

International Bank of Yemen

January 2010

Rating Report

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Yemen

January 2010

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INTERNATIONAL BANK OF YEMEN

Sana'a, Yemen
January 2010

RATINGS

	Current	Last Changed From	Date	USD (mn) YER (mn)	2008 USD	2008 YER	2007 YER	2006 YER
Sovereign								
Long-Term:	B	B-	Dec 08	Total Assets	713	142,617	125,271	100,208
Short-Term:	B	C	Jan 04	Net Loans	161	32,126	22,143	20,326
Outlook	Stable	-	-	Deposits & Interbank	649	129,785	116,442	94,210
				Total Capital	44	8,768	5,794	3,756
				Gross Income	43	8,674	7,743	5,327
				Net Income	15	2,974	2,038	1,067
				<i>Exchange Rate: USD/YER</i>		<i>200.1</i>	<i>199.5</i>	<i>198.5</i>
Foreign Currency								
Long-Term:	B	B-	Nov 09	%		2008	2007	2006
Short-Term:	B	-	-	NPLs / Gross Loans		60.66	67.68	64.45
				LLR / NPL		42.04	44.03	36.69
				Capital Adequacy Ratio		13.20	14.90	11.36
				Net Loans / Stable Funds		24.14	18.67	21.79
				Interest Differential		13.59	12.35	9.38
Financial Strength	B	B-	Nov 09	Cost / Income		25.28	19.14	22.65
				ROAA		2.22	1.81	1.27
Support	4	-	-					
Outlook								
Foreign Currency	Stable	-	-					
Financial Strength	Stable	-	-					

RATINGS DRIVERS

Supporting the Rating

- Consistently improved level of profit and returns over the past three years
- Very liquid balance sheet

Constraining the Rating

- Capital base is eroded by unprovided non-performing loans (NPLs); bad loans remain substantial
- Very difficult operating environment and developing regulatory/supervisory framework
- Earnings dependent upon high returns on government treasury bills and CDs
- Small size in terms of capital and narrow scope of operations

RATING RATIONALE

The International Bank of Yemen (IBY) is Yemen's second largest bank, controlling around 11 per cent of the country's banking system assets. In line with sector characteristics, IBY's loan portfolio is relatively small as a proportion of total assets with major asset classes being Central Bank of Yemen certificates of deposits and Yemeni government treasury bills. Loan asset quality is very poor due to a high level of NPLs against gross loans. In addition, provisioning is low. However, the provisioning level meets both central bank and external auditor's standards due to the fact that a large percentage of the NPLs are secured by cash deposits. A large portion of the bad loans is due to the government's delay in paying contractors; payment is typically made in the end in most cases but there are often long delays. The capital adequacy ratio, itself aided by the high level of treasury bills, improved to September 2009 following an increase in paid-up capital. Profitability improved in 2008 mainly through higher net interest income; IBY benefits from high margins, in part reflecting attractive yields on CDs and treasury bills but also its low cost deposit base. Liquidity is comfortable due to its relatively large deposit base and very high level of liquid assets. Results to end September 2009 were satisfactory. In light of the improved profitability, increased capital position and continued sufficient liquidity profile, IBY's long-term foreign currency and financial strength ratings are raised to B. Other ratings are maintained. The Bank's ratings remain very low due to its extremely high amount of bad loans and low level of specific provisions, as well as the difficult operating environment as reflected by Yemen's low sovereign rating.

BANK HISTORY AND STRATEGIES

Bank History

The International Bank of Yemen (IBY) was established in January 1979 by a Presidential decree. The Bank administers its operations in the Republic of Yemen through its head office located in Sana'a and 17 branches (Sana'a plus Aden, Hodeidah, Taiz, Seiyun and Mukalla). It also has a branch in Djibouti.

IBY's shareholder base is dispersed quite widely. The two biggest shareholders are the (late) Khaled Bin Salem Bin Mahfooz family of Saudi Arabia (17.68%) and Abdul Jalil Beshar (15%). The main shareholders – all domestic based apart from the Bin Mahfooz family holding – are outlined below:

Shareholders

IBY Shareholders	(%)
The (late) Khaled Bin Salem Bin Mahfooz Family	17.68
Abdul Jalil Beshar	15.00
Shaher Trading Company	12.00
Hayel Abdul Haq	10.00
Abdul Rahman ATTA	7.61
Nabeel Mohammed Abdo Selah	7.46
Sunrise Company	7.00

Other Yemeni shareholders include Hayel Saeed Anam and Abdil Khaliq Saeed, each owning less than 5%.

Banking Sector and Operating Environment

Yemen's financial sector currently plays only a limited role in the economy. The assets of the banking system are around 30% of GDP, significantly less than most emerging markets. The banking system, supervised by the Central Bank of Yemen (CBY), consists of 15 commercial banks. The consolidated assets of commercial and Islamic banks in Yemen posted a four-year CAGR (2004-2008) of 21% (from YER686 billion in 2004 to around YER1,550 billion in 2008). The banks recorded total assets growth of 18% in 2008.

Yemen's economy is dominated by oil exports, which account for around 70% of government revenues. Unlike the majority of the petroleum producing countries in the Middle East, Yemen's petroleum production is heavily dependent on private foreign companies. The country has proven crude oil reserves of around 4.3 billion barrels. Yemen's crude oil output averages approximately 350,000 bbl/d.

The country's agriculture and fisheries sector generates more than 25% of GDP and employs more than half of the working population. The most common crops are cereals such as millet, corn (maize), wheat, barley, and sorghum. There has also been extensive cultivation of fruits – both tropical (mangoes, grapes, bananas, dates, melons, papayas and citrus) and temperate (pears, peaches, apples and grapes). Cotton, tobacco, coffee and qat are also widely cultivated. The government is working on maximizing comparative advantages in favour of vegetables, fruit and coffee production.

Yemen reported GDP growth of 4.5% in 2008 and GDP growth in 2009 is expected to be around 4.7%. The forecast for 2009 was originally higher but the delay in the production of gas exports has reduced growth projections. Yemen's economic fortunes depend mainly on its declining oil resources but the country is attempting to diversify its earnings through projects such as the imminent new LNG facility. Yemen has been relatively unaffected by the global financial crisis as the country has limited exposure to the international financial system. Higher oil revenues and some progress in tax collection have helped to reduce the fiscal deficit to 4.3% of GDP and the current account deficit to around 2% of GDP. Political challenges remain and Yemen's conflict with rebels in the northern region of the country continues unabated.

Current Business Model of IBY

Most of the Bank's current activities consist of simple banking services including trade finance and short-term working capital loans. Going forward, management is aiming to focus more on the retail market, using its relatively wide ATM network (66), POS terminals (525) and existing 17 branch network. Technology-wise, IBY is ahead of most other domestic banks in Yemen. The Bank offers credit cards (AMEX, Visa and soon MasterCard) and personal loans such as car loans and salary-linked loans. Currently, the retail market is very undeveloped in Yemen and IBY is the first bank to begin offering retail services. Two branches were added in 2008 together with additional ATMs and POS.

Operational systems and procedures are being enhanced with the help of Deloitte. The Bank is electronically linked to the SWIFT network which enables it to provide fast and reliable international payment services. IBY has good banking applications including Equation DBA from MISYS running on IBM AS/400. The head office of the Bank and its branches are linked in a real time online environment.

Principal Business Strategies

IBY's principle strategy is to continue to grow its asset base in a controlled manner through focusing specifically on retail and commercial loans. In regard to the latter, this will be mainly directed to medium-sized companies. Trade finance will remain important as a good source of earnings with relatively lower risk. Retail loans will be cautiously expanded with the focus on small ticket consumer items linked to salaries and credit cards. However, management realise that the retail market is still in its infancy in Yemen and retail customers will be very much at the high end of the market. The expansion will be aided by the improved infrastructure in terms of systems and controls which the Bank is working on in conjunction with Deloitte. IBY will continue to expand its distribution network through branches, ATMs and POS terminals. Customer deposits will remain by far the main source of funding.

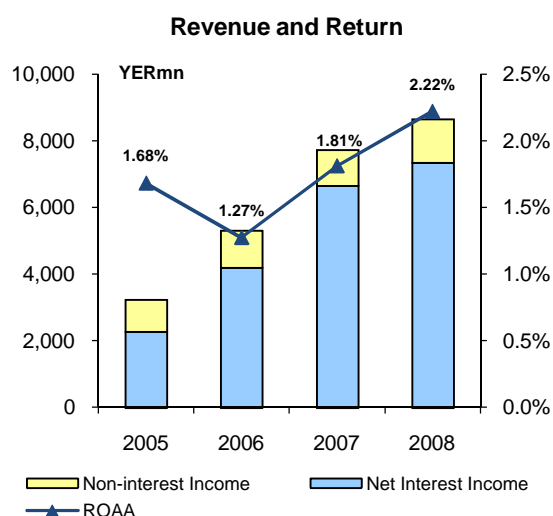
KEY FINANCIAL ISSUES

The financial statements for the financial year ending 31 December 2008 were audited by KPMG Mejanni Hazem Hassan in accordance with International Standards on Auditing. They were prepared and presented in accordance with International Financial Reporting Standards (IFRS) and the auditor has expressed an unqualified opinion on the statements.

FINANCIAL PERFORMANCE

Continued improvement in returns in 2008 aided by both stronger net and non-interest income IBY's return on average assets increased again in 2008 to 2.22% from 1.81%. The main driver of the improvement was higher net interest income, which rose to YER7,363mn (USD37mn) from YER6,667mn previously. Operating profit recorded only a marginal improvement, up by 4% to YER6,482mn (USD32.4mn) as this line item was impacted by much higher operating costs (see below). Net profit for the year, aided by a lower provision charge, was YER2,974mn (USD15mn), a rise of 46% over the previous year.

IBY's interest income expanded by 13% in 2008 to YER15,419mn. This is the lowest rise for four years as earnings were impacted by falling



rates on interest earning assets, reflecting both domestic and global market conditions as authorities reduced interest rates to support economic growth.

Interest income from treasury bills and Central Bank of Yemen (CBY) certificates of deposits (CDs) continued to drive income. The main rise was in interest on CBY CDs which rose to YER5,293mn from YER3,944mn in 2007, reflecting the near doubling of holdings of CBY CDs in 2008 (see below). Interest on Yemen T-bills increased to YER5,885mn from YER5,226mn in the previous year. Interest on loans rose to YER3,756mn from YER3,160mn. However, interest from bank placements declined to YER484mn from YER1,287mn, reflecting the significant fall in domestic interest rates on interbank deposits in 2008.

Despite the lower than trend increase in interest income, IBY was again able to widen its interest differential to a very high 13.59% from 12.35%, by far the highest in the peer group. Interest on average earning assets widened to 20.13%, a rise of 118 bps from 2007. Average interest rate on Yemen treasury bills was 15.09% in 2008 against 15.87% in 2007. The average interest rate on CBY CDs was 15.88% (2008: 15.87%). The average interest rate on loans was 18.5% in 2008 (2007: 18%). Together with the increase in loan assets, the increase in CBY CDs also aided the Bank's earning asset base.

The Bank's funding cost declined by 6 bps to 6.54%. IBY's customer deposit base, and hence its overall funding base as customer deposits dominate the funding profile, is low cost. Current accounts, which do not pay any interest, amounted to YER46,596mn at end 2008. Time and demand deposits (YER72,962mn) paid 13% (2007: 13%-13.5%).

Improved non-interest income led by fees and commissions Fee and commission income rose by 19.3% in 2008 to YER974mn (USD4.9mn). This income source is derived from a wide range of products and services but mainly includes fund transfer fees, commission on LCs and LGs, Western Union transfers and Visa card fees. Commission on transfers of funds rose to YER290mn in 2008 from YER255mn previously. Visa card commission expanded to YER98mn from YER68mn due to higher volumes. Commissions from letters of guarantee, the main contributor, rose to YER364mn from YER282mn due to higher volumes.

Foreign exchange transactions recorded a profit of YER261mn in 2008 against YER188mn in 2007. Other income included rent revenue (YER73mn) and provisions written back (YER52mn).

Despite the improvement, non-interest income remains relatively minimal overall, representing just 15% of gross income, illustrating the still low level of banking development in Yemen.

Large rise in operating expenses in 2008 but the expense base remains low Total expenses increased by 48% to YER2,192mn in 2008. This represented a higher but still low 1.64% of average total assets and 25% of gross income. The main expense is salaries which rose by 32% to YER818mn in 2008, reflecting both higher remuneration and slightly increased headcount. Higher costs in 2008 also included a sharp rise in Zakat from YER14mn in 2007 to YER255mn as well as donations and contract services. The large rise in Zakat was due to the Bank reaching final settlement with the national Zakat department for all outstanding obligations.

Lower provision charge for doubtful debts in 2008 IBY's provision charge reduced by 38% to YER2,075mn in 2008. This formed a lower 32% of operating profit. The provisions are mainly for loans (YER1,733mn in 2008 against YER3,270mn in 2006) together with contingent liabilities (YER393mn against YER103mn in 2007). Despite the fall in the charge, IBY meets CBY provisioning standards (see below).

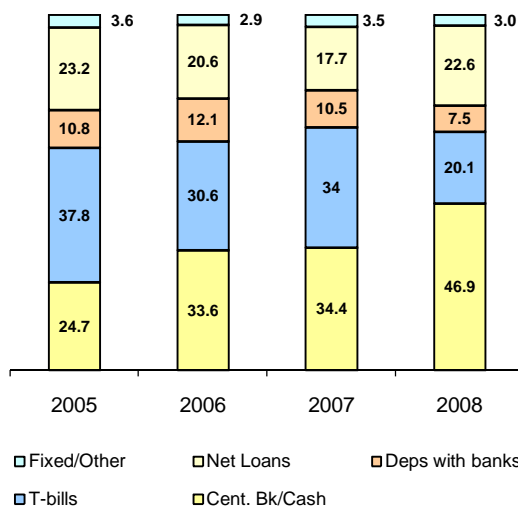
BALANCE SHEET

As is the profile with most of IBY's peer banks, the balance sheet is dominated by Yemen government Rial denominated treasury bills, central bank placements and certificates of deposits and cash.

Large base of central bank placements and government treasury bills in balance sheet

Central bank placements, including both cash, reserve deposits and central bank CDs and Yemeni treasury bills represent a very high 67% of the balance sheet. CDs (YER49,200mn against YER25,200mn in 2007) are issued by the Central Bank of Yemen. They have maturities up to 90 days. Treasury bills mainly have maturities up to 90 days (YER7,870mn), with treasury bills under repurchase also under 90 days (YER7,576mn). Treasury bills due within 180 days amounted to YER4,453mn with the remainder (YER8,791) below 360 days. T-bills can be sold at a discount to the central bank in case of need. The discount is usually quite small, at an interest rate of within 100 bps of the original rate.

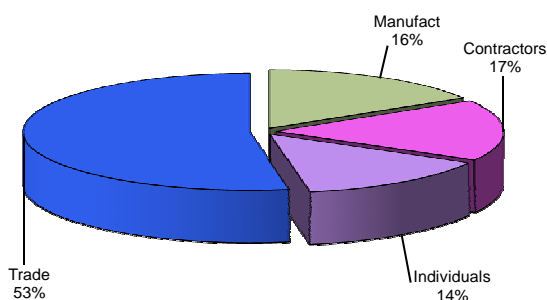
Asset Composition (%)



Cash on hand and reserve balances with the Central Bank of Yemen were a further YER16,344mn at end 2008. The reserve balances with CBY represent minimum reserve requirements against customers' accounts in Yemeni Rial of 7% (10% in 2007) and foreign currencies of 20% (20% in 2007). These funds are not available for the Bank's daily business.

Bank deposits Due from banks at 7.5% of total assets or YER10,706mn (USD54mn) are mainly current accounts (YER2,310mn) and short-term time deposits (YER8,395mn) with large foreign banks such as Lloyds, HSBC, Bank of New York, Citibank and Commerzbank. These are the only assets held outside of Yemen.

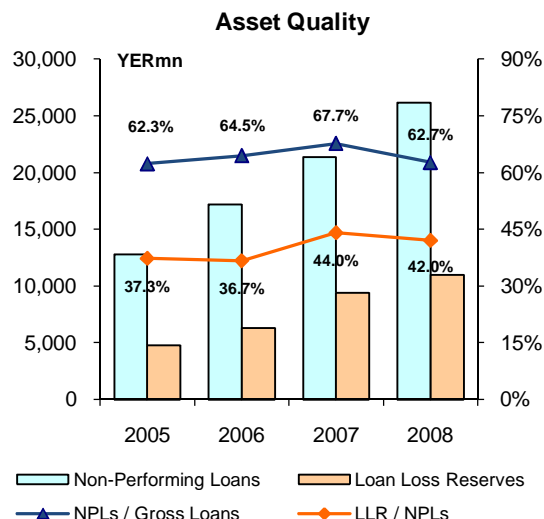
Loan Distribution 2008



Net loans grew by 45% in 2008 but remain low against total assets at 20.1% (2007: 17.7%). Net loans amounted to YER32,126mn (USD161mn) at the year-end. Most of the loan portfolio is directed towards the trade sector which formed 53% of the total portfolio. This is followed by contractors at 17%, manufacturing at 16% and individuals at 14%. Most loans are on an overdraft basis.

By term, all loans are short-term at less than one year. 44% is due within three months and a further 32% within six months.

IBY continues to carry a very substantial amount of NPLs against gross loans IBY's loan asset quality is characterised by a very high level of NPLs, as has been the case for some years, with the Bank's NPLs to gross loans ratio hovering around the 60% level. As at end 2008, NPLs amounted to YER26,156mn (USD131mn) following a rise of 23% year-on-year. This formed an extremely high 62% of gross loans at end 2008 albeit down from 68% previously. The ratio is the highest among the Yemeni banking peer group (National Bank of Yemen, Yemen Bank for Reconstruction and Development and Tadhamon International Islamic Bank).



Loans are classified as non-performing at three months past due and are called sub-standard. Doubtful loans are six months past due with loss loans greater than one year past due.

IBY management state that the vast majority of NPLs relate to delayed receivables from the Yemeni government connected mainly to contractors. Contractors are usually reimbursed in the end but there can be a very lengthy delay. This is a similar situation to other Yemeni banks.

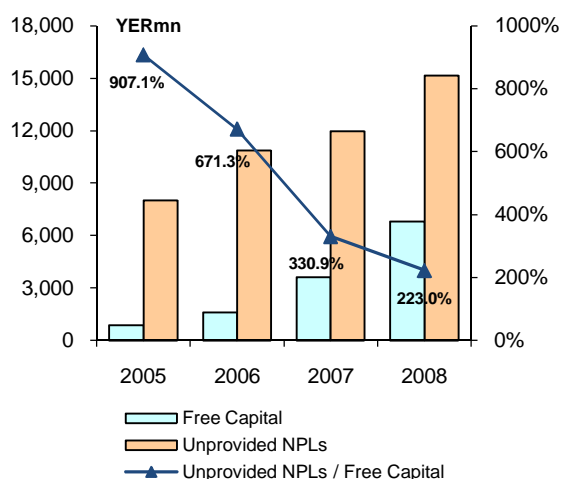
Management information indicates that collateral is held against a very substantial proportion of loans and can be divided into the following groups:

1. A major portion of its loan portfolio is granted against cash collateral held at the Bank as fixed deposits.
2. Another portion of its loan portfolio is granted against cash collateral held at IBY's correspondent banks, in IBY's favour.
3. A portion is granted for prime 'A' class customers against commercial guarantees.

The remainder of loans are granted against real estate mortgages.

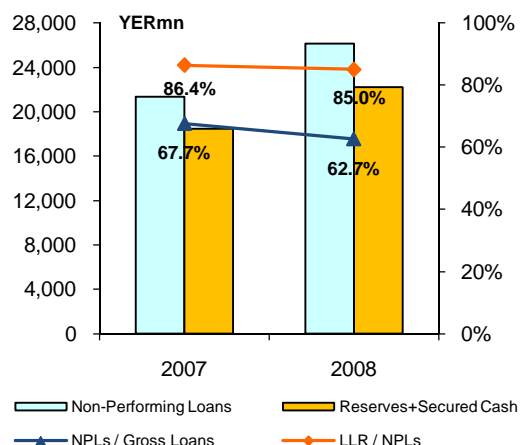
Provisioning is low when looking purely at the specific and general provisions in place

IBY's provisioning level is seemingly low (but management state that provisioning levels meet regulatory requirements – see comments below – and there is collateral in place). Loan-loss provisions to NPLs were 42% at end 2008. The key unprovided loan-loss provisions to free capital fell to 223% from 331% previously (and vastly higher in earlier years). On the plus side, the ratio has been falling consistently over the last five years.



Nonetheless, unprovided NPLs still exceeded specific and general loan-loss provisions at end 2008.

Coverage Including Secured Cash



However, in addition to specific (YER10,826mn) and general provisions (YER170mn), NPLs are secured by cash deposits amounting to YER11,242mn (USD56mn) as at end 2008 (2007: YER9,043mn). Thus taking this into account, the provision coverage rises to a more comfortable 85% at end 2008 and the gap between unprovided NPLs and free capital is eroded completely.

Excluding the secured cash deposits, the gap between unprovided NPLs and free capital was YER8,360mn at end 2008. Thus, with the secured cash, there was an excess of YER2,882mn at end 2008.

Sub-standard debts require 15% provisioning with doubtful debts (180 days to one year) requiring 45% provisioning. Bad debts (one year or more past due)

require 100% provisioning. Performing loans and contingent liabilities have a 1% provision. IBY meets these standards taking into account the secured cash held. IBY management state that both the inspectors of the Central Bank and external auditors have conducted reviews of the loan portfolio in order to determine the amount of NPLs and the required amount of provisions.

YER (000)	2008	2007	Change %
Substandard debts	3,101,987	3,049,637	1.72
Doubtful debts	2,638,208	753,677	250.04
Bad debts	20,415,519	17,542,919	16.37
Total	26,155,714	21,346,233	22.53

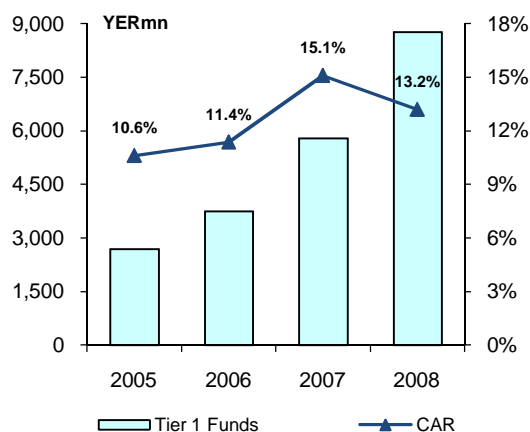
Related-party transactions Related party loans stood at YER6,863mn at end 2008. This represented a high 78% of total capital and CI would not want to see this ratio increase further.

YERmn	2008	2007	2006	2005
Related Party Loans & Advances	6,863	3,781	5,045	8,565
Deposits	3,018	3,114	3,308	4,403
Total capital	8,768	5,794	3,756	2,688
Related party Loans / Total capital	78%	65%	134%	319%

IBY is subject to CBY imposed single borrower exposure limits. These limits are 25% of capital exposure to any one entity and 100% for connected parties in total. The Bank is in compliance with these limits. IBY states that the vast majority of related party loans are performing.

Risk weighted capital adequacy ratio is comfortably above the regulatory minimum level of 8% IBY's capital position dipped slightly during 2008 due to the rise in risk-weighted assets. Total capital did however rise by a significant 51% (2007 rise was also above 50%) during 2008 to YER8,768mn (USD44mn). The increase was in large measure due to net profit of YER2,974mn for the year being retained. Paid-up capital was YER5.1 billion with previous retained earnings of YER1.7 billion transferred to capital during the year.

Capital Composition & Adequacy



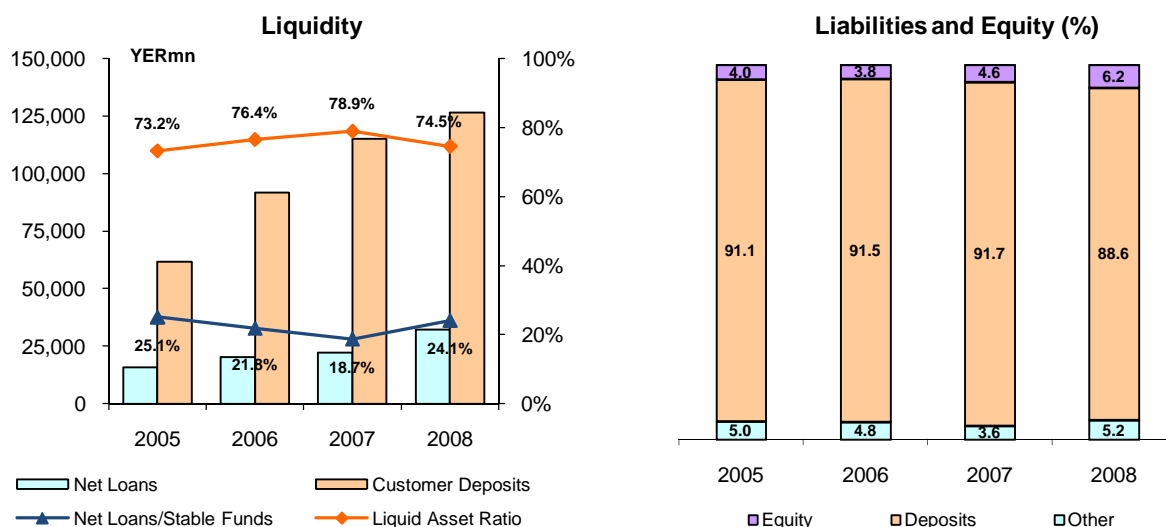
Total risk weighted assets and contingent liabilities and commitments rose to YER71,841mn in 2008 against YER42,087mn previously. The main rise was within loans and contingent liabilities (the latter mainly letters of guarantees). The high level of Yemen treasury bills benefits the capital

adequacy ratio due to the low risk weighting of these financial instruments. IBY's capital adequacy ratio as calculated in accordance with local standards was 13.2% at end 2008 against 15.1% previously. The Central Bank of Yemen has set a target minimum capital of YER6 billion for all commercial banks by end-2009 and IBY already meets this.

Very liquid asset base due to high level of treasury bills and central bank placements IBY has good liquidity, as do most Yemeni banks, on the back of the low proportion of total assets formed by loans and advances together with significant assets allocated to government treasury bills and central bank placements including CDs. As mentioned above, there is a rediscount facility with the central bank for treasury bills. The vast majority of assets are very short-term with YER107mn or 75% maturing within three months. All CBY CDs mature within three months as do a large proportion of treasury bills.

All liquidity ratios are solid owing to the structure of both assets and liabilities. The loans to customer deposits ratio was only 25% at the year-end. The liquid assets ratio was a high 75%. Nearly all of the Bank's funding is derived from customer deposits which represented 89% of total liabilities and capital at end 2008. There is no reliance on the interbank market. IBY's customer deposits rose by 10% in 2008. As noted, the Bank's customer deposit base comprises a high proportion of zero cost current or demand accounts (YER46,596mn). By sector, YER41,724mn or 33% are connected to individuals, 19% to corporate with the remainder to public and mixed sectors.

Gap Analysis The maturity of assets and liabilities up to three months, and in fact at all timeframes, shows a comfortable position. By maturity, the Bank is asset sensitive by some YER37,771mn at three months, reflecting its high liquidity through CDs, cash and T-bills. Other time buckets are also sound. The Central Bank of Yemen sets prudential limits in relation to capital and reserves on net FX open positions of 15% for an individual currency and 25% in aggregate. The Bank met these limits in 2008. At the year-end the surplus (long) position, mainly in US dollars, was YER268mn which represented a small and thus comfortable 4.7% of total capital and reserves.



CURRENT YEAR UPDATE (Q3 2009)

The following figures are unaudited.

YER (mn)	Q3 2009	2008	Δ%	YER (mn)	Q3 2009	Q3 2008	Δ%
Total Assets	148,793	142,617	4.33	Net Interest Income	5,535.6	5,477.5	1.06
Net Loans	37,009	32,126	15.20	Non Interest Income	1,142.7	903.2	26.52
NPLs	-	26,156	-	Gross Income	6,678.3	6,380.7	4.66
Customer Deposits	129,345	126,291	2.42	Operating Expenses	1,503.9	1,289.3	16.64
Total Capital	11,886	8,768	35.56	Operating Profit	5,174.4	5,091.4	1.63
%	Q3 2009	2008		Provision Charges	-	-	-
NPL / Gross Loans	-	60.66		Gross Profit	-	-	-
LLR / NPL	-	42.04		Income Tax	-	-	-
Capital Adequacy Ratio	14.95	13.20		Net Profit	-	-	-
Net Interest Margin	-	13.59					
Net Loans / Customer Deposits	28.61	25.44					
Cost To Income	29.06	25.28					
ROAA	-	2.22					

Performance

IBY had a steady first nine months of 2009 to end September. Net interest income was stable with the main contribution again from T-bills and CDs. Fee and commission income showed a healthy increase of 26% due to a number of improvements including commission from LCs, fees from drafts and cheques and foreign exchange transactions.

Operating profit was YER5,174mn or 2% higher than the corresponding period in 2008. This figure excludes any required provisioning charge and as such is regarded as operating profit. Management expect improvement in net profit for the full year as margins have remained stable and fee and commission income will be good. Total assets rose by 4% to YER148,793mn, driven by growth of 15% in net loans.

Total capital increased by 36% to YER11,886mn with paid-up capital rising to YER7,000mn. This helped to push the capital adequacy ratio to 14.95% at end September 2009 according to IBY.

The profile of the balance sheet remained similar with a significant proportion of assets in Central Bank of Yemen CDs and government treasury bills. Accordingly, liquidity ratios remained high.

Although no figures are available for NPLs, management state that a couple of larger bad loans have been settled and expect the NPL ratio to be lower at the year-end.

OUTLOOK

IBY, and Yemeni banks in general, has not really been impacted by the global financial crisis over the last year or two. The Yemeni economy has continued to grow although some pressure is occurring as expected gas production has been delayed. Nonetheless, GDP growth for this year and next is expected to remain above 4%. This will provide some opportunity for asset and banking activity growth, driven also by the fact that the country remains significantly under-banked at present. However, a major hurdle remains the very difficult lending and operating environment. IBY's primary target should be to reduce the current very high level of bad loans.

IBY is aided by a high level of liquidity and reasonable capital adequacy. Its margins remain wide due to high yielding Central Bank Certificates of Deposits and government treasury bills together with a low cost deposit base. Both returns and net profit should remain at least adequate for the foreseeable future.

INTERNATIONAL BANK OF YEMEN Y.S.C

YE01

PERFORMANCE RATIOS				
External Audit	AUD 12/2008	AUD 12/2007	AUD 12/2006	AUD 12/2005
A . SIZE FACTORS				
1 . Total Assets (USD 000)	712,798	627,800	504,826	347,286
2 . Total Capital (USD 000)	43,824	29,037	18,920	13,781
B . ASSET QUALITY				
3 . Total Assets Growth Rate (Year on Year %)	13.85	25.01	47.91	22.57
4 . Loan-Loss Reserve to Gross Loans (%)	25.50	29.80	23.65	23.23
5 . Non-Performing Loans to Gross Loans (%)	60.66	67.68	64.45	62.33
6 . Loan-Loss Reserve to Non-Performing Loans (%)	42.04	44.03	36.69	37.27
7 . Unprovided Non-Performing Loans to Free Capital (%)	222.98	325.71	671.25	907.10
8 . Loan-Loss Provision Charge on Gross Loans (%)	4.81	10.59	7.38	3.49
9 . Reserve for Dimin. of Investments to Total Investments (%)				
10 . Related Party Assets to Total Capital (%)	78.27	65.26	134.34	318.60
11 . Total Contingents on Total Assets (%)	34.14	24.35	31.32	50.65
C . CAPITAL ADEQUACY				
12 . CI Risk Asset Ratio (%)	8.45	6.65	3.19	2.05
13 . Estimated BIS Risk Asset Ratio (%)	10.61	9.55	6.48	5.75
14 . Estimated BIS RAR on Tier One Capital (%)	10.61	9.55	6.48	5.75
15 . Actual Risk Asset Ratio to Local Standards (%)	13.20	14.90	11.36	10.61
16 . Internal Capital Generation (%)	26.94	35.18	28.42	38.37
17 . Total Capital Growth Rate (Year on Year %)	51.33	54.28	39.70	62.26
18 . Total Capital to Total Assets (%)	6.15	4.63	3.75	3.97
19 . Total Capital to Gross Loans (%)	20.33	18.37	14.11	13.13
20 . Free Capital Funds (YER 000)	6,798,840	3,668,179	1,618,343	882,631
21 . Estimated BIS RAR Shortfall (YER 000)	0	0	797,308	1,009,099
22 . Risk Weighted Assets on Total Footings (%)	43.09	36.54	39.88	43.85
D . LIQUIDITY				
23 . Net Loans to Total Deposits (%)	24.75	19.02	21.57	24.77
24 . Net Loans to Total Customer Deposits (%)	25.44	19.27	22.17	25.48
25 . Net Loans to Stable Funds (%)	24.14	18.67	21.79	25.12
26 . Customer Deposits to Total Deposits (%)	97.31	98.69	97.31	97.21
27 . Liquid Asset Ratio (%)	74.51	78.87	76.43	73.20
28 . Quasi-Liquid Asset Ratio (%)	74.51	78.87	76.43	73.20
29 . FX Currency Assets to FX Currency Liabilities (%)				
30 . FX Currency Loans to FX Currency Deposits (%)				
31 . Interbank Assets to Interbank Liabilities (%)	306.33	857.30	480.31	411.45
32 . Net Interbank Assets (YER 000)	7,210,822	11,566,523	9,624,644	5,511,721
E . PROFITABILITY				
33 . Return on Average Assets (%)	2.22	1.81	1.27	1.68
34 . Return on Average Equity (%)	40.85	42.69	33.13	47.48
35 . Underlying Profits on Average Assets (%)	4.25	5.18	4.67	3.62
36 . Underlying Profits on Average Equity (%)	78.09	122.33	121.82	102.51
37 . Funding Cost (%)	6.54	6.60	5.31	6.03
38 . Interest on Average Earning Assets (%)	20.13	18.95	14.68	13.00
39 . Interest Differential (%)	13.59	12.35	9.38	6.97
40 . Non-Interest Income to Gross Income (%)	15.12	13.90	20.93	29.45
41 . Operating Expenses to Gross Income (%)	25.28	19.14	22.65	29.47
42 . Operating Profit Growth Rate (%)	3.53	51.93	79.73	44.06
43 . Operating Profit on Average Assets (%)	4.84	5.55	4.91	3.73
44 . Risk Provisioning Charge to Operating Profit (%)	32.01	53.36	52.28	31.86
45 . Dividend Payout Ratio (%)	20.58	0.00	0.00	0.00
RATES				
Exchange Rate (Units per USD)	200.080	199.540	198.500	195.080
Inflation Rate (%)	NA	10.00	20.80	11.80
Imputed Interest Rate on Free Capital (%) (Treasury Bill Rate)	15.20	15.86	15.65	14.89

NOTES:

BALANCE SHEET - ASSETS (YER 000)

RISK WGHT	External Audit	AUD					Growth (%)				Breakdown (%)			
		12/2008 USD 000	12/2008	12/2007	12/2006	12/2005	12/2008	12/2007	12/2006	12/2005	12/2008	12/2007	12/2006	12/2005
LIQUID ASSETS:														
0%	Cash & 7 Day	10,995	2,199,886	1,641,965	1,128,287	1,537,427	33.98	45.53	-26.61	102.85	1.54	1.31	1.13	2.27
0%	Central Bank	323,224	64,670,656	41,481,955	32,685,923	15,161,651	55.90	26.91	115.58	6.16	45.35	33.11	32.62	22.38
10%	Treasury Bills	143,393	28,689,995	42,585,284	30,616,158	25,611,214	-32.63	39.09	19.54	18.58	20.12	33.99	30.55	37.80
20%	Government Securities													
20%	Other													
	TOTAL LIQUID ASSETS	477,612	95,560,537	85,709,204	64,430,368	42,310,292	11.49	33.03	52.28	15.48	67.01	68.42	64.30	62.45
DEPOSITS WITH BANKS:														
20%	Short - Up to 1 Year	53,506	10,705,580	13,093,866	12,155,357	7,281,407	-18.24	7.72	66.94	52.78	7.51	10.45	12.13	10.75
20%	Short - Other/CD's													
100%	Non - OECD Medium Term													
	TOTAL DEPOSITS WITH BANKS	53,506	10,705,580	13,093,866	12,155,357	7,281,407	-18.24	7.72	66.94	52.78	7.51	10.45	12.13	10.75
MARKETABLE SECURITIES														
LOANS AND ADVANCES:														
20%	Government Guaranteed													
50%	First Mortgage Loans													
100%	Bills Disc. & Short Term	84,795	16,965,750	10,195,441	9,462,623	7,713,219	66.41	7.74	22.68	26.96	11.90	8.14	9.44	11.39
100%	Medium/Long Term													
100%	Other - Accounts Receivable													
100%	Non-Performing Loans	130,726	26,155,714	21,346,233	17,158,062	12,762,409	22.53	24.41	34.44	27.24	18.34	17.04	17.12	18.84
100%	Loan-Loss Reserve	-54,956	-10,995,685	-9,398,559	-6,295,013	-4,756,039	16.99	49.30	32.36	11.93	-7.71	-7.50	-6.28	-7.02
	NET LOANS AND ADVANCES	160,565	32,125,779	22,143,115	20,325,672	15,719,589	45.08	8.94	29.30	32.58	22.53	17.68	20.28	23.20
UNQUOTED INVESTMENTS														
NON-FINANCIAL SUBS & AFFILS.														
FINANCIAL SUBS & AFFILIATES														
		102	20,404	356,661	354,944	117,048	-94.28	0.48	203.25	-	0.01	0.28	0.35	0.17
100%	FIXED ASSETS	9,741	1,948,969	1,769,238	1,782,345	1,688,660	10.16	-0.74	5.55	10.96	1.37	1.41	1.78	2.49
100%	OTHER ASSETS	11,273	2,255,412	2,199,032	1,159,353	631,504	2.56	89.68	83.59	28.33	1.58	1.76	1.16	0.93
	TOTAL ASSETS	712,798	142,616,681	125,271,116	100,208,039	67,748,500	13.85	25.01	47.91	22.57	100.00	100.00	100.00	100.00
CONTINGENT ACCOUNTS:														
100%	Fin. Gtees/SLCs/Acceptances	195,868	39,189,303	22,284,932	21,797,605	19,794,263	75.86	2.24	10.12	38.23	80.50	73.06	69.45	57.69
50%	Bid & Performance Bonds													
20%	LCs/Bank & Govt Guarantees	47,451	9,493,959	8,217,227	9,586,447	14,517,278	15.54	-14.28	-33.97	102.29	19.50	26.94	30.55	42.31
10%	Bonding for Banks & Govts													
5%	IR Swaps/Bank & Govt LCs													
	TOTAL CONTINGENT ACCOUNTS	243,319	48,683,262	30,502,159	31,384,052	34,311,541	59.61	-2.81	-8.53	59.62	100.00	100.00	100.00	100.00
	TOTAL FOOTINGS	956,117	191,299,943	155,773,275	131,592,091	102,060,041	22.81	18.38	28.94	32.94	-	-	-	-
	RISK WEIGHTED ASSETS	411,977	82,428,370	56,917,064	52,474,952	44,754,874	44.82	8.47	17.25	36.71	-	-	-	-

BALANCE SHEET - LIABILITIES (YER 000)

	USD 000	12/2008	12/2007	12/2006	12/2005	12/2008	12/2007	12/2006	12/2005	12/2008	12/2007	12/2006	12/2005	
INTERBANK LIABILITIES:														
	Current & 7 Day	10,422	2,085,145	31,018										
	Short Term Debts	7,045	1,409,613	1,496,325	2,530,713	1,769,686	6,622.37	-5.79	-40.87	43.00	1,614.71	1.46	0.02	
	Other													
	TOTAL INTERBANK LIABILITIES	17,467	3,494,758	1,527,343	2,530,713	1,769,686	128.81	-39.65	43.00	1,614.71	2.45	1.22	2.53	2.61
CUSTOMER DEPOSITS:														
	Demand	232,888	46,596,169	43,255,988	39,685,631	26,664,378	7.72	9.00	48.83	48.93	32.67	34.53	39.60	39.36
	Savings	40,582	8,119,600	8,063,963	7,317,458	6,307,852	0.69	10.20	16.01	25.87	5.69	6.44	7.30	9.31
	Time	324,087	64,843,401	58,316,549	39,201,029	24,654,472	11.19	48.76	59.00	-2.63	45.47	46.55	39.12	36.39
	Other	33,644	6,731,393	5,277,981	5,475,104	4,072,531	27.54	-3.60	34.44	-4.68	4.72	4.21	5.46	6.01
	TOTAL CUSTOMER DEPOSITS	631,200	126,290,563	114,914,481	91,679,222	61,699,233	9.90	25.34	48.59	17.50	88.55	91.73	91.49	91.07
OFFICIAL DEPOSITS														
	TOTAL DEPOSITS + INTERBANK	648,667	129,785,321	116,441,824	94,209,935	63,468,919	11.46	23.60	48.43	20.64	91.00	92.95	94.01	93.68
	OTHER LIABILITIES	20,308	4,063,147	3,035,214	2,242,472	1,591,242	33.87	35.35	40.93	58.04	2.85	2.42	2.24	2.35
MEDIUM/LONG TERM LIABILITIES														
TIER TWO CAPITAL:														
	Asset Revaluation Reserve	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
	Hybrid Capital Instruments	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
	Subordinated Term Debt	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
	TOTAL TIER TWO CAPITAL	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
TIER ONE CAPITAL:														
	Paid Up Capital	25,490	5,100,000	3,400,000	3,400,000	2,250,000	50.00	0.00	51.11	50.00	3.58	2.71	3.39	3.32
	Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
	Reserves	18,334	3,668,213	2,394,078	355,632	438,339	53.22	573.19	-18.87	179.53	2.57	1.91	0.35	0.65
	TOTAL TIER ONE CAPITAL	43,824	8,768,213	5,794,078	3,755,632	2,688,339	51.33	54.28	39.70	62.26	6.15	4.63	3.75	3.97
	TOTAL CAPITAL	43,824	8,768,213	5,794,078	3,755,632	2,688,339	51.33	54.28	39.70	62.26	6.15	4.63	3.75	3.97
	TOTAL LIABILITIES AND CAPITAL	712,798	142,616,681	125,271,116	100,208,039	67,748,500	13.85	25.01	47.91	22.57	100.00	100.00	100.00	100.00

PROFIT AND LOSS ACCOUNT (YER 000)

	USD 000	12/2008	12/2007	12/2006	12/2005	Growth (%)				% of Average Total Assets				
						12/2008	12/2007	12/2006	12/2005	12/2008	12/2007	12/2006	12/2005	
	Interest Income	77,062	15,418,528	13,617,870	8,396,458	5,792,115	13.22	62.19	44.96	36.79	11.51	12.08	10.00	9.42
	Interest Expense	-40,263	-8,055,837	-6,951,172	-4,183,808	-3,498,365	15.89	66.14	19.59	32.34	-6.01	-6.17	-4.98	-5.69
	Net Interest	36,799	7,362,691	6,666,698	4,212,650	2,293,750	10.44	58.25	83.66	44.19	5.50	5.91	5.02	3.73
	Fees and Commissions	4,866	973,678	816,155	845,062	695,664	19.30	-3.42	21.48	16.02	0.73	0.72	1.01	1.13
	FX Trading Income	1,306	261,331	188,713	204,916	195,639	38.48	-7.91	4.74	173.63	0.20	0.17	0.24	0.32
	Dealing Securities Income													
	Other Investment Income	2	465	-759			161.26				0.00	0.00		
	Other Income	379	75,759	71,781	64,827	65,966	5.54	10.73	-1.73	23.75	0.06	0.06	0.08	0.11
	Non Interest Income	6,554	1,311,233	1,075,890	1,114,805	957,269	21.87	-3.49	16.46	32.14	0.98	0.95	1.33	1.56
	GROSS INCOME	43,352	8,673,924	7,742,588	5,327,455	3,251,019	12.03	45.33	63.87	40.42	6.48	6.87	6.34	5.29
	Administrative Expenses	9,139	1,828,509	1,178,386	1,030,287	597,506	55.17	14.37	72.43	36.06	1.37	1.05	1.23	0.97
	Depreciation	1,047	209,525	191,993	176,391	154,770	9.13	8.85	13.97	15.80	0.16	0.17	0.21	0.25
	Other Expenses	772	154,431	111,671		205,924	38.29			36.46	0.12	0.10	0.33	
	OPERATING EXPENSES	10,958	2,192,465	1,482,050	1,206,678	958,200	47.93	22.82</						

RATIO FORMULAE

A. Size Factors	
1. TOTAL ASSETS (USD 000)	
2. TOTAL CAPITAL (USD 000)	
B. Asset Quality Ratios	
3. TOTAL ASSETS GROWTH RATE (YEAR ON YEAR %)	$\frac{(\text{CURRENT YEAR TOTAL ASSETS} - \text{LAST YEAR TOTAL ASSETS}) \times 100}{\text{LAST YEAR TOTAL ASSETS}}$
4. LOAN-LOSS RESERVE TO GROSS LOANS (%)	$\frac{\text{LOAN-LOSS RESERVE} \times 100}{\text{GROSS LOANS}}$
5. NON-PERFORMING LOANS TO GROSS LOANS (%)	$\frac{\text{NON-PERFORMING LOANS} \times 100}{\text{GROSS LOANS}}$
6. LOAN-LOSS RESERVE TO NON-PERFORMING LOANS (%)	$\frac{\text{LOAN-LOSS RESERVE} \times 100}{\text{NON-PERFORMING LOANS}}$
7. UNPROVIDED NON-PERFORMING LOANS TO FREE CAPITAL (%)	$\frac{\text{NON-PERFORMING LOANS} - \text{LOAN LOSS RESERVE} \times 100}{\text{FREE CAPITAL}}$
8. LOAN-LOSS PROVISION CHARGE ON GROSS LOANS (%)	$\frac{\text{PROVISIONS FOR DOUBTFUL DEBTS CHARGE} \times 100}{\text{GROSS LOANS}}$
9. RESERVE FOR DIMINUTION OF INVESTMENTS TO TOTAL INVESTMENTS (%)	$\frac{\text{RESERVE FOR DIMINUTION OF INVESTMENTS} \times 100}{\text{TOTAL INVESTMENTS}}$
10. RELATED PARTY LOANS TO TOTAL CAPITAL (%)	$\frac{\text{RELATED PARTY LOANS} \times 100}{\text{TIER ONE} + \text{TIER TWO CAPITAL}}$
11. TOTAL CONTINGENTS ON TOTAL ASSETS (%)	$\frac{\text{TOTAL CONTINGENTS} \times 100}{\text{TOTAL ASSETS}}$
C. Capital Adequacy Ratios	
12. CI RISK ASSET RATIO (%)	$\frac{\text{FREE CAPITAL FUNDS} \times 100}{\text{RISK WEIGHTED ASSETS} - \text{NON-FINANCIAL SUBS.} - \text{FIXED ASSETS}}$
13. ESTIMATED BIS RISK ASSET RATIO (%)	$\frac{(\text{TOTAL CAPITAL} - \text{FINANCIAL SUBSIDIARIES}) \times 100}{\text{RISK WEIGHTED ASSETS}}$
14. ESTIMATED BIS RAR ON TIER ONE CAPITAL (%)	$\frac{\text{TIER ONE CAPITAL} - \text{FINANCIAL SUBSIDIARIES} \times 100}{\text{RISK WEIGHTED ASSETS}}$
15. ACTUAL RISK ASSET RATIO TO LOCAL STANDARDS (%)	AS REPORTED BY LOCAL CENTRAL OR COMMERCIAL BANKS
16. INTERNAL CAPITAL GENERATION (%)	$\frac{(\text{NET PROFIT} - \text{DIVIDENDS} - \text{EXTRAORDINARY ITEMS}) \times 100}{\text{TIER ONE CAPITAL}}$
17. TOTAL CAPITAL GROWTH RATE (YEAR ON YEAR %)	$\frac{(\text{CURRENT YEAR TOTAL CAPITAL} - \text{LAST YEAR TOTAL CAPITAL}) \times 100}{\text{LAST YEAR TOTAL CAPITAL}}$
18. TOTAL CAPITAL TO TOTAL ASSETS (%)	$\frac{\text{TOTAL CAPITAL} \times 100}{\text{TOTAL ASSETS}}$
19. TOTAL CAPITAL TO GROSS LOANS (%)	$\frac{\text{TOTAL CAPITAL} \times 100}{\text{GROSS LOANS}}$
20. FREE CAPITAL FUNDS (LOCAL CURRENCY)	TOTAL CAPITAL - FINANCIAL & NON FINANCIAL SUBSIDIARIES - FIXED ASSETS
21. ESTIMATED BIS RAR SHORTFALL (LOCAL CURRENCY)	IF BIS RISK ASSET RATIO IS LESS THAN 8% (0.08 X RISK WEIGHTED ASSETS) - (TOTAL CAPITAL - FINANCIAL SUBSIDIARIES)
22. RISK WEIGHTED ASSETS ON TOTAL FOOTINGS (%)	$\frac{\text{RISK WEIGHTED ASSETS} \times 100}{\text{TOTAL FOOTINGS}}$
D. Liquidity Ratios	
23. NET LOANS TO TOTAL DEPOSITS (%)	$\frac{\text{NET LOANS} \times 100}{\text{TOTAL CUSTOMER DEPOSITS} + \text{INTERBANK}}$
24. NET LOANS TO TOTAL CUSTOMER DEPOSITS (%)	$\frac{\text{NET LOANS} \times 100}{\text{TOTAL CUSTOMER DEPOSITS}}$
25. NET LOANS TO STABLE FUNDS (%)	$\frac{\text{NET LOANS} \times 100}{\text{STABLE FUNDS}}$
26. CUSTOMER DEPOSITS TO TOTAL DEPOSITS (%)	$\frac{\text{TOTAL CUSTOMER DEPOSITS} \times 100}{\text{TOTAL DEPOSITS} + \text{INTERBANK}}$
27. LIQUID ASSET RATIO (%)	$\frac{(\text{TOTAL LIQUID ASSETS} + \text{TOTAL DEPOSITS WITH BANKS}) \times 100}{\text{TOTAL ASSETS}}$
28. QUASI-LIQUID ASSET RATIO (%)	$\frac{\text{QUASI-LIQUID ASSETS} \times 100}{\text{TOTAL ASSETS}}$
29. FOREIGN CURRENCY ASSETS TO FOREIGN CURRENCY LIABILITIES (%)	$\frac{\text{FOREIGN CURRENCY ASSETS} \times 100}{\text{FOREIGN CURRENCY LIABILITIES}}$
30. FOREIGN CURRENCY LOANS TO FOREIGN CURRENCY DEPOSITS (%)	$\frac{\text{FOREIGN CURRENCY LOANS} \times 100}{\text{FOREIGN CURRENCY BORROWINGS} + \text{FOREIGN CURRENCY DEPOSITS}}$
31. INTERBANK ASSETS TO INTERBANK LIABILITIES (%)	$\frac{\text{TOTAL DEPOSITS WITH BANKS} \times 100}{\text{TOTAL INTERBANK LIABILITIES}}$
32. NET INTERBANK ASSETS (LOCAL CURRENCY)	TOTAL DEPOSITS WITH BANKS - TOTAL INTERBANK LIABILITIES

E. Profitability Ratios

33. RETURN ON AVERAGE ASSETS (%)	$\frac{\text{NET PROFIT (or LOSS)} \times 100}{\text{AVERAGE TOTAL ASSETS}}$
34. RETURN ON AVERAGE EQUITY (%)	$\frac{\text{NET PROFIT (or LOSS)} \times 100}{\text{AVERAGE TIER ONE CAPITAL} + \text{AVERAGE REVALUATION RESERVE}}$
35. UNDERLYING PROFITS ON AVERAGE ASSETS (%)	$\frac{(\text{OPERATING PROFIT} - \text{INTEREST ON AVERAGE FREE CAPITAL}) \times 100}{\text{AVERAGE TOTAL ASSETS}}$
36. UNDERLYING PROFITS ON AVERAGE EQUITY (%)	$\frac{(\text{OPERATING PROFIT} - \text{INTEREST ON AVERAGE FREE CAPITAL}) \times 100}{\text{AVERAGE TIER ONE CAPITAL} + \text{AVERAGE REVALUATION RESERVE}}$
37. FUNDING COST (%)	$\frac{\text{INTEREST EXPENSE} \times 100}{\text{AVERAGE TOTAL DEPOSITS \& INTERBANK} + \text{AVERAGE MEDIUM/LONG TERM LIABILITIES} + \text{AVERAGE HYBRID CAPITAL INSTRUMENTS} + \text{AVERAGE SUBORDINATED TERM DEBT}}$
38. INTEREST ON AVERAGE EARNING ASSETS (%)	$\frac{\text{INTEREST INCOME} \times 100}{\text{AVERAGE CASH \& 7 DAY} + \text{AVERAGE T-BILLS} + \text{AVERAGE GOVERNMENT SECURITIES} + \text{AVERAGE OTHER LIQUID ASSETS} + \text{AVERAGE TOTAL DEPOSITS WITH BANKS} + \text{AVERAGE MARKETABLE SECURITIES} + \text{AVERAGE NET LOANS}}$
39. INTEREST DIFFERENTIAL (%)	INTEREST ON AVERAGE EARNING ASSETS (%) - FUNDING COST (%)
40. NON-INTEREST INCOME TO GROSS INCOME (%)	$\frac{(\text{GROSS INCOME} - \text{NET INTEREST}) \times 100}{\text{GROSS INCOME}}$
41. OPERATING EXPENSES TO GROSS INCOME (%)	$\frac{\text{OPERATING EXPENSES} \times 100}{\text{GROSS INCOME}}$
42. OPERATING PROFIT GROWTH RATE (YEAR ON YEAR %)	$\frac{(\text{CURRENT YEAR OPERATING PROFIT} - \text{LAST YEAR OPERATING PROFIT}) \times 100}{\text{LAST YEAR OPERATING PROFIT}}$
43. OPERATING PROFIT ON AVERAGE ASSETS (%)	$\frac{\text{OPERATING PROFIT} \times 100}{\text{AVERAGE TOTAL ASSETS}}$
44. RISK PROVISIONING CHARGE TO OPERATING PROFIT (%)	$\frac{\text{PROV. CHARGE FOR DOUBTFUL DEBTS \& DIM. OF INVESTMENTS} \times 100}{\text{OPERATING PROFIT}}$
45. DIVIDEND PAYOUT RATIO (%)	$\frac{\text{DIVIDENDS} \times 100}{\text{NET PROFIT (or LOSS)}}$

Definitions

FREE CAPITAL:-	FREE CAPITAL FUNDS - TIER TWO CAPITAL
STABLE FUNDS:-	TOTAL CUSTOMER DEPOSITS + OFFICIAL DEPOSITS + MEDIUM/LONG TERM LIABILITIES + FREE CAPITAL FUNDS.
QUASI LIQUID ASSETS:-	TOTAL LIQUID ASSETS + TOTAL DEPOSITS WITH BANKS + MARKETABLE SECURITIES.
TOTAL INVESTMENTS:-	MARKETABLE SECURITIES + UNQUOTED INVESTMENTS + NON-FINANCIAL SUBSIDIARIES & AFFILIATES + FINANCIAL SUBSIDIARIES & AFFILIATES.
RISK WEIGHTED ASSETS:-	WEIGHTED TOTAL OF ASSETS APPLYING THE FOLLOWING PERCENTAGES:- 100% Non-OECD medium term deposits, marketable securities, bills discounted & short term loans, medium/long term loans, other loans, non-performing loans, loan-loss provisions, unquoted investments, non-financial subsidiaries & affiliates, fixed assets, other assets, financial guarantees / standby LCs / acceptances. 50% First mortgage loans, bid & performance bonds. 20% Government securities, other liquid assets, up to 1 year deposits with banks, short/other deposits with banks, government guaranteed / collateralised loans, LCs / bank & government guarantees. 10% T-Bills, bonding for banks & governments. 5% Interest rate swaps/bank & government LCs.
GROSS LOANS:-	GOVERNMENT GUARANTEED, FIRST MORTGAGE LOANS, BILLS DISC. & SHORT TERM, MEDIUM/LONG TERM LOANS, OTHER LOANS, NON-PERFORMING LOANS.
EQUITY:-	TIER ONE CAPITAL + ASSET REVALUATION RESERVE

RATINGS DEFINITIONS

Foreign and Local Currency Ratings

Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings for non-sovereign issuers are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to banks and corporates are generally not higher than the local and foreign currency ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

- B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.
- C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.
- RS Regulatory supervision. The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.
- SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
- D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

- A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.
- A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.
- A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

- B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.
- C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.
- RS Regulatory supervision. The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.
- SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.
- D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular bank is, respectively, slightly greater or less than that of similarly rated peers.

Outlook - expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

Qualified - in cases where data and/or co-operation are such that it is not possible to formulate ratings to CI's high standards of robustness and reliability the letter "q" is appended to the ratings.

Financial Strength Ratings

CI's financial strength ratings provide an opinion of a bank's inherent financial strength, soundness and risk profile. These ratings do not address sovereign risk factors, including transfer risk, which may affect an institution's capacity to honour its financial obligations, be they local or foreign currency. Financial strength ratings also exclude support factors, which are addressed by foreign and local currency ratings, as well as CI's support ratings. However, financial strength ratings do take into account the bank's operating environment including the economy, the structure, strength and stability of the financial system, the legal system, and the quality of banking regulation and supervision. Financial strength ratings do not assess the likelihood that specific obligations will be repaid in a timely manner.

The following rating scale applies to the financial strength rating.

- AAA Financially in extremely strong condition with positive financial trends; significant strengths in other non-financial areas. Operating environment likely to be highly attractive and stable.
- AA Financially in very strong condition and significant strengths in other non-financial areas. Operating environment likely to be very attractive and stable.
- A Strong financial fundamentals and very favourable non-financial considerations. Operating environment may be unstable but institution's market position and/or financial strength more than compensate.
- BBB Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment.
- BB One or two significant weaknesses in the bank's financial makeup could cause problems. May be characterised by a limited franchise; other factors may not be sufficient to avoid a need for some degree of temporary external support in cases of extraordinary adversity. Unstable operating environment likely.
- B Fundamental weaknesses are present in the bank's financial condition or trends, and other factors are unlikely to provide strong protection from unexpected adversities; in such an event, the need for external support is likely. Bank may be constrained by weak market position and/or volatile operating environment.
- C In a very weak financial condition, either with immediate problems or with limited capacity to withstand adversities. May be operating in a highly volatile operating environment.
- D Extremely weak financial condition and may be in an untenable position.

Capital Intelligence appends "+" and "-" signs to financial strength ratings in the categories from "AA" to "C" to indicate that the strength of a particular institution is, respectively, slightly greater or less than that of similarly rated peers.

Outlook - expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

Qualified - in cases where data and/or co-operation are such that it is not possible to formulate ratings to CI's high standards of robustness and reliability the letter "q" is appended to the ratings.

Support Ratings

CI's support ratings assess the likelihood that, in the event of difficulties, a bank would receive sufficient financial assistance from the government or private owners to enable it to continue meeting its financial obligations in a timely manner. Support ratings complement CI's financial strength ratings which, in effect, indicate the likelihood that a bank will fail due to inherent financial weaknesses and/or an unstable operating environment and therefore may require external support to avoid defaulting on its obligations. Neither financial strength ratings or support ratings take account of transfer and convertibility risks associated with sovereign events. The overall creditworthiness of an institution and default risk is captured by CI's foreign currency ratings. Foreign currency ratings take into account all factors affecting the likelihood of repayment including inherent financial strength, external support, the operating environment, and sovereign-related risks.

Although subjective, support ratings are based on a thorough assessment of a bank's ownership, market position and importance within the sector and economy, as well as the country's regulatory and supervisory framework and the credit standing of potential supporters.

The following rating scale applies to support ratings.

1. The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.
2. The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.
3. The likelihood of support is high. The ability and willingness of potential supporters to provide sufficient and timely support is strong.
4. The likelihood of support is moderate. There is some uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.
5. The likelihood of support is low. There is considerable uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.