CAPITAL intelligence

BANK RATING

International Bank of Yemen

December 2010

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Bank Rating Report

International Bank of Yemen

Yemen

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The information sources used to prepare the credit ratings are the rated entity and public information. Capital Intelligence had access to the accounts and other relevant internal documents of the issuer for the purposes of the rating but considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. Capital Intelligence does not audit or independently verify information received during the rating process.

The rating has been disclosed to the rated entity and released with no amendment following that disclosure. Ratings on the issuer were first released in November 2006. The ratings were last updated in January 2010. The principal methodology used in determining the ratings is Bank Rating Methodology. The methodology and the meaning of each rating category and definition of default can be found at www.ciratings.com.

Ref: YE00109BNK00-1/12-10

INTERNATIONAL BANK OF YEMEN

Sana'a, Yemen
December 2010

RATINGS

	Current	Last Changed From	Date
Sovereign			
Long-Term:	**B**	B-	Dec-08
Short-Term:	**B**	B	-
Outlook	**Stable**	Stable	-
Foreign Currency			
Long-Term:	**B**	B-	Nov 09
Short-Term:	**B**	B	-
Financial Strength	**B**	B-	Nov 09
Support	**4**	-	-
Outlook			
Foreign Currency	**Stable**	-	-
Financial Strength	**Positive**	Stable	Nov 10

FINANCIAL HIGHLIGHTS

USD (mn) YER (mn)	2009 USD	2009 YER	2008 YER	2007 YER
Total Assets	712	147,606	142,617	125,271
Net Loans	113	23,445	32,126	22,143
Deposits & Interbank	640	132,754	129,785	116,442
Total Capital	51	10,584	8,768	5,794
Gross Income	45	9,334	8,674	7,743
Net Income	12	2,428	2,974	2,038
Exchange Rate: USD/YER		*207.3*	*200.1*	*199.5*

%	2009	2008	2007
NPLs / Gross Loans	44.66	34.59	67.69
LLR / NPL	80.74	73.73	44.03
Capital Adequacy Ratio	20.80	13.20	14.90
Net Loans / Stable Funds	17.06	24.14	18.67
Interest Differential	9.69	13.59	12.35
Cost / Income	24.39	25.28	19.14
ROAA	1.67	2.22	1.81

RATINGS DRIVERS

Supporting the Rating

- Increased capital and associated improvement in capital adequacy ratio
- Despite falling, IBY still records the best return within the peer group
- Very liquid balance sheet

Constraining the Rating

- Non-performing loans represent a very high proportion of total loans. In mitigation, provisioning is adequate and loans form a relatively small percentage of total assets
- Very difficult operating environment and developing regulatory framework
- Earnings dependent upon high margins of government treasury bills
- 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 eleven per cent of banking system assets. In line with the banking sector profile, IBY's loan portfolio is relatively small as a proportion of total assets with the major asset category including Yemeni government treasury bills. Loan asset quality is poor due to a high level of non-performing loans against gross loans. However, the provisioning level is adequate and the gap between unprovided loans and free capital has continued to fall. Much of the bad loans are due to the government's delay in paying contractors; payment is made in the end in most cases but there can be a long delay.

The capital adequacy ratio, itself aided by the high level of treasury bills, improved sharply in 2009 following an increase in paid-up capital. Profitability fell in 2009 mainly due to a higher provision charge combined with a weaker interest differential. The latter was due to the decrease in domestic interest rates which has hit yields, particularly t-bills. Nonetheless, IBY has high margins, aided by a low cost deposit base. Liquidity is sound due to its relatively large deposit base and very high level of liquid assets. Results to end-June 2010 were quite stable. In light of the increased capital position, continued sufficient liquidity profile, and fall in unprovided loans to free capital, a 'Positive' outlook is attached to IBY's Financial Strength Rating which currently stands at 'B'. IBY's Long-term Foreign Currency and Short-term Foreign Currency Rating are maintained at 'B' and 'B' respectively, and which are both at the

Sovereign Rating level. The ratings reflect the very challenging operating environment. The Support Rating of '4' is also confirmed.

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 eighteen other branches (Sana'a, 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 Besher (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 Besher	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 major Yemeni shareholders include Hayel Saeed Anam and Abdil Khaliq Saeed, each owning less than 5%.

Banking Sector and Operating Environment

Yemen Economy

Real GDP growth in the Yemeni economy strengthened from 4.5% in 2008 to 4.7% in 2009. Growth in the non oil sector decreased from 7.0% in 2008 to 6.7% in 2009, as a result of the adverse effects of the financial crisis. Inflation, as measured by the CPI, fell from 19% in 2008 to 5.4% in 2009. The domestic and external financing of the budget showed that the fiscal deficit increased from 2.7% of GDP in 2008 to 8.3% in 2009, mainly as a result of the fall of international oil prices. The decrease in public revenues, primarily owing to lower government oil export revenues, was the cause behind the higher fiscal deficit in 2009. In 2009, the government's share of oil exports was 30.9 million barrels amounting to USD1.96 billion, compared with 44.5 million barrels and USD4.4 billion in 2008. As a result, external public debt rose from 19% of GDP in 2008 to 20.6% in 2009, while domestic public debt increased from 12.5% to 21% of GDP during the same period. These ratios are still reasonable.

In 2009, the Central Bank of Yemen aimed to strike a balance between containing inflationary pressures and at the same time stimulating economic activity. The benchmark minimum interest rate on local currency deposits was lowered to 12% in January 2009. When inflation continued to fall, the benchmark rate was further reduced to 10% in May 2009.

Compulsory reserve requirement on foreign currency deposits was kept unchanged at 20% and bearing no interest. Compulsory reserve requirement on local currency deposits was also unchanged at 7% and without interest. In the same context, money supply growth fell from 13.7% in 2008 to 10.6% in 2009. Domestic liquidity growth in 2009 was caused by an increase in net domestic assets and a decrease in net foreign assets of the banking system, with the first factor contributing 133% to the expansion and the second factor to its reduction by 33%. In 2009, the Central Bank of Yemen continued its intervention in the foreign exchange market, in order to meet foreign currency demand, absorb excess liquidity and relieve inflationary pressures in the economy. The dollar strengthened against the Yemeni Rial by about 3.6% in 2009, while the average increase was in the region of 1.5%. The dollar closed at a rate of YER207.32 at the end of the year compared to YER 200.08 at the end of 2008.

The current account deficit increased from USD1.25 billion in 2008 to USD2.56 billion in 2009, as a result of lower crude oil exports. The capital account, on the other hand, registered a deficit of USD312mn in 2009 against a surplus of USD1.8 billion the previous year. Generally speaking, oil exports have a profound effect on the external accounts. International oil prices kept falling in 2009 averaging USD63.5 a barrel compared to USD98.9 in 2008.

Gross foreign reserves of the Central Bank decreased from USD8.2 billion at the end of 2008 to USD6.9 billion at end 2009. In 2009, gross domestic public debt increased to 21% of GDP, while net domestic public debt amounted to 15.8% of GDP. Treasury bills and bonds are the main instruments for borrowing in the primary market. 52.3% of the total outstanding external debt is owed to multilateral donor institutions and given to Yemen on concessionary conditions, particularly the credits extended by IDA.

Bank credit to the private sector declined by 4.6% in 2009. In 2009, banks invested 69.2% of their assets in treasury bills, Central Bank balances and foreign bank placements compared with 66% in 2008.

The consolidated balance sheet of the commercial and Islamic banks increased in 2009 by 8.5 % to reach a total of YER1.6 billion, compared with an increase of 19% in the previous year. As a ratio of total assets, gross foreign assets increased from 20% in the end of 2008 to 25.5% at the end of 2009. Bank reserves (currency in bank vaults and balances at the Central Bank) increased by YER 18 billion or 8% in 2009 to reach a level of YER233 billion compared with YER 215 billion at the end of 2008. This is attributed to the increase in deposits in local and foreign currencies. Loans and advances grew by 37% in 2009 to YER 940 billion. This is attributable to the increase in gross claims on government by 102%. Private sector credit in 2009, YER404 billion, was 5% lower than the previous year.

Bank intermediation is still limited in Yemen; private sector credit represented 24% of total assets at the end of 2009. Total deposits in 2009 increased by 9% to YER1,342 billion (excluding non-resident deposits), compared with a growth of 17% in the previous year. Rial demand deposits and foreign currency deposits grew by 9% and 16% respectively. Most banks have raised their capital, in accordance with Central Bank Decree No. 12 for the year 2004, relating to the raising of bank capital to YER 6 billion by end 2009.

Short term loans and advanced declined from 40% of total facilities in 2008 to 34% in 2009, while medium and long term loans rose from 5.5% in 2008 to 10.5% in 2009. The investments of Islamic banks increased from 40% of total credit in 2008 to 42% in 2009.

Political challenges remain, including adversarial groups operating within the country, and Yemen's conflict in the northern region of the country continues.

Current Business Model IBY

Most of the Bank's current activities are simple banking services including trade finance and 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 19 branch network. In regard to technology systems, IBY is ahead of most other domestic banks in Yemen. The Bank offers credit cards (AMEX, Visa Card and soon Mastercard), and personal loans such as car loans and salary-linked loans. Currently, the retail market is much undeveloped in Yemen and IBY is the first bank to begin offering retail services. 2 branches were added in 2009 together with additional ATMs and POS.

Operational tasks, systems and procedures are being enhanced through the help of Deloitte. The Bank is electronically linked to the SWIFT network that 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 on line environment.

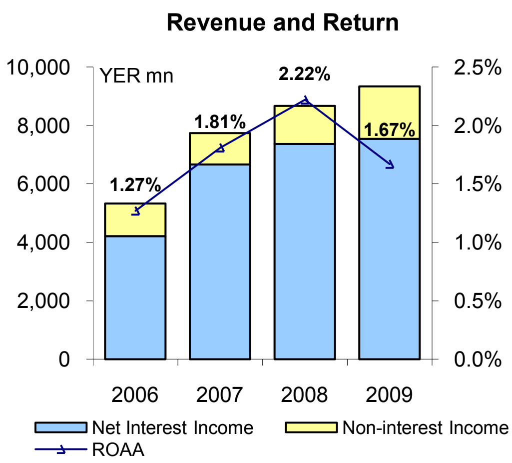
Principal Business Strategies

IBY's principle strategy is to continue to grow the 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. On the funding side, customer deposits will remain by far the main source of funding.

KEY FINANCIAL ISSUES

The financial statements for the financial year ending 31 December 2009 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



A decline in returns occurred in 2009 from the Bank's record high level in 2008. This reflected a higher provision charge as well as narrower margins due to the decline in market interest rates. IBY's return on assets declined in 2009, falling to 1.67% from the previous year's high of 2.22%. The main factor causing the decrease was the weaker margin which narrowed by 390bp (see below), reflecting the decrease in domestic interest rates. Net interest income rose by just 2.5% to YER7,545mn (USD36mn) from YER7,363mn previously. Non-interest income accelerated by a healthy 36%, to YER1,789mn, aided by stronger fee and commission income from brokerage fees and commission on visa card transactions. Operating profit recorded a 9% improvement, to YER7,057mn (USD34mn). The higher provision charge, which was up by 48% to YER3,078mn, eroded operating profit and in turn negatively impacted the bottom line. Overall, net profit for the year was YER2,428mn (USD11.7mn), a decline of 18% year on year.

IBY's interest income fell by 5% in 2009, to YER14,713mn, as earnings were impacted by falling rates on interest earning assets, reflecting both domestic, in particular, and global market conditions where interest rates were reduced in order to support economic growth.

As was the case at most Yemeni banks in 2009, there was a noted strategic asset allocation shift from Central Bank of Yemen Certificates of Deposits to Yemeni government Treasury Bills due to better yields in the case of the latter. As a result, interest on Yemen T-bills increased to YER9,843mn from YER5,885mn in the previous year. Interest on CBY CDs was YER971mn against YER5,293mn in the previous year. Interest on loans was flat at YER3,804mn (2008: YER3,756mn) due to both the decline in the loans and advances and the decline in interest rates charged. More significant was the decrease in interest due from banks which fell to YER94mn from YER484mn, again due to the decline in bank deposit interest rates in 2009.

The above movements contributed to a significant narrowing in IBY's interest differential in 2009. It narrowed from 13.59% in 2008 to 9.69% in 2009, a decline of a hefty 390bp. Interest on average earning assets reduced to 15.15%, a fall of 498bp from 2008. Average interest rates on Yemeni treasury bills were 13.22% in 2009, a noted fall from the 15.09% in 2008 (and 15.87% in 2007). Average interest rates on loans were 19% (2008: 18.0%) in 2009.

Funding costs declined by 108bp, to 5.46% in 2009. IBY's customer deposit base, and hence its funding base as customer deposits dominate the funding profile, is relatively low cost. Current accounts, which do not pay any interest, amounted to YER55,444mn at end 2009. Time and demand deposits (YER68,450mn) pay 12.0% (2008: 13.0%).

Despite the noted decline in the interest differential, IBY still displays the widest interest differential in the peer group. This is largely due to its higher interest on average earning assets.

Non-interest income led by fee and commission sources again records improvement. Fee and commission income rose by a strong 23% in 2009, to YER1,202mn (USD5.8mn). This income source is derived from a wide range of lines but includes mainly fund transfer fees, commission on LCs and LGs, Western Union transfers, brokerage fees and Visa card fees. Commission on transfers of funds rose to YER346mn in 2009 from YER290mn previously. Brokerage fees improved to YER204mn in 2009. Visa card commission expanded to YER131mn from YER98mn due to higher volumes. Commission from letters of guarantee declined slightly, from YER364mn to YER341mn due to lower volumes.

Foreign currency transactions recorded a profit of YER360mn in 2009 against YER261mn in 2008. Other income includes rent revenue (YER87mn) and provisions written back (YER137mn). The latter rose from YER52mn previously.

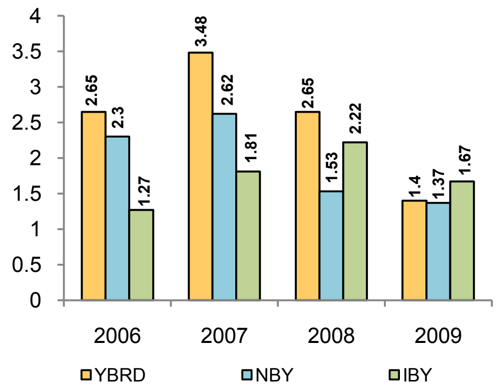
The improvement in fee and commission income resulted in non-interest income to gross income rising to 19.2% from 15.1% previously but nonetheless remains low overall, illustrating the still low level of banking development.

Small increase in operating expenses in 2009 following significant rises in the previous few years; the expense base is low. Total expenses increased by just 3.8% in 2009 (2008: 48%) to YER2,276mn. This represented a lower 1.57% of average total assets (2008: 1.64%) and 24.39% (2008: 25.28%) of gross income. The main expense is salaries, at YER930mn, and which rose by 12% in 2009 (32% in 2008), reflecting both higher remuneration and slightly increased headcount. Higher costs in 2008 also included a 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 Zakat department for all outstanding obligations. The Zakat charge was a much lower YER10.5mn in 2009. This was negated somewhat by higher discretionary marketing costs which rose to YER168mn from YER44mn.

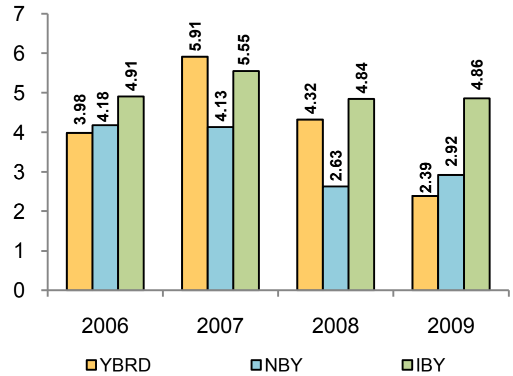
Significantly higher provision charge for doubtful debts in 2009. IBY's provision charge rose by 48% to YER3,078mn (USD14.8mn) in 2009. This formed a higher 43.6% (2008: 32%) of operating profit. The provisions are mainly for loans (YER2,325mn in 2009 against YER1,733mn in 2008) together with contingent claims (YER650mn against YER211mn in 2008).

Despite the fall in returns in 2009, IBY still records the highest returns amongst direct peer banks, as seen below:

Return on Average Assets %



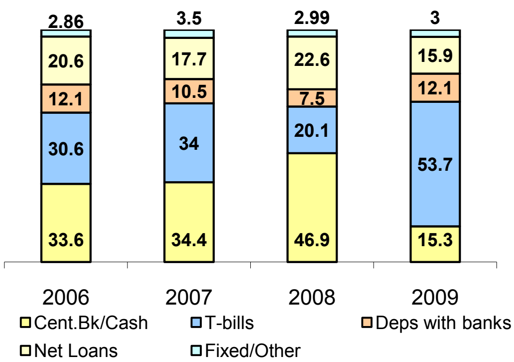
Operating Profit on Average Assets



BALANCE SHEET

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

Asset Composition (%)



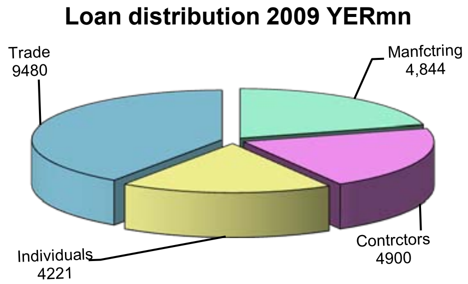
Significant base- relative to the balance sheet- of government treasury bills and central bank placements. Treasury bills mainly have maturities up to 90 days (YER24,795mn), with treasury bills under repurchase also under 90 days (YER9,617mn). Treasury bills due within 180 days amounted to YER15,976mn, with the remainder (YER28,899) 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 within 100bp of the original rate. Central bank placements, including cash, reserve deposits, and Yemeni treasury bills represent a very high 66% of the balance sheet. Over 43% of the balance sheet has asset maturities under three months.

Cash on hand and reserve balances with the Central Bank of Yemen were a further YER17,409mn at end 2009. The reserve balances held with the CBY represent the minimum reserve requirements against customer's accounts in Yemen Rial of 7% and foreign currencies of 20%. These funds are not available for the Bank's daily business.

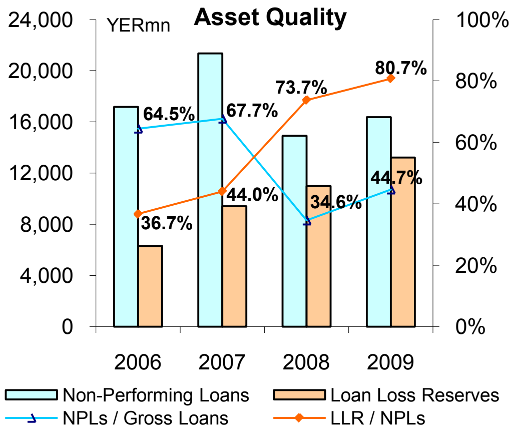
Bank Deposits. Due from banks at 12.1% of total assets or YER17,795mn (USD86mn) are mainly current accounts (YER10,017mn) and short-term time deposits (YER7,778mn) with large foreign banks such as Lloyds, HSBC, Bank of New York, Citibank, and Commerzbank. These are the only assets held outside Yemen and are linked with its trade finance contingent operations.

88% of total assets are Yemen-based with the remaining 12% in the US, Europe and Middle East / Asia representing bank placements. Total Yemen government exposure was 69% at end 2009.
Net loans fell by 27% in 2009 as the Bank took an even more cautious approach to lending. Loans remain very low against total assets at just 15.9% (2008: 22.5%). Net loans amounted to YER23,445mn (USD113mn) at the year-end.



Most of the loan portfolio is directed towards the trade sector which formed 40% of the total portfolio. This is followed by contractors at 21%, manufacturing at 21% and individuals at 18%. Most loans are on an overdraft basis.

By term, all loans are short-term at less than one year. 41% is due within three months and a further 27% within six months.



IBY continues to carry a significant amount of non-performing loans against gross loans but the level of risk is mitigated by the fact that loans are a very small part of total assets. IBY's loan asset quality is characterised by a very high level of non-performing loans (NPLs), as has been the case for some years. As at end 2009, NPLs amounted to YER16,376mn (USD79mn) following a rise of 10% year-on-year. This formed a very high 45% of gross loans at end 2009 against 35% previously. Although in gross numbers bad loans did rise, the overall ratio to gross loans was exacerbated by the fact that the total portfolio declined by around 27%. The Bank's NPL 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).

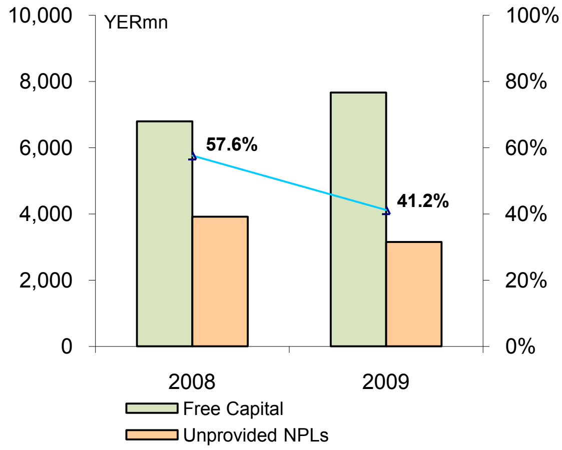
Loans are classified as non-performing at three months past due and are called sub-standard. Doubtful loans are six months past due with loss loans greater than one year past due.

IBY management state that the vast majority of non-performing loans 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 IBY's loan portfolio in connection to collateral and securities can be divided into the following groups:

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

The remainder of loans are granted against real estate mortgages.



Provisioning is adequate. IBY's provisioning level is viewed as adequate (and management state that provisioning levels meet regulatory requirements). Loan loss provisions to non-performing loans were at a sound 80.7% at end 2009 (2008: 73.7%). The key ratio un-provided loan loss provisions to free capital fell to 41% from 58% previously.

Sub-standard debts require 15% provisioning with doubtful debts (180 days to 1 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. 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 non-performing loans and the required amount of provisions.

YER (000)	2009	2008	Change %
Substandard debts	1,835,592	3,101,987	-40.83
Doubtful debts	3,155,124	2,638,208	19.59
Bad debts	11,385,544	9,173,536	24.11
Total	**16,376,260**	**14,913,731**	**9.81**

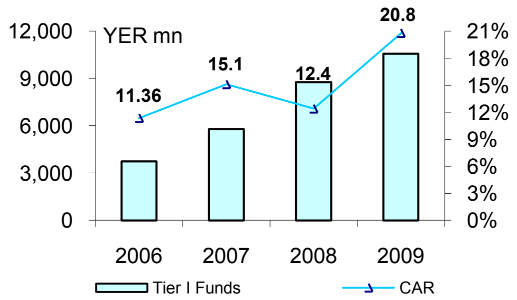
Related-party transactions. Related party loans stood at YER6,540mn at end 2009. This represented a lower 62% of total capital. At 62%, the level is considered on the high side but the nonetheless the percentage has shown a decline over the last four years. Moreover, the level of related party customer deposits has been fairly consistent.

YER (mn)	2009	2008	2007	2006
Loans & Advances	6,540	6,863	3,781	5,045
Deposits	5,371	3,018	3,114	3,308
Total Capital	10,584	8,768	5,794	3,756
Related-party Loans / Total capital	**62%**	**78%**	**65%**	**134%**

IBY is subject to the normal single borrower limitations, which the CBY requires, not to exceed 25% of capital exposure to any one entity and 100% for connected parties in total. The Bank meets this requirement. IBY states that the vast majority of related party loans are performing.

Large increase in capital adequacy ratio in 2009 following an injection of capital together with lower risk-weighted assets; risk weighted asset ratio is well above regulatory minimum level of 8%. IBY's capital position improved noticeably in 2009 due to the rise in paid-up capital. Total capital rose by 21% to YER10,584mn (USD51mn). Paid-up capital was YER7 billion with previous retained earnings of YER1.9 billion transferred to capital during the year.

Capital Composition & Adequacy



Total risk weighted assets and contingent liabilities and commitments fell to YER52,839mn in 2009 against YER71,841mn previously. The fall was due mainly to the decline in loans and contingent liabilities. The high level of Yemen treasury bills benefits the capital adequacy ratio due to low risk weighting. IBY's capital adequacy ratio (Basel 1 standard) was 20.8% at end 2009 against 12.4% previously. The Central Bank of Yemen set a target minimum capital of YER6 billion for all commercial banks by end-2009 and thus IBY met this.

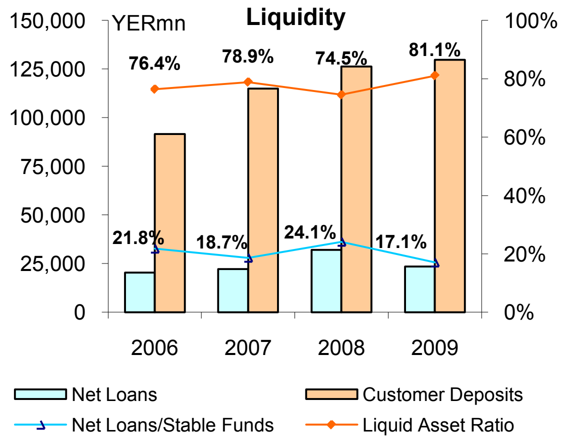
IBY's very liquid asset base profile is due to high level of treasury bills. IBY has good liquidity, as does most Yemeni banks, on the back of the low proportion of total assets formed by loans and advances together with a significant proportion of assets allocated to government treasury bills. As mentioned above, there is a rediscount facility with the central bank for the treasury bills. The vast majority of assets are very short-term with YER84mn or 59% maturing within three months.

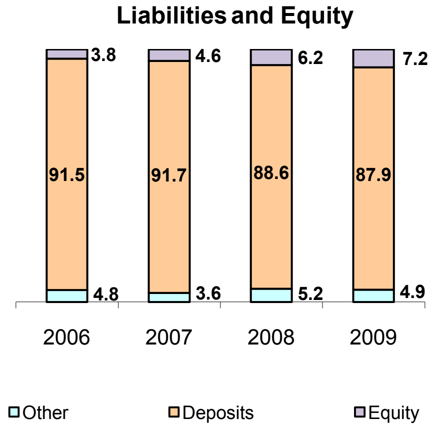
All liquidity ratios are solid owing to the structure of both assets and liabilities. The loans to customer deposits ratio was only 18% at the year-end. The liquid assets ratio was a high 81%. Nearly all of the Bank's funding is derived from customer deposits which represented 88% of total liabilities and capital at end 2009. There is no reliance on the interbank market. IBY's customer deposits rose by a modest 3% in 2009 to YER129,792mn (USD626mn). As noted, the Bank's customer deposit base comprises a high proportion of zero cost current or demand accounts at YER55,443mn or 43% of total deposits. By sector, YER46,693mn or 36% are connected to corporations, 24% to public and mixed sectors, 20% to individuals with 19.6% to others.

Gap Analysis. The maturity of assets and liabilities up to three months, and in fact at all time frames, shows a comfortable position. By maturity, the Bank is asset sensitive by some YER10,371mn at three months, reflecting its high short liquidity through cash and treasury bills. Other time buckets are also sound. Overall, 99% of assets are due under one year.

By interest rate exposure, the profile also indicates assets re-pricing at the short-end with positive gap at three months standing at YER29,570mn or 20% of total assets, rising to YER46,946 (32%) on a cumulative basis at six months. As a result, the bank is naturally exposed to declines in interest rates. Mitigating this is the fact that YER60,470mn of customer deposits are non-interest sensitive.

The Central Bank of Yemen sets prudential limits in relation to capital and reserves on net Forex open positions of 15% for an individual currency and 25% in aggregate. At the year-end the deficit (short) position, mainly in US dollars, was YER2,903mn which represented 27% of total capital and reserves which was reduced following hedging.





Current Year Update (1H 2010)

The following figures are provided by IBY management and are unaudited.

YER (mn)	H1 2010	2009	Δ%
Total Assets	177,364	147,606	20.16
Net Loans	28,454	23,445	21.36
NPLs	17,327	16,376	5.81
Customer Deposits	156,673	129,792	20.71
Total Capital	10,584	10,584	-
%		**H1 2010**	**2009**
NPL / Gross Loans		41.58	44.66
LLR / NPL		76.30	80.74
Capital Adequacy Ratio		17.10	20.80
Net Interest Margin		NA	9.69
Net Loans / Customer Deposits		18.16	18.06
Cost To Income		25.10	24.39
ROAA		NA	1.67

YER (mn)	H1 2010	H1 2009	Δ%
Net Interest Income	3,277	3,358	-2.41
Non Interest Income	779	705	10.51
Gross Income	**4,056**	**4,063**	**-0.17**
Operating Expenses	1,018	927	9.82
Operating Profit	**3,038**	**3,136**	**-3.13**
Provision Charges	NA	NA	-
Gross Profit	NA	NA	-
Income Tax	NA	NA	-
Net Profit	**NA**	**NA**	**-**

Performance

IBY's first half performance in 2010 appeared reasonable although gross and operating profit remained subdued. Total assets increased by 20% or YER29,758mn (USD144mn) driven by customer deposits rising by 21% to YER156,673mn. Asset growth was seen in treasury bills (up by approximately YER22,700mn) and loans (up by YER5,009mn). The latter was on the back of increased short-term trade finance facilities. Despite the increase in loans, net loans remained modest against total assets, standing at 16%. Against customer deposits it also remained low, at 18%.

Non-performing loans increased by 5.8% to YER17,327mn as at end-June 2010. As a proportion of total loans, NPLs fell marginally to 41.6% against 44.7% at end 2009, owing to the growth in gross loans.

Total capital remained at the same position as at end 2009. Due to the rise in risk-weighted assets, the capital adequacy ratio (Basel 1) declined but remained comfortable at 17.1% at end-June 2010.

Despite the growth in assets, net interest income fell marginally, by 2.4% to YER3,277mn. Again, the factor behind the slight decline was slightly lower average interest rates during H1 2010 compared to

2009. Non-interest income, specifically fee and commission income recorded a rise of 10.5% due to higher fees from drafts and cheques and foreign exchange transactions.

Operating expenses grew by 9.8% from the corresponding period of 2009, again mainly through staff and administrative expenses. The cost to gross income ratio was broadly steady at 25% however.

'Operating' profit was YER3,038mn or 3% lower than H1 2009. IBY does not provide any interim provisioning or tax charges and thus a net profit is not available. Total provisions were stated at YER13,221mn (ie. the figure as at end December 2009) and thus the provision coverage was an adequate 76%.

IBY has provided some headline Q3 figures, including total assets of YER178,060mn and net loans of YER29,920mn. Non-performing loans was stated to have remained the same at YER17,327mn whilst provisions had risen to YER14,171mn.

OUTLOOK

IBY, and Yemeni banks in general, have continued to record relatively steady performances over recent time despite the ongoing domestic and international challenges. On the domestic front, although a number of political pressures remain in force, the Yemen economy has continued to grow at above 4% and growth this year and next is still expected to remain above this level. Returns have moderated for IBY over recent time due to the fall in interest rates which has impacted margins. On a positive note, interest rates have probably not bottomed in the current cycle. Another major hurdle remains the difficult lending environment. IBY's NPLs rose in 2009 but have remained steady in 2010. As a result, the provision charge is expected to be lower than the level seen last year. The returns are expected are forecast to be broadly in line with those of last year.

INTERNATIONAL BANK OF YEMEN Y.S.C

YE01

PERFORMANCE RATIOS	External Audit	AUD 12/2009	AUD 12/2008	AUD 12/2007	AUD 12/2006
A .	**SIZE FACTORS**				
1 .	Total Assets (USD 000)	712,008	712,798	627,800	504,826
2 .	Total Capital (USD 000)	51,053	43,824	29,037	18,920
B .	**ASSET QUALITY**				
3 .	Total Assets Growth Rate (Year on Year %)	3.50	13.85	25.01	47.91
4 .	Loan-Loss Reserve to Gross Loans (%)	36.06	25.50	29.80	23.65
5 .	Non-Performing Loans to Gross Loans (%)	44.66	34.59	67.68	64.45
6 .	Loan-Loss Reserve to Non-Performing Loans (%)	80.74	73.73	44.03	36.69
7 .	Unprovided Non-Performing Loans to Free Capital (%)	41.18	57.63	325.71	671.25
8 .	Loan-Loss Provision Charge on Gross Loans (%)	8.39	4.81	10.59	7.38
9 .	Reserve for Dimin. of Investments to Total Investments (%)				
10 .	Related Party Assets to Total Capital (%)		78.27	65.26	134.34
11 .	Total Contingents on Total Assets (%)	28.94	34.14	24.35	31.32
C .	**CAPITAL ADEQUACY**				
12 .	CI Risk Asset Ratio (%)	10.37	8.45	6.65	3.19
13 .	Estimated BIS Risk Asset Ratio (%)	12.63	10.61	9.55	6.48
14 .	Estimated BIS RAR on Tier One Capital (%)	12.63	10.61	9.55	6.48
15 .	Actual Risk Asset Ratio to Local Standards (%)	20.80	13.20	14.90	11.36
16 .	Internal Capital Generation (%)	22.94	26.94	35.18	28.42
17 .	Total Capital Growth Rate (Year on Year %)	20.71	51.33	54.28	39.70
18 .	Total Capital to Total Assets (%)	7.17	6.15	4.63	3.75
19 .	Total Capital to Gross Loans (%)	28.87	20.33	18.37	14.11
20 .	Free Capital Funds (YER 000)	7,661,737	6,798,840	3,668,179	1,618,343
21 .	Estimated BIS RAR Shortfall (YER 000)	0	0	0	797,308
22 .	Risk Weighted Assets on Total Footings (%)	39.83	43.09	36.54	39.88
D .	**LIQUIDITY**				
23 .	Net Loans to Total Deposits (%)	17.66	24.75	19.02	21.57
24 .	Net Loans to Total Customer Deposits (%)	18.06	25.44	19.27	22.17
25 .	Net Loans to Stable Funds (%)	17.06	24.14	18.67	21.79
26 .	Customer Deposits to Total Deposits (%)	97.77	97.31	98.69	97.31
27 .	Liquid Asset Ratio (%)	81.05	74.51	78.87	76.43
28 .	Quasi-Liquid Asset Ratio (%)	81.05	74.51	78.87	76.43
29 .	FX Currency Assets to FX Currency Liabilities (%)				
30 .	FX Currency Loans to FX Currency Deposits (%)				
31 .	Interbank Assets to Interbank Liabilities (%)	600.82	306.33	857.30	480.31
32 .	Net Interbank Assets (YER 000)	14,833,313	7,210,822	11,566,523	9,624,644
E .	**PROFITABILITY**				
33 .	Return on Average Assets (%)	1.67	2.22	1.81	1.27
34 .	Return on Average Equity (%)	25.09	40.85	42.69	33.13
35 .	Underlying Profits on Average Assets (%)	4.20	4.25	5.18	4.76
36 .	Underlying Profits on Average Equity (%)	63.04	78.09	122.33	123.97
37 .	Funding Cost (%)	5.46	6.54	6.60	5.31
38 .	Interest on Average Earning Assets (%)	15.15	20.13	18.95	14.68
39 .	Interest Differential (%)	9.69	13.59	12.35	9.38
40 .	Non-Interest Income to Gross Income (%)	19.17	15.12	13.90	20.93
41 .	Operating Expenses to Gross Income (%)	24.39	25.28	19.14	22.65
42 .	Operating Profit Growth Rate (%)	8.89	3.53	51.93	79.73
43 .	Operating Profit on Average Assets (%)	4.86	4.84	5.55	4.91
44 .	Risk Provisioning Charge to Operating Profit (%)	43.61	32.01	53.36	52.28
45 .	Dividend Payout Ratio (%)	0.00	20.58	0.00	0.00
	RATES				
	Exchange Rate (Units per USD)	207.310	200.080	199.540	198.500
	Inflation Rate (%)	11.15	13.00	10.00	20.80
	Imputed Interest Rate on Free Capital (%) (Treasury Bill Rate)	13.25	15.20	15.86	15.65

NOTES:

BALANCE SHEET - ASSETS (YER 000)

RISK WGHT	External Audit	12/2009 USD 000	AUD 12/2009	AUD 12/2008	AUD 12/2007	AUD 12/2006	Growth (%) 12/2009	12/2008	12/2007	12/2006	Breakdown (%) 12/2009	12/2008	12/2007	12/2006
	LIQUID ASSETS:													
0%	Cash & 7 Day			2,199,886	1,641,965	1,128,287		33.98	45.53	-26.61		1.54	1.31	1.13
0%	Central Bank	108,784	22,552,107	64,670,656	41,481,955	32,685,923	-65.13	55.90	26.91	115.58	15.28	45.35	33.11	32.62
10%	Treasury Bills	382,461	79,288,083	28,689,995	42,585,284	30,616,158	176.36	-32.63	39.09	19.54	53.72	20.12	33.99	30.55
20%	Government Securities													
20%	Other													
	TOTAL LIQUID ASSETS	491,246	101,840,190	95,560,537	85,709,204	64,430,368	6.57	11.49	33.03	52.28	68.99	67.01	68.42	64.30
	DEPOSITS WITH BANKS:													
20%	Short - Up to 1 Year	85,838	17,795,107	10,705,580	13,093,866	12,155,357	66.22	-18.24	7.72	66.94	12.06	7.51	10.45	12.13
20%	Short - Other/CD's													
100%	Non - OECD Medium Term													
	TOTAL DEPOSITS WITH BANKS	85,838	17,795,107	10,705,580	13,093,866	12,155,357	66.22	-18.24	7.72	66.94	12.06	7.51	10.45	12.13
100%	MARKETABLE SECURITIES													
	LOANS AND ADVANCES:													
20%	Government Guaranteed													
50%	First Mortgage Loans													
100%	Bills Disc. & Short Term	97,872	20,289,781	28,207,733	10,195,441	9,462,623	-28.07	176.67	7.74	22.68	13.75	19.78	8.14	9.44
100%	Medium/Long Term													
100%	Other - Accounts Receivable													
100%	Non-Performing Loans	78,994	16,376,260	14,913,731	21,346,233	17,158,062	9.81	-30.13	24.41	34.44	11.09	10.46	17.04	17.12
100%	Loan-Loss Reserve	-63,776	-13,221,493	-10,995,685	-9,398,559	-6,295,013	20.24	16.99	49.30	32.36	-8.96	-7.71	-7.50	-6.28
	NET LOANS AND ADVANCES	113,089	23,444,548	32,125,779	22,143,115	20,325,672	-27.02	45.08	8.94	29.30	15.88	22.53	17.68	20.28
100%	UNQUOTED INVESTMENTS													
100%	NON-FINANCIAL SUBS & AFFILS.													
	FINANCIAL SUBS & AFFILIATES	4,864	1,008,306	20,404	356,661	354,944	4,841.71	-94.28	0.48	203.25	0.68	0.01	0.28	0.35
100%	FIXED ASSETS	9,231	1,913,694	1,948,969	1,769,238	1,782,345	-1.81	10.16	-0.74	5.55	1.30	1.37	1.41	1.78
100%	OTHER ASSETS	7,739	1,604,442	2,255,412	2,199,032	1,159,353	-28.86	2.56	89.68	83.59	1.09	1.58	1.76	1.16
	TOTAL ASSETS	712,008	147,606,287	142,616,681	125,271,116	100,208,039	3.50	13.85	25.01	47.91	100.00	100.00	100.00	100.00
	CONTINGENT ACCOUNTS:													
100%	Fin. Gtees/SLCs/Acceptances	173,747	36,019,422	39,189,303	22,284,932	21,797,605	-8.09	75.86	2.24	10.12	84.33	80.50	73.06	69.45
50%	Bid & Performance Bonds													
20%	LCs/Bank & Govt Guarantees	32,295	6,695,179	9,493,959	8,217,227	9,586,447	-29.48	15.54	-14.28	-33.97	15.67	19.50	26.94	30.55
10%	Bonding for Banks & Govts													
5%	IR Swaps/Bank & Govt LCs													
	TOTAL CONTINGENT ACCOUNTS	206,042	42,714,601	48,683,262	30,502,159	31,384,052	-12.26	59.61	-2.81	-8.53	100.00	100.00	100.00	100.00
	TOTAL FOOTINGS	918,050	190,320,888	191,299,943	155,773,275	131,592,091	-0.51	22.81	18.38	28.94	-	-	-	-
	RISK WEIGHTED ASSETS	365,679	75,808,972	82,428,370	56,917,064	52,474,952	-8.03	44.82	8.47	17.25	-	-	-	-

BALANCE SHEET - LIABILITIES (YER 000)

	USD 000	12/2009	12/2008	12/2007	12/2006	12/2009	12/2008	12/2007	12/2006	12/2009	12/2008	12/2007	12/2006
INTERBANK LIABILITIES:													
Current & 7 Day	14,287	2,961,794	2,085,145	31,018		42.04	6,622.37			2.01	1.46	0.02	
Short Term Debts			1,409,613	1,496,325	2,530,713		-5.79	-40.87	43.00		0.99	1.19	2.53
Other													
TOTAL INTERBANK LIABILITIES	14,287	2,961,794	3,494,758	1,527,343	2,530,713	-15.25	128.81	-39.65	43.00	2.01	2.45	1.22	2.53
CUSTOMER DEPOSITS:													
Demand	267,444	55,443,757	46,596,169	43,255,988	39,685,631	18.99	7.72	9.00	48.83	37.56	32.67	34.53	39.60
Savings	43,831	9,086,681	8,119,600	8,063,963	7,317,458	11.91	0.69	10.20	16.01	6.16	5.69	6.44	7.30
Time	286,352	59,363,617	64,843,401	58,316,549	39,201,029	-8.45	11.19	48.76	59.00	40.22	45.47	46.55	39.12
Other	28,450	5,898,011	6,731,393	5,277,981	5,475,104	-12.38	27.54	-3.60	34.44	4.00	4.72	4.21	5.46
TOTAL CUSTOMER DEPOSITS	626,077	129,792,066	126,290,563	114,914,481	91,679,222	2.77	9.90	25.34	48.59	87.93	88.55	91.73	91.49
OFFICIAL DEPOSITS													
TOTAL DEPOSITS + INTERBANK	640,364	132,753,860	129,785,321	116,441,824	94,209,935	2.29	11.46	23.60	48.43	89.94	91.00	92.95	94.01
OTHER LIABILITIES	20,591	4,268,690	4,063,147	3,035,214	2,242,472	5.06	33.87	35.35	40.93	2.89	2.85	2.42	2.24
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	33,766	7,000,000	5,100,000	3,400,000	3,400,000	37.25	50.00	0.00	51.11	4.74	3.58	2.71	3.39
Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Reserves	17,287	3,583,737	3,668,213	2,394,078	355,632	-2.30	53.22	573.19	-18.87	2.43	2.57	1.91	0.35
TOTAL TIER ONE CAPITAL	51,053	10,583,737	8,768,213	5,794,078	3,755,632	20.71	51.33	54.28	39.70	7.17	6.15	4.63	3.75
TOTAL CAPITAL	51,053	10,583,737	8,768,213	5,794,078	3,755,632	20.71	51.33	54.28	39.70	7.17	6.15	4.63	3.75
TOTAL LIABILITIES AND CAPITAL	712,008	147,606,287	142,616,681	125,271,116	100,208,039	3.50	13.85	25.01	47.91	100.00	100.00	100.00	100.00

PROFIT AND LOSS ACCOUNT (YER 000)

	USD 000	12/2009	12/2008	12/2007	12/2006	Growth (%) 12/2009	12/2008	12/2007	12/2006	% of Average Total Assets 12/2009	12/2008	12/2007	12/2006
Interest Income	70,971	14,712,962	15,418,528	13,617,870	8,396,458	-4.58	13.22	62.19	44.96	10.14	11.51	12.08	10.00
Interest Expense	-34,578	-7,168,303	-8,055,837	-6,951,172	-4,183,808	-11.02	15.89	66.14	19.59	-4.94	-6.01	-6.17	-4.98
Net Interest	36,393	7,544,659	7,362,691	6,666,698	4,212,650	2.47	10.44	58.25	83.66	5.20	5.50	5.91	5.02
Fees and Commissions	5,796	1,201,642	973,678	816,155	845,062	23.41	19.30	-3.42	21.48	0.83	0.73	0.72	1.01
FX Trading Income	1,735	359,675	261,331	188,713	204,916	37.63	38.48	-7.91	4.74	0.25	0.20	0.17	0.24
Dealing Securities Income													
Other Investment Income			465	-759			161.26				0.00	0.00	
Other Income	1,099	227,849	75,759	71,781	64,827	200.76	5.54	10.73	-1.73	0.16	0.06	0.06	0.08
Non Interest Income	8,630	1,789,166	1,311,233	1,075,890	1,114,805	36.45	21.87	-3.49	16.46	1.23	0.98	0.95	1.33
GROSS INCOME	45,024	9,333,825	8,673,924	7,742,588	5,327,455	7.61	12.03	45.33	63.87	6.43	6.48	6.87	6.34
Administrative Expenses	9,173	1,901,601	1,828,509	1,178,386	1,030,287	4.00	55.17	14.37	72.43	1.31	1.37	1.05	1.23
Depreciation	1,148	238,028	209,525	191,993	176,391	13.60	9.13	8.85	13.97	0.16	0.16	0.17	0.21
Other Expenses	660	136,836	154,431	111,671		-11.39	38.29			0.09	0.12	0.10	
OPERATING EXPENSES	10,981	2,276,465	2,192,465	1,482,050	1,206,678	3.83	47.93	22.82	25.93	1.57	1.64	1.31	1.44
OPERATING PROFIT	34,043	7,057,360	6,481,459	6,260,538	4,120,777	8.89	3.53	51.93	79.73	4.86	4.84	5.55	4.91
Provisions for Doubtful Debts	-14,848	-3,078,049	-2,074,589	-3,340,426	-1,963,359	48.37	-37.89	70.14	174.39	-2.12	-1.55	-2.96	-2.34
Prov. for Dimin. of Investments					-190,827				1,184.08				-0.23
GROSS PROFIT (or -LOSS)	19,195	3,979,311	4,406,870	2,920,112	1,966,591	-9.70	50.91	48.49	25.87	2.74	3.29	2.59	2.34
Extraordinary Items			0	0	0		-	-	-		0.00	0.00	0.00
Tax & Equivalent	-7,485	-1,551,787	-1,432,735	-881,666	-899,298	8.31	62.50	-1.96	69.40	-1.07	-1.07	-0.78	-1.07
NET PROFIT (or -LOSS)	11,710	2,427,524	2,974,135	2,038,446	1,067,293	-18.38	45.90	90.99	3.47	1.67	2.22	1.81	1.27
Transfers/Adjustments	-12,117	-2,512,000	-1,088,000	0	0	-130.88	-	-	-100.00	-1.73	-0.81	0.00	0.00
APPROPRIATION:													
Minority Interests			0	0	0		-	-	-		0.00	0.00	0.00
Bonus Shares Issued			0	0	1,150,000		-	-100.00	53.33		0.00	0.00	1.37
Dividends			612,000	0	0		-	-	-		0.46	0.00	0.00
Movement in Reserves	-407	-84,476	1,274,135	2,038,446	-82,707	-106.63	-37.49	2,564.66	-118.87	-0.06	0.95	1.81	-0.10
TOTAL	-407	-84,476	1,886,135	2,038,446	1,067,293	-104.48	-7.47	90.99	<<<<	-0.06	1.41	1.81	1.27

INTERNATIONAL BANK OF YEMEN Y.S.C

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

E. Profitability Ratios

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

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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. Rating symbols written in lower case (e.g. aaa/a1) indicate that the issuer has not participated in the rating process and CI has relied on publicly available information and other information sources it considers reliable.

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

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. Rating symbols written in lower case (e.g. aaa/a1) indicate that the issuer has not participated in the rating process and CI has relied on publicly available information and other information sources it considers reliable.

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

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.