

افغانستان آزاد – آزاد افغانستان

AA-AA

چو کشور نیاشد تن من مباد بدین بوم ویر زنده یک تن مباد
همه سر به سر تن به کشتن دهیم از آن به که کشور به دشمن دهیم

www.afgazad.com

afgazad@gmail.com

European Languages

زبان های اروپایی

AP News

Mahmood Karzai profited on deal tied to Kabul Bank

ADAM SCHRECK

Sep 08, 2010

The brother of Afghanistan's president said Wednesday he made at least \$800,000 by buying and then quickly reselling a high-end Dubai villa using a loan provided by the chairman of the troubled Kabul Bank.

The comments by Mahmood Karzai point to a pattern of insider wheeling and dealing that has helped plunge Afghanistan's largest bank into crisis.

Nervous customers rushed to teller windows to withdraw millions last week following reports of unorthodox lending practices and the resignation of the bank's top two executives. The bank has invested heavily in property in Dubai, where prices have since plummeted.

There is no indication that Karzai's property deal was illegal. But revelations about the transaction come amid a renewed focus on allegations of corruption within his brother Hamid Karzai's administration and questions about Kabul Bank's ties to Afghanistan's political elite.

Speaking to The Associated Press by phone from Dubai, Mahmood Karzai acknowledged buying the house on the city-state's tony Palm Jumeirah island for just under \$2 million in July 2007.

He said he bought the property — which sits in a gated neighborhood boasting private beaches lining an island shaped like a palm tree — as a way to help his family gain residency in the Gulf emirate, where his daughter is a high-school student.

Details of the transaction are unclear.

Karzai, who has not been accused of any wrongdoing, said the villa sale and the loan to cover for it were organized by former Kabul Bank chairman Sher Khan Farnood, though it was listed in Karzai's name. He said he was uncertain about the terms of the loan — or even if bank funds were involved.

"I don't know if it was Kabul Bank's money or his money," Karzai said. "He actually paid for it, and said this was a loan to you. ... So I don't know. He was handling a lot of money here."

Just months after he bought the property for \$1.9 million, Karzai said he sold it for about \$2.7 million. Again, he said, Farnood handled the deal.

"This was all his recommendation," Karzai said, adding that he benefited from the sale after repaying the initial loan. "I did make a profit. It went up in price."

Farnood, who has resigned from his job, couldn't immediately be reached for comment.

Details surrounding the sale were reported earlier Wednesday by Emirati daily The National, which cited records reviewed by the government-owned paper.

Since 2007, an estimated \$3 billion in cash has flowed out of Afghanistan through the country's two major airports, most of it to Dubai, where much of it was invested into the once booming real estate market, according to Afghan police and intelligence officials.

While taking large amounts of money is not illegal under Afghan law, the scope of the transfers has alarmed U.S. and other international officials because they don't know whether it could be diverted aid funds, drug money or Taliban cash.

Kabul Bank's woes further underscore entrenched problems with cronyism and corruption in Afghanistan, with millions of dollars allegedly loaned to relatives and friends of the ruling elite to amass fortunes. The bank also handles pay for public services, soldiers and the police.

The Afghan Central Bank said Farnood and Khalilullah Ferozi, former chief executive officer, resigned because under new reforms only banking professionals can hold the top operating positions at banks. Ferozi and Farnood, a world-class poker player who raised money for Karzai's re-election campaign, each own 28 percent of the bank's shares.

Mahmood Karzai owns a 7 percent stake in the bank, making him the third largest shareholder. Another shareholder, Haseen Fahim, is the brother of First Vice President Mohammad Qasim Fahim.

The central bank has ordered Farnood to hand over \$155 million in real estate holdings in Dubai. That includes 18 Palm Jumeirah villas and two business properties.

Mahmood Karzai said Wednesday he is optimistic about the future of Kabul Bank, and calls the scandal surrounding it "the best thing that happened to the bank" because it will allow it to clean up its act.

He criticized Farnood's handling of the company, and vowed to remain involved in the bank as it works "to clean the house ... and start fresh."

In the meantime, though, Karzai continues to live not far from his former house on the Palm Jumeirah, in a villa he says is owned by Farnood. He said he plans to move out in a matter of days — to another villa on the island he insists "absolutely separate" from any involvement with Kabul Bank.

Many foreigners raced into the Dubai property market until late 2008, when the global financial crisis slammed the brakes on the frenzied buying and selling. Those like Karzai who got out in time walked away with hefty profits. Those who didn't have watched the value of their investments plunge.

Real estate consultancy Colliers International estimates prices have dropped by half from their peak in the second part of 2008. A glut of new homes and few available mortgage options means prices are unlikely to rebound soon.