rates %		3.33	6 - 25	25 - 50	16 - 25	15 - 50								

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	Note	----- AFN '000 -----	----- AFN '000 -----
8.2 Capital work-in progress			
Opening balance		3,840	5,366
Additions during the year		79	-
Transfer to property and equipment		(2,037)	(309)
Expensed/Transferred		(1,803)	(1,218)
Closing balance		79	3,840
8.3 Right-of-use assets			
Cost:			
Opening balance		162,902	184,912
Additions during the year		21,371	7,786
Lease modification		(4,408)	(10,663)
Write-Off		-	(19,011)
Adjustment		-	(122)
Closing balance		179,865	162,902
Accumulated depreciation:			
Opening balance		97,188	74,735
Depreciation expense for the year		23,956	22,454
Closing balance		121,144	97,188
Carry amount		58,721	65,714
8.4 Depreciation			
Property and equipment		23,135	31,956
Right-of-use assets		23,956	22,454
		47,091	54,410
9 OTHER ASSETS			
	Note	----- 2023	----- 2022
		----- AFN '000 -----	----- AFN '000 -----
Restricted deposits with DAB	9.1	574,518	682,578
Prepayments	9.2	89,511	72,673
Receivable from Western Union		44,472	37,524
Profit receivable	9.3	8,321	5,776
Interest receivable		12,295	18,598
Security deposits	9.4	484,274	776,985
Receivable from humanitarian organization	9.5	969,154	-
Receivable from financial institutions		-	95,039
Others		10,114	2,246
		2,192,659	1,691,419

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9.1 Restricted deposits with DAB

Local currency		123,096	103,371
Foreign currencies		451,422	579,207
	9.1.1	574,518	682,578

9.1.1 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 Article 3 "Required Reserves Regulation" of the Banking Regulations issued by DAB.

9.2 This includes 20 years prepayment rental expense for the hairatan branch to the related party of the bank, amounting AFN to 47.83 million (2022: AFN 49.34mn).

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

		2023	2022
		----- AFN '000 -----	
9.4 Security Deposits			
Pashtany bank	9.4.1	351,250	446,250
Ziraat bank	9.4.2	108,725	300,187
CSC Bank & Western union		24,299	30,548
		484,274	776,985

9.4.1 Security deposits for providing DABs bills collections.

9.4.2 Cash margin on issuance letter of credits

9.5 This represents receivables against the provision of cash distribution services to the international humanitarian organization, which was subsequently received by the bank.

9.6 Receivable from financial institutions

		2023	2022
		----- AFN '000 -----	
Receivable from financial institutions	9.6.1	23,205	219,585
Provision reserve on receivables from FIs		(23,205)	(124,546)
		-	95,039

9.6.1 This represents receivables in respect of nostro accounts with foreign defaulted banks in 2019, named Tengri Bank amounting to US\$ 330 thousands equivalent AFN 23.2 mn. As result, additional provision was made in respect of receivable balance.

		2023	2022
		----- AFN '000 -----	
10 SHARE CAPITAL			
Authorized 124,404 (2022: 126,700) ordinary shares of AFN 10,000 each	Note	1,244,040	1,267,000
Issued, subscribed and paid-up - 124,404 (31 December 2022: 126,700) ordinary shares of AFN 10,000 each	10.1	1,244,040	1,267,000

10.1 During the year, the BoS of the bank has approved the resolution for the alteration in the pattern of bank shareholding due to demise of the bank shareholder. As result of this, a restructuring of ownership stakes to accommodate the necessary changes.

10.1.1 The Bank is owned by individual shareholders owing equity shares in different proportions. Mr. Mohammad Ibrahim Ghazanfar and Mr. Mohammad Ismail Ghazanfar each holds 36.16% and 36.15% respectively of issued, subscribed and paid up capital while remaining 27.69% is held by Mrs. Shukria Amin. This is based on the revised article of association approved from the DAB. While in 2022 the bank shareholders with their respective shareholding proportion were, 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.

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11	DEPOSITS FROM CUSTOMERS	Note	2023	2022
			----- AFN '000 -----	
	Conventional			
	Current deposits		3,772,312	3,505,787
	Saving deposits		530,029	490,330
	Term deposits		79,617	100,487
			<u>4,381,958</u>	<u>4,096,604</u>
	Islamic			
	Current deposits		1,009,985	2,072,112
	Saving deposits		804,741	886,257
	Mudarabah fixed deposits		413,080	564,330
			<u>2,227,806</u>	<u>3,522,699</u>
	Margin deposits			
	Margin deposits - expired		14,631	18,547
	Margin deposits - unexpired	11.1	1,532,635	1,755,601
			<u>1,547,266</u>	<u>1,774,148</u>
			<u>8,157,030</u>	<u>9,393,451</u>

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

12	DEPOSITS FROM FINANCIAL INSTITUTIONS	2023	2022
		----- AFN '000 -----	
	Deposits from Banks		
	Demand Deposits of Banks	138,035	343,733
	Deposits from OFI's		
	Current deposits	75,935	226,340
	Term deposits	1,143,000	1,070,998
		<u>1,218,935</u>	<u>1,297,338</u>
		<u>1,356,970</u>	<u>1,641,071</u>

13	OTHER LIABILITIES	2023	2022
		----- AFN '000 -----	
	Interest payable on customer deposits	12,376	11,861
	Profit payable on Islamic customer deposits	10,403	12,641
	Withholding tax	10,176	13,716
	Unearned commission on bank guarantees	6,517	12,255
	Accrued expenses	22,578	24,670
	Dividend payable	17,274	16,991
	Payable against canceled shares	22,960	-
	Other liabilities	37,004	26,057
		<u>139,288</u>	<u>118,191</u>

13.1 This represents dividend payable to disputed shareholder declared in 2020.

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

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	2023	2022
	----- AFN '000 -----	
14 LEASE LIABILITY		
Opening balance	34,516	76,441
Addition during the year	21,170	7,786
Payment during the year - principal	(23,516)	(26,894)
Accrued finance cost	5,485	7,015
Lease modification	(6,597)	(4,066)
Write off	-	(19,634)
Exchange rate fluctuation	(3,454)	(6,133)
Closing balance	27,604	34,516
15 CONTINGENCIES AND COMMITMENTS		
Contingencies		
Contingencies - Bank guarantees issued	5,298,260	6,118,656
Letters of credits	141,402	127,698
	5,439,662	6,246,354
Commitments		
Un-used portion of Overdraft	4,215	6,725
16 NET INTEREST INCOME		
Interest income		
Interest income on Placements	43,113	21,628
Loans and advances	75,395	139,457
Bonds and Sukuk	47,560	38,416
	166,068	199,501
Interest expense		
Customer deposits	2,895	7,932
Deposits from financial institutions	10,546	29,837
Total interest expense	13,441	37,769
Net interest income	152,627	161,732

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		2023	2022
		----- AFN '000 -----	
16.1	Interest expense on customers deposits		
	Term deposits	11,645	4,902
	Saving deposits	1,796	3,030
		13,441	7,932
17	NET FEE AND COMMISSION INCOME		
	Fee and commission income		
	Commission on bank guarantees	48,405	60,466
	Commission on letter of credits	2,641	4,002
	Loan processing fee	-	2,019
	Fund transfer fee	310,575	490,401
	Deposit accounts servicing	35,244	31,632
	Commission on cash management	37,249	39,640
		434,114	628,160
	Fee and commission expense		
	Inter bank transaction fee	12,426	11,195
	Electronic banking fee	15,299	11,604
	Net fee and commission income	406,389	605,361
18	OTHER INCOME		
	Gain / (Loss) on sale of investment in gold	3,005	(9,817)
	Recovery of loan previously written off	3,921	2,859
	Other	17,160	12,976
		24,086	6,018
19	EMPLOYEE COMPENSATION		
	Salaries and wages	147,188	128,329
	Food allowances	3,557	3,261
	Staff bonus	4,314	9
		155,059	131,599
20	ADMINISTRATIVE EXPENSE		
		2023	2022
		----- AFN '000 -----	
	Security guards expenses	26,669	20,534
	Software annual maintenance	15,724	19,963
	Insurance	38,011	22,700
	Communication	5,550	6,744
	Advertisement	21,590	11,856
	Travelling and conveyance	11,037	5,965
	Utilities	11,765	10,389
	Fuel	4,337	5,247
	Repair and maintenance	8,853	6,837
	Stationery and printing	7,361	5,389
	Directors meeting fees	9,947	8,984
	Donation	57,215	52,120
	Staff training	2,536	1,667
	Audit fee	2,972	2,475
	Legal & advisory fee	72,689	13,227
	Other expenses	13,770	12,405
		310,026	206,502

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FOR THE YEAR ENDED DECEMBER 31, 2023

- 20.1** 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.
- 20.2** Since COVID 19 epidemic and recent political changes in the country, internally displaced and persons, negative impacted 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.
- 20.3** This includes legal fee amounting to AFN 4.417 million (2022: AFN 264 thousands), and advisory fees amounting to AFN 68.271 million (2022: AFN 12.963 mn)

21	TAXATION	Note	2023	2022
			----- AFN '000 -----	
	- Current tax			
	Current	21.1	-	48,144
	Prior		-	-
			<u>-</u>	<u>48,144</u>
	- Deferred tax assets on:			
	Carry forward losses (P&L)		47,795	-
	Tax gain on revaluation of financial instruments (OCI)		15,472	33,322
			<u>63,267</u>	<u>33,322</u>
	(Tax loss) / taxable profit for the year		<u>(238,973)</u>	<u>240,720</u>
21.1	Effective tax rate reconciliation is as follows:			
	Accounting profit before tax		<u>(282,752)</u>	<u>204,358</u>
	Tax at applicable rate of 20%		-	40,872
	Non-deductible tax expense		-	24,784
	Dividend - deductible expense		-	(3,962)
	Other deductible expenses		-	(13,550)
			<u>-</u>	<u>48,144</u>

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GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

22 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 36.16% and 36.15% respectively of issued, subscribed and paid up capital while remaining 27.69% is held by Mrs. Shukria Amin. This is based on the revised article of association approved from the DAB.

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	
	2023	2022	2023	2022
	AFN '000			
(a) Loans and advances to related parties				
Loans outstanding at the beginning of the year	-	-	57,657	67,273
Loans issued during the year	-	-	-	-
Loans repayments during the year	-	-	(10,181)	(9,616)
Exchange gain	-	-	-	-
Loans outstanding at the end of the year	-	-	47,476	57,657
Interest income earned	-	-	3,717	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.

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2023	2022	2023	2022
	AFN '000			
(b) Deposits from related parties				
Deposits at the beginning of the year	10,030	4,163	9,001	4,999
Deposits received during the year	79,246	58,313	601,809	584,793
Deposits repaid during the year	70,727	52,445	590,176	580,791
Exchange rate difference	-	-	-	-
Deposits at the end of the year	18,549	10,030	20,634	9,001
Interest expense on deposits	-	-	-	-

Nature of transactions	Directors and other key management personnel (and close family members)		Shareholders and its associated companies	
	2023	2022	2023	2022
	AFN '000			
(c) Other related party transactions				
Prepayment/ Security Deposit for Hairatan Branch	-	-	47,827	49,679
Directors' fee	9,947	8,984	-	-
Rent paid	-	651	3,820	4,023
Donation paid	-	-	57,215	52,120

(d) Key Management compensation

Salaries and other short-term benefits

	2023	2022
	AFN in '000	
	32,111	28,381
	32,111	28,381

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GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

23 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'					
2023							
Cash and cash equivalents	5	-	-	-	6,200,234	-	6,200,234
Investments	6	-	-	284,377	-	805,191	1,089,568
Loans and advances to customers	7	-	-	-	1,666,837	-	1,666,837
Others assets	9	-	-	-	2,166,414	-	2,166,414
		-	-	284,377	10,033,485	805,191	11,123,053
2022							
Deposits from customers	11	-	-	-	8,157,030	-	8,157,030
Deposits from financial institutions	12	-	-	-	1,356,970	-	1,356,970
Other liabilities	13	-	-	-	122,595	-	122,595
Lease liability	14	-	-	-	27,604	-	27,604
		-	-	-	9,664,199	-	9,664,199
2022							
Cash and cash equivalents	5	-	-	-	7,330,956	-	7,330,956
Investments	6	-	-	1,116,500	-	504,443	1,620,943
Loans and advances to customers	7	-	-	-	2,264,178	-	2,264,178
Others assets	9	-	-	-	1,652,068	-	1,652,068
		-	-	1,116,500	11,247,202	504,443	12,868,145
2022							
Deposits from customers	11	-	-	-	9,393,451	-	9,393,451
Deposits from financial institutions	12	-	-	-	1,641,071	-	1,641,071
Other liabilities	13	-	-	-	92,220	-	92,220
Lease liability	14	-	-	-	34,516	-	34,516
		-	-	-	11,161,258	-	11,161,258

23.1 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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GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

24 FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- 24.1** 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

In addition to the above, there were no lending commitments except as disclosed in Note 15.

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 6,200 million (2022: Afs 7,331 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.

24.2 Liquidity risk

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

Management of liquidity risk

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

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GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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:

	2023	2022
Closing balance for the year ended	45%	46%
Average for the year	44%	41%
Maximum for the year	51%	47%
Minimum for the year	39%	34%

Maturity analysis for financial liabilities

Note	Carrying amount	Gros Cash Outflow	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
			AFN '000'				
2023							
11 Deposits from customers	8,157,030	8,157,030	4,796,928	1,334,770	2,025,332	-	-
12 Deposits from financial institutions	1,356,970	1,356,970	213,970	-	1,143,000	-	-
13 Other liabilities	139,288	139,288	-	-	-	-	-
14 Lease liability	27,604	27,604	-	-	-	24,286	3,318
	9,680,892	9,680,892	5,010,898	1,334,770	3,168,332	24,286	3,318
2022							
11 Deposits from customers	9,393,451	9,393,451	5,596,446	1,376,587	2,420,418	-	-
12 Deposits from financial institutions	1,641,071	1,641,071	570,073	-	1,070,998.00	-	-
13 Other liabilities	118,191	118,191	-	-	-	-	-
14 Lease liability	34,516	34,516	-	-	-	25,440	9,076
	11,187,229	11,187,229	6,166,519	1,376,587	3,491,416	25,440	9,076

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.

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

24.3 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 2023		USD	EUR	GBP
Assets				
	Note	AFN '000'	AFN '000'	
Cash and cash equivalents	5	4,600,134	125,426	5,107
Investments	6	1,100,107	-	-
Loans and advances	7	1,381,778	-	-
Other assets	9	1,401,219	14,579	-
Total		8,468,659	140,005	5,107

Exposure to currency risk (cont.)

Liabilities		USD	EUR	GBP
	Note	AFN '000'	AFN '000'	
Deposits from customers	11	6,253,651	159,660	2,190
Deposits from financial institutions	12	1,001,228	-	-
Other liabilities	13	43,003	2,220	15
Total		7,297,882	161,880	2,205
Net foreign currency exposure		1,170,778	(21,875)	2,902

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

31 December 2022					
Assets					
5	Cash and cash equivalents	3,799,904	3,594,960	196,077	8,866
	Placements	1,071,000	1,071,000	-	-
6	Investments	1,634,331	1,634,331	-	-
7	Loans and advances to customers	1,891,684	1,891,684	-	-
9	Other assets	1,610,213	1,592,167	18,046	-
		10,007,132	9,784,142	214,124	8,866
Liabilities					
11	Deposits from customers	7,107,542	6,897,215	204,607	5,720
12	Deposits from financial institutions	1,458,442	1,458,442	-	-
13	Other liabilities	72,587	72,201	368	18
14	Lease liabilities	6,597	6,597	-	-
		8,645,168	8,434,455	204,975	5,738
	Net foreign currency exposure	1,361,964	1,349,687	9,149	3,128

Exposure to currency risk (cont.)

in AFN	2023		2022	
	Average rate	Reporting date rate	Average rate	Reporting date rate
USD	82.43	70.25	90.00	89.25
Euro	88.71	76.85	94.92	94.46
GBP	101.16	88.05	109.49	106.45

Sensitivity analysis

A 10% strengthening of the Afghani, as indicated below, against the USD, Euro and GBP at 31 December 2023 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.

	2023		2022	
	Equity	Profit or loss	Equity	Profit or loss
USD\$	93,662	117,078	107,975	134,969
Euro	(1,750)	(2,188)	732	915
GBP	232	290	250	313

A 10% weakening of the Afghani against the above currencies at 31 December 2023 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, 2023

25 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, 2023 is as follows:

	2023	2022
	----- AFN '000 -----	
Tier 1 capital		
Share holders' equity	1,776,740	1,978,878
Less: Other Equity Components	61,887	133,287
Less: Profit for the year	-	(156,214)
Less: Intangible assets	-	-
Net Deferred Tax Assets	(63,267)	(33,322)
Total tier 1 (core) capital	1,775,361	1,922,630
Tier 2 capital		
General allowances on Standard Advances	22	22
Add: Profit for the year	-	156,214
Total tier 2 (supplementary) capital	22	156,236
Total Regulatory capital = Tier 1 + Tier 2	1,775,383	2,078,865
Risk-weight categories		
0% risk weight:		
Cash in Afghani and fully-convertible foreign currencies	1,100,648	1,030,998
Direct claims on DAB	1,871,186	3,469,184
Direct Claims on Central Governments of Category A Countries	-	604,017
Loans Collateralized by Blocked Deposits	-	-
Others	-	-
Total	2,971,834	5,104,199
0% risk-weight total (above total x 0%)	-	-

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GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	----- AFN '000 -----	
20% risk weight:		
Demand Deposits with Banks	1,892,118	2,442,352
Time Deposits with Banks	1,910,800	1,071,000
Loans Guaranteed by Multilateral Lending Institutions	112,023	165,098
Other	-	-
Total	3,914,941	3,678,450
20% Risk-Weight Total (Above Total x 20%)	782,988	735,690
100% risk weight		
Loans gross amount	1,554,813	2,099,103
Property & Equipment's	245,544	273,907
All other assets	2,751,307	2,168,984
Total	4,551,664	4,541,994
100% Risk-Weight Total (Above Total x 100%)	4,551,664	4,541,994
Off-balance-sheet items with 0% Credit Conversion Factor		
Undrawn loan and overdraft facilities	4,215	6,725
Total	4,215	6,725
0% Credit Conversion Factor Total (Above Total x 0%)	-	-
Off-balance-sheet items with 20% Credit Conversion Factor		
Commercial letters of credit	-	-
100% Risk Weight	16,924	68,779
Total	3,385	13,756
20% Credit Conversion Factor Total (Risk-Weighted Total x 20%)	334,137	1,067,508
Off-balance sheet items with 100% Credit Conversion Factor		
Guarantees and Standby Letters of Credit	-	-
20% Risk Weight	334,137	1,067,508
100% Risk Weight	334,137	1,067,508
Total	334,137	1,067,508
100% Credit Conversion Factor Total (Risk-Weighted Totals x 100%)	334,137	1,067,508
	5,672,173	6,358,949
Tier 1 Capital Ratio	31.30	30.24
Regulatory Capital Ratio	31.30	32.69



GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 19 March 2024 by the Board of Supervisors of the Bank.

27 GENERAL

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

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Chief Financial Officer



Chief Executive Officer



Chairman

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023

28 ISLAMIC BANKING INFORMATION

28.1 Islamic Banking Financial Position

The Bank has the following interim financial position as at December 31, 2023, for Islamic Banking operations:

	2023	2022
	AFN '000	
ASSETS		
Cash and cash equivalents	1,729,607	3,215,515
Murabaha with Financial Institutions	878,125	1,071,000
Investments in Sukuk securities	284,377	402,352
Murabaha Islamic Financing	347,694	386,427
Other assets	657,370	281,573
Total assets	3,897,173	5,356,868
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	62,224	189,976
Total equity	62,224	189,976
LIABILITIES		
Current deposits	1,009,985	2,072,112
Mudarabah saving deposits	804,741	886,257
Mudarabah fixed deposits	1,996,922	2,178,859
Other liabilities	23,301	29,664
Provision for taxation	-	-
Total liabilities	3,834,949	5,166,892
Total equity and liabilities	3,897,173	5,356,868
Contingencies and commitments	1,033,546	1,229,307

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 Chief Financial Officer

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 Chief Executive Officer

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 Chairman

GHAZANFAR BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

28.2 Islamic Banking Profit or Loss

The Bank has the following profit or loss for the year ended December 31, 2023, from Islamic Banking operations:

	2023	2022
	AFN '000	
Total profit income	63,011	61,192
Total profit expense	(13,441)	(9,256)
Net profit	49,570	51,937
Revenue from banking services	85,490	73,837
Expense on banking services	(1,534)	(2,653)
Net revenue form banking services	83,956	71,184
(Loss) from dealing in foreign currencies	(110,361)	(49,143)
	23,165	73,979
Other income	14,688	5,769
Impairment allowances and charge off	(5,350)	-
Employee compensation	(47,990)	(27,071)
Operating lease expenses	(342)	(663)
Finance cost on lease liability	(1,860)	(1,551)
Depreciation and Amortization	(16,034)	(13,364)
Administrative expense	(92,621)	(38,423)
	(164,197)	(81,072)
Profit before tax	(126,344)	(1,324)
Taxation	-	-
Profit after tax	(126,344)	(1,324)

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