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## Kabul Bank: Pitiful

### A shocking report on the corruption behind the woes of an Afghan bank

12/1/2012

MORE than two years after the near-collapse of Afghanistan's biggest private bank, a public inquiry has reported on what went wrong and why. For Afghans trying to build their country and foreigners trying to help, the findings make painful reading. Rescue of Kabul Bank required a bail-out worth 5-6% of GDP, making it one of the world's largest banking failures relative to a country's economy.

The villains, according to the report published on November 28th, were a small clique of executives and shareholders who ran the bank for their own enrichment. They used deposits to give themselves and their associates huge loans under false names with fabricated paperwork. When the bank failed, over 90% of its loan book, or \$861m, was extended to just 12 individuals and their companies.

The bank's credit department used 114 different rubber stamps for fake businesses to fabricate loans. Ten pilots from Pamir Airways were paid \$320,000 for delivery of cash to Dubai. The money was reportedly hidden in airline meal trays.

The money being plundered came from small depositors. Many were government employees paid less than \$150 a month, persuaded to trust an institution hailed as a symbol of progress. The modest sums they saved, earned fighting the Taliban or educating the next generation, were stolen for high-rolling lifestyles and beach-front villas in Dubai. Weak regulation meant warning signs were missed or ignored.

Yet some of the most worrying sections of the report describe what happened after the collapse. It laments the political interference that has blocked attempts to prosecute the culprits and retrieve their loot. That also meant reluctance to pursue charges against some of the participants, though the report does not name names. Sensitivity has been heightened by the fact that Mahmoud Karzai, brother of the president, and Haseen Fahim, brother of the vice-president, were shareholders who are known to have received millions in loans. Both deny any wrongdoing.

Drago Kos, the Slovenian chair of the investigating committee, said the report shows a worrying level of impunity in a country where weak institutions are beholden to politicians and vested interests. “The lessons from Kabul Bank must be learned and broadly applied,” he said. But in Kabul no one seems to be listening.