

Articles of Association Ghazanfar Bank Kabul Afghanistan 2022

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Abbreviations:

AISA	Afghanistan Investment Support Agency
DAB	Da Afghanistan Bank
CEO	Chief Executive Officer
HR	Human Resources
IT	Information and Technology
RAC	Risk, Audit, Compliance
BOS	Board of Supervisors
BOM	Board of Management
GB	Ghazanfar Bank
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
AFS	Afghanis





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Definitions:

❖ In these Articles, unless the context or subject matter otherwise requires:

- **“Clauses”** means these Article(s) as originally framed or as from time to time altered in accordance with law.
- **“Bank”** means “GHAZANFAR BANK”
- **“Banking Law”** means the Banking Law Enacted in Afghanistan or any modification or re-enactment thereof for the time being in force.
- **“Board”** means the Supervisory Board constituted under these Articles at which a quorum is present.
- **“Company Law”** means the Company Law Enacted in Afghanistan or any modification or re-enactment thereof for the time being in force.
- **“Directors”** mean the members of the Supervisory Board.
- **“Fit and Proper Person”** means a person who in the judgment of Da Afghanistan Bank is of honesty, trustworthiness, fairness, integrity and has ability to make sound and effective decision in his personal, financial and business activities and possesses good skills and experience for conducting the intended activities of the bank.
- **“Dividend”** means a part of the company’s net earnings that are distributed to Shareholders in accordance with the rights determined for each kind and class of shares.
- **“Government”** means Government of the Islamic Republic of Afghanistan.
- **“Month”** means calendar month according to the Afghanistan Calendar.
- **“Office”** means the registered Office of the Bank.
- **“Register”** means, unless the context otherwise requires, the register of Shareholders to be kept pursuant to Companies Law.
- **“Seal”** means the common or official seal of the Bank.
- **“Secretary”** includes any person appointed from time to time to perform the duties of Secretary to the Supervisory Board.
- **“Special Resolution”** means special resolution of the Bank as defined in the Companies Law.
- **“DAB”** means Da Afghanistan Bank (Central Bank of Islamic Republic of Afghanistan)
- **“Islamic Banking”** means a bank which operates in accordance with Islamic Shariah.
- **“Conventional Bank”** means bank operating in accordance with traditional banking practice.
- **“Control”** means any situation in which, a person alone or acting in concert with one or more other persons: holds beneficial ownership of at least 50% of any category of voting



shares or Capital of an enterprise; has the power to elect a majority of the board of supervisors, or any similar, Body, of an enterprise; or has the ability to exert a dominant influence over the management or policies of the enterprise; or Has the Power to issue, based on a custom or formal or informal arrangement,

- Instructions or directions to a majority of the members of the board of
 - Supervisors of an enterprise, or shareholders beneficially owning at least 50% of
 - Any category of voting shares or capital of the enterprise.
- **“Branch Office:** means a dependent part of a bank where all or some banking Activities are conducted.



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Clause 1: Constitution

Ghazanfar Bank is established in March 2009, being licensed by Central bank of Afghanistan. The Bank is promoted by well reputed and leading Business Group of Afghanistan “**Ghazanfar Group**”, with its Head Office in Kabul having Branches across Afghanistan.

Legal Status:

Ghazanfar Bank is registered as Limited Liability Company under license number **D-29098** with Ministry of Commerce erstwhile AISA.

1.1 Objectives: Being engaging in the business of receiving money deposits or other repayable funds from the public and making credits for its own benefit and all such activities as are lawfully associated with the functions of a Bank, and includes Islamic banking & Conventional banking.

1.2 Activities:

Reference to article 66 of banking law of Afghanistan Banking activities are described as below:

1. Receiving money deposits in the form of demand deposits, or other types of deposit or other repayable funds, bearing interest or not.
2. extending credits whether secured or not by collateral or liens, including:
 - Extending consumer and mortgage credit.
 - Financing of commercial transactions, including purchasing negotiable instruments at
 - Discount with or without recourse.
 - Factoring with or without recourse; and
 - Financial leasing services.
3. Buying and selling for its own account or for account of customers:
 - Money market instruments (including bills of exchange, promissory notes and certificates of deposit); foreign currencies; precious metals and precious stones; exchange and interest rate instruments; stocks, bonds and other securities, in accordance with provisions of the law and regulations of Da Afghanistan Bank.
 - Forward contracts, swap agreements, futures, options, and other derivatives relating to currencies.
4. Entering into contingent commitments, including guarantees and letters of credit, for its own benefit and for the benefit of customers.
5. Providing clearing, settlement and transfer services for money, securities, and payment instruments (including checks; credit, debit and other payment cards; travelers' checks; and bank drafts, wire transfers, and preauthorized debits and credits).
6. Money brokering.





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7. Safekeeping and administration of valuables, including securities; providing services as portfolio manager of securities or as financial adviser or as financial agent.
8. Providing financial information and credit reference services, including general market economy information.
9. Issuing electronic money.
10. Providing credit-related insurance to borrowers in connection with credit granted by the bank.
11. Any other activity lawfully associated with the business of Banking.

Clause 2: Name of the company:

“GHAZANFAR BANK”

2.1: Banking Docket Number:

Ghazanfar Bank is registered under Docket number of 13702.

2.2 Head Office and Branches:

Ghazanfar Bank head office is located in house# 866 Sher Pur Square, Wazir Akbar Khan Main Road, Kabul Afghanistan.

As of June 2022, Ghazanfar Bank has 15 Branches all over Afghanistan out of which 7 are located in Kabul and the rest in major Provinces of Afghanistan.

2.3 Details of Incorporators / Shareholders:

Serial No.	Certificate Issued to (Name of Subscriber)	Address	Number of Shares	Rate per Share (AFN)	Amount of Shares (AFN)	% of Shares held
1	Mohammad Ibrahim Ghazanfar	Second District, Guzar Merza Mohammad Hashim Mazar, Afghanistan	44,979	10,000	449,790,000	36%
2	Mohammad Ismail Ghazanfar	Second District, Guzar Merza Mohammad Hashim Mazar, Afghanistan	44,978	10,000	449,780,000	35%
3	Mohammad Yousuf Ghazanfar	Second District, Guzar Merza Mohammad Hashim Mazar, Afghanistan	36,743	10,000	367,430,000	29%
	Total Shares		126,700		1,267,000,000	100%

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Clause 3: Capital

3.1 Authorized/Paid up Capital

The initial Authorized Capital of the Bank was AFN 550,000,000 divided into 55,000 shares of AFN 10,000/- each. The entire Authorized Capital was subscribed and paid in full on 03.03.2009.

The current Authorized/Paid up Capital of the bank as on 31.12.2021 is AFN 1,267,000,000/- divided into 126,700 ordinary shares of AFN 10,000/- each and the entire authorized capital is subscribed and paid in full.

3.2 Reduction of Capital

During the current period till date no such reduction of Capital has taken place. However, if so, requires bank may do so as per the guidelines of Central Bank of Afghanistan (DAB).

3.3 Undercapitalization

Bank Management shall immediately inform the board of supervisors and Da Afghanistan Bank in writing of any deterioration in the financial situation of the bank, or danger of such deterioration, and any other facts that may materially affect the financial situation of the bank, and in particular if the bank becomes undercapitalized.

Clause 4: Share

The entire shares are subscribed and paid in full by the aforesaid shareholders.

4.1 Number and types of shares: Bank can issue equity shares within the ambit of authorized capital.

4.2 Assignment of Shares: Bank can assign share to any party subject to the prevalent law of the Central Bank.

4.3 Assignment Procedure

- Assignment means transfer of some or all rights and obligations to another person through a written agreement. To be effective, an assignment must contain parties with legal capacity, consideration, consent and legality of object. The assignment shall not be considered to be

completed until a duly filled in and executed form as per specimen given below (Annexure A) is furnished by the assignor in favor of the assignee.

- b. Further, the assignment in order to be effective shall be subject to approval by the Da Afghanistan Bank.

4.4 Eligibilities of Common Shares

The shares of the Bank shall be under the control of the Shareholders, who may allot or otherwise dispose-off the same to fit and proper persons, on specific terms and conditions and at any time and for agreed consideration as the Shareholders committee deems fit subject to the written approval of Da Afghanistan Bank.

- a. **Exercise of the Preferential Right:** Shareholders have voting rights corresponding to their holding of shares of capital stock of the bank. Each shareholder will exercise his or her voting rights at the General Assembly personally or through official agent (Proxy) which is introduced in writing.
- b. **Transfer of Shares:** Subject to the provision of the Banking Law, no transfer of the shares shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and the transferee has been delivered to the Bank together with the Certificate or Certificates of shares. The instrument of transfer of any share shall be signed both by the transferor and transferee, and shall contain the name and address both of the transferor and transferee and the transferor shall be deemed to.
- c. Remain the holder of such share until the name of the transferee is entered in the Register in respect thereof.
- d. **Debts and Liabilities of the Company**
 - o **Power to borrow:** The Board may, from time to time at their discretion, raise/ borrow or secure the payment of, any sum or sums of money or make any arrangement for financing for the purposes of the bank.

Clause 5: Administrative Structure of the Bank

- General Assembly (Shareholders)
- Board of Supervisor

- Committees under Board of Supervisors
 - Audit Committee
 - Nomination Committee
 - Remuneration / Compensation Committee
 - Risk Management Committee
- Management Board
- Islamic Banking Window

5.1 General Assembly:

The General Assembly of the bank is constituted from the Shareholders of the bank.

5.1.1 Meetings of the General Assembly:

- a. At least one regular session of the General Assembly shall be held each year after the completion of the external audit of the balance sheet and financial statements of the bank for the preceding financial year, no later than 3 months after the end of that financial year.
- b. Extraordinary sessions of the General Assembly may be convened at the request of the Board of Supervisors, the Board of Management, a shareholder or shareholders individually or together holding 20 percent or more of total voting rights, or Da Afghanistan Bank.
- c. Written notice of the date, place and time of each session of the General Assembly, together with the agenda for that session, shall be sent to the shareholders at least one month in advance. In urgent cases such notice may be given seven days in advance. However, no decisions shall be made on issues that are not on the agenda. In case of urgent matters, notice can be sent by electronic mode and voting can also take place through electronic mode. However, in the subsequent session of the General Assembly the decisions taken by electronic mode should be confirmed.
- d. Decisions of the General Assembly should be written and signed by shareholders and Secretary only. However, in case of urgent matters voting can take place through postal ballot electronic mode.
- e. Shareholders should ensure that effective and appropriate secretarial functions exist.

5.1.2 Shareholders Secretary:

He/she have the role of communicating the decisions of the board of supervisors to the shareholders. Looking and dealing into the grievances and complaints of the shareholders. Satisfying the shareholders by supplying information regarding bank affairs. Issuing allotment letters to the shareholders. He/she also convene General Assembly meetings and ensure DAB's laws and regulation about the disclosure is followed.



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5.1.3 Minutes of the Meetings:

The board secretary shall cause minutes to be duly entered in books provided and shareholders present at any meeting of General Assembly shall sign his name in a book to be kept for that purpose and any such minutes of any meetings of Shareholders containing the names of shareholder's attended the meeting, other participants and all resolutions and proceedings of the meeting, if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting, shall be receivable as prima facie evidence of the matters stated in such minutes.

5.1.4 Duties and Powers:

1. To adopt the charter of the bank and amendments thereto;
2. To adopt the by-laws of the bank and amendments thereto, provided that the General Assembly may delegate authority to the Board of Supervisors to perform these functions, and may require that any adoption, amendment or repeal of a by-law be subject to approval of the General Assembly;
3. To appoint and to dismiss the members of the Board of Supervisors and determine remuneration of its members;
4. To adopt increases in the authorized capital of the bank and to determine the terms and conditions on which shares of the bank may be issued;
5. To approve the annual reports and financial statements of the bank, upon the recommendation of the Board of Supervisors of the bank;
6. To decide on the sale, merger, amalgamation, dissolution and closure of the bank;
7. To appoint bank's external audit firm which is authorized by DAB, taking into account the recommendation of the Board of Supervisors;
8. To establish and dissolve bank's subsidiaries, representative offices and branch offices.

According to the value of the shares in the capital of the bank, each shareholder has voting power proportionate to their shares in capital, and can be used in general assembly by each shareholder directly or through their representatives.

5.1.5 Disqualification of Shareholders:

A shareholder shall be considered as disqualified in the following circumstances:

- Decease
- Loss of decision making scens
- Involvement in illegal business
- Resignation

In such circumstances General Assembly will pass a resolution deciding on the shares of disqualified shareholder.



5.2 Board of Supervisor:

5.2.1 Board of Supervisor's Structure

- The Board of Supervisors of the bank should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.
- The Board of Supervisors should structure itself in terms of leadership, size and the use of committees so as to effectively carry out its oversight role and other responsibilities. This includes ensuring that the Board has the time and means to cover all necessary subjects in sufficient depth and have a robust discussion of issues.
- The chair of the Board of Supervisors plays a crucial role in the proper functioning of the Board of Supervisors. The chair provides leadership to the board and is responsible for its effective overall functioning, including maintaining a relationship of trust with board members. The chair should possess the requisite experience, competencies and personal qualities in order to fulfill these responsibilities. The chair should ensure that board decisions are taken on a sound and well-informed basis. The chair should encourage and promote critical discussion and ensure that dissenting views can be freely expressed and discussed within the decision-making process. The chair should dedicate sufficient time to the exercise of his or her responsibilities.
- To promote checks and balances, the chair of the Board of Supervisors should be an independent or non-executive board member.

5.2.2 Board of Supervisors' Appointment and Composition

- Board of Supervisors is elected by the General Assembly of the Bank, and majority of its members shall not be shareholders, management or employees of the Bank. Shareholders, whether legal entities or natural persons, may appoint representatives to the Board but these representatives shall not constitute a majority of Board members.
- The Board of Supervisors consists of minimum of three and maximum of nine members, elected by the General Assembly for the period of four years and they can be reappointed **Board of Supervisors elects one of its members as the chairman.**
- At least two-third members along with chairman of Board of Supervisors should be independent members. Bank shareholders, their representatives and close relatives cannot constitute majority of the Board of Supervisors.
- A member of the Board of Supervisors can have as much shares individually in his own name in a bank or in subsidiary of the bank that Da Afghanistan bank has determined. Members of Board of Supervisors who have such shares in the bank can get their remuneration or salary in conformity with policies and procedure of the Board of Supervisors and Article 49.3 of Banking Law of Afghanistan.

- e. If a seat of Board of Supervisors becomes vacant, the remaining members should fill the vacant position by designating a temporary member until the next General Assembly of shareholders.

5.2.3 Qualification of Board of Supervisors

- A person shall be eligible to serve as a member of the Board of Supervisors of a bank if
 - He/she is a Fit and Proper Person and meets conditions stipulated under Article 58 of the Banking Law of Afghanistan;
 - He/she is not a public (government) employee other than in a teaching capacity.
- In addition to above requirements, every member of Board of Supervisors of a bank must have a suitable professional background via previous work in business, accounting, law, academia or supervision of financial institutions. At least one member of the Board of Supervisors shall have experience in banking, accounting or financial management in order to facilitate that person's membership on the Audit Committee;
- Other requirements and details of the qualification of Board of Supervisors will be provided through circulars of Da Afghanistan Bank from time to time.

5.2.4 Duties and Powers of Board of Supervisors

a. The Boards of the Supervisors have the following Duties and Powers

- Convene each session of the General Assembly and adopt the agenda for each session.
- Approve the bank's organizational structure.
- Make decisions regarding the establishment and dissolving of subsidiaries, branch offices and representative offices of the bank.
- Appoint, dismiss and determine the remuneration of the members of Board of management of the bank.
- Oversee the performance of the bank's Board of Management.
- Approve the bank's business strategy and annual budget.
- Approve policies for the conduct of operation performance, including the bank's risk management policy, dealing with conflict of interest and issuance of guidance to board of Management for implementation of those policies.
- Determine the conditions under which credits may be granted by bank employees, and which credits require approval of the Board of Supervisors.
- Ensure the establishment, functionality, appropriateness, adherence of DAB law and regulations and adequacy of internal controls and risk management for the bank.
- Ensure the integrity of the bank's financial reporting, including financial reporting to Da Afghanistan Bank.
- Ensure that appropriate Internal Audit function is established.



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12. Make recommendations to the General Assembly on matters requiring shareholder approval.
 13. Make recommendations to the General Assembly concerning appointment of the external audit firm for the bank.
 14. Ensure execution of bank's annual external audit, which includes the auditor's opinion of the truth and accuracy of the bank's financial statements.
 15. Make decisions concerning capital distributions, subject to requirements of Law and regulations of Da Afghanistan Bank, and what amount of the net profit of the bank shall be transferred to bank reserve.
 16. Making decisions in accordance with the requirements of this law and related regulations regarding distribution of capital and net profit of bank which is determined as reserve fund.
 17. Immediately inform Da Afghanistan Bank in writing, or require the Board of Management to do so, of any deterioration in the financial situation of the bank, or danger of such deterioration, and any other facts that may materially affect the financial situation of the bank, and in particular if the bank becomes undercapitalized.
 18. Ensure implementations of directives and instructions of Da Afghanistan Bank.
 19. Decide on other matters placed in the competence of the Board of Supervisors by the bank's charter or by-laws.
 20. The chairperson of Board of Supervisors is responsible to introduce members of Board of Management to DAB for approval in no more than three months after the positions becomes vacant.
- b. The Board of Supervisors is ultimately responsible, and is accountable to all stakeholders (including the General Assembly, depositors, and DAB) for the conduct of the bank's Affairs and condition. Although the board members cannot guarantee success, they are expected to supervise bank operations to ensure that they reflect sound planning, are effectively governed by comprehensive policies and internal control procedures, and are administered by competent management. While the Board of Supervisors may depend upon the Management Board's technical, industrial, and managerial expertise to run the bank's day-to-day operations, the board members remain responsible for ensuring that those operations are properly controlled, comply with the policies adopted by the Board of Supervisors and applicable laws and notifications, and are consistent with sound banking practices.

In meeting its overall commitment to the bank's General Assembly, depositors, and Community, the Board of Supervisors must:

- Ensure competent management.
- Ensure that appropriate plans and policies are in place.
- Monitor operations, ensure adequate internal controls and compliance with laws and decisions.
- Oversee financial performance of the bank.

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- Prevent Conflicts of Interest.

5.2.5 Meetings of Board of Supervisors

- a. Board of Supervisors meets regularly, at least once a month. Special meetings may be held as necessary. A special meeting will be called if:
 1. The bank becomes undercapitalized.
 2. It is requested by the Audit Committee or external auditor of the bank; or
 3. It is instructed by Da Afghanistan Bank.
- b. Board of Supervisors may hold its meetings online (web conference); however, at least one meeting should be held face-to-face in a quarter.
- d. The quorum of Board of Supervisors completes by presence of its two-third members.

Board of Supervisors may take valid decisions by a simple majority of the votes of its members who are present. Members may not abstain from voting except as permitted or required by Banking Law of Afghanistan. In case of a tie vote, the Chairman shall cast the deciding vote in cases predicted in the Banking Law of Afghanistan. In case of urgent matters, decisions can be taken by voting via electronic mode.

- e. Any member of Board of Supervisors who fails to attend three consecutive meetings or five meetings in a calendar year without an acceptable excuse, will lose his or her membership.
- f. The Board of Supervisors should maintain appropriate records (e.g., meeting's minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. These should be made available to the Board of Supervisor whenever required.
- g. The Board of Supervisors shall designate an employee of the bank who is not a member of the Board of Supervisors as secretary. Minutes of each meeting of the Board of Supervisors shall be signed by members of Board of Supervisors, its chairman and secretary.



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5.3 Audit Committee

- a. Audit Committee could be separate from Board of Supervisors or could be a sub-committee of the Board of Supervisors with necessary expertise and independence.
- b. Bank's Board of Supervisors may create Audit Committee from its majority independent members or such other eligible persons who are composed of odd numbers that have not less than 3 and more than 9 members after seeking necessary DAB approval before its creation. At least one member of this committee must have knowledge and skill of banking, accounting or financial management.
- c. In case the Audit Committee is separate from Board of Supervisors, before bank appoints a person to serve on its Audit Committee, the bank must propose the issue to Da Afghanistan Bank as well as submit documents pursuant to Article 12 of Banking Law of Afghanistan, during an application for a banking license and/or during subsequent reappointment, and shall obtain Da Afghanistan Bank's authorization.
- d. The Board of Supervisors of each bank must nominate chairman and members of the Audit Committee to DAB for approval.
- e. None of the members of the Audit Committee may be members of the Management Board or employees of the bank or an enterprise in the same group as the bank.
- f. The Audit Committee of the bank shall:
 - Review the annual financial statements of the bank before the statements are approved by the Board of Supervisors.
 - Review such other financial reports of the bank as the Audit Committee deems necessary.
 - Review and evaluate the bank's policies regarding internal controls, and make recommendations to the Board of Supervisors regarding their approval.
 - Oversee the implementation and maintenance of the bank's internal controls by the bank's Board of Management.
 - Periodically review the effectiveness of the bank's internal controls with the head of the bank's internal audit function and Board of Management.
 - Periodically evaluate the effectiveness of the bank's internal control systems report, its findings to the Board of Supervisors, and recommend any changes it deems necessary.
 - Recommend to the Board of Supervisors an audit firm to conduct the bank's external audit.
 - Meet with the bank's external auditors to discuss the annual audit of the bank's financial statements. and
 - Perform other tasks, related or incidental to the above, as determined by the Board of Supervisors.



- g. Audit Committee must convene at least once every three months. Audit committee quorum completes by presence of two-third of all members and, valid decisions are taken by majority of present members. Members cannot abstain from voting except in case of Conflict of Interest.
- h. Audit Committee can request Board of Supervisors meeting only to consider any matter of disquiet to the committee.
- i. Audit Committee can hire its legal specialists and auditors related to its field.
- j. In addition, Audit Committee should:
 - Supervise the work of internal auditors and oversee their relationship with external auditors;
 - Ensure independence, objectivity and qualifications of internal and external auditors;
 - Review periodically the remuneration and performance of the external auditors and ensure a periodic change of senior audit partner;
 - Ensure appropriate functionality of internal audit function;
 - Receive and review internal audit reports and draw attention of the Board of Management and Board of Supervisors to any material matters.
 - Engage external advice as required.
 - Review the external auditor's letter to bank's management (containing recommendations on internal control issues) and consider the adequacy of the Board of Management's response.
 - Ensure compliance with regulatory requirements and internal procedures through reviewing reports from the Board of Management and internal and external auditors.
- k. The Audit Committee maintains appropriate records (e.g., meeting's minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. These are to be made available to the Board of Supervisor whenever required.

Due attention must be paid to breaches of regulations, related party transactions and Litigations.

5.4 Committees under Board of Supervisors

5.4.1 Nomination Committee:

The Nomination Committee consists of three members including chairman of the Board of Supervisors, an independent member of Board of Supervisors, and a dependent member of Board of Supervisors if one exists.

- a. As per Banking Law of Afghanistan and Corporate Governance Regulation of Da Afghanistan Bank (DAB) Ghazanfar bank has established a Nomination Committee. Every member of the Nomination Committee shall be appointed to hold office until the next annual General Assembly, following that member's appointment, and shall be eligible for reappointment.

- b. If a member of the Nomination Committee resigns, ceases to be a director or for another reason ceases to be a member of the Nomination Committee and this results in abreact of any requirement prescribed under paragraph (a) above, the Board of Supervisors shall, within 3 months of that event, appoint such number of new members as may be necessary to certify the composition of the Nomination Committee in accordance with that requirement.
- c. The meetings of Nomination Committee are to be conducted on demand and the committee maintain records of all its meetings.

5.4.2 Compensation and Remuneration Committee

Compensation and Remuneration Committee is an integral part of Ghazanfar Bank's governance structure and organization to oversee the compensation system's design and operation on behalf of the Board of Supervisors. The Committee should:

1. Be constituted in a way that it exercises competent and independent judgment on compensation policies, practices and incentives.
2. Demonstrate that its decisions are consistent with an assessment of the bank's financial conditions and future prospects.
3. Work closely with the bank's Risk Committee in the evaluation of the incentives created by the compensation system.
4. Ensure that the bank's compensation policy complies with the guidance of the Basel committee.
5. Ensure that compensation policy is reviewed, if appropriate externally commissioned, and is conducted independently of management.
6. Ensure that remuneration is determined independently of other business areas and is adequate to attract qualified and experienced staff.
7. Ensure that performance measures should be based principally on the achievement of the objectives of their functions.

Board of Supervisors may appoint such other committees as felt necessary for the effective functioning of the bank.

5.4.3 Risk Management Committee

The Board of Supervisors of the bank has established a risk management committee, the majority of which consist of independent members of the Board of Supervisors. At least one member of the risk management committee has and shall have expertise in risk management and banking.

The Risk Management Committee commonly focuses on:

- Credit Risk
- Operational Risk
- Market Risk
- Interest Rate Risk and
- Liquidity Risk

The Risk Management Committee assists the Board of Supervisors in developing, approving, and monitoring the implementation of the bank's risk management policies.

8. Review and evaluate the bank's proposed policies, strategies, limits and procedures for risk management, and make recommendations to the Board of Supervisors regarding their approval;

9. Ensure that bank's risk management policies, strategies and limits are appropriate for the bank's business strategy as approved by the Board of Supervisors;

10. Assist the Board of Supervisors to ensure that the bank's risk management program is conducted in accordance with the policies, strategies and limits approved by the Board of Supervisors and with relevant laws and regulations of Da Afghanistan Bank;

11. Monitor the implementation of those policies, strategies and limits through receipt of reports from senior management and/or the bank's risk management function;

12. Submit reports to Board of Supervisors on the effectiveness of the bank's risk management process;

13. Periodically review the bank's risk management policies, strategies and limits, and recommend to the Board of Supervisors any changes that the Committee deems necessary; and

14. Perform other tasks assigned to it by the Board of Supervisors relative to the bank's risk management program.

15. The Board of Supervisors of a bank may assign some or all of the functions referred to in this Article to the Audit Committee.

16. Risk Management Committee must convene at least once every three months. Risk Management Committee quorum completes by presence of two-third of all members and, valid decisions are taken by majority of present members. Members cannot abstain from voting except in case of Conflict of Interest.

17. The Risk Committee maintains appropriate records (e.g., meeting's minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting

opinions) of its deliberations and decisions. These are to be made available to the Board of Supervisor whenever required.

5.5 Board of Management's Roles, Responsibilities, and Qualifications

General Principles

- Under the direction and oversight of the Board of Supervisors, the Board of Management shall carry out and manage the bank's activities in a manner consistent with the business strategy, risk appetite, and other policies approved by the Board of Supervisors.
- Board of Management shall consist of a core group of individuals responsible and accountable to the Board of Supervisors for the sound and prudent day-to-day management of the bank.
- The organization, procedures and decision-making of Board of Management should be clear and transparent and designed to promote effective management of the bank. This includes clarity on the role, authority and responsibility of the various positions within Board of Management, including that of the CEO.

Appointment and Membership

- The Board of Management of Ghazanfar Bank should consist of five members, and shall include:
 - Chief Executive Officer
 - Deputy Chief Executive Officer
 - Chief Operating Officer, Chief Financial Officer and Chief Credit Officer
 - Such other officials as may be specified in the bank's charter or by-laws or deemed appropriate by the Board of Supervisors.
- Before the bank appoints a person to serve on its Board of Management, the bank proposes the issue to Da Afghanistan Bank as well as submit documents pursuant to article 12 of Banking Law, during an application for a banking license or during subsequent appointments, and shall obtain Da Afghanistan Bank's approval.
- Members of the Board of Management of a bank are eligible to serve for four consecutive years and shall be eligible for reappointment.
- Members of Board of Management shall be full-time administrators or employees of the Bank. Each member of the Board of Management does not necessarily need to have expert knowledge or expertise in every area of bank management, but should be generally familiar with each relevant area, in addition to having detailed knowledge of their own area of responsibility, so that the members of the Board of Management can work together effectively and professionally.

- e. Remunerations, stipends, appointment and dismissals of CEO and members of the Board of Management are decided by Board of Supervisors.
- f. No member of the Board of Management shall have any Qualifying Holding in the bank of which he/she is a member.
- g. Shareholders of the bank, their representatives, and close relatives cannot serve on the Board of Management of the bank.

Board of Management's Qualifications and Eligibility

- a. A person shall be eligible to serve as a member of the Board of Management of the bank if he or she:
- b. Is a Fit and Proper Person;
- c. Meets conditions stipulated under Article 58 of the Banking Law of Afghanistan, Corporate governance and DAB circulars.

Board of Management's Roles and Responsibilities

Board of Management contribute substantially to a bank's sound corporate governance through personal conduct.

Board of Management is responsible for delegating duties to staff and should establish a management structure that promotes accountability and transparency throughout the bank.

Board of Management should provide the Board of Supervisors with the information it Needs to carry out its responsibilities, supervise Board of Management and assess the quality of senior management's performance. In this regard, Board of Management Should keep the Board of Supervisors regularly and adequately informed of material Matters, including:

1. Preparation and developing of business strategy, risk strategy/risk appetite;
2. The bank's performance and financial condition;
3. Breaches of risk limits or compliance rules;
4. Internal control failures;
5. Legal or regulatory concerns; and
6. Issues raised as a result of banks whistle blowing procedures.

Prescheduled Committees/Meetings

- Asset and liability committee



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- Performance meeting
- HR committee
- IT Steering Committee
- Review of Budget, Policy and procedure
- Expense review
- Fixed Asset review
- Strategy Business plan review
- Management RAC committee
- Management Risk Management committee
- Management Compliance committee
- Review of all BOS advices and BOM meeting minutes
- Service quality assurance committee

Committees/Meetings called on demand

The below meetings shall be arranged by CEO office on demand as and when needed and secretary office is the custodian of the meetings minutes.

- Credit committee
- Investment committee
- IT steering committee
- Procurement committee
- HR committee

Clause 6: Islamic Banking Window

Along with conventional banking services, Ghazanfar Bank is engaged in Islamic Banking activities. Islamic Banking Window of GB, offers a variety of services in compliance with Islamic Sharia. The Islamic Banking Window is headed by Chief Islamic banking Officer who is responsible to run Islamic functions of the Bank and to execute Shari'ah Board resolutions in its true spirit and soul. The Islamic Banking Window has its own segregated functioning and staff present in all Banking components such as Operation department, Finance department, Credit department, Risk department, compliance department and Branches who reports to Islamic Banking Department in issues related to Shari'ah compliance. The Islamic Banking is operating with Shari'ah governance structure and is guided by a set of different Islamic Banking policies duly vetted by Shari'ah Board and is in compliance with AAOIFI standards and Central Bank Islamic Banking law.





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6.1: Shari'ah Board

The Bank's Shari'ah Board shall comprise of minimum three members having Islamic banking expertise duly approved by Da Afghanistan Bank. The Islamic Banking Department reports to Shari'ah Board in respect of Shari'ah compliance issues and to obtain resolutions/ Fatwas for Islamic Banking Window operations. The Bank's Shari'ah Board is the highest authority in making the final decision on matters related to the Shari'ah in the Bank's course of operation. Therefore, the Bank's Shari'ah Board is responsible for the views, decisions and advices provided to the Bank and is expected to deliberate every arising issue extensively and in-depth before arriving at any decision. The Shari'ah Board ensures that all the products and services and related agreements/ contracts, structure, process flows, product manuals, marketing advertisements, sales illustrations and brochures etc. of bank, are in conformity with the rules and principles of Shari'ah.

6.1.1 Shari'ah Advisor:

The Bank shall have a dedicated position of Shari'ah Advisor appropriately filled by an official well versed in Shari'ah and duly approved by Da Afghanistan Bank. The Shari'ah Advisor is regularly seated position, who is to be consulted by Islamic Banking department in day-to-day issues related to Shari'ah.

Clause 7: Fiscal Year Reports

1. The financial year of the bank shall begin on the first day of January and end on the last day of December.

2. Ghazanfar Bank shall maintain accounts and records, and prepare quarterly and annual financial statements, adequate to reflect in accordance with international accounting standards or international financial reporting standards, their respective operations and financial condition, in accordance with related regulations prescribed by Da Afghanistan Bank. Ghazanfar Bank submits the Daily, Weekly, Monthly (Call reports) and quarterly regulatory reports. The financial statements shall reflect the operations and financial condition of its subsidiaries both on an individual and on a consolidated basis.

Ghazanfar bank shall appoint an independent external auditor with qualifications and experience acceptable to Da Afghanistan Bank.

1: External auditors shall perform the following tasks in compliance with standards established by related regulation.

- advise the bank on maintaining proper accounting systems and procedures.



- advise the bank on the effectiveness of its internal controls and risk management systems and procedures.
- prepare and present to the board of supervisors of the bank an annual report together with an external auditor's opinion as to whether the financial statements present a full and fair view of the financial condition of the bank in accordance with the provisions of the banking Law.

2. The board of supervisors shall, not later than three months after the end of each financial year, submit to its general meeting of shareholders.

- its audited consolidated financial statements, together with the report of its external auditors for that financial year.
- the total number of meetings of the board of supervisors and its committees held during the most recently-completed financial year and the number of those meetings attended by each member; and
- Such other information as may be prescribed by regulations of the Da Afghanistan Bank.

3. Ghazanfar bank shall, within 15 days after the general meeting of the bank's shareholders approves the audited financial statements.

- Provide such financial statements, external auditor's report, and corporate governance report referred to in paragraph 1 of this Article to Da Afghanistan Bank; and
- Publish such statements and reports in an official newspaper of general circulation in Afghanistan.

4. In addition Ghazanfar bank shall:

- Exhibit the financial statements and reports referred to in paragraph above in a conspicuous place in each of its offices and branches, in Afghanistan or abroad, and keep it so exhibited throughout the following twelve months.
- Provide copies of the financial statements and reports referred to in above paragraph to any person requesting such copies, for a reasonable fee, not exceeding the administrative costs of providing such services.

5. If a material error becomes evident in any report which has been published under the prevalent articles of Da Afghanistan Laws and Regulations, shall be promptly informed of the error and a corrected report shall be issued and published.

7.1 Net Profit for Fiscal Year:

Board of Supervisors should make decisions concerning capital distributions, subject to requirements of the Law and regulations of Da Afghanistan Bank, and what amount of the net profit of the bank shall be transferred to any reserve of the bank.

7.2 Legal Reserves: Ghazanfar Bank shall form reserves, as required in order to deal with general risks to which the bank is exposed, and cover possible losses arising from conducting its activities. The size of such reserves and the ways of their formation, maintenance and usages shall be prescribed in related regulation of Da Afghanistan Bank may require a bank that conducts risky business operations or that shows an unusually high increase in their exposure to various types of risks, to establish higher obligatory reserves.

7.3 Profit Distribution (Capital Distribution):

- The Board of Supervisors will make decisions concerning capital distributions, subject to requirements of the Banking Law of Afghanistan and Regulation of Da Afghanistan Bank.
- Ghazanfar Bank will not decrease its capital by repurchasing shares or engaging in a capital distribution without the prior written authorization from Da Afghanistan Bank.

7.4 Secrecy and Disclosure:

Every Director, Manager, Auditor, member of a Committee, Officer, Agent, Accountant or other person employed in the bank shall if so required by the directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the bank with its customers and the state of account with individuals and in matters relating thereto and shall by such declaration not to remit information which may come to his knowledge in the discharge of his duties except when required to do so by the directors or by any general meeting or by any court of law and except so far as may be necessary in order to comply with any of the articles hereof or any statutory provisions.

7.5 Customer Protection:

Ghazanfar Bank customer protection policy provides effective safeguards for customers while empowering customers to exercise their legal rights and fulfill their legal obligations. The rights of the customer, being significant stakeholder, be ensured and protected by Ghazanfar Bank with best of its capacity. A summary statement, such as a Key Facts Statement, provides customers with simple and standard disclosure of key contractual information of a banking product or service, contributing to the customers' better understanding of the product or service. Key Facts Statements also allow customers to easily compare offers provided by different banks before they purchase a banking product or service.

7.6 Alteration of Article of Association:

The Articles of Association may be changed by the shareholders passing a special resolution in a general meeting or by written resolution upon modifying or altering the by-laws, rules, and regulations that govern or regulate the Internal Management of a company in accordance with prescribed Laws and regulations of Da Afghanistan Bank and of the Country.

Clause 8: Dissolution of the Bank

8.1 Liquidation

- If the Commission determines that such person has failed or refused to comply with orders referred in the banking law or such other applicable laws of the country, it shall order the liquidation of the business of that person.
- The liquidation shall be overseen by Da Afghanistan Bank in accordance with procedures determined by Da Afghanistan Bank.
- In case of a liquidation, the proceeds of liquidation shall be used to pay expenses and other costs of the Commission and Da Afghanistan Bank, depositors and their personal creditors or creditors of the relevant business, in that order of.

8.2 Litigation

All matters of disputes and litigations shall be governed by the Laws prevalent in Afghanistan.

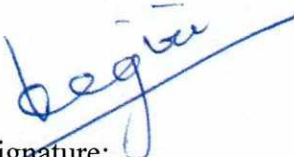
Clause 9: Laws and Regulation

Bank is governed by prescribed Laws and regulations of Da Afghanistan Bank and of the Country and amendments wherever whenever enacted thereof.

We the Ghazanfar Bank shareholders, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of these by laws and article of association, and we respectively agree to take the number of shares in the capital of the said bank and respective names are:

Kailash Giri

Chairman of BoS


Signature:

Khisrow Fazli

CEO


Signature:

“Annexure A” Specimen of Deed of Assignment of Shares

THIS ASSIGNMENT is made on this..... day of..... between Ms./Mr./Mrs....., son/daughter/wife of....., resident of..... (here-in-after called "the Assignor") of the one part, and Ms./Mr./Mrs....., son/daughter/wife of..... resident of..... (here-in-after called "the Assignee") of the other part.

THE DEED OF ASSIGNMENT WITNESSES:

That in consideration of the sum of AFS..... (AFS.....) paid by the assignee to the assignor, the receipt whereof the assignor hereby acknowledges, the said Ms./Mr./Mrs....., hereby assigns, sells and transfers to the said Ms./Mr./Mrs....., Equity Shares of AFS..... each, fully paid up, bearing consecutive No's..... to..... (Inclusive), which stand in the name of the assignor in the Register of Members of Ghazanfar Bank to hold the same to the assignee absolutely, subject nevertheless to the conditions on which the assignor held the same up to date. AND the assignee hereby agrees to take the said Equity Shares subject to such conditions. IN WITNESS WHEREOF the assignor and the assignee do here-to affix their respective signatures on the day, month and the year stated above.

Assignor

Assignee

Witness:

Witness:

“Annexure B” Shareholders Resolution

Tuesday, August 30, 2022



Shareholders' Resolution Approving Share Transfer

Resolved that pursuant to the shareholders' decision dated 30th August 2022 and provisions of the Article 48: Afghanistan Banking Law; at the General Meeting of shareholders; the consent of Mr. Mohammad Osman Ghazanfar, Mr. Mohammad Ibrahim Ghazanfar, and Mr. Mohammad Ismail Ghazanfar (the shareholders of Ghazanfar Bank) be and is hereby accorded to register the transfer of the Mr. Mohammad Osman Ghazanfar share in favor of to Mr. Mohammad Ibrahim Ghazanfar 8,236 shares (AFN 10,000 each) and 8,235 shares (AFN 10,000 each) to Mr. Mohammad Ismail Ghazanfar (the transferee(s) as below:

S. No	Name of the shareholder	Previous shareholding (Amount)	Previous shareholding (Shares)	Revised shareholding	No. of new shares
1	Mohammad Yousuf Ghazanfar	367,430,000	36,743	367,430,000	36,743
2	Mohammad Ismail Ghazanfar	367,430,000	36,743	449,780,000	44,978
3	Mohammad Ibrahim Ghazanfar	367,430,000	36,743	449,790,000	44,979
4	Mohammad Osman Ghazanfar	164,710,000	16,471	-	-
	Total	1,267,000,000	126,700	1,267,000,000	126,700

Tuesday, August 30, 2022



Resolved further that the board of supervisors is hereby authorized to make necessary changes in Article of Association of the Bank and Memorandum of Association with Da Afghanistan Bank and Ministry of Commerce and Industry of Afghanistan and complete all the other necessary formalities in connection therewith and to do all such act(s) and thing(s) as may be required to give effect to the above resolution.

Approved: August 30, 2022



Mr. Mohammad Osman Ghazanfar

Shareholder (Transferor)

Approved: August 30, 2022



Mr. Mohammad Ismail Ghazanfar

Shareholder (Transferee)

Approved: August 30, 2022



Mr. Mohammad Ibrahim Ghazanfar

Shareholder (Transferee)

“Annexure C” Supervisory Board Resolution



30 Aug 2022

Supervisory Board Resolution

Based on Shareholders decision and reference to resolution dated 30th Aug 2022, The Board of Supervisors have approved certain changes in the shareholding pattern among the Shareholders. Total share related to Mr. Mohammad Osman Ghazanfar is 16,471 (AFN 10,000 each) shares that 8,236 (AFN 10,000 each) shares will be transferred to the name of Mr. Mohammad Ibrahim Ghazanfar (the new number of shares of Mohammad Ibrahim Ghazanfar increases from 36,743 to 44,979 AFN 10,000 each) Also 8,235 (AFN 10,000 each) shares will be transferred to the name of Mr. Mohammad Ismail Ghazanfar (the new number of shares of Mohammad Ismail Ghazanfar increases from 36,743 to 44,978 AFN 10,000 each). Into consideration relevant areas also the Board adopted the incorporation of changes in Bank's Article of Association, share transfer book and other necessary documents. Therefore, BOS advised CEO to take necessary steps in accordance to Banking law regarding transfer share.

Validity

We, the undersigned being all the Board of Supervisors of the Ghazanfar Bank entitled to vote, adopt the aforementioned resolution and in conformity with the Banking Law of Afghanistan.

Signature of Supervisory Board Members:

1. Mr. Kailash Chandra Giri (Chairman of BOS)
2. Mr. Sunil Pant (Member of BOS)
3. Mr. R S Yadav (Member of BOS)
4. Mr. Mohammad Hakim Sahibzada (Member of BOS)
5. Mr. Sreenivasan Iyer (Member of BOS)

