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September 6, 2010

Afghanistan Pledges Support for Troubled Bank

By **ADAM B. ELLICK** and **SANGAR RAHIMI**

KABUL, Afghanistan — The chairman of the Central Bank of Afghanistan promised Monday to lend the embattled Kabul Bank “as much as it wants” to stave off a collapse, even as he continued to insist that the bank was solvent.

The chairman, Abdul Qadir Fitrat, said Kabul Bank was meeting the demands of customers “with its own resources,” though he said he did not know how much money had been withdrawn from the private bank over the past few days. The frenzied rush of customers trying to empty their savings accounts at its largest branch tapered off slightly on Monday, though security remained tight.

Economic and political analysts say the government is buying time while it decides how to handle the politically treacherous predicament that erupted [with the discovery last week](#) that Kabul Bank had suffered huge losses after lending money to allies of President [Hamid Karzai](#) and pouring millions of dollars into risky real estate investments in Dubai.

The president, who has recently been more vocal in vowing to fight corruption, will be reluctant to arrest the bank’s top shareholders, who include one of his brothers and other close allies, or to seize their overseas properties that were bought with borrowed money that belonged to “some of the poorest people in the world,” as one economist described the roughly \$300 million in losses from the bank.

He would more likely use reserve funds to bail out Kabul Bank, the analysts said. On Monday, the Central Bank pledged its full support to Kabul Bank, saying “if necessary, it is ready to loan Kabul Bank as much as it wants.”

For Mr. Karzai, a bailout presents a different but equally vexing problem. While a bailout could be hailed in [Afghanistan](#) as the government’s attempt to guarantee the people’s money, it would do little to deter the kinds of abuses that led to the crisis in the first place and would

probably increase tensions with its Western partners, who would be indirectly financing the intervention, economists said.

If such a move takes place, the money will most likely come from Afghanistan's reserve funds in the United States, which are earmarked for a currency crisis and not meant to bail out private banks.

Any intervention by the United States could be seen as politically dangerous for the Obama administration, which has distanced itself from Mr. Karzai. The United States has denied that it would provide any financial support in the crisis, but economists in Kabul say that even reserve funds have roots in donor money. Almost all money belonging to Afghanistan, they say, is donor money.

"Karzai doesn't know what to do," said an economist, who asked not to be identified for fear of inserting himself into the conflict. "Will he have courage to put them in jail and pay the people? And if not, shareholders will continue living in luxury villas in Dubai, and that's suicide for him."

Mr. Karzai's best hope, experts say, is that the bank will be able to weather the storm itself. On Monday the Central Bank's chairman, Mr. Fitrat, said that the situation at Kabul Bank was "almost normal" and that no customers had left without money, since the bank had a healthy liquidity of 40 percent.

He said that the bank had received more than \$38 million in deposits since the outbreak of the crisis and that the figure was increasing daily. But analysts said those were mostly corporate deposits.

When asked about the amount withdrawn by nervous depositors since the crisis, Mr. Fitrat said that he did not know the figure, but that it was "more than usual."

The Central Bank on Sunday froze properties in Kabul owned by major Kabul Bank shareholders, including Sherkhan Farnood, the former chairman, and Khalilullah Frozi, the former chief executive, who were dismissed last week as news of the bank's losses broke.

Those properties are rather insignificant compared with the luxury villas in Dubai, where shareholders hold far more lucrative investments directly linked to the losses from Kabul Bank.

The list of frozen properties in Kabul did not include any owned by the president's brother, who is a major shareholder. Mr. Fitrat said the list included only the names of those who had borrowed the money from the bank.

For the second day in a row, barbed wire and armed guards belonging to Afghanistan's national intelligence agency were in front of the bank. Inside, a bank employee said the number of visitors was lower than it had been in previous days.

By late afternoon, about 1,200 customers had entered the bank, a daily rate of about 500 fewer than during last week. Some customers said they were unable to withdraw more than \$10,000.

Bank officials said the flow of customers at the bank was part of the normal flow of government employees who were receiving their salaries before Id al-Fitr, the Islamic holiday that marks the end of Ramadan, the holy month of fasting.

Mr. Fitrat is one many banking officials who is accusing Western news media of stoking public fears and distrust in the bank. On Monday he encouraged the Afghan media not to translate the "false news" of Western media outlets, but he did not specify criticisms of the foreign press.

Sharifullah Sahak contributed reporting.