MERIS
Middle East Rating & Investors Service

This analysis provides a discussion of the factors underpinning the credit rating.

Banking
Analysis
June 2007

Export Development Bank of Egypt (EDBE)

Rating (s)

Category	Current	Previous.
Entity Rating	A-	A-
Bond Rating: Senior Unsecured	N.A.	A-
Rating Outlook	Stable	Stable

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Operating Statistics

(EGP mn)	3Q 2007	FY 2006	FY 2005	FY 2004	FY 2003
Net Income	183.8	(158.0)	60.2	46.6	0.0
ROA (%)	2.2	0.0	0.7	0.5	0.00
ROE (%)	17.8	0.0	7.5	5.8	0.1
Net Interest Margin (%)	2.2	2.4	2.8	2.1	1.9
Net Spread (%)	3.0	3.2	3.5	2.7	1.5
Recurring Earning Power (%)	2.3	2.8	3.4	3.3	2.9
Cost to Income Ratio (%)	28.4	30.2	23.5	23.1	27.1

Balance Sheet Statistics

(EGP mn)	3Q 2007	FY 2006	FY 2005	FY 2004	FY 2003
Total Assets	8,415.1	7,339.3	7,696.0	8,475.9	8,832.0
Total Capital	1,032.4	648.6	806.6	797.2	796.0
Customer Deposits** (%) Total Deposits	75.5	91.3	93.9	92.1	89.5
Net Loans (%) Customer Deposits**	170.9	119.5	102.6	100.4	112.9
Gross Loans (%) Total Customer Deposits	140.2	96.2	85.4	85.2	92.7
Gross Loans less Back to Back loans (%) T. Deposits	121.6	96.1	85.4	85.2	92.7
Loan Loss Reserve (%) Gross Loans	21.6	26.2	22.3	17.5	12.4
Capital/Total Assets (%)	12.3	8.8	11.1	10.0	9.0
Capital (%) Net Loans	21.2	16.4	22.0	18.0	15.1

Financial Year Ends June 30
** Customer Deposits excludes Saving Deposits and Certificates (for more details regarding ratio calculations refer to annex VI)

Credit Strengths

- Support from the public sector shareholders (minimum of 75% shareholding by law) expected to be extended in case of need.
- Well established franchise in the Egyptian market.
- Opportunities exist for diversifying wholesale funding from international/state owned institutions, with relatively competitive cost.
- The restructuring scheme initiated by the new top management is anticipated to bear fruit in the short to medium term.
- Aggressive provisioning policy supports the bank's economic capital.

Credit Challenges

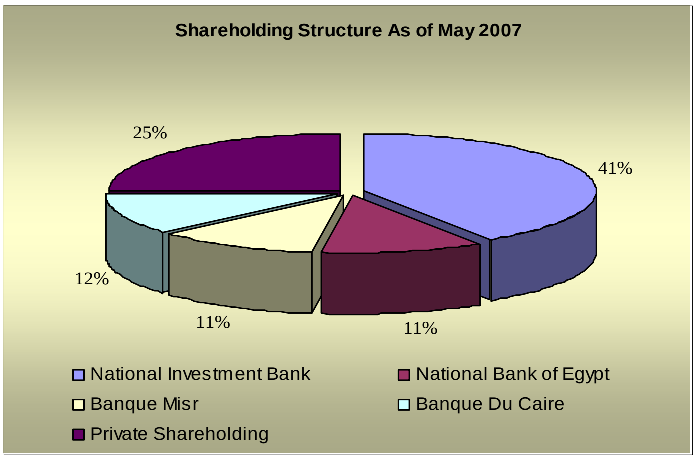
- Concentration risk evident on both the assets side and the funding side.
- Profitability is under pressure stemming from thinning spreads.
- Despite the restructuring efforts in the human resources domain, manpower capabilities are still a constraint.
- Delays in implementing IT and MIS upgrades are not in the bank's favor.
- Competition in the Egyptian banking sector is anticipated to intensify rapidly following the entrance of many foreign banks.

Strategy & Competitive Position

Predominantly Public Sector Ownership Profile

Since its inception, EDBE has been and still is characterized by having a majority public sector ownership profile. According to its articles of incorporation (article # 6), public sector shareholding in EDBE shall not be less than 75% at any point in time.

In 1983, the bank was established by the National Investment Bank and the big four public sector banks: National Bank of Egypt, Banque Misr, Banque du Caire, and Bank of Alexandria[1] having 100% shareholding in the bank (please refer to Appendix I). The founder shareholders themselves are wholly government-owned. In 1997 and through a public share offering, EDBE ownership profile slightly changed with private shareholding assuming 25% of the bank's capital and the founder shareholders 75%. As such, the bank remains with a predominantly public sector ownership. EDBE was able to meet the EGP 500mn minimum capital requirement of the CBE as the bank's shareholders have fully paid the required increase to bring the bank's paid-up capital in par with the CBE requirement[2]. Going forward, in March 2007, another capital increase by EGP 200mn was undertaken to bring the bank's paid–up capital to EGP 800mn. Support is expected to be extended to the bank in case of need as EDBE is considered to be the government's financing arm in promoting exports, which currently comes high on the government's agenda.



New Top Management Appointed to Head the Bank Embarking on a Restructuring Scheme to Strengthen EDBE's Franchise

In March 2006, a new Chairman, Mr. Hisham Hassan was appointed by the Prime Minister, based on Ministry of Foreign Trade & Industry & CBE recommendation, to head EDBE. This move was marked as part of the strategy adopted by the GOE to upgrade the management of public sector-owned banks in Egypt at large. Mr. Hassan has a solid track record in the banking industry (please refer to the Top Management section in Appendix I).

Given the fact that EDBE is the export credit arm of the Egyptian Government in the banking sector, EDBE is working closely with Ministry of Foreign Trade & Industry; accordingly, the bank's overall growth strategy is aligned with the government agenda. With equal note, new top management has devised a growth strategy to capitalize on the bank's well-established franchise as the "export financing" bank in the Egyptian market, while at the same time tap the retail business to diversify sources of funds. The main highlights of this strategy are as follows:

- Activation of the Risk Management Division's role;
- Approving a new credit policy manual with tighter credit guidelines;
- Restructuring the loan portfolio and building the loan loss provisions;
- Increasing presence in the international markets, through sharing in international syndicated loans;
- Diversifying the funding base tools through tapping the retail banking sector and increasing its range of products on the assets side and the liabilities side;
- Capitalizing on the bank's franchise as the "Export Expert Bank";
- Re-branding the bank's image to cope with the restructuring plan; process is underway in coordination with an external consultant;
- Emphasizing wholesale borrowing from international institutions;
- Encouraging export guarantee business;
- Drafting a revised investment policy and establishing an investment committee;

[1] In FY 2005/2006, National Investment Bank (NIB) acquired Bank of Alexandria's (BoA) shareholding in EDBE. This move was part of the government's agenda to liquidate the investment portfolio of BoA before its privatization, which took place during 2006.
[2] In September 2004, EGP 100 mn were transferred from reserves to paid-up capital bringing it to EGP 600mn.
[7] Mr. Ahmed Saadoun has more than 20 years of experience in the field with CIB.

- Reviewing all the bank's policies and procedures;
- Formulating a written strategy to be shared with the bank's employees;
- Approval of a new organizational structure in April 2007, which has been developed to meet the bank's needs and future expansion plans;
- Improving human resources capabilities through focusing on training, adjusting salary scales and appraisal system;
- Instituting a "second line" management;
- Upgrading the bank's IT & MIS.

The restructuring scheme started to bear fruit in certain areas ……

As highlighted earlier, the new top management has embarked on a comprehensive restructuring scheme aiming at allowing the bank to meet its challenges and implement intended growth plans. This program, which was initiated a year ago, focuses on both the operational and financial aspects. **MERIS** views the outlook of these initiatives positively, with a positive reflection on the bank's performance. As of date these initiatives undertaken started to bear some fruit in certain areas;

… … On the Asset Quality (The Loan Portfolio) Front

New management was committed to resolve the NPLs issue, while at the same time increasing the loan portfolio size to capitalize on the improvement in the overall macroeconomic conditions. As will be highlighted in more detail under the financial section, management has expensed the highest loan loss provision over the last years (EGP 385mn in FY2006, reporting 73% growth rate on a Y-o-Y). **MERIS** views this action positively despite the negative implication on the bank's profitability as it will relieve the assets quality from the NPLs obstacle.

On the other hand, the BoD approved the revised credit policy in April 2007, to be applied starting July 2007. The revised manual, which will be applied on corporate loans, SME clients, and financial institutions, is considered comprehensive; covering all the credit aspects including: credit investigation, credit approval, credit administration & follow-up, authorization limits, settlement & rescheduling and provisioning scoring for both the corporate and financial institutions. At the same time, the new credit policy highlighted the sectors and sub-sectors concentration risk; according to which the bank will not be exposed to any sector – excluding the industrial sector – by more than 25% of the net loan portfolio, while with sub-sectors the ceiling will be 10% of the net loan portfolio. It is worth mentioning that the bank is applying the CBE's "Obligor Risk Rating" system classifying clients into 10 categories. **MERIS** believes that the above-mentioned corrective actions, coupled by the new credit manual, will significantly affect the bank's asset quality in the short term.

… … On the Human Resources Front

ProMark was appointed as a consultant to help in implementing the restructuring plans in the human resources domain. The bank has devised an aggressive salary scheme through which the bank adjusted staff salaries in certain critical areas by 100% during a period slightly over one year, with another salary increase to take place following June 2007. This was conducted alongside amending the bonus and appraisal systems, and standardizing/defining clear job descriptions. Also, the current staff is being evaluated externally and staff training programs initiated based on needs, along with the outsourced credit course which all the credit employees have to pass. The training budget on average stands at EGP 2mn (0.8% of operating income). This is considered to be a modest budget and only 35% of it was actually expensed as of March 2007. On the other hand, the bank filled most of the second tier management positions with competent calibers. **MERIS** believes that these initiatives will rank the bank closely with the average banking sector, and accordingly will support management in retaining relatively higher calibers. In general, **MERIS** believes that the process of becoming a modern financial institution requires more than an upgrade in technology and operations; it requires a change in staff culture, which might prove to be a hard task.

As of May 2007, EDBE has a total of 793 employees, 10% of whom were newly hired over the last year. Despite the fact that this employee base is considered large relative to the bank's size of operations, there are certain focal areas which lack qualified staff (credit and SMEs). Accordingly, management has recognized this overstaffing problem and is working on solving it through training and relocating employees. The fact that 50% of the bank's workforce is below the age of 40 will prove useful in this regard. In the meantime, management is also studying the feasibility of introducing an early retirement scheme, which will be subject to BoD approval. However, **MERIS** believes that it will take time to address the bank human infrastructure problems.

….. *On the Funding Side*

Management has highlighted the need to decrease the loan to deposit ratio in the short-medium term. Consequently, the bank is targeting to increase its retail deposits base both to bring the net loans to customer deposits ratio to an adequate level as well as provide stability to its funding base. Historically, the bank was more oriented towards serving export corporate clientele; nonetheless, and in light of the new growth strategy, management set to tackle the retail segment. As a first step, it intends to launch/reallocate an additional four branches (i.e. Borg El Arab, El Obour City, 10^{th} of Ramdan City and Giza) by the end of 2007, with more openings in the pipeline. At the same time, it targets to develop/renovate products to cater different individual needs (i.e. personal loans, car loans, credit cards … etc.). According to management, the bank will target the retail business by targeting the staff of its corporate clientele to capitalize on the existing relationship/database. **MERIS** believes that this step will be a challenge for management, especially in the short term, taking into account the inadequate infrastructure (i.e. IT system, competitive products, qualified staff with customer focused mentality, network distribution … etc.), particularly that the competition is intensifying in the Egyptian banking sector resulting from the growing number of foreign banks and the fact that banks are competing to offer relatively better and more efficient quality services. **MERIS** believes that this may constrain the efforts undertaken to a certain extent.

As will be highlighted in more details in the financial section, EDBE's funding base stands at EGP 8.4bn as of March 2007, up from EGP 7.3bn in June 2006, 53% of which is related to customer and saving deposits and 22% related to borrowings (FY 2006: 65% and 18%, respectively).

….. *With Regards to Treasury Operations*

Management has undertaken a number of actions to activate the treasury role. In the first quarter 2007, the bank hired Dr. Raouf Kidwani as Head of Treasury Department. Dr. Kidwani has 33 years of experience in the banking sector, mainly in the treasury domain. At the same time, the Asset and Liability Management Committee (ALCO) was established. The committee consists of the Chairman, Treasury Head, Financial Controller, and representatives from the corresponding Corporate Banking and Credit Departments. The committee meets monthly. The main tasks on the department agenda are: to diversify deposits mix with more emphasis on foreign currency denominated deposits, re-engineering the treasury portfolio to maximize returns, rationalizing cost of funds, in addition to developing new products targeting mainly the retail segment to implement the bank's targeted growth strategy.

Despite The Management's Intention To Tap the SME Market with Support from International Institutions, the Outcome Was not In Line with Expectations

EDBE clientele base has been generally characterized by being biased towards "big ticket clients" where 79% of the bank's gross loan portfolio is in the form of loans/facilities exceeding EGP 10 mn as of March 2007. The SME market has been placed high on the government agenda and is being sponsored by several local and international institutions like USAID, IFC and EIB. The GOE is trying to tap this segment through activating agreements with several of these institutions to provide different forms of financing for the Egyptian SME market. The Egyptian SME market is still at early stages with an ample room for growth. EDBE has started to take initiative in this regard targeting the SME market with export potential in Egypt. On November 11, 2004, the bank and the IFC signed an advisory services mandate to assist EDBE in developing its small business finance operations. The mandate was implemented by an IFC technical assistance program known as the Private Enterprise Partnership for the Middle East & North Africa "PEP-MENA". The mandate calls for assisting EDBE in developing and implementing relevant strategy, organization, systems and products targeting the SME market. Actively targeting this "new" market may provide EDBE with opportunities for future growth. Despite the fact that the bank has begun to show interest to increase its exposure to "smaller-ticket" clients through the SME market two years ago, the performance of such segment was not up to par with expectations. As of April 2007, the SME portfolio stands at EGP 35mn accumulated over the last 18 months (the approved limit was EGP 92mn) granted to 42 clients. **MERIS** believes that management has to be more dynamic in this segment to capitalize on the increase in demand; taking into account the high profitability margin this line of business enjoys (around 8.5%). The lack of sufficient/qualified manpower hinders the bank's efforts to meet the growth in this sector.

New/Upgraded IT & MIS Is Anticipated to Be Operational During This Year

EDBE has realized the need to upgrade its IT & MIS systems to cope with the bank's new needs, particularly for centralization, and growth prospects and to solve the bank's problems resulting from distributed processing and outdated technology. In June 2003, the bank hired a new General Manager[7] to head the IT department. The IT head has outlined a "three-year" comprehensive strategy for the upgrade of the bank's IT & MIS with a total budget of US$ 7.5 mn. The upgrade is basically divided into seven projects:

1. Core banking project: selection of new core banking vendor and application, banking procedures re-engineering, and hardware & infrastructure;
2. Basel II Project: GAP analysis, credit risk management, operational risk management, market performance management and data collection;
3. CRM project: data warehousing and call center;
4. E-payment project: Home & internet banking and ATM enhancement;
5. HR Project;
6. Work flow & archiving project: business process re-engineering, workflow solution, archiving solution, and integration with the back end systems.
7. Risk management systems: credit scoring & anti-money laundering.

This upgrade will represent a milestone in the bank's operations; however, delays in implementation are not viewed favorably, especially in light of the management initiatives to tap the retail market and the increase in competition. According to management, the new core banking system is currently in the testing phase and is anticipated to be active before the end of this year. The adequateness of the training offered and the employees' awareness are questionable areas which need to be carefully noted.

Financial Fundamentals

Improvement in the Asset Base amid Restructuring Efforts

As of 31/3/2007, EDBE asset base accounted for 1% of the total banking sector asset base. The bank's asset base has been consistently declining starting from FY 2003, as a result of the bank's restructuring effort, which the previous and current management have initiated, where total assets have declined from EGP 8.8bn as of FY 2003 to EGP 7.3bn in FY 2006. Nonetheless, this downward trend was reversed in the 3Q2007 jumping to EGP 8.4bn, which was attributed to the new management's efforts to be more dynamic in both the local and international markets. The bank's net loan portfolio, which accounts for 58% of the bank's total assets as of March 2007 (compared to 53.9% in FY 2006 and 47.7% in FY 2005) is the main driver for this increase, fueled by the restructuring efforts initiated by the new management to improve and control the quality of its loan portfolio. The gross loan portfolio has witnessed more than 20% decrease between 30/6/2003 and 30/6/2005 (from EGP 6.01bn as of FY 03 to EGP 4.72bn as of FY 05) as a result of a tighter credit policy and the bank's plan to gradually liquidate exposure to non-performing clients. Going forward, signs of recovery were noted starting FY 06 and continued as of 3Q07 to reach 6.21bn, a practice which **MERIS** foresees to continue in the short to medium term.

Government securities which account for 15% of total assets as of 3Q07 (20% as of FY 06) have experienced a 16% decrease during the 9 months ending 31 March 2007; after experiencing a 3% increase on Y-O-Y for 2006. EDBE is listed as one of the authorized Primary Dealers, although it has not yet taken active steps in this regard.
The investment portfolio[10] (10% of total assets as of 3Q07, compared to 11% as of FY 06) is generally conservative where 62% of the investment portfolio is in the form of government bonds. Another 13% is in the form of mutual fund certificates (5% with mutual fund managers). The remaining 20% is mostly corporate shares where three investments, namely: Oberoi Sahl Hashish (tourism), Egyptian Tourism Development (construction) and Export Guarantee Company, account for almost 50% of the corporate shares portfolio. The bank's management intends to liquidate investments as adequate opportunities for sale appear in the market. It is important to add that the bank is currently drafting a new investment policy that is expected to be approved during FY 08.

Higher Level of NPLs Underpins the Bank's Restructuring Efforts

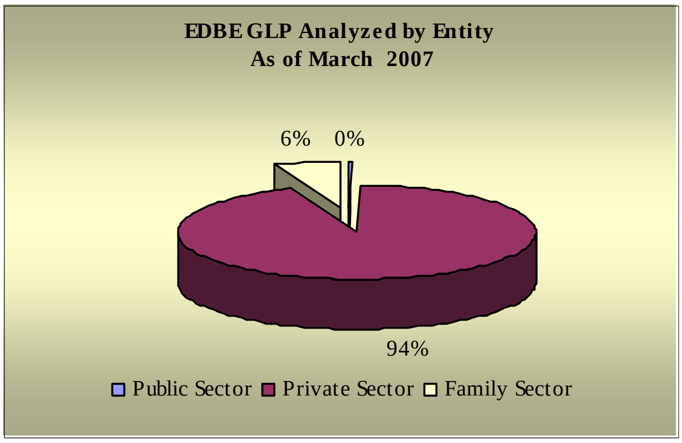
As of March 2007, EDBE's loan portfolio continues to predominantly target the private sector, where approximately 95% of the gross loan portfolio is with private sector entities, while the family and public sector accounts for the

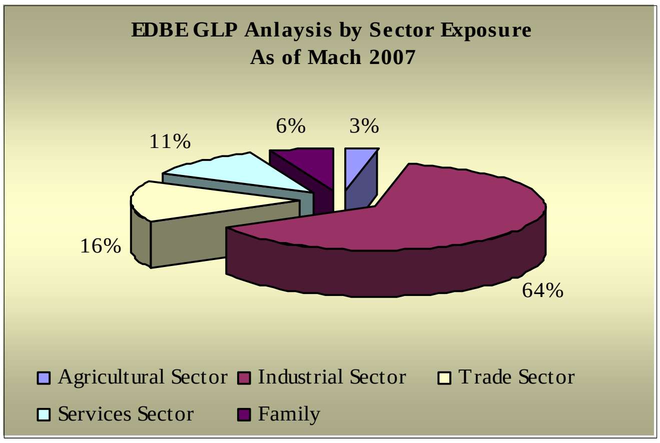
[10] The investment portfolio is broken down into trading portfolio, investments available for sale, investments held to maturity and equity in affiliates according to CBE regulations

[12] According to CBE regulations, the exposure of any single and/or group of related borrowers must not exceed 20% and 25% respectively of the bank's capital base.

remaining balance, which is consistent with the mission of the bank where around 80% of its clientele base is export clients. With regard to the maturity analysis of the loan portfolio, management has succeeded over the last two years in narrowing the tenor mismatch between the short term and medium/long term lending, increasing both its longer term customer deposits and its long term borrowings. (Short term lending/medium-long term lending: 58%: 42% in 31 March 2007, and short term funding to medium-long term funding: 58% to 42% in the same period).

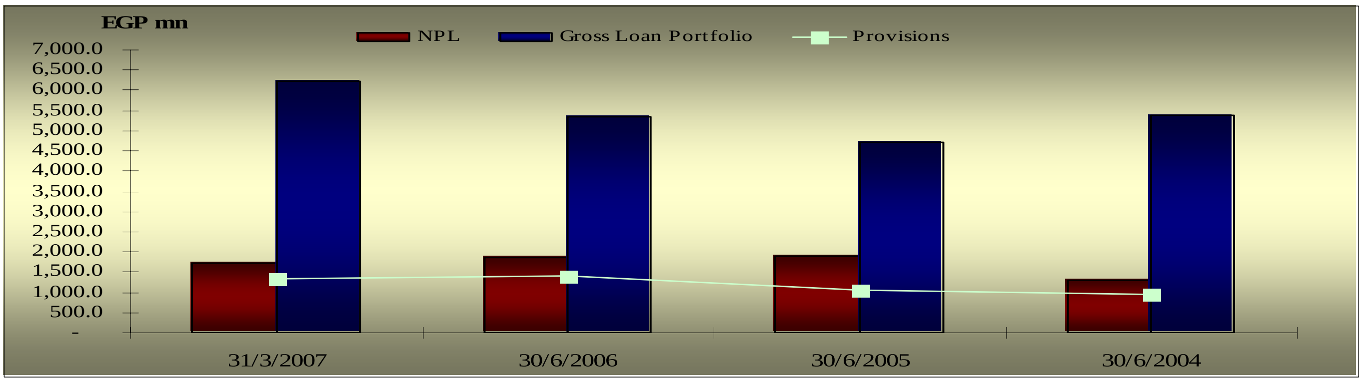
Sectoral concentration is evident, where the Industrial sector accounts for 64% of the gross loan portfolio as of 31/3/2007 (FY 2006: 66%), with the spinning & textile, fertilizers & Chemical Industries and food sub-sectors accounting for 18%, 12% and 8% of the gross loan portfolio respectively. The trade sector comes in second with 16% of the gross loan portfolio as of 3Q2007 (FY 2006: 16%). According to management, this concentration profile is matched with the bank's nature/franchise, which intensifies the need to focus on customers with export activities.





On the other hand, client concentration risk is also evident; the bank's 20 largest exposures account for 32% of the bank's gross loan portfolio as of 3Q2007 (FY 2006: 38%). With equal note, 32% of this top 20 largest exposure is non-performing clients corresponding to 9 customers (FY 2006: 42% corresponded to 10 clients), with the largest exposure (a non-performing exposure to a trading company incorporated as a private sector company, owned by a government agency) accounting for 4% of the gross loan portfolio, 43% of NPL portfolio and 24% of the bank's capital base as of FY 2006.

As of March 2007, the bank has two relationships exceeding 20% of the bank's capital base[12]. Also, with regard to the group related exposure, the bank has one group (5 companies) in the trade sector[13] exceeding the 25% of the bank's capital base[10]. According to management the exposure for these two exposures is anticipated to be diluted by the end of FY2007, in light of the estimated increase in the bank's capitalization. Consistent with the fact that EDBE has been, in general, targeting "big-ticket" clients; 79% of the bank's gross loan portfolio is in the form of facilities/loans exceeding EGP 10mn, corresponding to 140 clients, which is considered another high concentration risk.



[13] Out of the five companies, one company accounting for the bulk of this exposure is a non-performing exposure operating in the trade sector (this is the largest exposure of the bank's loan portfolio).

Following its efforts to improve the asset quality, the management has instituted a separate debt recovery department under the risk management division and has hired a new head in 2006 with an appropriate track record to manage this department. The bank's problematic clients reached EGP 1.9bn as of March 2007[14] (EGP 2.1bn as of FY 2006). Over the last 9 months, the department has rescheduled a total of EGP 324mn, representing 17% of the problematic loan portfolio, with another EGP 250mn targeted to be rescheduled over the next financial year (2008). The bank has also written-off EGP 51mn over 3Q2007. Recovery has amounted to EGP 162mn over the 9 months ending March 2007. Cash recoveries amounted to 37% of this figure and the remainder is asset recovery; in fact, one piece of land alone accounts for 78% of the asset recovery figure. In terms of NPL breakdown, 57% of the NPL exposure is in the bad debt category (category 10) requiring 100% provisioning, and another 42% is in the doubtful debt category (category 9) requiring 50% provisioning.

The bank has adopted an aggressive provisioning policy increasing its Loan Loss Provision account by more than 33% over FY 2006. Provisioning has reached EGP 1.3bn as of 3Q 2007 (EGP 1.4bn as of FY 2006) with specific provisions accounting for 96% of this figure. Total provisions coverage reached 70% of problematic clients (78% of NPLs) and 22% of gross loan portfolio. **MERIS** views the steps taken in this regard positively.

……….. Furthermore Stricter Risk Management Was Initiated to Improve Asset Quality

According to the new organization structure which was approved in April 2007 (to be applied starting June 2007), the bank has instituted a separate "Risk Management Group" to identify and manage the bank's credit risk, operational risk and market risk in accordance with BASEL II guidelines. Under the scope of this division fall the "Debt Recovery", "Credit risk", "Centralization Credit Admin & investigation", "Standard Operating procedures", "Information System", "Compliance and Operational Risk" and "Economic Research Center". With equal note, the majority of managerial vacancies of these sub-divisions have been filled. The Risk Management division is currently reporting directly to the Chairman[15], to provide more focused efforts when dealing with the NPL portfolio of the bank. Mr. Maged Fahmy, Head of the Risk Management Group who joined the bank in 2006, has 30 years of banking experience in the field of Corporate Financing, Risk Management, and Remedial Management, Business Development and Organization Restructuring. Also, the head of the "Debt Recovery Department" – Mr. Saeed Nada – is considered another asset to the bank with extensive banking experience (25 years). **MERIS** views the above highlighted steps positively, as they are anticipated to be reflected positively on the bank's overall performance in the future.

On the other hand, Credit has been centralized at the head office. Lending authorities have been reviewed and an internal risk rating system consisting of 10 categories was introduced, where the whole of the bank's loan portfolio is reviewed and classified in accordance with this "10-category" risk rating system. The credit manual and policies have also been reviewed, and sectoral exposure reconsidered. according to the new credit policy, no single sector exposure should exceed 25% of the gross loan portfolio (with the exception of the industrial sector) nor single sub-sector exposure should exceed 10% of the gross loan portfolio. At the same time, the bank provides extensive training to credit employees who are receiving a mini-Chase Manhattan credit course to upgrade their credit risk management skills.

Need to Increase and Diversify the Bank's Funding Base.

Although customer deposits (including savings accounts and CD's) experienced a 7% decline as of 3Q07 decreasing from EGP 4.8bn as of FY 2006 to 4.4bn as of 3Q 07, this line item still accounts for the larger share of the bank's funding base, accounting for 53% of total assets as of 3Q07 (65% as of FY 2006). Time deposits account for 41% of total customer deposits as of 3Q07 with a concentration exhibited in the 3-6 months time deposits. CD's and savings account for another 36% as of 3Q2007.

Corporate deposits still account for the larger share of the bank's customer deposits base at 62%[16] of total customer deposits (59% in FY 2006), while household and individual deposits account for 35% of total deposits as of 3Q07. This is consistent with the fact that the bank has its franchise with the corporate sector and has a relatively low profile in the retail sector. As mentioned earlier, the bank is trying to increase its retail deposits base through targeting the staff/employees of its corporate clients. This will be a challenging task, particularly in the short term, where the bank needs to work along different dimensions, as mentioned earlier, including concluding the IT & MIS

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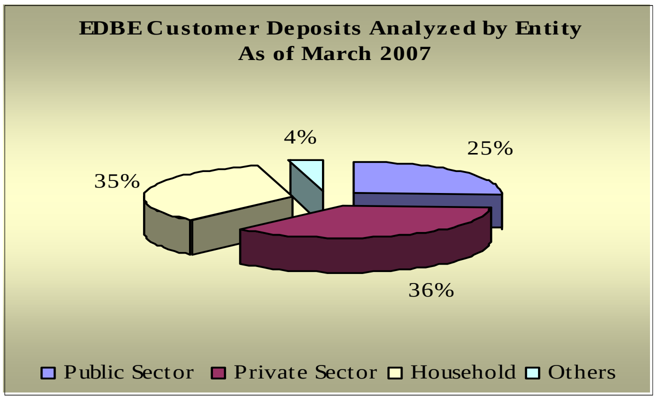
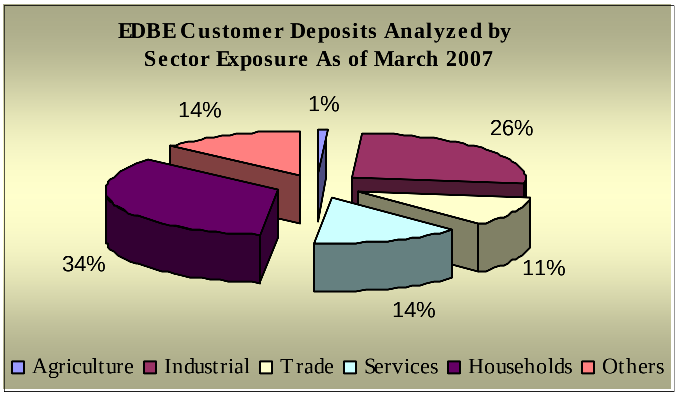
[14] NPLs (substandard, doubtful and bad debt exposures) account for 90% of this figure, the balance represents the Watchlist clients.
[15] Please refer to the bank's new organizational chart in appendix II.
[16] 25% public sector depositors and 37% private sector depositors.

upgrade, increasing the outreach through a larger number of branches, changing image and re-branding, offering a wider range of products on the liability side and competitive pricing.





Another implication of the fact that the customer deposits base is inclined more towards corporate depositors is that 58% of the customer deposits are in the form of deposits larger than EGP 10mn. Consequently, concentration risk exists in the bank's customer deposits base where the top 20 depositors[18] account for 37% as of 3Q07 (FY 2006: 50%) of the bank's customer deposits' base.

Wholesale funding, which is of long term nature, represents 22% of the bank's funding base as 3Q07; maintaining its contribution to the bank's assets base along its historical trend. Wholesale funding mainly consists of loans and facilities from multilateral development banks[19] (EGP 318mn as of FY 2006) and "soft loans" from the GOE via the NIB (EGP 676mn as of FY 2006) targeting the promotion of the export sector. Reliance on interbank funding has increased where due to banks has almost tripled (EGP 924mn as of 3Q2007 up from EGP 314mn as of FY 2006).

As for liquidity, EDBE is meeting the minimum liquidity requirements set by the CBE for local currency (20%) and foreign currency (25%). However, the bank is still displaying tight liquidity ratios. Liquid assets as % of total assets have decreased to 28.9% as of 3Q 2007 down from 32.6% as of FY 2006. Net loans to Customer deposits (including CD's) increased from 78% as of FY 2005 to 83% as of FY 2006 to 110% as of 3Q07. The decline in liquidity profile has been the outcome of the 23% increase in the bank's loan portfolio that was not matched by a similar increase on the customer deposits side; in fact customer deposits have experienced a 7% decrease as of 3Q 07 (a mere 1% increase on Y-o-Y basis ending 31/12 /2006) on account of implementing the "Unified Treasury Law" (Law 139 for 2006 amending Law 127 for 1981)[20] which resulted in a transfer of approximately EGP 0.5 bn to the CBE. The management of the bank has identified this problem and is working diligently on increasing the bank's customer deposits particularly those with a relatively more stable profile i.e. retail deposits as mentioned above.

Profitability Still Under Pressure

EDBE's bottom line has displayed a serious downturn in FY 2006 where it reported a net loss of EGP 158.0mn, compared to net profit EGP 60mn in FY 2005. This severe hit was attributed to the aggressive provisioning policy undertaken by the bank where provisions expense has increased by approximately 75% in FY 2006 (EGP 387.9mn, compared to EGP 222.5mn); thus constituting 1.2 times of operating income in FY 2006. For 3Q2007, the bank's bottom line displayed a positive figure of EGP 184 mnb basically based on almost 100% decrease in loan loss provisioning expense.

A closer analysis of preprovision income reveals the fact that this line item displayed a 21% decrease on a Y-o-Y basis, reflecting more the decline in the bank's core earning power. The decline in preprovision income was basically attributed to a decline in net interest income (51% of operating income for FY 2006) stemming from competitive pressure on spreads. Net spread and NIM decreased to 3.2% and 2.4% respectively for FY 2006 from 3.5% and 2.8% respectively for FY 2005. Non-interest revenues (49% of operating income for FY 2006) have displayed a similar trend declining by 5% on a Y-O-Y basis. Fees and commissions revenues, which account for more than 65% of non-interest revenues for FY 2006, have decreased by 19% on Y-O-Y basis. Fees and commissions revenues are basically

[18] 19 corporate depositors.
[19] European Investment Bank and African Development Bank.
[20] The law calls for all government entities to transfer all their deposits from banks operating in the Egyptian market to a single account with the CBE.

derived from trade finance and the decline has been the result of thinning spreads as well the decline in trade finance activity within the bank. Gain on sale of investments (EGP 28 mn) has accounted for another 9% of operating income, and the bulk of this figure basically relates to three investments in the paper & packaging and tourism sectors.

MERIS believes that the pressure on the bank's profitability margins will continue in the future as competitive pressures escalate in the Egyptian market and until the bank completes its restructuring process including the reengineering of its cost funding.

Improving Capitalization

EDBE is meeting the regulatory capital requirement as set by CBE. As of 3Q 2007, EDBE capitalization measured as shareholder's equity (%) total assets and shareholder's equity (%) total assets + contingent liabilities stood at 12.3% and 10.6% respectively up from 8.8% and 7.8% respectively as of FY 2006.

The improvement in the capitalization ratios has been on account of the EGP 200mn cash injection (approved by the BOD in September 2006 and executed in March 2007) by the shareholders, raising the bank's paid-up capital to EGP 800mn as of 31/3/2007 from EGP 600mn as of 30/6/2006.

According to management EDBE is planning to adhere to a 25% return on equity ratio. The bank has adopted a relatively aggressive dividends payout trend (prior to FY 2006 negative bottom results). With regards to the economic capital analysis, the fact that the bank has identified a proper level of NPLs together with the aggressive provisioning policy adopted by the bank gives comfort to the bank's economic capital base.

Appendix I
Bank Profile

Background
Export Development Bank of Egypt was established as a shareholding company according to Law # 95 for 1983 replacing the "National Bank for Import & Export" that was instituted in 1981. The bank was established with a mandate to carry out external trade financing in Egypt, finance and promote export oriented projects and provide export credit guarantees and insurance. The bank is to carry out these activities across all economic sectors: industrial, agricultural, commercial and services through the provision of adequate export financing. The bank was initially owned by the National Investment Bank and the big four public sector banks.

Capital Structure
The bank's authorized capital is EGP 1,000mn and the paid up capital is EGP 800mn (paid-up in full) as of 3Q2007. The bank's capital underwent the following changes:

- At inception, the bank's authorized capital was EGP 100mn and the paid-up capital was EGP 50mn;
- On January 19th, 1988, the bank's paid-up capital was increased to EGP 57.5 mn;
- On December 30th , 1991, the bank's paid-up capital was increased to EGP 69mn;
- On May 16th, 1996, the bank's authorized capital was increased to EGP 500 mn and the paid-up capital was increased to EGP 250 mn
- On January 20th, 2002, the bank's paid-up capital was increased to EGP 500 mn;
- On July 9th, 2003, the bank's authorized capital was increased to EGP 1,000 mn;
- On September 29th, 2004 the bank's paid-up capital was increased to EGP 600 mn through a transfer of EGP 100 mn from the bank's reserves;
- On April 2007, the bank’s paid-up capital was increased to EGP 800mn.

It is important to note that EDBE is allowed to be owned by only Egyptian nationals as foreigners are not allowed to hold any shares in the bank. According to the bank's articles of incorporation, the public sector must have a shareholding not less than 75% of the bank's paid-up capital at any point in time.

Shareholding Structure:
The ownership profile of the bank as of April 2007 is as follows:

Shareholders	In April 2007		At Inception	
	# of Shares	% Ownership	# of Shares	% Ownership
National Investment Bank	32,600,000	40.75%	200,000	40%
National Bank of Egypt	9,144,000	11.46%	75,000	15%
Banque Misr	9,168,000	11.59%	75,000	15%
Banque Du Caire	9,272,000	11.46%	75,000	15%
Bank of Alexandria	-	0%	75,000	15%
Private Shareholding	19,816,000	24.77%		0%
Total	**80,000,000**	**100%**	**500,000**	**100%**

Top Management
The Chairman, Mr. Hisham Hassan joined the bank in 2006. Mr. Hassan has more than 25 years of experience in the field of investment, merchant, corporate and retail banking with local, regional and international institutions such as Chase National Bank, Commercial International Bank and Suez Canal Bank. The deputy position is still vacant. The bank's chairman and deputy chairman are appointed by the Prime Minister based on recommendations from the CBE governor and the minister of foreign trade. The term of the appointment is three years renewable.

Current BOD

As of November 2006, EDBE has the following Board of Director composition:

Name	
Mr. Hisham Hassan	Chairman
Dr. Mohamed Hani Barkat	External Member
Dr. Mohamed El Saeed El Dakak	External Member
Mr. Maged Fahmy	Senior General Manager, Risk Management Group
Dr. Faten Hamouda	Senior General Manager, Investment, Treasury & Foreign Relations
Mr. Ahmed El Sayed	National Investment Bank Representative
Mrs. Dalia Mostafa Kamel	National Investment Bank Representative
Mr. Abd El Halim M. Ibrahim	National Investment Bank Representative
Mr. El Sayed A. Aziz Rashwan	National Bank of Egypt Representative
Mr. Sayed Ali Osman Farrag	Banque Misr Representative
Mr. Al Sayed Zahran	Banque du Caire Representative
Dr. Samir Abdel Sayed Tanagho	Private Sector Representative

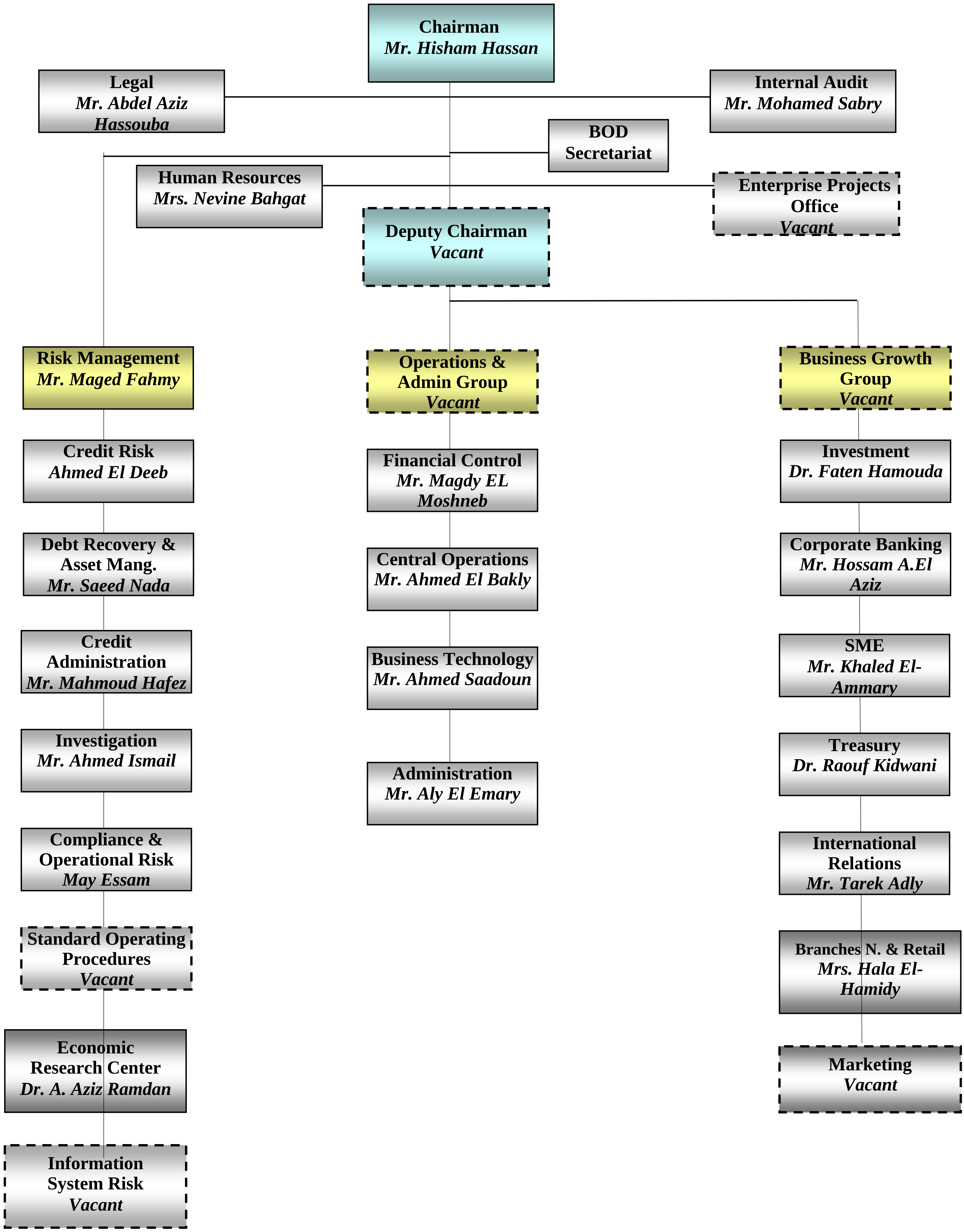
Branches

The bank has 10 branches concentrated in Greater Cairo and Alexandria. Eight branches are in greater Cairo (Mohandeseen, Talaat Harb, Zamalek, Heliopolis, El Orouba, Mosadak, 10th of Ramadan and 6th of October) and two branches in Alexandria (Alexandria and Roushdy).

Employees

EDBE has a total of 793 employees as of May 2007 (746 as of June 2006)

Appendix II
EDBE New Organizational Chart



Appendix III
MERIS National Scale Rating

National Scale Ratings (NSRs) are intended as relative measures of creditworthiness within a narrowly defined peer group, as compared to the full universe of rated entities, and thus differ from global scale ratings. The NSR peer group is typically limited to those issuers active within a single domestic capital market (Egypt). NSRs may be assigned to any debt obligation offered within a domestic capital market, whether or not denominated in the relevant local currency, with all appropriate credit risk elements – including transferability and convertibility – factored into the rating. NSRs are often thought of as excluding certain country level risks. In fact, NSRs attempt to reflect the same credit risks that are considered in a globally comparable rating.

Quality of credit	Long	Short	
Gilt edged	AAA		Investment Grade
Very high	AA+ AA AA-	Prime 1	
Upper-medium	A+ A A-		
		Prime 2	
Medium grade	BBB+ BBB BBB-	Prime 3	
Questionable	BB+ BB BB-		Speculative Grade
Poor quality	B+ B B-		
Very poor	CCC+ CCC CCC- CC C		

Appendix V
List of Abbreviations

CBE	:	Central Bank of Egypt
CIB	:	Commercial International Bank
CRM	:	Customer Relationship Management
GOE	:	Government of Egypt
EIB	:	European Investment Bank
IFC	:	International Finance Institution
NIB	:	National Investment Bank
NII	:	Net Interest Income
NIM	:	Net Interest Margin
NPL	:	Non-Performing Loans
ORR	:	Obligor Risk Rating
SME	:	Small & Medium Enterprises
USAID	:	US Agency for International Development

Appendix VI
Export Development Bank of Egypt (EDBE)

	31/3/2007	30/6/2006	30/6/2005	30/6/2004	30/6/2003
Summary Balance Sheet (EGP mn)					
Cash & Central Bank	362.4	189.7	357.9	573.2	601.0
Due from Banks	732.4	682.1	1,166.5	1,225.2	1,282.0
Government Securities	1,263.3	1,495.3	1,452.4	1,414.2	835.0
Trading Securities	72.0	26.2	144.0	140.7	122.0
Investment Securities	699.4	709.9	626.0	415.1	459.0
Other Liquid Assets	--	--	--	--	--
Gross Loans	6,218.3	5,356.8	4,725.9	5,369.7	6,014.o
Loan Loss Reserves (LLR)	(1,343.3)	(1,401.6)	(1,052.4)	(937.5)	(747.0)
Net Loans	4,875.0	3,955.3	3,673.5	4,432.2	5,267.0
Equity in Affiliates	109.8	99.4	90.6	77.6	87.0
Fixed Assets	92.4	95.2	101.2	104.9	96.0
Other Assets	208.5	86.4	83.9	92.9	83.0
Total Assets	8,415.1	7339.3	7,696.0	8,475.9	8,832.0
Total Assets (USD mn)	1,484.1	1,287.6	1,329.2	1,377.6	1,507.0
Customer Deposits	2,852.4	3,310.0	3,578.9	4,416.6	4,668.0
Due to Banks	923.7	314.3	231.2	380.4	547.0
Borrowings	3,407.3	2,889.0	2,845.8	2,658.0	2,692.0
Other Liabilities	199.4	177.5	233.5	223..7	130.0
Total Liabilities	7,382.7	6,690.7	6,889.3	7,678.7	8,036.0
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	1,032.4	648.9	806.6	797.2	796.0
Total Capital Funds	1,032.4	648.9	806.6	797.2	796
Total Liabilities & Capital Funds	8,415.1	7,339.3	7,695.9	8,475.9	8,832.0
Derivatives - Notional Amount	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities	1,328.5	1,028.1	1,371.1	1,317.2	1,483.0
Summary Income Statement (EGP mn)					
Interest Income	434.0	506.3	558.4	565.9	622.0
Interest Expense	(281.6)	(341.9)	(352.8)	(401.2)	(460.0)
Net Interest Income	152.4	164.5	205.5	164.7	162.0
FX Income	9.4	11.6	11.8	32.1	18.0
Trading Income	7.8	28.2	7.8	5.7	12.0
Net Fees & Commissions	83.2	103.8	128.6	162.0	145.0
Other Operating Income	9.5	13.0	16.9	11.2	11.0
Total Non Interest Income	109.8	156.5	165.1	211.0	186.0
Operating Income	262.2	321.0	370.7	375.8	348.0
Personnel Expenses	(50.6)	(57.0)	(54.0)	(62.2)	(58.0)
Other Operating Expenses	(23.8)	(31.7)	(25.9)	(14.9)	(26.0)
Operating Funds Flow	187.8	232.3	290.8	298.7	264.0
Amortization / Depreciation	--	(8.1)	(7.3)	(9.5)	(10.0)
Total Non Interest Expense`````````	(74.4)	(96.8)	(87.2)	(86.6)	(94.0)
Pre-provision Income (PPI)	187.8	224.2	283.5	289.1	254.0
Loan Loss Provisions Expenses (LLPE)	(3.1)	(387.9)	(222.5)	(231.7)	(233.0)
Non Operating Income	(0.9)	5.7	(0.9)	1.7	(20.0)
Pretax Income	183.8	(158.0)	60.2	59.1	0.0
Taxes	--	--	--	(12.5)	--
Net Income	183.8	(158.0)	60.2	46.6	0.0
Minority Interests	--	--	--	--	--
Net Income (Group share)	183.8	(158.0)	60.2	46.6	0.0
Dividends	--	--	(39.0)	(36.0)	--
Transfers to Capital Reserves	(183.8)	158.0	(21.2)	(10.6)	(0.0)
Other Adjustments	--	--	--	--	--

Export Development Bank of Egypt (EDBE)

	31/3/2007	30/6/2006	30/6/2005	30/6/2004	30/6/2003
Summary Balance Sheet - Growth (%)					
Cash & Central Bank	91.1	-47.0	-37.6	-4.7	-30.3
Due from Banks	7.4	-41.5	-4.8	-4.4	40.7
Government Securities	-15.5	3.0	2.7	69.4	10.1
Trading Securities	175.2	-81.8	2.4	15.7	667.3
Investment Securities	-1.5	13.4	50.8	-9.5	47.9
Other Liquid Assets	--	--	--	--	--
Gross Loans	16.1	13.3	-12.0	-10.7	-3.0
Loan Loss Reserves (LLR)	-4.2	33.2	12.3	25.5	49.9
Net Loans	23.3	7.7	-17.1	-15.9	-7.6
Equity in Affiliates	10.5	9.7	16.7	-10.4	-14.1
Fixed Assets	-2.9	-5.9	-3.5	8.7	12.0
Other Assets	141.4	2.9	-9.7	11.7	-23.3
Total Assets	14.7	-4.6	-9.2	-4.0	-0.3
Total Assets (USD)	15.3	-3.1	-3.5	-8.6	-21.2
Customer Deposits	-13.8	-7.5	-19.0	-5.4	-22.3
Due to Banks	193.9	35.9	-39.2	-30.5	77.3
Borrowings	17.9	1.5	7.1	-1.3	79.7
Other Liabilities	12.4	-2.8	4.4	72.7	-74.1
Total Liabilities	10.3	-2.2	10.3	-4.5	-3.3
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	59.2	-24.4	1.2	0.2	46.0
Total Capital Funds	59.2	-24.4	1.2	0.2	46.0
Total Liabilities & Capital Funds	14.7	-4.6	-9.2	-4.0	-0.3
Derivatives - Notional Amount	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--
Contingent Liabilities	29.2	-25.0	4.1	-11.2	8.8
Summary Income Statement - Growth (%)					
Interest Income	-14.3	-9.3	-1.3	-9.0	-9.6
Interest Expense	-17.6	-3.1	-12.1	-12.8	-10.7
Net Interest Income	-7.3	-20.0	24.8	1.6	-6.2
FX Income	-19.1	-2.0	-63.2	74.5	37.9
Trading Income	-72.4	259.3	36.8	-50.5	511.2
Fees & Commissions	-19.9	-19.3	-20.6	12.1	4.4
Other Operating Income	-26.9	-23.3	51.1	-1.4	-40.7
Total Non Interest Income	-29.8	-5.2	-21.8	13.5	7.6
Operating Income	-18.3	-13.4	-1.4	8.0	0.7
Personnel Expenses	-11.1	5.5	-13.2	7.1	3.0
Other Operating Expenses	-25.0	22.5	73.6	-42.1	27.5
Operating Funds Flow	-19.2	-20.1	-2.6	13.1	-1.8
Amortization / Depreciation	--	10.8	-23.1	-7.7	-1.1
Total Non Interest Expense	-23.1	11.0	0.6	-8.0	8.2
Pre-provision Income (PPI)	-16.2	-20.9	-2.0	13.9	-1.9
Loan Loss Provisions Expenses (LLPE)	-99.2	74.4	-4.0	-0.6	98.0
Non Operating Income	-115.8	-767.4	-151.5	-107.9	181.7
Pretax Income	-216.3	-362.6	1.8	-1,543,439.5	-99.7
Taxes	--	--	--	--	--
Net Income	-216.3	-362.6	29.1	-1,216,521,9	-99.7
Minority Interests	--	--	--	--	--
Net Income (Group share)	216.3	-362.6	29.1	-1,216,521,9	-99.7

Export Development Bank of Egypt (EDBE)

	31/3/2007	30/6/2006	30/6/2005	30/6/2004	30/6/2003
Balance Sheet - % of Total Assets					
Cash & Central Bank	4.3	2.6	4.7	6.8	6.8
Due from Banks	8.7	9.3	15.2	14.5	14.5
Government Securities	15.0	20.4	18.9	16.7	9.5
Trading Securities	0.9	0.4	1.9	1.7	1.4
Investment Securities	8.3	9.7	8.1	4.9	5.2
Other Liquid Assets	--	--	--	--	--
Gross Loans	73.9	73.0	61.4	63.4	68.1
Loan Loss Reserves (LLR)	-16.0	-19.1	-13.7	-11.1	-8.5
Net Loans	57.9	53.9	47.7	52.3	59.6
Equity in Affiliates	1.3	1.4	1.2	0.9	1.0
Fixed Assets	1.1	1.3	1.3	1.2	1.1
Other Assets	2.5	1.2	1.1	1.1	0.9
Customer Deposits	33.9	45.1	46.5	52.1	52.9
Due to Banks	11.0	4.3	3.0	4.5	6.2
Borrowings	40.5	39.4	37.0	31.4	30.5
Other Liabilities	2.4	2.4	3.0	2.6	1.5
Total Liabilities	87.7	91.2	89.5	90.6	91.0
Subordinated Loan Capital	--	--	--	--	--
Minority Interest	--	--	--	--	--
Supplementary Capital	--	--	--	--	--
Shareholders' Equity	12.3	8.8	10.5	9.4	9.0
Total Capital Funds	12.3	8.8	10.5	9.4	9.0
Income Statement - % of Average Assets					
Interest Income	5.4	6.4	6.8	6.5	7.0
Interest Expense	-3.5	-4.3	-4.3	-4.6	-5.2
Net Interest Income	1.9	2.1	2.5	1.9	1.8
FX Income	0.1	0.1	0.1	0.4	0.2
Trading Income	0.1	0.4	0.1	0.1	0.1
Fees & Commissions	1.0	1.3	1.6	1.9	1.6
Other Operating Income	0.1	0.2	0.2	0.1	0.1
Total Non Interest Income	1.4	2.0	2.0	2.4	2.1
Operating Income	3.3	4.1	4.5	4.3	3.9
Personnel Expenses	-0.6	-0.7	-0.7	-0.7	-0.7
Other Operating Expenses	-0.3	-0.4	-0.3	-0.2	-0.3
Operating Funds Flow	2.3	2.9	3.5	3.5	3.0
Amortization / Depreciation	--	-0.1	-0.1	-0.1	-0.1
Total Non Interest Expense	-0.9	-1.2	-1.1	-1.00	-1.1
Pre-provision Income (PPI)	2.3	2.8	3.4	3.3	2.9
Loan Loss Provisions Expenses (LLPE)	0.0	-4.9	-2.7	-2.7	-2.6
Non Operating Income	0.0	0.1	0.0	0.0	-0.2
Pretax Income	2.3	-2.0	0.7	0.7	0.0
Taxes	--	--	--	-0.1	--
Net Income	2.3	-2.0	0.7	0.5	0.0
Minority Interests	--	--	--	--	--
Net Income (Group share)	2.3	-2.0	0.7	0.5	0.0
Income Statement - % of Operating Income					
Interest Income	165.6	157.7	150.6	150.6	178.8
Interest Expense	-107.4	-106.5	-95.2	-106.8	-132.2
Net Interest Income	58.1	51.2	55.5	43.8	46.6
FX Income	3.6	3.6	3.2	8.5	5.3
Trading Income	3.0	8.8	2.1	1.5	3.3
Fees & Commissions	31.7	32.3	34.7	43.1	41.5
Other Operating Income	3.6	4.0	4.6	3.0	3.3
Total Non Interest Income	41.9	48.8	44.5	56.2	53.4
Operating Income	100.0	100.0	100.0	100.0	100.0
Personnel Expenses	-19.3	-17.7	-14.6	-16.6	-16.7
Other Operating Expenses	-9.1	-9.9	-7.0	-4.0	-7.4
Operating Funds Flow	71.6	72.4	78.5	79.5	75.9
Amortisation / Depreciation	--	-2.5	-2.0	-2.5	-3.0
Total Non Interest Expense	-28.4	-30.2	-23.5	-23.1	-27.1
Preprovision Income (PPI)	71.6	69.8	76.5	77.0	72.9
Loan Loss Provisions Expenses (LLPE)	-1.2	-120.8	-60.0	-61.7	-67.0
Non Operating Income	-0.3	1.8	-0.2	0.4	-5.9
Pretax Income	70.1	-49.2	16.2	15.7	0.1
Taxes	--	--	--	-3.3	--
Net Income	70.1	-49.2	16.2	12.4	0.1
Minority Interests	--	--	--	--	--
Net Income (Group share)	70.1	-49.2	16.2	12.4	0.1

Export Development Bank of Egypt (EDBE)

	31/3/2007	30/6/2006	30/6/2005	30/6/2004	30/6/2003
Profitability Indicators					
Return on Average Assets (%)	2.3	-2.0	0.8	0.5	0.0
Return on Shareholder's Equity - period end (%)	17.8	-24.4	7.5	5.8	0.1
Recurring Earning Power 1	2.3	2.8	3.4	3.3	2.9
PPI (%) Avg Total Capital Funds	19.9	30.0	35.4	36.3	37.9
Interest Expense (%) Interest Income	64.9	67.5	63.2	70.9	74.0
Int. Income (%) Avg Int. Earning Assets 2	6.3	7.2	7.7	7.4	7.4
Int. Exp. (%) Avg Int. Bearing Liabilities 3	3.3	4.1	4.2	4.6	5.9
Net Spread (%) 4	3.0	3.2	3.5	2.7	1.5
Net Interest Margin (%) 5	2.2	2.4	2.8	2.1	1.9
Non-Interest Income (%) Oper. income	41.9	48.8	44.5	56.2	53.4
Income Tax (%) Pre-tax Income	--	--	--	21.2	--
Efficiency Indicators					
Non Interest Expense (%) Avg Assets	0.9	1.2	1.1	1.0	1.1
Cost to Income Ratio (%) 6	28.4	30.2	23.5	23.1	27.1
Personnel Expenses (%) Avg Assets	0.6	0.7	0.7	0.7	0.7
Personnel Expenses (%) Operating Income	19.3	17.7	14.6	16.6	16.7
Personnel Expenses (%) Non Interest Expense	68.0	58.9	61.9	71.8	61.7
Liquidity Indicators					
Net Loans (%) Customer Deposits + Saving Deposits	109.9	83.0	78.0	78.7	89.7
Net Loans (%) Customer Deposits	170.9	119.5	102.6	92.4	101.0
Net Loans (%) Total Deposits 7	129.1	109.1	96.4	106.8	102.8
Average Net Loans (%) Av. Customer Deposits	132.9	108.6	108.4	56.0	62.0
Average Net Loans (%) Average Assets	53.1	53.0	54.1	39.6	32.2
Liquid Assets 8 (%) Total Assets	28.9	32.6	40.6	92.1	89.5
Customer Deposits (%) Total Deposits	75.5	91.3	93.9	5.2	5.9
Customer Deposits / Shareholders Equity (Times)	2.8	5.1	4.4	5.5	5.9
Due from Banks (%) Due to Banks	79.3	217.0	504.4	322.1	234.2
Liquid Assets (%) Total Deposits	64.4	66.0	81.9	69.9	54.4
Loan Portfolio Quality Indicators					
Problem Loans (%) Gross Loans	--	--	--	--	--
Problem Loans (%) (Shareh. Equity + LLR)	--	--	--	--	--
(Problem Loans - LLR) (%) Shareholdes Equity	-130.1	-216.1	-130.5	-117.6	-93.9
Loan Loss Reserve (%) Gross Loans	21.6	26.2	22.3	17.5	12.4
LLPE (%) Preprovision Income	1.7	173.0	78.5	80.1	91.8
LLP (%) (Loan Loss Reserve - LLP)	0.2	38.3	26.8	32.8	45.3
LLPE (%) Gross Loans	0.1	7.2	4.7	4.3	3.8
Preprovision Income (%) Net Loans	3.9	5.7	7.7	6.5	4.8
Shareholders' Equity (%) Net Loans	21.2	16.4	22.0	18.0	15.1
Loans to Related Cos. (%) Gross Loans	--	--	--	--	--
Capitalization Indicators					
Tier 1 ratio (%)	--	--	--	--	--
Shareholders' Equity (%) Total Assets	12.3	8.8	10.5	9.4	9.0
Shareholders' Equity (%) T. Assets + Contingent Liabilities	10.6	7.8	8.9	8.1	7.7
Total Capital funds (%) Total Assets	12.3	8.8	10.5	9.4	9.0
Total Capital (%) Total Assets + Contingent Liabilities	10.6	7.8	8.9	8.1	7.7
Shareholders' Equity (%) Total Capital funds	100.0	100.0	100.0	100.0	100.0
Contingent Liabilities (%) Total Assets	15.8	14.0	17.8	15.5	16.8
"Free" Capital 9 (%) Shareholders' Equity	80.4	70.0	76.2	77.1	77.0
Dividend Payout (%) 10	--	--	64.8	77.2	--
Internal Capital Growth (%) 11	21.4	-18.7	2.7	1.3	0.1

Notes:

1. Recurring Earning Power = Preprovision Income (%) Average Total Assets
2. Interest Earning Assets = Due from Banks + Government Securities + Trading Securities + Investment Securities + Gross Loans
3. Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital
4. Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities
5. Net interest margin = Net Interest Income (%) Average Earning Assets
6. Cost to Income Ratio = Total non interest expense (%) Operating income
7. Total deposits = Customer deposits + Due to banks
8. Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets
9. Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates
10. Dividend Payout = Dividends (%) Net Income
11. Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity
12. Customer Deposits = Demand deposits +Call & time deposit + Other deposits
13. Borrowings =Long term loans + Bonds + Saving deposits & certificates