

HOUSING & DEVELOPMENT BANK (HDB)

Ratings

Category	Current	Previous.	Contact	Phone
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Rating Outlook	Stable	Stable	Yasser El Kholy-Cairo velkholy@merisratings.com	

Announcement of the merger between HDB and Egypt Arab Land Bank is expected to affect the rating; the direction and extent of change in the rating will depend on the structure of the merger, government support, synergies, opportunities and challenges created by the merger.

Operating Statistics

(EGP mn)	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001
Net Income	70	23	21	16	30
ROA (%)	0.78	0.30	0.32	0.28	0.57
ROE (%)	16.80	6.63	5.92	4.93	11.25
Net Interest Margin (%)	1.25	1.28	1.07	0.9	2.28
Net Spread (%)	1.09	0.91	0.53	1.53	3.08
Recurring Earning Power (%)	0.79	0.92	1.19	0.69	1.06
Cost to Income Ratio (%)	66.19	60.61	54.84	67.89	62.89

Balance Sheet Statistics

(EGP mn)	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001
Total Assets	9,388	8,533	6,932	6,071	5,564
Total Capital	414	344	352	332	271
Net Loans (%) Total Deposits	75.47	90.08	139.07	189.52	215.59
Loan Loss Reserve (%) Gross Loans	6.80	6.34	4.93	3.49	3.42
Customer Deposits (%) Total Deposits	99.98	99.90	99.19	81.66	85.37
Capital/Total Assets (%)	4.41	4.03	5.08	5.46	4.87
Capital (%) Net Loans	10.13	8.14	8.46	8.36	7.58

* Financial Year Ends December 31

Credit Strengths

The main credit strengths for HDB are as follows:

- Capital increase to meet CBE minimum capital requirement subscribed by current shareholders.
- Institution of a risk management department and formulation of new tighter credit policy.
- More liquid position powered by increase in time deposits.
- Improved bottom line driven by investments in government securities.
- Strong franchise in real estate market.
- Capitalizing on the bank's large retail database to create and maintain a franchise in the retail market.

Credit Challenges

The main credit challenges for HDB are as follows:

- Announcement of the merger between HDB & EALB has slowed down restructuring efforts across the bank.
- Same Chairman heading two competing banks.
- Concentration with government entities on both the assets side and the liabilities side is still evident.
- Lack of comprehensive business plan to guide the bank in strategy implementation.
- Need to fill key vacant positions with appropriate caliber based on the new organizational chart; the bank has a large employees' base, relative to its size, with a "public sector" attitude.
- Delays in implementing the bank's comprehensive overhaul of MIS & IT infrastructure.
- Weak capitalization even with the capital increase.
- Very slow moving steps for the activation of mortgage law finance and securitization markets in Egypt.

Strategy & Competitive Position

Current Shareholders to participate in the HDB Capital Increase

Since its inception, HDB has been and still is characterized by having a majority public sector ownership profile. As of FYE 2005, the bank shareholding structure is dominated by the Ministry of Housing, Utilities & New communities¹ (35%), Misr Reinsurance Company (15%), Misr Insurance Company (11%) and the Egyptian Awqaf Agency (12%). As of beginning 2006, HDB was not complying with the Egyptian Banking Law # 88 for 2003; the law stipulated a minimum of EGP 500 mn capital requirement for banks operating in Egypt with HDB's paid-up capital amounting to EGP 102.250 mn as of FYE 2005. Delays in meeting the CBE's minimum capital requirement was a result of: (1) the announcement of the merger between HDB and Egypt Arab Land Bank (EALB) in February 2005 and (2) reluctance on the part of the public sector shareholders to maintain/increase their ownership in a joint venture bank as it contradicts with the government announced policy that encourages public sector entities to liquidate their investments in other public sector or joint venture entities. However, delays in deciding the state of the merger and the deadline set by the CBE to meet the minimum capital requirement has urged the current shareholders to approve the capital increase in an extraordinary general assembly meeting held on 30/3/2006. The capital increase will take the form of: (1) a rights issuance of 1.02 mn shares at par of EGP 10/share (current shareholders agreed to subscribe in this issuance) and (2) 29.55 mn free shares at EGP 10/share (the bank will distribute 1.45 shares for each share held) post the capital increase to be financed through a transfer from reserves.

Potential Merger with Egypt Arab Land Bank

In February 2005, an announcement was made by the CBE regarding the intention to merge the two "real estate sector banks" operating in Egypt, HDB and EALB. EALB is public sector bank with paid-up capital amounting to EGP 1.0 bn as of FYE 2005² wholly owned by the Ministry of Finance; the bank has a total of 38 branches, 24 of them in Egypt³. With a balance sheet size of EGP 20.2 bn as of FYE 2005 (EGP 16.99 bn net loan portfolio), EALB ranks in the top 15 banks in Egypt and is more than twice the size of HDB. However, EALB's latest financial results were weak reporting a net loss of EGP 216 mn for FYE 2005 resulting basically from halving of the bank's gross margin and a doubling of its provisioning.

Given that the merger has been announced more than a year ago, the share valuation of both banks has taken quite an extensive time missing two deadlines for the finalization of the merger. The delay has been attributed to the extensive time it took to complete the valuation of both bank's real estate portfolios⁴ (real estate owned by the two banks and real estate collateralized against the banks' loan portfolios).

Currently, the merger is pending the finalization of the share valuation of the two banks, determining the form of the merger including government support to sponsor the merger, if any and getting the approval of the BOD of both banks. The year 2006 should witness the conclusion of this issue according to bank's top management.

..... *Same Chairman Heading Two Competing Banks*

With the announcement of the merger between HDB & EALB, Mr. Fathi Sebai, HDB Chairman, was appointed to head EALB. With this appointment being effective since early 2005, Mr. Sebai has been actually running two competing banks for over a year now⁵. Given the size, asset quality and performance of EALB, heading the two banks has substantially affected the amount and quality of time that Mr. Sebai can dedicate to managing HDB. This has been particularly manifested in the slow down of the restructuring efforts within HDB as is highlighted in the following section.

A Strategy in Need of a Comprehensive Business Plan

HDB has laid down a strategy for the bank covering the period up to 2009. This strategy was formulated by an external consultant⁶ and got the approval of the BOD in early 2006. The strategy is ambitious and focuses on four main areas: IT & MIS, products and services, human capital and organizational structure. Although, the strategy has outlined the main guidelines for the bank's direction, it is in need of a written business plan that is clearly communicated across different levels within the bank to have a road map for implementation.

Restructuring Efforts are Underway But Slow Down is Evident

Restructuring is evident in certain areas within the bank but slow down is evident as a result of the announcement of the merger and the limitation on the chairman's time & effort heading two banks simultaneously.

The most notable changes have been as follows:

- Approval of the bank's organizational structure and the initiation of the centralization of the bank's operations;
- Institution of a risk management department and the formulation of a new credit policy in accordance with the CBE credit policy guidelines issued in May 2005 (the bank is in the process of reviewing its portfolio according to the new credit policy).
- Separation between credit marketing and credit administration & follow up.
- Institution of an HR Department and the separation between HR management and administration.

¹ Through two bodies: the New Communities Agency and the Housing Finance Fund.

² EALB financial year ends on June 30.

³ 9 branches in Jordan and 5 branches in Palestine.

⁴ More than 75% of HDB's gross loan portfolio has real estate related guarantees.

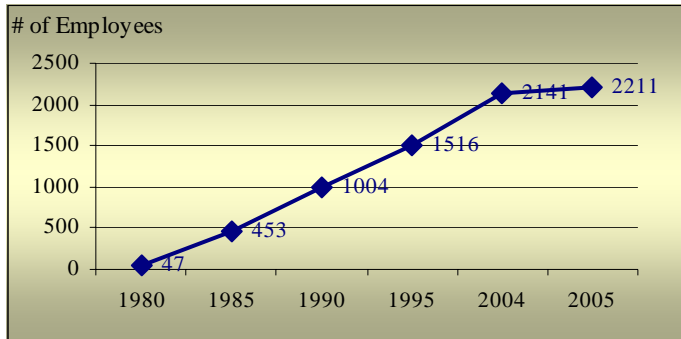
⁵ In contradiction with CBE regulations but the CBE has allowed this situation in anticipation of the conclusion of the merger.

⁶ The head of the Management Engineering Department, Faculty of Engineering & Technology, Arab Academy for Science & Technology

- Continuation of the training efforts particularly from a credit perspective.

Although these changes represent positive steps in the bank's restructuring efforts, still more need to be done and at a higher pace if the bank is to be able to compete effectively and efficiently as a commercial bank, most notably is the ability to attract the right calibre (through re-training or new hires) to fill the several vacant positions created by the new organizational structure (please refer to Appendix II) like head of treasury, head of HR, head of IT&MIS, several managerial positions in the risk management sector and senior regional/district managers.

Redistribution of the Large Employees' Base to Address Overstaffing



Although hiring has considerably slowed down over the last couple of years, HDB has a large employees' base of 2,211 employees as of year end 2005. The workforce generally displays "public sector" syndromes characterized by redundancy, inefficiency, low levels of productivity and a general culture resisting change. The bank's top management has tried to address this problem basically through re-training and relocating employees. The bank was able to shift the ratio of employees in the head office to employees in the branches from 70%:30% to 40%:60%. More than half the employees in the bank have received training; 33 credit employees have completed in 2005 a credit program "Certified Credit Officer"

that they received in the bank's training center in "Shorouk City". No early retirement scheme has been implemented by the bank as was suggested last year.

Need to Launch the Comprehensive Upgrade of IT & MIS Infrastructure

HDB's current infrastructure and operating systems are outdated with most of the currently running applications developed "in-house". The bank's current system does not provide the quality of processing, reporting and service that is deemed essential for the bank to compete in an increasingly sophisticated market. The year 2005 was supposed to witness the launch of the comprehensive upgrade of the bank's IT & MIS infrastructure; however, up to the moment of writing this report, the upgrade was not started. The delay has been the result of the dual effect of the news about the merger with EALB⁷ and delays in finalizing and approving the bank's overall strategy⁸. The approved IT & MIS strategy is ambitious outlining an aggregate 20 months time frame for the complete overhaul starting March 2006. The bank still lacks a business plan detailing the cost and time frame for the implementation of the upgrade, which will only be clear and effective once a decision has been made regarding the merger.

Solid Franchise in the Real Estate Market and Attempts to strengthen it through Diversification

Since its inception in 1979, HDB was heavily involved in developing, constructing and financing housing projects; a fact that allowed the bank to build a solid franchise in the real estate market. HDB was involved in a subsidized lending scheme for housing purposes⁹ and has developed more than 45,000 housing units, marketed over 50,000 units for real estate developers and has extended loans to governorates cooperatives, companies and individuals for constructing real estate projects with a total outstanding balance of EGP 3.5 bn as of FYE 2005.

Given that this specialized role is no longer promoted by the market or the regulator, HDB has been trying to capitalize on its current franchise in real estate financing as well as establish and promote a franchise in the retail and corporate markets.

Consequently, HDB has established a holding company "Holding Company for Investment & Development"¹⁰ where the bank is going to transfer all its real estate/construction projects and resources including 60 engineers to this company. The bank has established the first mortgage finance company in Egypt "Tamir Mortgage Company"¹¹ for promoting mortgage financing although mortgage financing in Egypt is progressing very modestly. The bank also attempted to establish a real estate registration services company and a real estate marketing services company together with the Ministry of Housing, Utilities & New Communities; however a change in the policy of the ministry put these two companies into liquidation.

Although the bank is changing its profile of involvement in the real estate market, the bank is still poised to have a significant role in real estate financing particularly as the market develops new tools like mortgage financing and securitization.

Large Retail Clientele Database Suggest Good Opportunity for the Bank in The Retail Market

Excluding the exposure to government related entities that currently represents 55% of the bank's loan portfolio as of FYE 2005, HDB has an extensive retail clientele database accounting for 34% of the gross loan portfolio¹². With 37 branches that are spread

⁷ The announcement was made in February 2005.

⁸ The bank's overall strategy including IT & MIS strategy was approved by the BOD in early 2006.

⁹ HDB has received long term loans (99 loans) from the CBE with an outstanding balance of EGP 2.45 bn as of FYE 2005 carrying a 10%-11% interest rates. According to the government's development plan, the bank was required to lend these amounts at subsidized rates that vary between 3%-6%. The Ministry of Finance is responsible for paying HDB the difference between the cost of the 99 loans and the rates at which HDB lends these loans in addition to 1%-1.5% profit margin for HDB. This scheme has been replaced by another scheme for subsidized lending involving the NIB.

¹⁰ The company's paid-up capital is EGP 100 mn where HDB has 90% shareholding.

¹¹ The shareholders of this company being HDB (14%), National Investment Bank (20%), Housing Communities Agency (Ministry of Housing, Utilities and New Communities) (15%), Egyptian Awqaf Agency (10%), Misr Insurance Company (7%), Shark Insurance Company (7%), Misr Reinsurance Company (7%) and others.

¹² 77% of the gross loan portfolio excluding the exposure to government related entities as of FYE 2005.

across Egypt, HDB is dealing with more than 40,000 individual clients¹³; it is this exposure that enabled HDB to have material expertise and database regarding retail operations, a fact that encouraged the bank to plan to venture further into the retail market. HDB is planning to tap its already existing retail clientele base with its different retail products on both the assets side and the liabilities side before targeting new market segments. Accordingly, the bank has established a retail marketing department under the Banking Marketing Sector (please refer to Appendix II), which became operational by end of 2005. In its retail efforts, HDB:

- Outsourced a call center services;
- Began to develop a credit scoring system and its customer database;
- Launched a marketing campaign;
- Expanded outdoor services. The bank has installed 41 ATMs and 50 MTMs expected to be increased to 70 ATMs and 100 MTMs by the end of 2006;
- Attracted payroll accounts (Fellousi card) of several government institutions including Ministry of Finance (7,000 employees), Assyut governorates (1,064 employees), entities in Zagazig (860 employees) and currently in the process of providing the same service for Cooperative Construction Agency and all its city bodies (11,580 employees across the country), and others;
- Introduced new products on the liability side including CDs, housing saving deposits, prize deposits, cumulative saving certificates;
- Developed an array of retail asset products including personal loans, car loans, housing loans, educational loans, white goods loans, early retirement loans....
- Issued several debit and credit cards including HDB card, Master card, Premium card and Fellousi card;
- Introduced technical and engineering services for landowners including soil testing, assisting in issuing construction licenses, developing blueprints, assigning contractors and construction supervision.

These efforts are viewed positively although the bank currently lacks the appropriate operational infrastructure (in terms of qualified caliber¹⁴ and IT&MIS) for developing and instituting proper CRM for tapping and retaining its target market. The bank's branch expansion has been stopped again in anticipation of the result of the merger.

.....*But Not in The Corporate Market*

HDB's current exposure to the corporate market is 10% of its loan portfolio or EGP 452 mn as of FYE 2005 down from EGP 474 mn as of FYE 2004. The decrease has been the decision by the bank to put its corporate lending activities on hold until the bank develops the proper risk management tools for lending this sector as well as train/hire the appropriate personnel to carry out these financing activities. The corporate lending sector growth in the Egyptian market has slowed down considerably over the last few¹⁵ years because of the persisting recession that has hit the Egyptian economy for several years now; this has resulted in scarcer good lending opportunities and intensified competition in the market. HDB currently is not equipped to compete for that market because it is in the process of developing its risk management infrastructure including qualified caliber and restructuring its funding base to reduce the more expensive funding resources. Another handicap for the bank was its capital base, with an EGP 102.250 mn in paid-up capital as of FYE 2005, the bank had a single obligor financing limit of EGP 31 mn¹⁶ limiting the bank's ability to attract "big ticket clients" in the currently more attractive economic sectors including petrochemicals, fertilizers and aviation services.

Financial Fundamentals

Government Related Exposure Still Dominates the Bank's Portfolio

Given that the bank was created to fulfill needs in the housing and construction sectors, HDB is involved in the financing of the housing and construction industries in Egypt as follows:

- Financing entities & individuals for the purpose of constructing real estate units (subsidized and non-subsidized);
- Financing entities and individuals for the purpose of purchasing real estate units (subsidized and non-subsidized);
- Constructing real estate units and directly selling them to entities and individuals on credit (subsidized and non-subsidized).¹⁷

There has been no material change in the bank's loan portfolio during 2005. In terms of size. The gross loan portfolio has been more or less static at EGP 4.4 bn as of FYE 2005, a fact that resulted in a decrease in the contribution of the loan portfolio to the bank's growing balance sheet to 43% down from 50% as of FYE 2004 and 60% as of FYE 2003. Although, the subsidized exposure has experienced an aggregate 10% decrease over 2004 and 2005, it still represents the bulk or 63% of the gross loan portfolio as of FYE 2005. This decrease, which is expected to continue until this portfolio is liquidated¹⁸, is an outcome of the fact

¹³ The bank has 40,000 individual clients but deals with approximately 400,000 clients through its real estate marketing services, collection services and others.

¹⁴ There are currently 4 employees in the retail marketing department with 15 vacancies still to be filled.

¹⁵ Aggregate gross loan portfolio for the Egyptian sector has decreased from 10% for FYE 2002, to 7% for FYE 2003, to 4% for FYE 2004 and 4% for FYE 2005.

¹⁶ The CBE has put a limit on "single obligor" exposure amounting currently to 30% of the bank's capital base. CBE has issued regulations in February 2006 segmenting and redefining this limit to reach 20% of capital base for a single obligor exposure and 25% of capital base for a group of related borrowers to be gradually implemented till 2008.

¹⁷ According to the new banking law (law 88 for 2003), HDB is no longer allowed to carry out this function; accordingly, HDB has established a subsidiary, Holding Company for Investment and Development (90% owned by HDB), to assume this function.

¹⁸ The subsidized portfolio decreases by approximately EP 150 mn per annum.

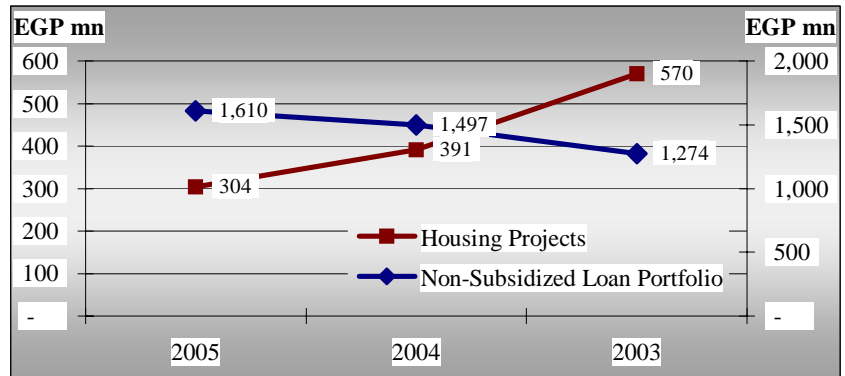
that the subsidized lending scheme between the CBE, HDB and Ministry of Finance¹⁹ has been substituted by a direct lending scheme with the National Investment Bank.

The decrease in subsidized lending has been negated by an increase in the non-subsidized portfolio (EGP 315 mn increase over the last two years) fueled by credit sale of the bank's slow moving inventory of housing units that were part of the bank's housing projects (please refer to graph below). As a result of the management marketing efforts, the bank was able to liquidate EGP 279 mn worth of real estate units over the FYE 2004 & 2005. Given the fact that the bank is no longer allowed to carry out real estate development projects, the housing projects line item is expected to be transferred to the Holding Company for Investment and Development as mentioned earlier.

As of FYE 2005, 55% of the bank's gross loan portfolio is with government entities²⁰ down from 60% as of FYE 2003. A single entity, the Cooperative Agency for Construction & Housing (a body operating under the Ministry of Housing, Utilities and New Communities umbrella) accounts alone for 43% of the bank's gross loan portfolio.

Another 24% of the gross loan portfolio is in the form of housing finance to individuals. The remaining 21% are split equally between retail banking and corporate banking displaying an 8% increase over 2004 balance with the growth solely attributed to an increase in the retail portfolio.

As for the NPLs, the bank has established a new unit for handling non-performing exposure under the umbrella of the risk management department. As of FYE 2005, NPLs amounted to EGP 289 mn up from EGP 275 mn as of H1 2004 representing 7% of the gross loan portfolio. Specific provisions coverage reached 96%²¹ as of FYE 2005 up from 92% as of H1 2004. This low level of NPLs, relative to the level of NPLs in the banking industry in Egypt, is a result of the fact that almost none of the bank's exposure to government entities is classified as non-performing; the government



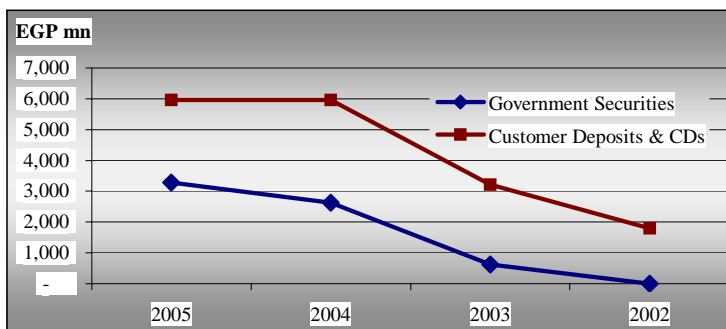
exposure is: (1) partially covered by cash deposits and (2) the Ministry of Finance has issued Letters of Guarantee for HDB against these loans. Nevertheless, it is important to add that there are delays, although not defaults, from the Ministry of Housing, Utilities and New Communities side when it comes to settling its dues to HDB.

The top 10 NPLs²² represent 3% of the bank's loan portfolio and are 55% provisioned. Total provisions amounts to EGP 298 mn as of FYE 2005 displaying a 3% growth rate after an aggressive 51% and 33% increase during FYE 2003 and 2004 respectively. This level of provisioning provides 7% coverage for the gross loan portfolio and 103% coverage of the NPL portfolio.

The currency profile of the loan portfolio is unchanged (i.e. 100% denominated in Egyptian pound). The maturity profile of the loan portfolio has shifted to 15%:85% short term to medium & long term lending for FYE 2005 from 24%:76% short term to medium & long term lending. The shift has been the result of a declining short term portfolio decreasing by 32% and 14% during FYE 2004 and 2005 respectively. Finally, as per the bank announced rates at the beginning of 2006, HDB prices its lending at 14% for real estate financing and 15%-16% for short term/medium term and long term lending respectively. These rates are considered to be high relative to a declining interest rate climate.

Funding Base Affected by an Increase in Costly Government Deposits

Total customer deposits and CD's amounted to EGP 6.0 bn with a 19% increase over FYE 2004 balance (EGP 5.0 bn). Household deposits has increased by 21% over FYE 2004 balance reaching EGP 1.5 bn as of FYE 2005²³ and accounted for 27% of the



increase in total customer deposits and CD's balance. This growth has been fueled by the bank's new retail products namely 3-years & 5-years CDs offering an 9.5% and 10% return per annum, the housing savings account and the prize savings account. The bulk of the increase in the customer deposits & CDs in FYE 2005 balance has been actually caused by EGP 2.2 bn²⁴ increase in government deposits with HDB²⁵. Consequently, the bank continues to exhibit an extremely high concentration in its customer deposits profile where 73% of total customer deposits & CDs balance as of FYE 2005 is classified as

¹⁹ HDB has received long term loans (99 loans) from the CBE totaling EGP 2.45 bn as of FYE 2005 carrying a 10%-11% interest rates. According to the government's development plan, the bank is required to lend these amounts at subsidized rates that vary between 3%-6%. The Ministry of Finance is responsible for paying HDB the difference between the cost of the 99 loans and the rates at which HDB lends these loans in addition to 1%-1.5% profit margin for HDB.

²⁰ 96% this exposure is with three entities belonging to the Ministry of Housing, Utilities & New communities basically Cooperative Agency for Construction & Housing, New Communities Agency and Housing Finance Fund

²¹ Specific Provisions amount to EGP 277 mn and general provisions amount to 21 mn.

²² Non-government entities.

²³ Household deposits have actually doubled relative to FYE 2003 balance.

²⁴ In the form of time deposits.

²⁵ Approximately EGP 1.0 bn in government deposits were drawn in the first quarter of 2006.

government deposits. The agencies belonging to the Ministry of Housing, Utilities and New Communities alone account for 67% of the customer deposits and CDs as of FYE 2005. Notably, the size and stability of these deposits is correlated with the level of activity between these entities and the bank on the assets side. This profile has affected the bank's cost of funding and consequently its profitability and competitiveness as the bank pays the Ministry of Housing agencies 1% over announced deposits rates.

Borrowings from CBE balance continues to decline amounting to EGP 2.4 bn as of FYE 2005 reflecting a 6% decrease relative to FYE 2004 balance and representing 27% of the bank's funding base as of FYE 2005. Given that the CBE, HDB and Ministry of Finance financing scheme for subsidized lending has stopped since 1997 as mentioned earlier, the funding base from the CBE is expected to decrease by approximately EGP 150 mn per annum.

These changes in the funding base have shifted its maturity profile. Given that 80% of the bank's time deposits base has maturities less than 6 months as of FYE 2005, HDB current funding mix is 46%:54% medium/long term:short term funding as of FYE 2005, which is quite different from the 70%:30% mix as of FYE 2002. The new shorter term funds have been channeled by the bank to investments in government securities; thus allowing the bank to show a more liquid position. As of FYE 2005 liquid assets account for 39% of total assets up from 23% as of FYE 2003. Net loans % of customer deposits has improved from 140% as of FYE 2003 to 76% as of FYE 2005.

As for the currency profile, the bank's funding base was and still is predominantly (99%) EGP denominated.

Return on Government Securities Underpinning the Bank's Profitability

The bank's bottom line increased from EGP 23 mn for FYE 2004 to EGP 70 mn for FYE 2005 experiencing more than 200% increase and pushing up the bank's ROA and ROE to 0.8% and 17% respectively up from 0.3% and 7% ratios for FYE 2004. This increase resulted from: 17% increase in NII, 8% increase in non-interest income, 63% decrease in provisioning expense and almost 300% increase in non-operating income (investment valuation differences).

NII increase has been mainly the result of increase in return from T-bills and bonds. Interest income on T-bills and bonds increased by 34% from EGP 165 mn for FYE 2004 to EGP 314 mn for FYE 2005 accounting for 40% of the bank's total interest income and positively affecting the bank's net spread from 0.91% for FYE 2004 to 1.12% for FYE 2005.; Due from banks decreased by 75% from EGP 35 mn for FYE 2004 to EGP 9 mn for FYE 2005, interest income on non-subsidized lending has decreased by 2% and interest expense on customer deposits & CDs has increased by 35% in a declining interest rate environment, reflecting again the bank's more costly funding base.

The increase in non-interest income has been driven by an increase in gain on sale of trading securities from EGP 1 mn for FYE 2004 to EGP 10 mn for FYE 2005.

An EGP 21 mn in positive investment valuation differences has been the result of investment valuation differences of four money market funds with four different fund management companies that mainly invest in Government securities.

Cost to income ratio increased from 61% to 65% resulting from a 52% increase in G&A expenses based on a 14 mn increase in marketing and advertising, fairs and maintenance relating to the Head Office and branches.

Although the bank is continuing to build its loan loss provisions, the rate has slowed down in 2005. Provisioning expense declined by 55% for FYE 2005 representing 12% of operating income down from a 30% ration for FYE 2004. Currently LLR stands at 7% of the gross loan portfolio and provides 103 % coverage of the NPL portfolio. Given that the bank is currently in the process of reviewing its non-subsidized loan portfolio according to its newly formulated and approved ORR system, additions to the loan loss reserve is expected in the future.

Weak Capitalization Still Represents a Threat for the bank

The bank still displays low capitalization ration of 4.5% as of FYE 2005; the bank's capitalization has averaged 4.9% since 1998. This has been the result of low level of capital injection by the shareholders, weak earnings power and a relatively high dividends payout ratio (starting 2001). The relatively low capitalization profile may pose a threat for HDB's solvency. Applying the officially recognized average NPL ratio in the Egyptian banking industry to the bank's gross portfolio would result in negative economic capital.

The bank was still not in compliance with the CBE minimum capital requirement (EGP 500 mn) as of FYE 2005. The capital increase by the current shareholders has been halted, during 2005, following the announcement of the merger between HDB and EALB considered to be a substitute to HDB cash capital increase by government related shareholders²⁶. On 30/3/2006 the current shareholders approved the capital increase in an extraordinary general assembly. The capital increase will take the form of: (1) a rights issuance of 1.02 mn shares at par of EGP 10/share (current shareholders agreed to subscribe in this issuance) and (2) 29.55 mn free shares at EGP 10/share (the bank will distribute 1.45 shares for each share held) post the capital increase to be financed through a transfer from reserves. As such, the planned increase in the bank's paid up capital will have little effect on improving the bank's capitalization as more than 70% of the planned increase in the paid-up capital will come from a transfer in the bank's reserves.

As mentioned earlier, the merger is expected to take place within H1 2006 although the form of the merger, government support, if any, and the status of the resulting entity is not clear yet. EALB has an authorized capital of 2.0 bn and total paid-up capital of 1.0 bn as of 30/6/2005. Worth noting, EALB has a gross loan portfolio of EGP 16.99 bn as of 30/6/2005; a relatively high percentage of this portfolio is expected to be non-performing thus placing the bank's economic capital and solvency under stress.

²⁶ HDB has more than 70% of its shares with government related entities. The GOE has repeatedly announced that it wants to liquidate the investments of government and public sector entities including those in joint ventures and other public sector entities.

Appendix I

Bank Profile

Background

The Housing & Development Bank was instituted on February 1979 by the Ministry of Economy, Foreign Trade and Economic Cooperation according to ministerial decree # 147 for 1979 as a business and investment bank. The bank was established as a shareholding company, with EGP 18 mn paid-up capital, between the Ministry of Housing & New Communities, Union Arab Bank for Development & Investment²⁷, National Bank of Egypt, Banque Misr and others. The purpose of the bank is to finance housing and development projects for the construction of housing units for the lower income bracket individuals and others as well as participating in projects relating to infrastructure, housing development, tourism development and industrial development. In addition to carrying banking operations, HDB worked and still works in the field of housing and construction to assist in solving the housing problem in Egypt. This is done through trying to narrow the gap between the supply and demand of housing units, in all cities of the country. This is accomplished through the construction of housing projects that suit all different income sections. HDB also grants long-term loans to Companies, Co-operative Housing Societies and Individuals to build new housing units.

Capital Structure

The bank's capital underwent the following changes:

- according to its articles of incorporation, the bank's capital was initially set at EGP 18 mn divided into 1,800,000 shares;
- in 1993, a ministerial decree (decree # 101 for 1993) by the Ministry of Economy & Foreign Trade was passed increasing the bank's paid-up capital to EGP 54 mn;
- in October 2002, an extraordinary general assembly meeting approved the increase in the bank's paid up to EGP 102.250 mn (25% of the capital increase will be paid in 2004);
- in March 2006, an extraordinary general assembly meeting approved the increase in the bank's authorized capital to EGP 1.0 bn and paid up capital to EGP 500 mn.

As of 31/12/2005, the bank's authorized capital is EGP 300 mn and paid-up capital is EGP 102.250 mn.

Shareholding Structure:

Since its inception, HDB has been and still is characterized by having a majority public sector ownership profile. In 1979, the bank was instituted by the Ministry of Housing, Utilities & New Communities (17%), the big four public sector banks²⁸ (26%), public sector insurance companies (22%) and the Egyptian Awqaf Agency (12%). The bank still has a predominantly public sector ownership structure although the shareholders' profile has changed with the four big public sector banks liquidating their ownership in the bank; currently, the bank is majority owned by the Ministry of Housing, Utilities & New communities (35%), Misr Insurance Company (11%), Misr Reinsurance Company (15%), and the Egyptian Awqaf Agency (12%).

The detailed ownership profile of the bank as of 31/12/2005 is as follows:

Shareholders	31/12/2005		At Inception	
	# of Shares	% Ownership	# of Shares	% Ownership
New Communities Agency (Ministry of Housing, Utilities & New Communities)	2,299,400	22.49%	300,000	16.7%
Housing Finance Fund*	1,300,000	12.71%	-	-
Arab Investment Bank**	221,409	2.17%	200,000	11.1%
National Bank of Egypt	-	0.00%	125,000	6.9%
Banque Misr	-	0.00%	125,000	6.9%
Banque du Caire	-	0.00%	125,000	6.9%
Bank of Alexandria	-	0.00%	100,000	5.6%
Egypt Arab Real Estate Bank	500	0.00%	125,000	6.9%
Misr Reinsurance Company	1,522,572	14.89%	100,000	5.6%
Misr Insurance Company	1,106,000	10.82%	100,000	5.6%
National Insurance Company	12,000	0.12%	100,000	5.6%
Shark Insurance Company	1,100	0.01%	100,000	5.6%
Egyptian Awqaf Agency	1,200,000	11.74%	200,000	11.1%
Misr for Housing Company	275,000	2.69%	100,000	5.6%
Commercial International Bank	535,827	5.24%	-	0.0%
Suez Canal Bank	622,480	6.09%	-	0.0%
Misr Exterior Bank	-	0.00%	-	0.0%
Alexandria Commercial & Maritime Bank	1,800	0.02%	-	0.0%
HDB Employees Insurance Fund	91,855	0.90%	-	0.0%

²⁷ Changed its name to Arab Investment Bank

²⁸ NBE, BDC, BoA, Banque Misr.

Commercial International Investment Bank	525,376	5.14%	-	0.0%
CIB Employees Insurance Fund	65,050	0.64%	-	0.0%
EDBE Mutual Fund	14,080	0.14%	-	0.0%
Egyptian Employees' Bank	6,565	0.06%	-	0.0%
NIB Mutual Fund	1,700	0.02%	-	0.0%
Others	14,745	0.14%	-	0.0%
Individuals	407,541	3.99%	-	0.0%
Total	10,225,000	100.00%	1,800,000	100%

* A body of the Ministry of Housing, Utilities and Urban Communities.

** 200,000 shares paid in US\$.

Top Management

The chairman, Mr. Mohamed Fathi El Sebaei Mansour, joined the bank in early 2003. Mr. El Sebaei was a member of the BOD of HDB as representative of the New Communities Agency (Ministry of Housing, Utilities and New Communities). In December 2002, the Ministry appointed Mr. El Sebaei as chairman for the bank. Mr. El Sebaei graduated in 1973 from Faculty of Commerce, Alexandria University. He joined Citibank in 1976 where he worked until 1984 when he left as vice-president, Citibank Cairo. He worked as regional manager for Gammal Trust Bank (1984-1985), head of investments at Saudi for Investments, an affiliate of Chase Manhattan Bank (1985-1989), executive vice president for Burgan Bank in Kuwait (1988-1997), assistant to the managing director of EAAB (1997-1998), managing director of Cairo International Bank (2000-2002) and vice president of Union of Banks in Uganda (2002).

Following the announcement of the merger with EALB, Mr. Sebaei was appointed as chairman of EALB as well in early 2005.

The bank's heads of divisions have been with the bank for periods that vary between 15-25 years and consequently the bulk of their track record has been with HDB.

Current BOD

As of year end 2005, the bank BOD is as follows:

Name	
Mr. Mohamed Fathi El Sebaei Mansour	Chairman & Managing Director
Dr. Hassan Besheir Selim	Vice Chairman
Eng. Mohamed Magd El Din Ibrahim	Housing Finance Fund Representative
Eng. Hussein Mahmoud Gaafar	Housing Communities Agency Representative
Eng. El Shaafei Abdel Hay El Dakroury	Housing Communities Agency Representative
Eng. Fouad Madbouli	Housing Finance Fund Representative
Mr. Mohamed Gamal El Shenawi	Egyptian Awqaf Agency Representative
Mr. Mahmoud Tamam Hendi	Egyptian Awqaf Agency Representative
Mr. Hamam Mohamed Hamam Badr	Misr Reinsurance Company Representative
Ms. Samia Mohamed Ibrahim	Misr Reinsurance Company Representative
Mr. Amr Nabil Sheta	Commercial International Investment Company Representative
Mr. Abdel Badei El Sadek Mahmoudi	Suez Canal Bank Representative
Mr. Hussein Mohamed El Guindi	Commercial International Bank Representative
Dr. Moawad Hassan Hassanein	Misr Insurance Company Representative

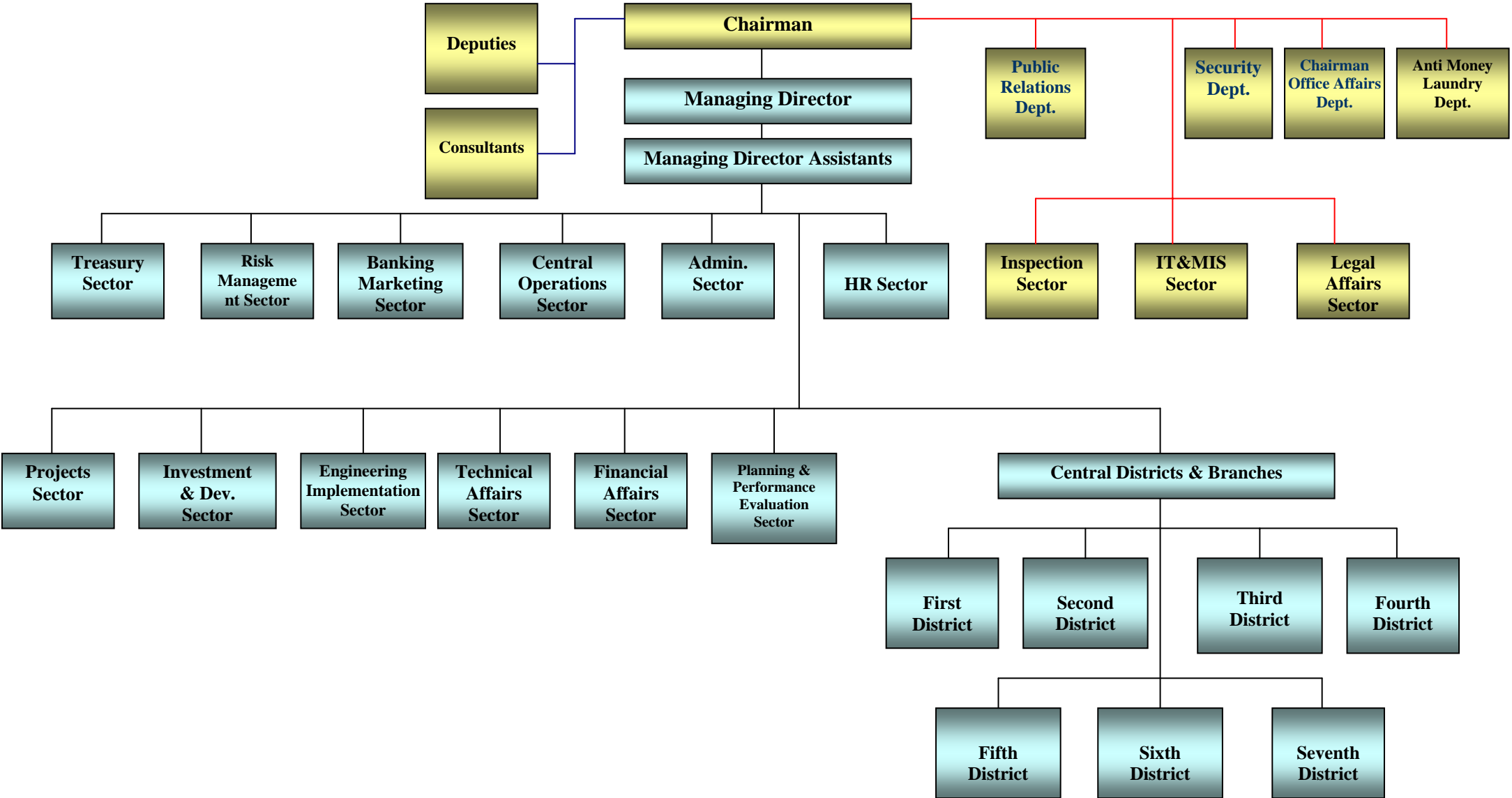
Branches

The bank has 37 branches and 7 collection offices distributed across Egypt.

Employees

HDB has a total of 2,211 employees as of year end 2005.

Appendix II
HDB New Organizational Chart



Appendix III
National Scale Rating

<u>Quality of credit</u>	Long	Short	
Gilt edged	AAA	Prime 1	Investment Grade
Very high	AA+		
	AA		
	AA-		
Upper-medium	A+	Prime 2	
	A		
Medium grade	A-		
	BBB+	Prime 3	
	BBB		
BBB-			
Questionable	BB+	Not Prime	Speculative Grade
Poor quality	BB		
	BB-		
	B+		
	B		
Very poor	B-		
	CCC+		
	CCC		
	CCC-		
	CC		
	C		

Appendix IV

List of Abbreviations

ATM	:	Automated Teller Machine
CBE	:	Central Bank of Egypt
CIB	:	Commercial International Banks
CIIC	:	Commercial International Investment Company
EDBE	:	Export Development Bank of Egypt
GOE	:	Government of Egypt
HDB	:	Housing & Development Bank
MTM	:	Mobile Teller Machine
NBE	:	National Bank of Egypt
NIB	:	National Investment Bank
NII	:	Net Interest Income
NIM	:	Net Interest Margin
NPL	:	Non-performing loans

Housing & Development Bank

	<u>31/12/2005</u>	<u>31/12/2004</u>	<u>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2001</u>	<u>31/12/2000</u>
Summary Balance Sheet (EGP mn)						
Cash & Central Bank	735	633	390	208	174	157
Due from Banks	215	258	542	625	416	357
Government Securities	2,356	2,063	629	--	--	--
Trading Securities	370	38	20	20	21	23
Investment Securities	944	586	20	20	16	17
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	4,381	4,515	4,381	4,111	3,707	3,464
Loan Loss Reserves (LLR)	(298)	(286)	(216)	(143)	(127)	(113)
Net Loans	4,083	4,229	4,165	3,968	3,580	3,352
Equity in Affiliates	91	39	11	1	1	--
Fixed Assets	68	58	56	59	59	60
Other Assets	526	627	1,095	1,170	1,302	1,252
Total Assets	9,388	8,533	6,928	6,071	5,570	5,217
Total Assets (USD mn)	1,636	1,391	1,121	1,311	1,369	1,429
Customer Deposits	5,409	4,690	2,971	1,710	1,415	1,329
Due to Banks	1	5	24	384	243	--
Borrowings	2,994	2,923	3,003	2,915	2,829	2,803
Other Liabilities	571	571	585	731	806	818
Total Liabilities	8,974	8,188	6,584	5,740	5,293	4,950
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	414	344	344	332	271	267
Total Capital Funds	414	344	344	332	271	267
Total Liabilities & Capital Funds	9,388	8,533	6,928	6,071	5,564	5,217
Derivatives - Notional Amount	--	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--	--
Contingent Liabilities	186	90	114	70	67	44
Summary Income Statement (EGP mn)						
Interest Income	780	674	542	514	550	536
Interest Expense	(680)	(587)	(483)	(473)	(459)	(450)
Net Interest Income	100	87	59	40	91	86
FX Income	(3)	2	8	2	4	2
Trading Income	10	1	0	0	1	2
Fees & Commissions	26	26	26	20	16	14
Other Operating Income	77	64	78	64	40	48
Total Non Interest Income	109	94	112	85	62	65
Operating Income	210	181	171	126	153	151
Personnel Expenses	(88)	(75)	(64)	(60)	(66)	(63)
Other Operating Expenses	(42)	(27)	(23)	(20)	(23)	(18)
Operating Funds Flow	80	79	84	46	64	70
Amortisation / Depreciation	(9)	(8)	(7)	(5)	(7)	(6)
Total Non Interest Expense	(139)	(110)	(94)	(85)	(96)	(87)
Preprovision Income (PPI)	71	71	77	40	57	64
Loan Loss Provisions Expenses (LLPE)	(24)	(54)	(42)	(17)	(14)	(27)
Non Operating Income	23	6	(15)	(7)	(13)	11
Pretax Income	70	23	21	16	30	47
Taxes	(0)	--	--	--	--	--
Net Income	70	23	21	16	30	47
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	70	23	21	16	30	47
Dividends	--	(16)	(15)	(14)	(19)	(22)
Transfers to Capital Reserves	(70)	(6)	(5)	(3)	(12)	(26)
Other Adjustments	--	--	--	--	--	--

Housing & Development Bank

	31/12/2005	31/12/2004	31/12/2003	31/12/2002	31/12/2001	31/12/2000
Summary Balance Sheet - Growth (%)						
Cash & Central Bank	16.14	62.54	87.05	19.37	10.99	-8.09
Due from Banks	-16.59	-52.35	-13.36	50.13	16.53	-50.33
Government Securities	14.19	228.24	--	--	--	--
Trading Securities	865.96	88.50	-0.83	-1.36	-8.42	10.26
Investment Securities	60.88	2,841.56	0.80	21.83	-2.58	1.05
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	-2.97	3.04	6.57	10.91	7.00	2.50
Loan Loss Reserves (LLR)	4.04	32.50	50.61	13.27	12.29	31.50
Net Loans	-3.45	1.52	4.98	10.82	6.82	1.75
Equity in Affiliates	134.83	261.86	1,128.57	0.00	--	--
Fixed Assets	16.28	3.42	-3.89	-0.39	-2.19	14.46
Other Assets	-16.20	-42.71	-6.42	-10.14	4.04	8.11
Total Assets	10.03	23.17	14.11	9.00	6.76	-3.95
Total Assets (USD)	17.65	24.07	-14.47	-4.29	-4.14	-10.10
	--	--	--	--	--	--
Customer Deposits	15.33	57.85	73.79	20.79	6.52	-7.56
Due to Banks	-79.41	-80.76	-93.68	58.30	--	--
Borrowings	2.43	-2.67	3.02	3.03	0.93	-0.83
Other Liabilities	-0.01	-2.47	-19.94	-9.26	-1.50	-10.41
Total Liabilities	9.60	24.37	14.70	8.44	6.93	-4.39
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	20.20	0.06	3.70	22.44	1.32	5.02
Total Capital Funds	20.20	0.06	3.70	22.44	1.32	5.02
Total Liabilities & Capital Funds	10.03	23.17	14.10	9.12	6.64	-3.95
	--	--	--	--	--	--
Derivatives - Notional Amount	--	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--	--
Contingent Liabilities	106.29	-20.92	62.91	4.33	50.91	126.16
Summary Income Statement - Growth (%)						
Interest Income	15.69	24.50	5.44	-6.64	2.64	-6.27
Interest Expense	15.85	21.65	1.91	3.14	1.95	0.32
Net Interest Income	14.64	47.79	46.97	-55.88	6.25	-30.27
FX Income	-262.18	-74.70	267.85	-49.90	144.03	196.97
Trading Income	850.65	982.10	-46.27	-83.80	-41.96	862.34
Fees & Commissions	-0.98	0.78	32.95	21.57	17.55	4.51
Other Operating Income	19.24	-17.36	22.44	57.34	-15.88	-29.04
Total Non Interest Income	16.85	-16.49	31.13	37.74	-5.20	-19.71
Operating Income	15.78	5.71	36.20	-17.97	1.29	-26.06
Personnel Expenses	17.55	16.87	6.24	-9.22	5.23	14.10
Other Operating Expenses	54.27	19.17	14.34	-12.66	27.47	9.10
Operating Funds Flow	0.90	-6.39	85.41	-28.92	-8.89	-47.11
Amortisation / Depreciation	15.14	8.91	37.34	-28.10	11.32	6.44
Total Non Interest Expense	26.46	16.83	10.02	-11.44	10.23	12.45
Preprovision Income (PPI)	-0.64	-7.79	91.56	-29.03	-10.94	-49.67
Loan Loss Provisions Expenses (LLPE)	-55.43	29.63	149.79	21.28	-48.69	28.99
Non Operating Income	288.92	-140.23	105.05	-42.43	-219.19	-147.67
Pretax Income	205.57	11.16	25.69	-46.39	-35.66	-43.52
Taxes	--	--	--	--	--	--
Net Income	204.47	11.16	25.69	-46.39	-35.66	-25.84
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	204.47	11.16	25.69	-46.39	-35.66	-25.84

Housing & Development Bank

	31/12/2005	31/12/2004	31/12/2003	31/12/2002	31/12/2001	31/12/2000
Balance Sheet - % of Total Assets						
Cash & Central Bank	7.83	7.42	5.62	3.43	3.13	3.01
Due from Banks	2.29	3.03	7.82	10.30	7.48	6.85
Government Securities	25.10	24.18	9.07	--	--	--
Trading Securities	3.94	0.45	0.29	0.34	0.37	0.43
Investment Securities	10.05	6.87	0.29	0.33	0.29	0.32
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	46.66	52.91	63.25	67.72	66.55	66.40
Loan Loss Reserves (LLR)	-3.17	-3.36	-3.12	-2.36	-2.27	-2.16
Net Loans	43.49	49.56	60.13	65.35	64.28	64.24
Equity in Affiliates	0.97	0.46	0.16	0.01	0.02	--
Fixed Assets	0.72	0.68	0.81	0.97	1.06	1.15
Other Assets	5.60	7.35	15.81	19.27	23.38	23.99
Customer Deposits	57.61	54.96	42.89	28.16	25.41	25.47
Due to Banks	0.01	0.05	0.35	6.33	4.35	--
Borrowings	31.89	34.26	43.35	48.02	50.80	53.73
Other Liabilities	6.08	6.69	8.45	12.04	14.46	15.68
Total Liabilities	95.59	95.97	95.03	94.54	95.03	94.88
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	4.41	4.03	4.97	5.46	4.86	5.12
Total Capital Funds	4.41	4.03	4.97	5.46	4.86	5.12
Income Statement - % of Average Assets						
Interest Income	8.71	8.72	8.33	8.83	10.20	10.07
Interest Expense	-7.59	-7.59	-7.42	-8.13	-8.51	-8.46
Net Interest Income	1.12	1.13	0.91	0.69	1.69	1.61
FX Income	-0.04	0.03	0.13	0.04	0.08	0.03
Trading Income	0.11	0.01	0.00	0.00	0.02	0.04
Fees & Commissions	0.29	0.34	0.40	0.34	0.30	0.26
Other Operating Income	0.86	0.83	1.20	1.09	0.75	0.90
Total Non Interest Income	1.22	1.21	1.73	1.47	1.15	1.23
Operating Income	2.34	2.34	2.64	2.16	2.84	2.84
Personnel Expenses	-0.98	-0.97	-0.99	-1.04	-1.23	-1.19
Other Operating Expenses	-0.47	-0.35	-0.35	-0.34	-0.42	-0.34
Operating Funds Flow	0.89	1.02	1.30	0.78	1.19	1.32
Amortisation / Depreciation	-0.10	-0.10	-0.11	-0.09	-0.13	-0.12
Total Non Interest Expense	-1.55	-1.42	-1.44	-1.47	-1.79	-1.64
Preprovision Income (PPI)	0.79	0.92	1.19	0.69	1.05	1.20
Loan Loss Provisions Expenses (LLPE)	-0.27	-0.70	-0.65	-0.29	-0.26	-0.51
Non Operating Income	0.26	0.08	-0.23	-0.12	-0.23	0.20
Pretax Income	0.78	0.30	0.32	0.28	0.57	0.89
Taxes	0.00	--	--	--	--	--
Net Income	0.78	0.30	0.32	0.28	0.57	0.89
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	0.78	0.30	0.32	0.28	0.57	0.89
Income Statement - % of Operating Income						
Interest Income	372.22	372.52	316.28	408.54	358.97	354.27
Interest Expense	-324.42	-324.24	-281.75	-376.54	-299.47	-297.53
Net Interest Income	47.81	48.28	34.54	32.01	59.51	56.73
FX Income	-1.62	1.15	4.82	1.78	2.92	1.21
Trading Income	4.87	0.59	0.06	0.15	0.74	1.30
Fees & Commissions	12.37	14.47	15.18	15.55	10.49	9.04
Other Operating Income	36.56	35.50	45.41	50.52	26.34	31.72
Total Non Interest Income	52.19	51.72	65.46	67.99	40.49	43.27
Operating Income	100.00	100.00	100.00	100.00	100.00	100.00
Personnel Expenses	-41.98	-41.35	-37.40	-47.95	-43.33	-41.71
Other Operating Expenses	-19.96	-14.98	-13.29	-15.83	-14.87	-11.82
Operating Funds Flow	38.05	43.67	49.31	36.22	41.80	46.48
Amortisation / Depreciation	-4.25	-4.27	-4.15	-4.11	-4.69	-4.27
Total Non Interest Expense	-66.19	-60.61	-54.84	-67.89	-62.89	-57.79
Preprovision Income (PPI)	33.81	39.39	45.16	32.11	37.11	42.21
Loan Loss Provisions Expenses (LLPE)	-11.58	-30.07	-24.52	-13.37	-9.04	-17.86
Non Operating Income	11.05	3.29	-8.65	-5.74	-8.18	6.95
Pretax Income	33.28	12.61	11.99	13.00	19.89	31.31
Taxes	-0.12	--	--	--	--	--
Net Income	33.16	12.61	11.99	13.00	19.89	31.31
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	33.16	12.61	11.99	13.00	19.89	31.31

Housing & Development Bank

	<u>31/12/2005</u>	<u>31/12/2004</u>	<u>31/12/2003</u>	<u>31/12/2002</u>	<u>31/12/2001</u>	<u>31/12/2000</u>
Profitability Indicators						
Return on Average Assets (%)	0.78	0.30	0.32	0.28	0.57	0.89
Return on Shareholder's Equity - period end (%)	16.80	6.63	5.97	4.93	11.25	17.72
Recurring Earning Power 1	0.79	0.92	1.19	0.69	1.05	1.20
PPI (%) Avg Total Capital Funds	18.70	21.10	25.16	13.40	21.14	24.47
Interest Expense (%) Interest Income	87.16	87.04	89.08	92.17	83.42	83.99
Int. Income (%) Avg Int. Earning Assets 2	9.74	9.91	9.84	11.50	13.72	13.41
Int. Exp. (%) Avg Int. Bearing Liabilities 3	8.65	8.99	9.31	9.97	10.65	10.72
Net Spread (%) 4	1.09	0.91	0.53	1.52	3.07	2.68
Net Interest Margin (%) 5	1.25	1.28	1.07	0.90	2.27	2.15
Non-Interest Income (%) Oper. income	52.19	51.72	65.46	67.99	40.49	43.27
Income Tax (%) Pre-tax Income	0.36	--	--	--	--	--
Efficiency Indicators						
Non Interest Expense (%) Avg Assets	1.55	1.42	1.44	1.47	1.79	1.64
Cost to Income Ratio (%) 6	66.19	60.61	54.84	67.89	62.89	57.79
Personnel Expenses (%) Avg Assets	0.98	0.97	0.99	1.04	1.23	1.19
Personnel Expenses (%) Operating Income	41.98	41.35	37.40	47.95	43.33	41.71
Personnel Expenses (%) Non Interest Expense	63.42	68.23	68.20	70.62	68.89	72.17
Liquidity Indicators						
Net Loans (%) Customer Deposits	75.49	90.16	140.20	232.09	252.97	252.25
Net Loans (%) Total Deposits 7	75.47	90.08	139.07	189.52	215.96	252.25
Average Net Loans (%) Av. Cust. Deposits	99.19	131.17	185.42	241.55	252.62	240.25
Average Net Loans (%) Average Assets	46.38	54.29	62.57	64.84	64.26	62.41
Liquid Assets 8 (%) Total Assets	39.17	35.08	22.81	14.07	10.98	10.30
Customer Deposits (%) Total Deposits	99.98	99.90	99.19	81.66	85.37	100.00
Cust. Deposits / Shareholders Equity (Times)	13.07	13.63	8.64	5.15	5.22	4.97
Due from Banks (%) Due to Banks	22,408.01	5,530.13	2,233.44	162.82	171.69	--
Loan Portfolio Quality Indicators						
Problem Loans (%) Gross Loans	--	--	--	--	--	--
Problem Loans (%) (Shareh. Equity + LLR)	--	--	--	--	--	--
(Problem Loans - LLR) (%) Shareholders Equity	-72.00	-83.19	-62.82	-43.26	-46.76	-42.19
Loan Loss Reserve (%) Gross Loans	6.80	6.34	4.93	3.49	3.42	3.26
LLPE (%) Preprovision Income	34.24	76.34	54.30	41.64	24.37	42.30
LLP (%) (Loan Loss Reserve - LLP)	8.87	23.48	24.12	13.27	12.29	31.50
LLPE (%) Gross Loans	0.55	1.21	0.96	0.41	0.37	0.78
Preprovision Income (%) Net Loans	1.74	1.69	1.86	1.02	1.59	1.91
Shareholders' Equity (%) Net Loans	10.13	8.14	8.26	8.36	7.57	7.98
Loans to Related Cos. (%) Gross Loans	--	--	--	--	--	--
Capitalization Indicators						
Tier 1 ratio (%)	--	--	--	--	--	--
Shareholders' Equity (%) Total Assets	4.41	4.03	4.97	5.46	4.86	5.12
Shareh' Equity (%) T. Assets + Cont Liab.	4.32	3.99	4.88	5.40	4.81	5.08
Total Capital funds (%) Total Assets	4.41	4.03	4.97	5.46	4.86	5.12
Total Capital (%) T. Assets + Cont. Liab.	4.32	3.99	4.88	5.40	4.81	5.08
Shareholders' Equity (%) Total Capital funds	100.00	100.00	100.00	100.00	100.00	100.00
Contingent Liabilities (%) Total Assets	1.98	1.06	1.65	1.15	1.21	0.85
"Free" Capital 9 (%) Shareholders' Equity	61.54	71.76	80.49	82.06	77.95	77.49
Dividend Payout (%) 10	--	71.68	73.89	82.62	62.00	45.59
Internal Capital Growth (%) 11	20.20	1.88	1.62	1.05	4.33	10.12

Notes:

1. Recurring Earning Power = Preprovision Income (%) Average Total
2. Interest Earning Assets = Due from Banks + Government Securities + Trading Securities + Investment Securities +
3. Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings +
4. Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing
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
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

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