



## **1382 ANNUAL FINANCIAL STATEMENTS**

### **DA AFGHANISTAN BANK**

In accordance with Article 106 of the Law on Da Afghanistan Bank, Da Afghanistan Bank hereby presents the financial statements for the year ended 29 Hoot 1382 (19 March 2004). These statements consist of the balance sheet, the income statement, and notes to the financial statements that include the legal framework, accounting policies, and notes to the accounts.

The financial statements prepared by Da Afghanistan Bank are based on international accounting/financial reporting standards, modified as necessary to meet particular circumstances, and are attested to by the external auditors Messrs. P.B. Vijayaraghavan & Co., Chartered Accountants. Da Afghanistan Bank is responsible for the accuracy of the accounting information reflected in the financial statements.

**DA AFGHANISTAN BANK**  
**Balance Sheet at 29 Hoot 1382**  
(Amounts in Afghanis)

1381		Notes	1382
<b>ASSETS</b>			
<b>Domestic Currency Assets</b>			
63,852,849	Loans receivable	1	63,852,849
15,281,298,069	Government overdrafts	2	14,732,228,069
50,354,247	Advances receivable		82,994,680
4,872,083	Equity investments	3	4,872,083
<b>15,400,377,248</b>			<b>14,883,947,681</b>
<b>Foreign Currency Assets</b>			
12,420,895,234	Gold in Federal Reserve	4	14,352,958,418
230,015,148	Cash in foreign currency	5	2,186,712,015
11,323,488,450	Foreign bank accounts	6	24,344,303,034
23,974,398,832	Total reserve assets		40,883,973,467
25,164,468	Receivables in foreign currency		79,267,366
5,310,640	Equity investments in forex	7	5,310,640
1,402,874,216	Foreign currency loans to Govt.	8	1,328,241,895
<b>25,407,748,156</b>			<b>42,296,793,368</b>
<b>Banking Assets</b>			
1,490,585,682	Land and buildings		1,499,862,002
16,379,568	Furniture and fixtures		24,262,276
19,007,405	Automotive equipment		30,453,277
<b>1,525,972,655</b>		9	<b>1,554,577,555</b>
<b>42,334,098,059</b>	<b>Total Assets</b>		<b>58,735,318,604</b>

The notes attached hereto form an integral part of the Financial Statements

**DA AFGHANISTAN BANK**  
**Balance Sheet at 29 Hoot 1382**  
(Amounts in Afghanis)

1381	Notes	1382
<b>LIABILITIES</b>		
<b>Domestic Currency Liabilities</b>		
20,233,266,164	Currency in circulation	28,606,163,787
441,530,000	Current accts in local currency	6,233,661,917
7,206,549,942	Savings accts in local currency	41,380,233
32,178,195	Time deposits	7,402,803
6,990,618	Rental taxes payable	491,898
12,025,204	Other liabilities	41,989,241
0	Deferred income	13,173,613
<b>27,932,540,123</b>		<b>34,944,263,492</b>
<b>Foreign Currency Liabilities</b>		
850,117,742	Current accounts in foreign curr.	11,040,482,009
32,142,268	Time deposits in forex	31,577,348
58,566,187	Letters of credit in foreign curr.	214,624,299
25,185,330	IMF-related liabilities	25,185,330
<b>966,011,527</b>		<b>11,311,868,986</b>
<b>28,898,551,650</b>	<b>Total Liabilities</b>	<b>46,256,132,478</b>
<b>CAPITAL AND RESERVES</b>		
<b>13,435,546,409</b>	<b>Total Capital and Reserves</b>	<b>12,479,186,126</b>
<b>42,334,098,059</b>	<b>Total Liabilities, Capital and Reserves</b>	<b>58,735,318,604</b>

The notes attached hereto form an integral part of the Financial Statements

Signed:

Noorullah Delawari  
Governor

Samiullah Ibrahim  
First Deputy Governor

M. Issa Turab  
Second Deputy Governor

P.B.Santhanakrishnan  
P.B.Vijayaraghavan & Co.,  
Chartered Accountants

**DA AFGHANISTAN BANK**  
**Income Statement**  
For the Year Ended 29 Hoot 1382 (19 March 2004)

<b>Revenues</b>	Notes	Amounts in Afghani
Interest		129,734,696
Savings accts check book fees		65,104
Foreign Relations dept transactions		970
Account opening fees		209,907
Commissions		41,284,413
Fines and penalties		149,816
Miscellaneous income		3,180,744
Income From Asset-related grants		2,200,312
Bank licensing fees		5,924,764
Rental revenue		32,831,554
Task key revenues - net		1,048,810
SWIFT revenues - net		4,255,851
Commissions - incoming funds		43,091,850
		<u>263,978,791</u>
<b>Expenses</b>		
Interest expense		4,303,325
Bad debts expense		112,465
Currency transfer fees		2,603,474
Depreciation expense		7,496,248
Bank note printing		216,135,760
Staff expenses		92,810,228
Communications		2,344,124
Currency conversion costs		8,025,638
Equipment		463,079
Kindergarten expenses		185,096
Miscellaneous expenses		1,610,477
Premises		845,233
Repairs and maintenance		354,167
Service department expenses		623,696
Stationery and publications		1,514,220
Transportation		3,134,246
Utilities		280,601
General expenses		158,042
		<u>343,000,119</u>
<b>Net operating result</b>		(79,021,328)
Net realized losses from foreign currency transactions		(2,558,423)
Net unrealized revaluation gains:		2,203,691,661
<b>Net financial result</b>		<u><u>2,122,111,910</u></u>
Appropriated in accordance with Article 29, DAB Law.	12	
To authorized capital		1,494,381,214
To general reserve		627,730,696
		<u>2,122,111,910</u>

**The notes attached hereto form an integral part of the Financial Statements**

Signed:

Noorullah Delawari  
Governor

Samiullah Ibrahimi  
First Deputy Governor

M. Issa Turab  
Second Deputy Governor

P.B.Santhanakrishnan  
P.B.Vijayaraghavan & Co.,  
Chartered Accountants

## DA Afghanistan Bank

### Legal Framework

Da Afghanistan Bank (DAB), the central bank of Afghanistan, is an independent state institution and legal entity under Article 12 of the Constitution as well as the DAB Law enacted on 16 September 2003. It was established in 1939 and its headquarters are located in the city of Kabul. The capital of Da Afghanistan Bank shall be held solely by the State, and shall not be transferable or subject to encumbrance.

DAB's primary objective is to achieve and maintain domestic price stability. Subordinate objectives are to:

- foster the liquidity, solvency and proper functioning of a stable market-based financial system, and to promote a safe, sound and efficient national payment system; and
- support the general economic policies of the Government of Afghanistan, and to contribute to sustainable economic growth;

DAB's basic tasks, for which it is exclusively responsible, are to:

- formulate, adopt and execute the monetary policy, the foreign exchange policy, and the exchange arrangements of Afghanistan;
- hold and manage the official foreign exchange reserves of Afghanistan;
- print and issue afghani banknotes and coins;
- act as banker and adviser to, as well as fiscal agent of, the State (DAB is the custodian, not the fiscal agent, for the International Monetary Fund);
- license or register and to regulate and supervise banks, foreign exchange dealers, money service providers, payment system operators, securities service providers, securities transfer system operators and such others as shall be submitted to its oversight by or pursuant to the law; and

- establish, maintain and promote sound and efficient systems for payments, for transfers of securities issued by the State or DAB, and for the clearing and settlement of payment transactions and transactions in such securities.

In carrying out its tasks, DAB is guaranteed autonomous regulatory powers and complete independence from any other authority.

# DA Afghanistan Bank

## Accounting Policies

### *(a) Statement of compliance*

The Balance Sheet and Income Statement have been prepared in accordance with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), issued by the International Accounting Standards Board, except as noted below. The form of presentation of the financial statements reflects the reporting format applicable under IAS 30 “*Disclosures in the Financial Statements of Banks and Similar Financial Institutions*” and recommendations of the International Monetary Fund.

According to IAS 1, *Presentation of Financial Statements*, and IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, a full set of financial statements should include the following:

A balance sheet;

An income statement;

A cash flow statement;

A statement of changes in equity; and

Notes to the financial statements.

The cash flow statement is omitted from the financial statements due to the lack of classification data. The Income Statement does not present comparative information because of the lack of prior period data.

Post-employment benefits, under DAB’s defined post-employment benefit plan, are not accounted for in accordance with IAS 19, “*Employee Benefits*”, due to difficulties in calculating the actuarial assumptions that are required to measure the obligation and the expense. DAB’s annual contribution to the pension fund of an amount equal to 8 percent of the current year’s gross payroll cost is recognized as the post-employment benefit expense for the period.

DAB’s investment in a wholly-owned subsidiary is measured at cost and is not consolidated as required by IAS 27, “*Consolidated Financial Statements and Accounting for Investments in Subsidiaries*”, because it is in the winding-up process.

### *(b) Basis of preparation*

DAB did not prepare a balance sheet, or accumulate its accounting records in a general ledger, since 29 Hoot 1374 (March 1996) due to the turbulence of the period. The opening balances for the 1382 Balance Sheet accounts were compiled from a pro forma Balance Sheet drawn up as of the last day of the financial year 29 Hoot 1381 (20 March 2003). It is possible that amendments to the Balance Sheet may be called for if and when new information emerges. The 1382 financial transactions presented in the Balance Sheet and Income Statement were processed using double entry accounting but without a general ledger system.

The following accounting policies have been applied consistently during the period with respect to items that are considered material in relation to DAB's financial statements.

The financial statements are presented in (new) Afghanis (Af.) and have been prepared under the going concern concept. The financial statements are presented on a fair value basis for financial assets and liabilities falling within the scope of IAS 39, except those for which a reliable measure of fair value is not available. For those assets not falling within the scope of IAS 39, the principle of historical cost is adopted on initial recognition. The real property was remeasured at estimated market values, and the furniture, fixtures and equipment were remeasured at depreciated replacement cost as of 29 Hoot 1381 (20 March 2003). The acquisition values of donated assets are recognized as deferred income and transferred to income when, and in the same amount as, the assets are depreciated.

Revenues are recognized when earned and expenses when incurred. Revenues earned and expenses incurred in foreign currencies are measured, on a monthly basis, at the average rate of exchange for that month. Bank note printing charges are recognized as expense in the year in which they are incurred.

After initial recognition at cost, precious metals are remeasured at each balance sheet date using the prevailing quoted market values. Decreases in balances during the period are measured at the difference between entry and exit market values and recognized in income as realized valuation gains or losses. Balances on hand at the end of the period, together with increases in balances during the period, are remeasured at the end of period market values and any revaluation differences are recognized in income as unrealized valuation gains or losses.

*(c) Gold reserves*

Monetary gold held, as part of DAB's foreign exchange reserves, in the vaults of the Federal Reserve Bank in New York is regarded as a monetary instrument. It is measured at quoted market prices as of



the balance sheet date. The difference between the quoted market price at the balance sheet date and the original market rate of USD 35 per ounce at the date of acquisition is recognized in income as an unrealized revaluation gain or loss.

*(d) Equity investments*

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, equity investments in subsidiaries and associates are measured at DAB's percentage shares of the investees' net assets. Other equity investments are measured at fair value. Any instrument that does not have a quoted price in an active market and whose fair value cannot be reliably measured, is stated at cost including transaction costs and less any impairment losses.

*(e) Foreign exchange*

Transactions in foreign currencies are translated into local currency on a monthly basis at the mid-rates issued by DAB's monetary policy department as of the balance sheet date. Differences between the actual and mid-rates are taken to income as realized gains/losses on foreign currency transactions.

On initial recognition, financial assets and liabilities in foreign currencies are measured at the prevailing exchange rate. They are remeasured at each balance sheet date, using the prevailing spot rate(s). Decreases in balances during the period are measured at the difference between the entry and exit spot rates and any revaluation differences are recognized in income as realized revaluation gains or losses. Balances on hand at the end of the period, together with increases in balances during the period, are remeasured at the end of period spot rate(s) and any revaluation differences are recognized in income as unrealized valuation gains or losses.

Average Monthly Rates  
for Most Frequently Traded Currencies

Month	USD	Euros	Pounds Sterling	Pakistani Rupees
1	51.115	54.49	79.665	0.8875
2	48.41	53.95	76.44	0.8372
3	48.915	57.055	79.575	0.8448
4	48.86	55.345	79.22	0.8398
5	49.27	54.74	77.475	0.8335
6	49.355	54.05	77.295	0.8481
7	49.175	56.45	79.94	0.8475
8	49.135	56.81	81.7	0.8555
9	48.58	58.29	82.68	0.8504

10	48.975	61.02	86.54	0.8498
11	49.565	62.19	90.26	0.8676
12	50.115	62.595	92.125	0.8764
EOY Spot	50.01	61.105	90.01	0.8687

DAB acts as a depository to provide custodial capacity for Afghanistan’s IMF-related liabilities on behalf of the Ministry of Finance: the fiscal agent for Fund membership. These liabilities are denominated in special drawing rights (SDRs) and are revalued at the most recent IMF-quoted exchange rates.

*(f) Loans and advances receivable and State budget overdrafts*

Loans and advances receivable and State budget overdrafts are measured at historical cost net of any specific impairment losses in respect of bad and doubtful loans. No provision has been made for overdue receivables from various Government Ministries and Governorates with a remote probability of collection. This is because they will be forgiven, and recognized as capital charges, under a pending memorandum of understanding (MOU) to be agreed between DAB and the Ministry of Finance.

*(g) Equity investments*

Equity investments in local currency are measured initially at cost, including transaction costs. Subsequent to initial recognition, equity investments in subsidiaries and associates are measured at DAB’s percentage shares of the investees’ net assets where such information, if any, is reliable. Other equity investments are measured at fair value. Any investment that does not have a quoted price in an active market and whose fair value cannot be reliably measured, is stated at cost, including transaction costs and less any impairment losses.

*(h) Property and Equipment*

Bank-owned land and buildings in Kabul City are measured at revalued amounts, on the basis of market price estimates made by a professional real estate specialist. The Bank has a number of provincial and regional branch bank real estate holdings but no records of their acquisition costs or market values could be located.

Furniture, fixtures, and equipment owned by DAB’s headquarters and Kabul City branches were inventoried and valued at depreciated replacement cost with reference to current acquisition prices as of 29 Hoot 1381 (20 March 2003). No records of the acquisition costs and fair values of furniture, fixtures, and equipment held by provincial and regional branch banks could be located. Vehicles

purchased after 29 Hoot 1381 (20 March 2003) are measured at cost. Donated vehicles are measured at fair value at acquisition and this same amount is recognized as deferred income. Deferred income is recognized in income as the acquisition value is depreciated.

Depreciation policies are set out in note 11 below.

*(i) Notes in circulation*

Notes in circulation represent a demand liability of the Bank when issued from the vaults and are recorded at face value. Note printing costs are charged against revenue in the period(s) incurred.

*(j) Capital and reserves*

Under Article 8.5 of the 2003 DAB Law, DAB's authorized capital is established as eight billion Afghanis, or an amount recommended by an independent inquiry conducted in accordance with Article 130, or such higher amount as shall result from allocations from net profits pursuant to Article 29.

DAB's capital and reserves are measured at the amounts reported on the balance sheet as of 29 Hoot 1374 (20 March 1996). That is, paid-in capital of 8 million Afghanis, the legal reserve of 7,292,489 Afghanis, and other reserves totaling 8,333,955. Other reserves include reserves for equity investments and unexpected losses, as well as voluntary reserves and retained earnings.

*(k) Profit allocation*

Under Article 29 of the DAB Law, the following allocations of net profits earned in any financial year are to be made and in the following order of priority:

- An allocation to capital in the amount required to increase it to a level equivalent to five percent of the aggregate amount of monetary liabilities shown on the year-end balance sheet;
- an allocation to redeem the securities issued by the State to, and held by, DAB pursuant to Article 31;
- an allocation to the General Reserve in the amount required to increase it to a level equivalent to the amount of the capital; the General Reserve may only be used to offset losses of Da Afghanistan Bank; and
- an allocation to any special-purposes reserve established by DAB, subject to the approval of the Minister of Finance.

Any remaining residual net profit is to be allocated as follows:

- the preceding allocations from net profit are to be calculated as if made entirely from net operating revenues, except that, if no operating revenues are included in net profit - or after the preceding allocations have exhausted net operating revenues included in net profit, such allocations are to be calculated as if made from net unrealized valuation gains;
- residual net operating revenues, if any, are to be distributed to the State within four months after the end of the financial year, and residual net unrealized valuation gains, if any, are to be allocated to a Valuation Reserve Account maintained on DAB's balance sheet.

*(l) Taxation*

Under Article 124 of the DAB Law, DAB is exempted from taxes on income or profits, certain other taxes and fees, and customs duties.

## DA Afghanistan Bank

### Notes to the Accounts as of 29 Hoot 1382 (19 March 2004)

#### **Note 1. Loans Receivable**

	<u>29-12-1382</u>	<u>29-12-1381</u>
Ministries		
Overdue more than 5 years	16,313,925	14,795,867
Due within prior 5 years	<u>0</u>	<u>1,518,058</u>
	<u>16,313,925</u>	<u>16,313,925</u>
Governorates		
Overdue more than 5 years	42,140,769	42,140,769
Due within prior 5 years	<u>5,381,428</u>	<u>5,381,428</u>
	<u>47,522,197</u>	<u>47,522,197</u>
Other:		
Overdue more than 5 years	<u>16,727</u>	<u>16,727</u>
Total:	<u><u>63,852,849</u></u>	<u><u>63,852,849</u></u>

The probability of collection of overdue receivables from various Government Ministries and Governorates is considered to be remote. No provision has been made because they will be forgiven, and recognized as capital charges, under a pending memorandum of understanding (MOU) to be agreed between DAB and the Ministry of Finance.

## Note 2. Government Overdrafts

	<u>29-12-1382</u>	<u>29-12-1381</u>
Accumulated balances	14,732,228,069	15,281,298,069

One of the functions of Da Afghanistan Bank under previous legislation was to provide loans to the Government to finance budget deficits. The above balances have accumulated since 1368 on an interest-free basis. Their probability of collection is considered to be remote. No loan loss provision has been made because they will be forgiven, and recognized as capital charges, under a pending memorandum of understanding (MOU) to be agreed between DAB and the Ministry of Finance.

## Note 3. Equity Investments In Domestic Currency

	<u>29-12-1382</u>	<u>29-12-1381</u>
Banking investments	2,711,964	2,711,964
Non-banking investments	<u>2,160,119</u>	<u>2,160,119</u>
	<u>4,872,083</u>	<u>4,872,083</u>

DAB holds significant minority interests in four banks, acquired in 1365 and reported at cost. The equity method of accounting, called for under IAS 28, is not followed because the investees' lack of audited financial statements precludes making a reliable calculation of DAB's percentage ownership interest in the investees' net assets.

DAB holds equity interests in four non-banking companies, acquired at various dates between 1365 and 1370, and reported at cost. It has not been possible to establish DAB's percentage of ownership equity in any of these investments, nor to obtain any recent financial statements.

Under Article 122, paragraph 1(b) of the DAB Law of 2003, DAB may not engage in commerce, purchase the shares of any corporation or company, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking. Accordingly, DAB will transfer, without charge, its banking and non-banking investments to the Ministry of Finance, under a pending MOU to be agreed between DAB and the Ministry of Finance. DAB will account for the transfer of its equity investments as charges against capital.

#### Note 4. Gold in Federal Reserve

	<u>29-12-1382</u>	<u>29-12-1381</u>
Gold weight in Troy ounces	703,004.94	703,004.94
Gold value per Troy ounce in USD	\$408.25	\$334.50
Gold value in USD	\$287,001,768	\$235,155,154
Exchange rate in Afghanis for 1 USD	Af. 50.01	Af. 52.82
Gold value in Afghanis	Af. 14,352,958,418	Af. 12,420,895,234

DAB's gold reserves are on non-interest bearing deposit with the New York Federal Reserve Bank. The annual incremental difference between the year-end gold valuation rate and the valuation rate of \$35 per Troy ounce in 1939 when the gold was deposited, is recognized in income as an unrealized valuation gain or loss.

#### Note 5. Cash In Foreign Currency

Cash on hand in foreign currency consists mainly of US dollars: 95.49 percent at 29 Hoot 1382 and 98.28 percent at 29 Hoot 1381. The amounts of the remaining currencies were, individually, less than 0.01 percent of the total.

#### Note 6. Foreign Bank Accounts

The percentage composition of the currencies held on deposit in foreign correspondent banks is as follows:

	<u>29-12-1382</u>	<u>29-12-1381</u>
US Dollars	75.39	54.61
Pounds Sterling	23.29	43.41
Euros	1.06	1.98
Dirhams	0.05	0
Swiss Francs	0.04	0
Pakistani Rupees	0.17	0
Total:	<u>100.00</u>	<u>100.00</u>

#### Note 7. Equity Investments In Foreign Currencies

DAB holds a wholly-owned subsidiary, The Trading Company of Afghanistan Ltd (TCA), located in London, England. The company has been inactive for some time and is in the process of winding up. The investment is reported at historical cost, rather than at net asset value in accordance with IAS 27, due to the lack of recent, audited financial statements and the fact that the company is currently being wound-up.

## Note 8. Foreign Currency Loans To Government

	<u>29-12-1382</u>	<u>29-12-1381</u>
Amount in USD	26,559,526	26,559,526
Exchange rate	50.01	52.82
Amount in Afghanis	1,328,241,895	1,402,874,216
Aging Schedule in USD		
Overdue 12 years or more	23,131,614	23,131,614
Overdue 2 years	2,241,825	2,241,825
Overdue 1 year	1,186,087	986,087
Overdue in current year	<u>0</u>	<u>200,000</u>
	<u>26,559,526</u>	<u>26,559,526</u>

Foreign currency loans to seven Government Ministries, mostly extended under previous Governments, have remained unpaid and their probability of collection is considered to be remote. No loan loss provision has been made because they will be forgiven, and recognized as capital charges, under a pending memorandum of understanding (MOU) to be agreed between DAB and the Ministry of Finance.

## Note 9. Banking Assets

	<u>Land</u>	<u>Buildings</u>	<u>Furniture, Fixtures &amp; Equip</u>	<u>Automotive Equipment</u>
Cost or Valuation				
As at 29 Hoot 1381	1,415,074,210	75,511,472	16,379,568	19,367,795
Additions		11,307,342	10,483,729	15,416,376
Disposals		-143,235	-963,064	
As at 29 Hoot 1382	<u>1,415,074,210</u>	<u>86,675,579</u>	<u>25,900,233</u>	<u>34,784,171</u>
Depreciation				
As at 29 Hoot 1381				360,390
Additions		-1,887,787	-1,637,957	3,970,504
Disposals				0
As at 29 Hoot 1382		<u>-1,887,787</u>	<u>-1,637,957</u>	<u>4,330,894</u>
Net book value:				
As at 29 Hoot 1381	1,415,074,210	75,511,472	16,379,568	19,007,405
Additions		11,307,342	10,483,729	15,416,376
Disposals		-2,031,022	-2,601,021	-3,970,504
As at 29 Hoot 1382	<u>1,415,074,210</u>	<u>84,787,792</u>	<u>24,262,276</u>	<u>30,453,277</u>

Automotive equipment includes donated vehicles with an acquisition value of Af. 15,373,925. The acquisition value is recognized as deferred revenue and taken to income when, and to the same





Due to the lack of organized accounting records, it was not possible to calculate net income earned, or other transactions affecting capital, during the 7-year period 30-12-1374 to 30-12-1381. The equity reserves consist of unreconciled differences between total assets and the total of liabilities and capital.

## **Note 12. Appropriation of Net Financial Result**

The net financial result is detailed as follows:

	<u>29 Hoot 1382</u>
Net operating result	-79,021,328
Net unrealized losses from foreign currency transactions	-2,558,423
Net unrealized valuation gains: On foreign currency assets and liabilities	271,628,464
On gold reserves	<u>1,932,063,197</u>
Net financial result	<u>2,122,111,910</u>

The net financial result was appropriated, in accordance with Article 29 of the DAB Law, as follows:

Authorized Capital	8,000,000
Amount required to raise level to 5 percent of monetary liabilities	<u>1,494,381,214</u>
Authorized capital at 5 percent of monetary liabilities	<u>1,502,381,214</u>
Net financial result	2,122,111,910
Less appropriation to authorized capital	<u>-1,494,381,214</u>
Balance available for appropriation to general reserve	<u>627,730,696</u>

## **Note 13. Contingent Assets**

### *Precious metals*

Under an MOU to be agreed between DAB and the Ministry of Finance, DAB would be granted clear title to gold bullion and bars, as well as certain gold and silver coins, asserted to be owned by DAB and physically located in the Palace vault. These precious metals have not been physically inspected. For valuation purposes, the gold is measured at the quoted price for its asserted weight. If on inspection, however, there is no stamped evidence as to the gold's level of fineness, it would need to be smelted and assayed to determine its fair value.

	<u>29 Hoot 1382</u>	<u>29 Hoot 1381</u>
<b>Gold bullion and bars</b>	Troy Ounces	Troy Ounces
Weight	208,079.5018	208,079.5018
Gold rate per Troy ounce in USD	\$408.25	\$334.50
Valuation in USD	\$84,948,457	\$69,602,593
Translation rate to Afghanis for USD1	50.01	52.82
Valuation in Afghanis	4,248,272,335	3,676,408,962
<b>Gold coins</b>		
Weight in grams	1,353,220.95	1,353,220.95
Quantity	230,089	230,089
<b>Silver coins</b>		
Weight in grams	258,682,606.40	258,682,606.40
Quantity	34,868,400	34,868,400

#### **Note 14. Contingent Liabilities**

DAB is contingently liable for certain debts and claims incurred under previous legislation, most recently the Money and Banking Law No. 99 of 17-5-1373 (5 August 1994) that identified the following two DAB functions, among others:

- Guaranteeing internal and external loans on behalf of the Government (foreign claims); and
- Providing loans for import and export letters of credit (barter agreements).

These contingent liabilities are to be transferred to the Ministry of Finance under an MOU to be agreed between the Da Afghanistan Bank and the Ministry of Finance.

##### *(a) Foreign claim*

The bulk of foreign claims consist of loans and credits extended to the Islamic State of Afghanistan by the former Soviet Union, over several decades.

	<u>Totals</u>	<u>Due After 29-12-1382</u>	<u>Unpaid at 29 Hoot 1382</u>	<u>Unpaid at 29 Hoot 1381</u>
<b>Russian Claims</b>				
In roubles (RUB)	5,347,279,623	434,555,260	4,912,724,363	4,726,060,849
In USD	1,088,712,948	17,567,872	1,071,145,076	1,050,669,400
RUB exchange rates	1.754	1.754	1.754	1.682
USD exchange rates	50.01	50.01	50.01	52.82
Equivalent in Afghanis:				
RUB	9,379,128,458	762,209,926	8,616,918,532	7,949,234,348
USD	54,446,534,530	878,569,279	53,567,965,251	55,496,357,708
Totals: (Note 1)	<u>63,825,662,988</u>	<u>1,640,779,205</u>	<u>62,184,883,783</u>	<u>63,445,592,056</u>

Note 1: Totals include capitalized simple interest of 2 percent per year for amounts shown as unpaid at 29 Hoot 1381 and 1382. These are the only claims being actively pursued.

**Other Foreign Credits:**

In USD	265,210,000	40,930,308	224,279,692	218,119,475
Other currencies in USD	13,099,322	0	13,099,322	13,099,322
Total in USD	<u>278,309,322</u>	<u>40,930,308</u>	<u>237,379,014</u>	<u>231,218,797</u>
USD exchange rates	50.01	50.01	50.01	52.82
Af. Equivalent	13,918,249,193	2,046,924,703	11,871,324,490	12,212,976,858
Other credits in Afs. and Af. Equivalents	1,995,785,501	708,496,726	1,287,288,775	1,260,768,775
Totals: (Note 2)	15,914,034,694	2,755,421,429	13,158,613,265	13,473,745,633

Note 2: No information is available regarding capitalized or accrued interest.

**Total Russian Claims**

**and other foreign credits** 79,739,697,682 4,396,200,634 75,343,497,048 76,919,337,689

*(b) Barter agreements expressed in “clearing” (CL) currencies*

The following asset (debit) and credit liabilities (credit) CL balances result from unfulfilled barter agreements, wherein DAB acted as an intermediary. The counterparties did not carry out their contractual obligations and the balances remain open. So-called “clearing” currencies were widely used during the Soviet era to facilitate trade between countries with non-convertible currencies. The equivalent monetary values of these balances is not known.

*(i) Asset (debit) balances:*

	<u>29 Hoot 1382</u>	<u>29 Hoot 1381</u>
<i>Letters of Credit:</i>		
CL USD	229,555,499	229,555,499
<i>Current accounts</i>		
CL USD	881,515,775	881,515,775
CL Chinese Pounds	19,408	19,408
CL Russian Roubles	1,098,225	1,098,225

The letters of credit balances represent clearing USD due to DAB from the Central Government and other Government agencies in connection with barter agreements. The debit current account balances include both overdrawn customer accounts and clearing funds on deposit with correspondent banks. The latter includes a booked, but disputed, balance of CL USD 760,431,598 held with the Ekonom Bank in Moscow involving over 1,800 unsettled transactions stretching back for several decades.

*(ii) Liabilities (credit) balances:*

	<u>29 Hoot 1382</u>	<u>29 Hoot 1381</u>
<i>Letters of Credit</i>		
CL USD	112,576,821	112,576,821
CL Chinese Pounds	16,219	16,219
CL Russian Roubles	1,054,072	1,054,072

*Current accounts*

CL USD	753,906,446	753,906,446
CL Chinese Pounds	11,209	11,209
CL Russian Roubles	44,152	44,152

Details of the letters of credit balances in CL USD and Chinese Pounds follow. Similar information is not available for the CL Russian Roubles:

	<u>CL USD</u>	<u>CL Ch. Pounds</u>
Government	36,390,844	
Industries	38,182,129	1,883
Companies	37,116,192	4,078
Individuals	887,656	10,258
	<u>112,576,821</u>	<u>16,219</u>

Details of the current accounts are as follows:

	<u>CL USD</u>	<u>CL Ch. Pounds</u>	<u>CL R. Roubles</u>
Security	324,869,966		
Companies	236,365,043		
Government	96,155,512		
Foreign banks	42,776,149		
Industries	37,486,434		44,152
Domestic entities	15,760,712		
Individuals	492,630	11,209	
Totals:	<u>753,906,446</u>	<u>11,209</u>	<u>44,152</u>