

General Instructions

This form should be completed monthly, and is a summary of the bank's holdings of monetary assets and liabilities denominated in various foreign currencies, together with derivatives that affect the bank's foreign exchange positions. The bank's foreign exchange position for each of five specific currencies can be viewed on this schedule, as well as a combined position for all other foreign currencies and a general position for all currencies taken together.

Only monetary assets and liabilities can be denominated in foreign currency, and thereby appear on this schedule. F/X-denominated monetary assets are assets that represent amounts to be received by the bank in fixed and determinable quantities of foreign currency. F/X-denominated monetary liabilities are liabilities that represent amounts to be paid by the bank in fixed and determinable quantities of foreign currency. Non-monetary assets, such as real estate and investment in subsidiaries and related companies, cannot appear on this schedule. Equity capital is also a non-monetary item and does not appear on this schedule; however, regulatory capital does appear because the foreign exchange positions calculated are also shown as percentages of regulatory capital for risk monitoring purposes.

Derivatives, such as forward, futures, and options contracts that obligate or give the bank the right to purchase or sell foreign currencies at predetermined exchange rates also affect a bank's foreign exchange position and must be reported on this schedule. If a certain derivative benefits the bank when the exchange rate (the price of the foreign currency in terms of afghani) rises, that derivative is said to give rise to a long position in that currency; if the derivative benefits the bank when the price of the foreign currency falls, that derivative is said to give rise to a short position in that currency.

The total foreign exchange position in a given currency is therefore equal to the assets denominated in that currency minus the liabilities denominated in that currency, plus the impact of derivatives giving rise to a long position in that currency, minus the impact of derivatives giving rise to a short position in that currency. Accordingly, the total foreign exchange position can be either positive, negative, or zero. A positive F/X position is referred to as a long open foreign exchange position, a negative F/X position is referred to as a short open foreign exchange position, and a zero F/X position is referred to as a closed foreign exchange position. Long positions benefit the bank when the exchange rate rises, and short positions benefit the bank when the exchange rate falls. If the bank has a closed position, its capital, measured as the difference between its assets and liabilities, will be unaffected by changes in exchange rates.

All amounts shown on this schedule must be stated at the afghani-equivalent of their foreign exchange amounts, calculated at the current exchange rate (not the exchange rate in effect at the time the asset or liability was acquired). For example, if the bank has USD-denominated

loans to NFIs and other clients of USD 4 million, and the current exchange rate is AFN 50 = USD 1, the loans would be shown on the schedule at AFN 200 million.

The instructions below on options refer to the “delta value.” This is sometimes referred to as the hedge ratio. For example, with respect to options to buy foreign currency, a delta of 0.7 means that for every increase of 10 afghani in the price of the foreign currency, the value of the option will increase by 7 afghani.

Deltas for options to sell, on the other hand will be negative because, as the price of the underlying foreign currency increases, the value of the option will decrease. So the value of an option to sell with a delta of -0.7 will decrease by 7 afghani for every 10 afghani increase in the price of the foreign currency.

As an in-the-money call option nears expiration, it will approach a delta of 1.00, and as an in-the-money put option nears expiration, it will approach a delta of -1.00.

<u>Item No.</u>	<u>Caption and Instructions</u>
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| 1 | <u>Cash in Vault and Direct Claims with DAB:</u> Report currency and coin owned and held in the bank and in transit, cash items in process of collection that are immediately convertible into cash, and all non-interest bearing balances held with DAB. |
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Currency and coin includes both Afghan and foreign currency that is owned and held at the bank, is in transit to DAB or to another depository institutions for which the reporting institution has not yet received credit, and is in transit from DAB or other financial institution for which the reporting institution has already been charged.

Cash in process of collection are checks, drafts, and other similar items in process of collection. These items are payable immediately in cash when presented, such as (a) checks or drafts drawn on other banks (including DAB) that have already been forwarded for collection but for which the reporting bank has not yet been given credit; (b) checks or drafts on hand that will be presented for payment or forwarded for collection on the following business day; and (c) other similar items which are payable immediately in cash when presented.

Exclude from this item:

- (1) All precious metals
- (2) Precious stones

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	(3) Other valuables
2	<u>Inter bank Claims:</u> Report deposits with banks, loans to banks, and loans to other financial institutions here.
3	<u>Claims under Securities Repurchase Agreements:</u> Report the amount outstanding of funds lent under securities repurchase agreements. Report only those agreements: <ol style="list-style-type: none">(1) that are secured by Afghanistan government securities and other securities issued by governments, central banks, and international organizations as specified in Appendix 1 and 2 of Regulation 8, <u>and</u>(2) with underlying securities which carry an investment grade rating assigned by a recognized international rating agency such as Standard & Poor's or Moody's. <p>Repurchase agreements are transactions involving the purchase of securities by one party from another, subject to an agreement by the purchaser to sell the securities back to the original seller on a specified date or under specific circumstances.</p> <p>Do not net the amount reported in this item against the amount reported in item 12, <i>Borrowings under Securities Repurchase Agreements</i>. <u>Exclude</u> agreements involving securities other than those specified above and all assets other than securities. All such claims should be reported as loans under the appropriate category.</p> <p>For additional information, see the Glossary, <i>Repurchase Agreements</i>.</p>
4	<u>Trading Account (Except Derivatives):</u> Under this item the bank should report the fair value of contracts as of the reporting date in cases where it (a) underwrites or “deals” in securities, contracts involving interest rates, foreign exchange, commodities and equities, or other financial instruments; (b) acquires or takes positions in such instruments principally for the purpose of reselling them with the intent to profit from short-term price movements; or (c) acquires or takes positions in such instruments as an accommodation to customers or for other trading purposes.

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Trading assets include securities issued by the Afghanistan government, local government authorities, foreign governments, and other local or foreign entities. Include the reporting bank's own acceptances held for trading. Trading assets also include the positive fair value of derivative contracts held for trading purposes. Do not net the negative fair value of interest rate, foreign exchange and other derivative contracts held for trading purposes against this item. Report negative fair value of derivative instruments held for trading purposes as trading account liabilities in item 20a, *Trading Liabilities*.

For a derivative contract that has been designated as a hedge, include in this item the ineffective portion (any positive fair value that is not used to offset the change in value of a hedged item), if any. Report the associated revaluation gain in the Income Statement, line item 5b, *Gains/Losses on Derivatives Held for Trading*. For more information on derivatives and hedge accounting, see the Glossary, *Derivatives*.

This line item should equal the amount reported in the Trading Account Composition Schedule item 1d, *Total Trading Assets*. For more information, refer to the instructions for the Trading Account Composition Schedule.

Exclude from this item:

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	<p>(1) Non-liquid repossessed assets. These are reported under item 7, <i>Repossessed assets</i>.</p> <p>(2) Negative fair value of derivatives held for trading purposes, which should be included in item 20a, <i>Trading Liabilities</i>.</p> <p>(3) Fair value of derivatives held for hedging. Positive fair value of hedging derivatives should be reported in item 9a, <i>Hedging Derivatives</i>. Negative fair value of such derivatives should be reported in item 20b, <i>Hedging Derivatives</i>.</p> <p>(4) Investment Account Securities. Report all securities held for investment in item 5, <i>Investment Account</i>.</p>
5	<p><u>Held to Maturity Investments:</u> Report the total amount of Held to Maturity (HTM) investments. HTM investments should be reported at amortized cost. The total amount reported in this item should equal the amount reported in the Investment Account Composition Schedule, item 1c, column A, <i>Total Held to Maturity Investments</i>.</p> <p>For more information, refer to the instructions for the Investment Account Composition Schedule.</p>
6	<p><u>Available for Sale Investments:</u> Report the total amount of Available for Sale (AFS) investments. The total amount reported in this item should equal the amount reported in Investment Account Composition Schedule, item 2d, column B, <i>Total Available for Sale Investments</i>.</p> <p>For further information, refer to the instructions for the Investment Account Composition Schedule.</p>
7	<p><u>Loans to Customers:</u> Loans are extensions of credit resulting from either direct negotiation between the bank and its customers, or the purchase of such assets from others. Report all loans that remain on the Balance Sheet of the bank as of the reporting date, regardless of payment status, and own acceptances held for purposes other than trading. <u>Exclude</u> any loans which the bank has sold or charged-off prior</p>

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	to the reporting date. For this item, loans are reported initially <u>before</u> deducting any loss reserves, but including unamortized premium/discount and loan fees or costs.
8	<u>Accrued Interest Receivable and Other Monetary Assets (Except Derivatives)</u> : Report the total amount of accrued interest receivable. This amount is equal to interest accrued but unpaid. Also report other monetary assets not reportable in any of the above line items.
9	<u>Total Monetary Assets</u> : Report here the total amount of assets of items 1 through 8.
10	<u>Inter Bank Deposits</u> : Report all deposits (including current accounts) by financial institutions in this column.
11	<u>Deposits Customers</u> : Report all deposits (including current accounts) from non-financial institutions and other clients in this column.
12	<u>Borrowings under Securities Repurchase Agreements</u> : Report the amount outstanding of funds borrowed under securities repurchase agreements. Report only those agreements: (1) that are secured by Afghanistan government securities and other securities issued by governments, central banks, and international organizations as specified in DAB's Regulations, <u>and</u> (2) with underlying securities which carry an investment grade rating assigned by a recognized international rating agency such as Standard & Poor's or Moody's. Repurchase agreements are transactions involving the sale of assets by one party to another, subject to an agreement by the seller to repurchase the securities on a specified date or under specific circumstances. Do not net the amount reported in this item against the amount reported in item 3, <i>Claims under Securities Repurchase Agreements</i> . <u>Exclude</u> agreements involving securities other than those that meet the criteria above. All such transactions should be reported as borrowings under the appropriate category.

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13	<u>Short-term and Long-term Borrowings:</u> Report borrowings with a remaining maturity of one year or less (short-term borrowings) and borrowings with <u>remaining</u> maturities of more than one year (long-term borrowings). This item includes, but is not limited to borrowings in the form of loans and bonds.
14	<u>Subordinated Debt and Debt/Equity (Hybrid) Instruments:</u> Report the total amount of subordinated notes, bonds, and debt/equity hybrids which meet the criteria outlined in DAB's regulations specifying minimum capital requirements. In this item, the total amount of such instruments issued by the reporting bank should be reported, without regard for the limitations on the amount includable as supplemental capital established under DAB's Regulations.
15	<u>Accrued Interest Payable and Other Monetary Liabilities:</u> Report the total amount of interest accrued through charges to expense but not yet paid. Also report other monetary liabilities not reportable in items 10 through 14.
16	<u>Total Monetary Liabilities:</u> Report here the total amount of liabilities of items 10 through 15.
17	<u>Derivatives giving rise to long positions, total:</u> Report the sum of lines 17a through 17e, below.
17a	<u>Gross long forward agreements:</u> Report the aggregate amount of foreign currency to be bought at a future date (exercise date) at a price determined earlier (contract date). Only report forward agreements here; that is, when the exercise date is more than three days later than the contract date. Do not report spot agreements here; that is, agreements where the exercise date is three or fewer days later than the contract date.
17b	<u>Gross long futures contracts:</u> Report the aggregate amount of foreign currency to be bought at a future date under standardized futures contracts that are traded on an organized exchange.
17c	<u>PURCHASED OPTIONS TO BUY FOREIGN EXCHANGE: REPORT THE AGGREGATE DELTA VALUE OF ALL OPTIONS THE REPORTING BANK HAS PURCHASED TO BUY FOREIGN CURRENCY AT A FUTURE DATE (EXERCISE DATE) AT A</u>

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	<i>PRICE DETERMINED EARLIER (CONTRACT DATE). THE PURCHASED OPTION GIVES THE BANK THE RIGHT, BUT NOT THE OBLIGATION, TO BUY FOREIGN CURRENCY AT THE EXERCISE DATE. (THESE OPTIONS GIVE RISE TO A LONG POSITION BECAUSE THE BANK BENEFITS FROM INCREASES IN THE PRICE OF THE FOREIGN CURRENCY. HOWEVER, IT IS NOT HARMED BY A DECREASE IN THE PRICE OF THE FOREIGN CURRENCY. THEREFORE, THE IMPACT IS ASYMMETRIC.)</i>
17d	<u>Written options to buy foreign exchange:</u> Report the aggregate delta value of all options the reporting bank has written that obligate the bank to buy foreign currency at a future date (exercise date) at a price determined earlier (contract date), if the other party chooses. The written option gives the other party the right, but not the obligation, to sell foreign currency to the bank at the exercise date. (These options give rise to a long position because the bank is harmed by a decrease in the price of the foreign currency. However, it does not benefit from an increase in the price of the foreign currency. Therefore, the impact is asymmetric.)
17e	<u>Other derivatives giving rise to long positions:</u> Report the impact of other derivatives, such as foreign currency swaps, that either benefit the bank when the price of the foreign currency increases, harm the bank when the price of the foreign currency decreases, or both.
18	<u>Derivatives giving rise to short positions, total:</u> Report the sum of lines 18a through 18e, below.
18a	<u>Gross short forward agreements:</u> Report the aggregate amount of foreign currency to be sold at a future date (exercise date) at a price determined earlier (contract date). Only report forward agreements here; that is, when the exercise date is more than three days later than the contract date. Do not report spot agreements here; that is, agreements where the exercise date is three or fewer days later than the contract date.
18b	<u>Gross short futures contracts:</u> Report the aggregate amount of foreign currency to be sold at a future date under standardized futures contracts that are traded on an organized exchange.

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18c	<u>Purchased options to sell foreign exchange:</u> Report the aggregate delta value of all options the reporting bank has purchased to sell foreign currency at a future date (exercise date) at a price determined earlier (contract date). The purchased option gives the bank the right, but not the obligation, to sell foreign currency at the exercise date. (These options give rise to a short position because the bank benefits from decreases in the price of the foreign currency. However, it is not harmed by an increase in the price of the foreign currency. Therefore, the impact is asymmetric.) The amount by which the price of an option changes for every dollar move in the underlying instrument.
18d	<u>Written options to sell foreign exchange:</u> Report the aggregate delta value of all options the reporting bank has written that obligate the bank to sell foreign currency at a future date (exercise date) at a price determined earlier (contract date), if the other party chooses. The written option gives the other party the right, but not the obligation, to buy foreign currency from the bank at the exercise date. (These options give rise to a short position because the bank is harmed by an increase in the price of the foreign currency. However, it does not benefit from a decrease in the price of the foreign currency. Therefore, the impact is asymmetric.)
18e	<u>Other derivatives giving rise to short positions:</u> Report the impact of other derivatives, such as foreign currency swaps, that either benefit the bank when the price of the foreign currency decreases; harm the bank when the price of the foreign currency increases, or both.
19	<u>Total open foreign exchange position:</u> For columns B through G ONLY, report the result of (line 9 – line 16 + line 17 – line 18). For column A, report the larger of the following two values: a) the sum of all long positions (positive values shown in columns B through G), or b) the sum of the absolute values of all short positions (negative values shown in columns B through G).
20	<u>Regulatory Capital:</u> Report here the amount of item 5 of the regulatory capital worksheet, <i>Regulatory Capital (Tier 1+Allowable Tier 2-Deducted Equity Investment)</i> .
21	<u>Open foreign exchange position as % of regulatory capital:</u> For each column, report the ratio of line 19 to line 20, expressed as a percentage and rounded to two decimal places. For example, report 0.11278 as 11.28%.
