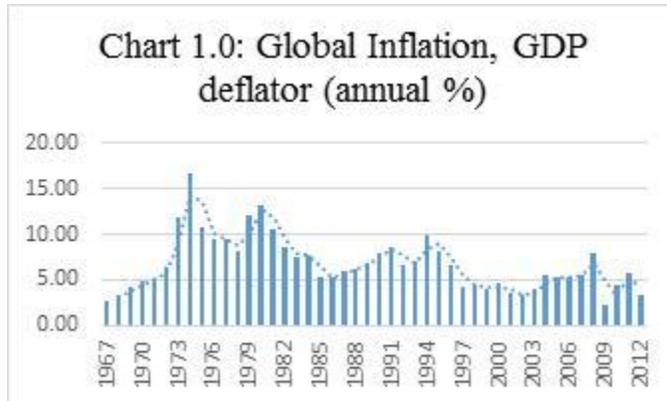




ABA E-Newsletter

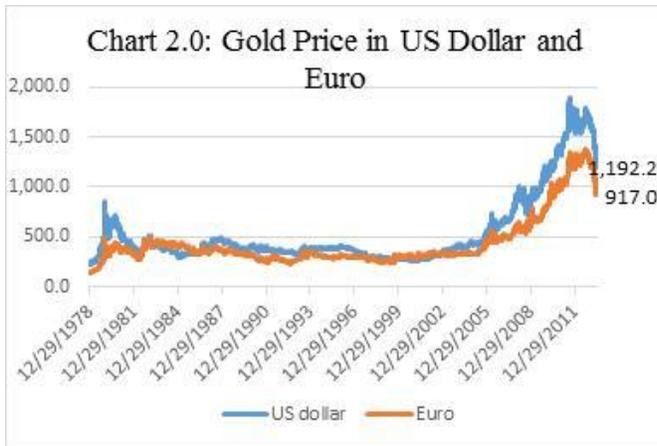
Global Commodity and Gold Prices

Global inflation has reduced after a strong rebound in the developing countries. Developing countries experienced moderate level of economic activities with an annualized inflation rate of 6 percent. On the other hand, high income countries had a steep decline in early months of 2013 while in April of 2013, inflation remained stable. Inflation in low income countries have accelerated in the last quarter of 2012 due to a rapid increase in grain prices but generally it has also showed some easing. Monetary policy tightening and commodity price moderation reduced inflation in Sub Saharan with a similar trend Inflation eased in South Africa. Supply shocks were the main reason for existing price pressures in South Asia. Inflation momentum accelerated in Middle East and North Africa reflecting supply disruptions due to political tensions in Syria, currency devaluation in Egypt and economic sanctions on Iran. Global inflation trends are reflected in Chart 1.0.



Source: World Economic Outlook, IMF

Gold price change not only has impact on its investors but, It is of a great importance to commercial banks. Commercial banks buy gold to meet the demand of their clients when they want to keep their deposits in this yellow metal. Precious metals prices were flat in May, 2013 after experiencing their sharpest decline in 30 years in April, 2013. The precious metals have been on the decline since early 2012 Q4 and price of silver and platinum are down 17 percent and 3 percent respectively. Gold price has appreciated considerably since 2005 but faced a steep decline of 25 percent since last quarter of 2012 as shown chart 2.



Source: World Gold Council

Corporate Governance in Afghanistan Banking Sector

ABA has recently taken series of steps in strengthening corporate governance in Afghanistan banking sector. ABA held member banks' Corporate Governance Working Group (CGWG) and ABA Board of Directors' workshop to finalize corporate governance code for member banks. The series of discussion on corporate governance were aimed:

1. To understand what is current international good practice in governance of companies, especially commercial banks, applied to the Afghan context;
2. To develop and agree on a core set of governance principles that are appropriate for ABA member banks, applicable to the Afghan context and that addresses the concerns of correspondent banks regarding Afghan bank governance; and
3. To draft and finalize a Corporate Governance Code for ABA member banks that embodies the agreed governance principles as well as an action plan to implement it in phases.

Application of corporate governance etiquette will specify the allocation of duties in the organizational structure of the banks (i.e. Board of Supervisors, Board of Directors and Board of Management) and guide the lower staff toward their job specifications within a determined circle of conduct. Once the banks begin to exercise corporate governance it will mount the degree of trust in major players transnationally and regionally against Afghan banks which would also increase the likelihood of foreign direct investment in the Afghan banking industry beyond 2014. Similarly, corporate governance will lead to departmentation and boosted synergy in the working environment. Corporate governance standard is the sole prevalent approach to lead an organization successfully in today's corporate world. Developing countries in the world are making great steps to catch up with the momentum of the challenges in today's markets by adopting sound leadership and management practices to heighten workflow steadiness in enterprises.

The principles of corporate governance have proved viable for sustainability of any organization throughout its evolution in the western world and parts of Asia and have resulted in transparent and intact

correspondent banking relationships. The Afghan banking industry is not an exception of having correspondent ties with both big and small international players of the industry. Given the fact; in a bid to parallel the Afghan banking industry with its global counterparts, Afghanistan Banks Association (ABA) orchestrated a corporate governance workgroup for the CEO's of all its sixteen member banks during June 17-19, 2013. The three-day progressive event was technically assisted by USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project.



Event: Corporate Governance Working Group (CGWG)

Date: June 17-19, 2013

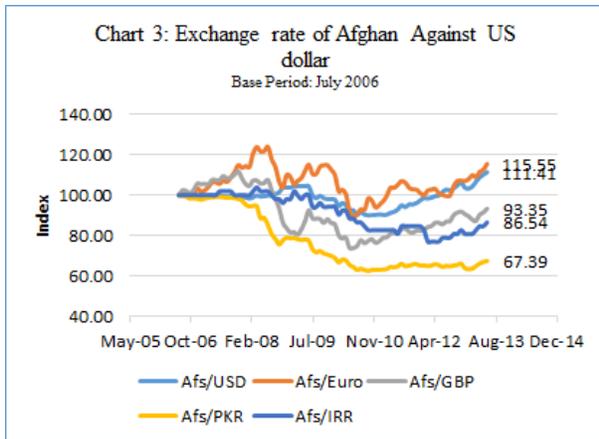
Venue: ABA Office, Kabu

Twenty six representatives including CEOs, deputy CEOs and board members of all the commercial and state run banks attended the gathering. Besides other broad range of dynamics that were brought into discussion, the attendees constructed a code of conduct to be adopted by the banks operative in Afghanistan to ensure climax of appropriate governance and integrity of the human resource embodying the entity. The code of conduct will be put into exercise by ABA member banks after having been finalized and approved by Da Afghanistan Bank (DAB). In addition, mirroring the contemporary impediments faced by Afghan and foreign banks in Afghanistan, the session also suggested a series of amendments to Article #10 of the Da Afghanistan Bank Law which have been shared formally with DAB for appropriate actions. Similarly, ABA had series of separate meetings with ABA member banks' Board of Supervisors to further expand discussion on corporate governance.

Afghani Exchange Rate

Afghani exchange rate has remained relatively stable against some major currencies for longer period of time since the issuance of new Afghani bank notes. Keeping exchange rate stable in the presence of high foreign exchange inflow, multiple currencies in circulation and government trade deficit has been challenging. Exchange rate volatility has many implications for Afghan banking sector as deposits are denominated in foreign currencies specifically US dollar. Stable exchange rate with stable outlook is crucial for banking sector.

Since last few months exchange rate has been gradually depreciating specifically against US dollar and Euro which has had adverse impact not only on businesses but it has also eroded depositors' confidence. Many factors are contributing to the recent depreciation of Afghani against US dollar specifically low foreign exchange inflow, high foreign exchange demand for imports and lower confidence on Afghani. Chart 3 shows a depreciating trend of Afghani against US dollar, EURO, GBP and Iranian Rail for the last few months . On the other hand, Afghan somehow remained stable with Pak Rupee.



Source: OANDA.COM

The recent depreciation has reversed dedollarization momentum in the country with real dollarization rising in the country. There is a need for a tighter monetary policy which can withdraw excess Afghani from the market. This step will help DAB in achieving its primary goal of long term domestic price stability. Similarly, tighter monetary policy through frequent US dollar intervention will help in bringing back Afghani exchange rate against US dollar closer to Afs 50.

Sibos 2013, Dubai

Sibos is an annual conference, exhibition and networking event for financial industry organized by SWIFT community. Sibos brings together almost 7000 decision makers, bankers, financial experts from financial institutions, market infrastructures, multinational corporations and technology partners to strengthen and establish international relations. international their relation and create strong networking platform. Similarly, Sibos is mainly a place to do business and shape the future of the financial industry with nearly 200 exhibitors. Number of participants in Sibos exhibition are given in Chart 4 while types of institutions attended Sibos in Amsterdam are shown in Chart 5.



Source: www.sibos.com

For further details please refer to http://www.sibos.com/what_is_sibos.page?navtab=tab1

News Highlights

ABA Prepares for Increased Activities. In alignment with its Strategic Plan for 2012-2015, ABA with the support of USAID's FAIDA project has taken major steps towards becoming a professional trade association that will better serve the needs of its member organizations, including hiring new leadership and moving to larger office space.

All of this is being made possible with a grant from the USAID/Financial Access for Investing in the Development of Afghanistan (FAIDA) project.

Access to Finance (A2F) Business To Banks Round-tables

ABA with the support from the USAID's FAIDA project continues to link its member banks and entrepreneurs throughout Afghanistan. Two days Business to Banks Roundtables were formed in the cities of Kabul and Mazar-I-Sharif during the past two months with the aim of:

1. Facilitating the banking industry credit offering for business expansion
2. Exchanging views on the regulatory environment as a whole

Kabul City, June 5-6, 2013, Intercontinental Hotel

More than 82 entrepreneurs attended the gathering from different parts of the country. As per the routine, 3 member banks: Azizi Bank, Afghanistan International Bank (AIB), and First Microfinance Bank(FMFB) delivered presentations to the audience to indulge loans and other credit facilities. ABA's Director Economic Research glimpsed the banking industry trivia and its achievement in his opening remarks and hailed the gathering.



Event: A2F Business to Banks Round-tables
Date: June 5-6, 2013
Venue: Intercontinental Hotel, Kabul



Event: A2F Business to Banks Round-tables
Date: June 5-6, 2013
Venue: Intercontinental Hotel, Kabul

Mazar-i-Sharif city, July 17-18, 2013 Sameer Waleed Guest House

The gathering was attended by almost 80 entrepreneurs from Badakhshan, Jauzjan, Balkh and a number of other northern and north western provinces including the Chiefs of the Balkh Women's and Commerce and Industries departments. There were also delegations from other government entities. Seven of the ABA member banks each being Afghanistan International Bank(AIB), Azizi Bank, Bakhtar Bank, First Microfinance Bank(FMFB), Maiwand Bank, New Kabul Bank (NKB) and Afghan United Bank (AUB) illustrated their respective banks' loan and credit policies and the dynamics pertaining thereto. In addition to these, there was a presentation from the Ministry of Agriculture and Livestock's Agricultural Development Fund (ADF) program. Subsequently after, the audience engaged in a question and answer session with the banks' delegates in the roundtables after the presentations came to an end. The event kicked off with opening remarks from a delegate of the Afghanistan Investment Support Agency (AISA) and was followed by speeches from the provincial Chief of Commerce and Industries, Provincial Chief of Women's and ABA's Research Analyst who briefed the audience of the activities ABA commits and its joint work with USAID's FAIDA project.



Event: A2F Business to Banks Round-tables
Date: July 17-18, 2013
Venue: Sameer Waleed Guest House, Mazar



Event: A2F Business to Banks Round-tables
Date: June 17-18, 2013
Venue: Sameer Waleed Guest House, Mazar

Afghanistan International Bank (AIB), ABA member bank, received the STP Award 2012 from COMMERZBANK for its excellent quality in the delivery of commercial payments and financial institutions transfers.

