

General Instructions

This form should be completed on a monthly basis. It is designed to make transparent the process of calculating and reporting banks' compliance with the minimum capital requirements of DAB's Regulation Two: the minimum financial capital requirement of AFN 250 million, the minimum Tier 1 capital ratio of 6 percent, and the minimum regulatory capital ratio of 12 percent.

Many of the line items are identical to those on the Balance Sheet, and in other instances components from this form add up to line items on the Balance Sheet. These equivalences are indicated in these instructions, and banks should ensure that the data they report observe these equivalences.

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Tier 1 (Core) Capital Calculation

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| 1 | <u>Total equity capital:</u> Report total equity capital, line 23g on the Balance Sheet. |
| 1a | <u>Cumulative perpetual preferred stock:</u> Report the portion of preferred stock and related premium, from line 23c on the Balance Sheet that is cumulative. Preferred stock is cumulative if the nonpayment of dividends from one period creates an obligation to pay those dividends the next period, together with the dividends regularly scheduled for that next period. |
| 1b | <u>Other equity components:</u> Report the sum of lines 23e1, 23e2, and 23e3 from the Balance Sheet. |
| 1c | <u>Profit/Loss of current year (if positive):</u> Report line 23f from the Balance Sheet, <i>Profit/loss, Current Year</i> , only if it is positive. |
| 1d | <u>Intangible assets:</u> Report <i>Intangible Assets</i> , line 10 from the Balance Sheet. |
| 1e | <u>Net deferred tax assets:</u> Report net deferred tax assets as defined in the Glossary. This amount should also have been reported as a component of line 9f of the Balance Sheet, <i>Other Assets</i> . Do not report net deferred tax |

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	liabilities, if any, on this line.
1f	<u>Total Tier 1 (Core) Capital:</u> Report line 1 minus the sum of lines 1a through 1e.
2	
TIER 2 (SUPPLEMENTARY) CAPITAL CALCULATION	
2a	<u>Subordinated debt, total:</u> Report line 19a, <i>Subordinated Debt</i> , from the Balance Sheet. Line 2a must equal the sum of lines 2a1 and 2a2.
2a1	<u>Allowable portion:</u> Report the amount of subordinated debt that is allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.
2a2	<u>Unallowable portion:</u> Report the amount of subordinated debt that is not allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.
2b	<u>Debt/Equity hybrid instruments, total:</u> Report line 19b, <i>Debt/Equity Hybrid Instruments</i> , from the Balance Sheet. Line 2b must equal the sum of lines 2b1 and 2b2.
2b1	<u>Allowable portion:</u> Report the amount of debt/equity hybrid instruments that are allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.
2b2	<u>Unallowable portion:</u> Report the amount of debt/equity hybrid instruments that are not allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.
2c	<u>General loss reserves on credits:</u> Report the portion of line 6h, <i>Loss reserves on loans to NFIs and other clients</i> , from the Balance Sheet that

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represent general loan loss reserves on loans classified Standard. Do not report any specific loan loss reserves on this line. Line 2c must equal the sum of lines 2c1 and 2c2.

2c1 **Allowable portion:** Report the amount of general loss reserves on credits that is allowable in the calculation of Tier 2 capital. (The allowable portion is equal to 1.25 percent of risk-weighted assets, calculated below.)

2c2 **Unallowable portion:** Report the amount of general loss reserves on credits that is not allowable in the calculation of Tier 2 capital. (The unallowable portion is the amount, if any, that exceeds 1.25 percent of risk-weighted assets.)

2d **Revaluation reserves on fixed assets:** Report line 23e1, *Revaluation – Fixed Assets* from the Balance Sheet.

2e **Revaluation reserves on available-for-sale investments:** Report line 23e2, *Revaluation – Available for Sale Investments* from the Balance Sheet. Line 2e must equal the sum of lines 2e1 and 2e2.

2e1 **Allowable portion:** Report the amount of revaluation reserves on available-for-sale investments that are allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.

2e2 **Unallowable portion:** Report the amount of revaluation reserves on available-for-sale investments that are not allowable in the calculation of Tier 2 capital according to the rules specified in DAB's Regulation 2.

2f **Revaluation reserves on cash flow hedges:** Report line 23e3, *Revaluation – Cash Flow Hedges* from the Balance Sheet.

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| 2g | <u>Profit/loss of current year (if positive):</u> Report line 23f from the Balance Sheet, <i>Profit/loss, Current Year</i> , only if it is positive. |
| 2h | <u>Total Tier 2 (Supplementary) Capital:</u> Report the sum of lines 2a1, 2b1, 2c1, 2d, 2e1, 2f, and 2g. |
| 3 | <u>Allowable portion of Tier 2 (supplementary) capital:</u> Report the lesser of line 1f and line 2h, unless line 1f is negative, in which case report zero. |
| 4 | <u>Deducted equity investments:</u> Report on this line the sum of Line 8, from the Balance Sheet; lines 1a5 and 1b5 from the Trading Account schedule; and lines 2c1 and 2c2 from the Investment Account schedule. Do not include equity investments in banks or other financial companies whose accounts are consolidated into the accounts of the parent (reporting) bank, unless specifically instructed by DAB that these investments are required to be deducted in the calculation of regulatory capital. |
| 5 | <u>Regulatory Capital:</u> Report the sum of line 1f and line 3, minus line 4. |

Risk-Weighted Assets Calculation

The calculation of risk-weighted assets consists of several steps. First, all assets on the balance sheet are multiplied by various percentages corresponding to their relative risk. (Assets required to be deducted in the calculation of Tier 1 and Regulatory Capital are not included in this calculation.)

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Next, certain off-balance sheet items are multiplied by various percentages (called *credit-conversion factors*), corresponding to the likelihood that these items will become on-balance sheet assets at a time when they will pose considerable credit risk to the bank. Then, the resulting amounts are multiplied by the risk weight corresponding to the obligor, as if it were already an on-balance sheet asset.

Finally, the resulting amounts of risk-weighted on-balance sheet assets and converted off-balance sheet items are summed, to produce total risk-weighted assets.

In calculating the loan amount to be risk weighted, report all loans gross of general reserves and net of specific reserves.

ZERO-PERCENT RISK WEIGHT CATEGORY

6a

CASH IN AFGHANI AND FULLY-CONVERTIBLE FOREIGN CURRENCIES

Report the total monetary value of banknotes and coins. Fully-convertible foreign currencies are those that are widely traded on international markets and for which the responsible central bank (e.g., the Federal Reserve System for the U.S. dollar) places no restrictions on the amount of other currencies that can be exchanged for them.

6b

DIRECT CLAIMS ON CENTRAL BANKS AND CENTRAL GOVERNMENTS OF CATEGORY A COUNTRIES: REPORT ALL ASSETS HERE THAT ARE LIABILITIES TO THE REPORTING BANK OF CENTRAL BANKS AND CENTRAL GOVERNMENTS OF CATEGORY A COUNTRIES, AS DEFINED IN THE GLOSSARY. EXAMPLES OF LIABILITIES OF CENTRAL BANKS ARE CORRESPONDENT ACCOUNTS AND CAPITAL NOTE

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ISSUANCES. EXAMPLES OF LIABILITIES OF CENTRAL GOVERNMENTS ARE DEBT SECURITIES ISSUED BY THE CENTRAL GOVERNMENT (NOT BY STATE OR PROVINCIAL OR LOCAL GOVERNMENTS).

- 6c** **Precious metals and precious stones:** Report all holdings of precious metals and precious stones held in the bank's own vault or held for safekeeping in the vault of another depository institution on behalf of the reporting bank. Precious metals are relatively scarce, highly corrosion resistant, valuable metals found in periods 5 and 6 (groups VIII and Ib) of the periodic table. They include ruthenium, rhodium, palladium, silver, osmium, iridium, platinum, and gold. Precious stones are diamonds, rubies, sapphires, and emeralds, whether cut or uncut, when they are not mounted, set, or strung.
- 6d** **Direct claims on DAB:** Report all assets here that are liabilities of DAB, except afghani banknotes and coins. Include, for example, the bank's correspondent account with DAB and capital notes issued by DAB.
- 6e** **Loans collateralized by blocked deposits:** Report all loans here that are fully collateralized by deposits placed by the borrower in the reporting bank, denominated in either afghani or a fully-convertible foreign currency, and blocked against withdrawal by the bank. For the loans to be eligible for the 0 percent risk weight, the current market value of the deposits (converted to their afghani equivalent at current exchange rates) must equal or exceed the outstanding principal balance of the loan (also converted to its afghani equivalent at current exchange rates).
- 6f** **Other:** Report all other assets that the reporting bank believes qualify for the zero percent risk weight, according to the criteria specified in Regulation 2. (Amounts reported on this line will be subject to review by DAB.)
- 6g** **Total:** Report the total of lines 6a through 6f.
- 6** **0% Risk-weight total:** Report line 6g multiplied by zero percent. (As a result, line 6 should always be zero.)

Twenty-Percent Risk-Weight Category

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7a	<u>Loans collateralized by claims on central banks and central governments of Category A countries:</u> Report loans that are fully collateralized by assets that would qualify for reporting under line 6b, above, if the assets were owned by the reporting bank directly.
7b	<u>Direct claims on banks licensed in Category A countries:</u> Report all deposits in and loans to banks that are licensed by the bank regulatory authority of a Category A country. Include claims on branches of banks whose head office is in a Category A country, even if the branch itself is located in a non-Category A country. Do not include claims on banks that are licensed in a non-Category A country but are subsidiaries of banks licensed in a Category A country.
7c	<u>Short-term claims on banks licensed in non-Category A countries:</u> Report deposits in, and loans to, banks licensed in non-Category A countries with a residual (not original) maturity of less than one year.
7d	LOANS COLLATERALIZED BY CLAIMS ON OR GUARANTEED BY MULTILATERAL LENDING INSTITUTIONS: REPORT LOANS GRANTED BY THE REPORTING BANK THAT ARE COLLATERALIZED BY SECURITIES ISSUED BY MULTILATERAL LENDING INSTITUTIONS (FOR EXAMPLE, INTERNATIONAL MONETARY FUND, WORLD BANK, ASIAN DEVELOPMENT BANK, INTER-AMERICAN DEVELOPMENT BANK), OR GUARANTEED BY SUCH INSTITUTIONS.
7e	CASH ITEMS IN PROCESS OF COLLECTION: CASH ITEMS IN PROCESS OF COLLECTION (CIPC) ARE OBLIGATIONS OF OTHER BANKS THAT ARISE WHEN A CUSTOMER OF THE REPORTING BANK EITHER CASHES OR DEPOSITS A CHECK, PAYABLE TO HIM, AT THE REPORTING BANK. THE CIPC EXISTS AS A BALANCE SHEET ASSET UNTIL THE CHECK IS PRESENTED BY THE REPORTING BANK TO THE OTHER BANK FOR PAYMENT AND THE PAYMENT IS ACTUALLY MADE, THROUGH ADJUSTMENT OF THE CORRESPONDENT ACCOUNT AT DAB FOR THE TWO BANKS OR THROUGH SOME OTHER

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MEANS.

7f **Other:** Report all other assets that the reporting bank believes qualify for the twenty percent risk weight, according to the criteria specified in Regulation 2. (Amounts reported on this line will be subject to review by DAB.).

7g **Total:** Report the total of lines 7a through 7f.

7 **20% RISK-WEIGHT TOTAL:** REPORT LINE 7G MULTIPLIED BY 20%.

FIFTY-PERCENT RISK-WEIGHT CATEGORY

8a **QUALIFYING RESIDENTIAL MORTGAGE LOANS:** REPORT THE OUTSTANDING PRINCIPAL BALANCE OF ALL LOANS TO HOUSEHOLDS FOR THE PURCHASE OF SINGLE-FAMILY DWELLING UNITS THAT MEET THE FOLLOWING CHARACTERISTICS: 1) THE CREDIT IS SECURED BY A FIRST MORTGAGE ON THE RESIDENCE, AND THE RESIDENCE IS OWNED (OR EXPECTED TO BE OWNED AFTER GRANTING OF THE CREDIT) BY THE PERSON; 2) IN THE CASE OF REFINANCING, ONLY THE AMOUNT OF THE CREDIT USED TO PAY OFF THE OUTSTANDING LOAN TOGETHER WITH CLOSING COSTS ARE INCLUDED IN THIS AMOUNT; 3) THE INITIAL MARKET VALUE OF THE COLLATERAL IS ASCERTAINED AND RECORDED; THE DEBTOR HAS RIGHTS IN THE COLLATERAL; THE DEBTOR HAS AUTHENTICATED A SECURITY AGREEMENT THAT CONTAINS A DESCRIPTION OF THE COLLATERAL OR THE BANK HAS POSSESSION OF THE COLLATERAL; A FINANCING STATEMENT THAT CONTAINS THE NAME OF THE DEBTOR, THE NAME OF THE BANK, AND THE COLLATERAL TO BE COVERED HAS BEEN FILED IN THE APPROPRIATE JURISDICTION ACCORDING TO THE APPLICABLE LAWS OF AFGHANISTAN; AND NO OTHER SECURED CREDITOR HAS A PRIOR CLAIM TO THE SAME

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COLLATERAL; 4) THE APPRAISED VALUE OF THE PROPERTY EXCEEDS THE OUTSTANDING PRINCIPAL AMOUNT OF THE CREDIT BY NOT LESS THAN ONE-THIRD OF THAT PRINCIPAL AMOUNT.

- 8b** **Qualifying real estate construction loans:** Report the outstanding principal balance of loans to builders to finance real estate construction where the property to be financed has been pre-sold or pre-leased pursuant to a legally enforceable contract with the sales proceeds or rentals unconditionally assigned to the bank.
- 8c** **Other:** Report all other assets that the reporting bank believes qualify for the fifty percent risk weight, according to the criteria specified in Regulation 2. (Amounts reported on this line will be subject to review by DAB.).
- 8d** **Total:** Report the total of lines 8a through 8c.
- 8** **50% risk-weight total:** Report line 8d multiplied by 50%.

ONE HUNDRED PERCENT RISK-WEIGHT CATEGORY

- 9a** **All other assets:** Report all other assets not already reported on one of the preceding lines, including intangible assets, net deferred tax assets, and deducted equity investments. As a check, the total of lines 6g, 7g, 8d, and 9a should equal the total of lines 2g, 6h, 9i, and 12 from the Balance Sheet.
- 9b** **Intangible assets:** Report *Intangible Assets*, line 10 from the Balance Sheet. The amount reported here should be equal to the amount reported on line 1d, above.
- 9c** **Net deferred tax assets:** Report net deferred tax assets as defined in the Glossary. This amount should also have been reported as a component of line 9f of the Balance Sheet, *Other Assets*. Do not report net deferred tax

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- liabilities, if any, on this line. The amount reported here should be equal to the amount reported on line 1e, above.
- 9d **Deducted equity investments:** Report the same amount as shown on line 4, above.
- 9e **Total:** Report line 9a minus lines 9b, 9c, and 9d.
- 9 **100 % Risk Weight Total:** Report line 9e multiplied by 100%.

OFF-BALANCE SHEET ITEMS: GENERAL INSTRUCTIONS FOR RISK WEIGHTING OFF-BALANCE SHEET ITEMS SUCH AS COMMERCIAL LETTERS OF CREDIT, GUARANTEES, STANDBY LETTERS OF CREDIT, AND COMMITMENTS WITH ORIGINAL MATURITY OF 1 YEAR OR MORE THAT ARE NOT UNCONDITIONALLY CANCELABLE MUST ALL BE RISK-WEIGHTED. THE RISK WEIGHT USED MUST CORRESPOND TO THE RISK WEIGHT THAT WOULD BE APPLIED IF THE BANK HAD ACTUALLY MADE A LOAN TO THAT SAME CUSTOMER. FOR EXAMPLE, IF THE BANK ISSUED A LETTER OF CREDIT WHERE THE ACCOUNT PARTY IS DAB, THAT LETTER OF CREDIT WOULD BE PLACED IN THE 0% RISK-WEIGHT CATEGORY. IF THE ACCOUNT PARTY WERE A COMMERCIAL BANK, THAT LETTER OF CREDIT WOULD BE PLACED IN THE 20% RISK-WEIGHT CATEGORY. IF THE ACCOUNT PARTY WERE A PRIVATE COMPANY, IT WOULD BE PLACED IN THE 100% RISK-WEIGHT CATEGORY. (THE RISK-WEIGHT CATEGORIES ARE NOT SPECIFIED FOR OFF-BALANCE SHEET ITEMS WITH A ZERO PERCENT CREDIT CONVERSION FACTOR, BECAUSE THESE ITEMS WILL NEVER AFFECT THE CALCULATION OF RISK-WEIGHTED ASSETS NO MATTER WHO THE ACCOUNT PARTY IS.)

**OFF-BALANCE SHEET ITEMS WITH 0% CREDIT
CONVERSION FACTOR**

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10a	<u>Unused portions of commitments with original maturity of 1 year or less:</u> Report the unfunded amounts of outstanding commitments to lend or purchase debt securities, where the reporting bank is obligated to fund the commitment and original maturity of the commitment is one year or less. Include all undisbursed portions of credit card lines and overdraft protection facilities. Unused portions of commitments with original maturity of more than one year are reported on line
10b	Unused portions of commitments that are unconditionally cancelable: Report the unfunded amounts of outstanding commitments to lend or purchase debt securities, regardless of original maturity, where the reporting bank may cancel the commitment unconditionally or where a separate credit decision is required before each subsequent draw.
10c	<u>Total:</u> Report the total of lines 10a and 10b.
10	<u>0% credit conversion factor total:</u> Report line 10c multiplied by zero percent. (As a result, line 10 should always be zero.)
<u>Off-Balance Sheet Items with 20% Credit Conversion Factor</u>	
11a	<u>Commercial letters of credit with 0% risk weight:</u> Report the total amount outstanding and unused issued or confirmed commercial letters of credit as of the reporting date that qualify for the 0 percent risk weight.
11b	<u>Commercial letters of credit with 20% risk weight:</u> Report the total amount outstanding and unused issued or confirmed commercial letters of credit as of the reporting date that qualify for the 20 percent risk weight.
11c	<u>Commercial letters of credit with 50% risk weight:</u> Report the total amount outstanding and unused issued or confirmed commercial letters of credit as of the reporting date that qualify for the 50 percent risk weight.
11d	<u>Commercial letters of credit with 100% risk weight:</u> Report the total

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	amount outstanding and unused issued or confirmed commercial letters of credit as of the reporting date that qualify for the 100 percent risk weight.
11e	Total: Report the total of lines 11a through 11d. This sum should equal the amount on Section III, line 2 of the Derivatives and Off-Balance Sheet Items schedule.
11f	RISK-WEIGHTED TOTAL: REPORT THE RESULT OF THE FOLLOWING CALCULATION: (LINE 11A X 0%) + (LINE 11B X 20%) + (LINE 11C X 50%) + (LINE 11D X 100%).
11	20% CREDIT CONVERSION FACTOR TOTAL (RISK-WEIGHTED TOTAL X 20%): REPORT LINE 11F MULTIPLIED BY 20%.
	OFF-BALANCE SHEET ITEMS WITH 100% CREDIT CONVERSION FACTOR
12a	<u>Guarantees and standby letters of credit with 0% risk weight:</u> Report the total amount of unfunded guarantees, financial standby letters of credit, and performance standby letters of credit as of the reporting date that qualify for the 0% risk weight.
12b	<u>Guarantees and standby letters of credit with 20% risk weight:</u> Report the total amount of unfunded guarantees, financial standby letters of credit, and performance standby letters of credit as of the reporting date that qualify for the 20% risk weight.
12c	<u>Guarantees and standby letters of credit with 50% risk weight:</u> Report the total amount of unfunded guarantees, financial standby letters of credit, and performance standby letters of credit as of the reporting date that qualify for the 50% risk weight.
12d	<u>Guarantees and standby letters of credit with 100% risk weight:</u> Report the total amount of unfunded guarantees, financial standby letters of credit, and performance standby letters of credit as of the reporting date that qualify for the 100% risk weight.

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12e	Total: Report the total of lines 12a through 12d. This sum should equal the total of lines 3a, 3b, and 5 from Section III of the Derivatives and Off-Balance Sheet Items schedule.
12f	Risk-weighted total: Report the result of the following calculation: (Line 12a x 0%) + (Line 12b x 20%) + (Line 12c x 50%) + (Line 12d x 100%).
12g	<u>Other off-balance sheet items with 100% credit conversion factor and 0% risk weight:</u> Report the total amount of unused commitments with an original maturity of more than one year that are not unconditionally cancelable, assets sold with recourse, and other off-balance sheet items not reported elsewhere, that qualify for the 0% risk weight.
12h	<u>Other off-balance sheet items with 100% credit conversion factor and 20% risk weight:</u> Report the total amount of unused commitments with an original maturity of more than one year that are not unconditionally cancelable, assets sold with recourse, and other off-balance sheet items not reported elsewhere, that qualify for the 20% risk weight.
12i	<u>Other off-balance sheet items with 100% credit conversion factor and 50% risk weight:</u> Report the total amount of unused commitments with an original maturity of more than one year that are not unconditionally cancelable, assets sold with recourse, and other off-balance sheet items not reported elsewhere, that qualify for the 50% risk weight.
12j	<u>Other off-balance sheet items with 100% credit conversion factor and 100% risk weight:</u> Report the total amount of unused commitments with an original maturity of more than one year that are not

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	unconditionally cancelable, assets sold with recourse, and other off-balance sheet items not reported elsewhere, that qualify for the 100% risk weight.
12k	<u>Total:</u> Report the total of lines 12g through 12j.
12l	<u>Risk-weighted total:</u> Report the result of the following calculation: (Line 12g x 0%) + (Line 12h x 20%) + (Line 12i x 50%) + (Line 12j x 100%).
12	<u>100% credit conversion factor total (risk-weight totals x 100%):</u> Report the sum of lines 12f and 12l.
13	Total risk-weighted assets: Report the sum of lines 7, 8, 9, , 11, and 12.
14	<u>Tier 1 capital ratio:</u> Report line 1f divided by line 13, expressed as a percentage, to two decimal places. For example, if the ratio is 0.16829, express as 16.83%.
15	<u>Regulatory capital ratio:</u> Report line 5 divided by line 13, expressed as a percentage, to two decimal places.
