

## MISR IRAN DEVELOPMENT BANK (MIDB)

### Rating (s)

Category	Current	Previous	Contact	Phone
Entity	BBB+	BBB+	Youssra Aboul Enein-Cairo	(202) 749 5616
EGP 200 mn Bond Issue	BBB+	BBB+	<a href="mailto:youssra@merisratings.com">youssra@merisratings.com</a>	
Rating Outlook	Stable	Stable	Yasser El Kholey	
			<a href="mailto:yelkholey@merisratings.com">yelkholey@merisratings.com</a>	

### Operating Statistics

(EGP Thousands)	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001	FYE 2000
Net Income	110,821	86,556	74,174	0	21,576	30,851
ROA (%)	2.31	2.22	2.74	0.00	1.40	2.12
ROE (%)	16.72	13.86	11.45	0.00	5.42	8.64
Net Interest Margin (%)	1.98	2.07	1.91	1.82	2.01	3.04
Net Spread (%)	1.22	1.07	0.82	0.31	0.23	1.15
Recurring Earning Power (%)	2.65	2.80	6.88	2.13	3.49	4.25
Cost to Income Ratio (%)	31.75	29.87	21.61	49.84	39.02	36.35

### Balance Sheet Statistics

(EGP Thousands)	FYE 2005	FYE 2004	FYE 2003	FYE 2002	FYE 2001	FYE 2000
Total Assets	5,358,188	4,235,802	3,573,012	1,833,453	1,584,803	1,500,894
Total Capital	662,952	624,580	647,609	398,368	398,368	357,112
Net Loans (%) Customer Deposits	50.54	71.22	84.80	98.86	79.79	85.80
Customer Deposits (%) Total Deposits	79.51	71.89	62.78	81.49	81.06	80.13
Problem Loans (%) Gross Loans	22.74	21.09	20.64	22.94	n.a.	n.a.
Loan Loss Reserve (%) Gross Loans	16.80	14.98	17.36	19.37	21.03	21.71
Capital/Total Assets (%)	12.37	14.75	18.13	21.73	25.14	23.79
Capital (%) Net Loans	44.36	41.25	50.11	41.59	53.94	48.22

\* Financial Year Ends December 31

### Credit Strengths

The main credit strengths for MIDB are as follows:

- Support of the shareholders (particularly the Iranian side) expected to be extended in case of need.
- Restructuring in credit risk management.
- Highly liquid balance sheet driven by interbank operations and the trading portfolio.
- Improving bottom line performance backed by money market operations.
- Adequate capitalization.

### Credit Challenges

The main credit challenges for MIDB are as follows:

- Need to create a solid franchise in the market.
- More NPLs recognized based on the restructuring of the loan portfolio empowered by top management; concentration risk is still evident.
- Low "Single-Obligor" limit hindering the bank's ability to attract new business.
- Concentration with government still evident on the funding side.
- Retirement of 60% of first tier managers; high turnover of younger employees and the need to implement proper HR management techniques.

## **Factors That Can Push the Rating Up**

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Strengthening of the loan portfolio by adding new profitable business, generating profitability from the bank's core competences, creating and maintaining a franchise value, continuation of restructuring and reorganization efforts, a smooth transition of second tier management to assume first tier management responsibilities, ability to attract, retain and develop younger employees

## **Factors That Can Push the Rating Down**

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Deterioration in asset quality, inability to attract new business and support the loan portfolio, decline in profitability, inability to create a clear franchise in the market, inability to successfully fill vacant positions in first tier management, high turnover of younger population.

## **Strategy & Competitive Position**

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### **Support of the Iranian Shareholders Still Underpins the Rating Even with the Change of Hands on the Egyptian Shareholding Side.**

Since its inception, MIDB had a dual mix of Iranian and Egyptian shareholders. The Egyptian side being represented by Bank of Alexandria and Misr Insurance Company and the Iranian side being represented by the Iran Foreign Investment Company (IFIC), an Iranian Government Holding Company with an 80% to 20% shareholding profile respectively prior to year 2002. It is important to add that MIDB was a target for privatization by the GOE in the year 2000 as part of a macro-economic plan to liquidate the government ownership in joint venture banks; 79% of MIDB was offered for sale at that time and the only bidder was IFIC, which was willing to purchase the whole stake that was offered for sale. The GOE refused to sell its stake on the basis that it received an offer from a single bidder. In 2002, MIDB planned a capital increase of US\$ 37 mn that was fully subscribed and paid by IFIC raising their shareholding from 20% to 40% in the bank. The Iranian side has repeatedly shown commitment to maintaining and increasing their shareholding in MIDB and as such their support may be forthcoming in case of need.

In Q2 2006, the GOE transferred BoA stake in MIDB to NIB as a step in preparing BoA for privatization. The transfer was effectively a change of hands between two government entities and is expected not to have a material change on MIDB operations.

Even though, the GOE is serious in liquidating its stake in joint venture banks/companies; MIDB may not be on the top of its list in the near future. MERIS does not expect a change in the shareholding structure on the Egyptian side, in the near future.

### **An Ambitious Strategy Formulated That Needs a Business Plan**

In September 2004, MIDB's five-year strategy was approved by the BOD. The five pages document is a roadmap for the bank over the next five years. The main highlights of this document are as follows:

- Doubling balance sheet size to reach EGP 10 bn by 2009<sup>1</sup>;
- Expanding its branch network to reach 20 branches by end of 2008;
- Extending MIDB activities to Iran and establishing/financing projects aiming at solidifying Egyptian Iranian economic relationships<sup>2</sup>;
- Targeting clients in the petroleum, gas, fertilizers, chemicals, petrochemicals, and export sectors and keeping the tourism sector static in terms of size;
- Expanding retail activities and attracting new clientele;
- Attracting long and medium funding sources at favorable terms from international and regional institutions;
- Diversifying investment opportunities and keeping the bank's stakes in projects and companies at a level allowing effective representation in their respective BODs;
- Avoiding "Hot Money" Deposits and attempting to attract household sector deposits;
- Improving service;
- Diversifying sources of revenues;
- Implementing proper HR management techniques.

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<sup>1</sup> MIDB balance sheet size stood at EGP 5.0 bn as of Q1 2006.

<sup>2</sup> The bank has opened a commercial representative office in Iran and has established a leasing company in Kish Island in 2005. Although, these represent positive steps, the extent to which MIDB will succeed in working with the Iranian side is largely dependent on political conditions.

This broad line strategy, ambitious in certain areas, may provide the bank with guidance in the future although a well defined business plan must be in place for its effective implementation.

#### **.....In Order to Create an Identifiable Franchise in Its Core Business**

MIDB is a small sized bank assuming less than 1% of the banking sector assets in Egypt as of FYE 2005. MIDB was initially established to carry out investment activities and as such the bank established a franchise value in project finance. With the new banking law (law 88 for 2003), the distinction between investment banks and commercial banks became blurred and was no longer valid. MIDB is competing with commercial banks for financing opportunities in a corporate banking market characterized by fierce price/service competition over limited good lending opportunities. In an attempt to create an identifiable franchise in the market; MIDB has formulated a five-year strategy (please refer to the section above) targeting "big ticket" clients in the petroleum, gas, chemicals and petrochemicals sectors. Although, MERIS views the identification of a target market positively, there are some concerns regarding the bank's ability to meet to demand in these sectors based on "single obligor" limits<sup>3</sup> (currently EGP 200 mn). The bank's "syndication experience" is not encouraging where 63% of total syndications is classified (syndicated loans account for 26% of the loan portfolio as of FYE 2005). The bank does not sponsor being a "lead" on syndicated deals.

The bank has also attempted to tap the retail market with a modest portfolio of EGP 134 mn (7% of the loan portfolio) as of FYE 2005. MERIS has concerns regarding MIDB ability to successfully build and maintain a competitive franchise in that market given the bank's "low profile" in the retail market, its relative late entrance into that market and the lack of appropriate human and operational infrastructure.

#### **Restructuring in Credit Risk Management May Enhance the Bank's Core Business**

MIDB has focused on enhancing credit risk management over the last two years where credit has been centralized, a more strict credit policy has been introduced, policies and procedures have been updated, documentation has been reviewed and improved, monitoring has been emphasized through the creation of a separate follow-up sector, an NPL sector has been created to provide more focus for problem loans<sup>4</sup> and IT & MIS has been upgraded. MERIS views these changes positively and considers them as step towards the implementation of full fledged risk management concept.

#### **Issues for the bank's Human Capital**

##### ***Second Tier Management Will Be Tested as First Tier Management Retires***

During 2006 and early 2007, six first tier managers (sector heads)<sup>5</sup> will reach retirement age and/or will have retired. They are the sector heads of Credit, IT&MIS, Finance, NPL& Follow-up, HR & Admin and Research & Marketing. MIDB does not have a plan to fill these "soon to be vacant" positions from the market but to promote its second tier management. Effectively, the years 2006 and 2007 will witness the testing of capabilities of the bank's internally bred second tier management in 6 vital areas or sectors within the bank. This is particularly important as the leadership of the bank's top management was previously viewed as potentially undermining the decision making capability of the bank's second tier management.

##### ***Young Employees' Retention May Be an Issue***

MIDB had total of 66 new hires during 2005 and H1 2006 representing 14% of the bank's current workforce (463 employees); 98% were fresh graduates and the remaining (1 employee) had prior experience. The bank is focusing on hiring fresh graduates for two main reasons: (1) building its own staff internally and (2) the bank's pay scale is not really competitive in the market. The second reason is particularly evident based on the fact that 30 employees have left the bank during the same time period; around 50% of them spent not less than 5 years with the bank. The higher level of turnover is particularly critical in the IT&MIS and Treasury where salary scales in these two areas are really competitive. Although, the bank's salary scale is on the lower side of the market (even with the 25% basic salary increase that took place in 2006), MIDB does provide up to 16 months in bonuses to all employees in the bank. However, only 4 months of them are tied to individual performance, which may not be an effective tool in motivating employees.

As for staff development and training, the bank's efforts are modest in this regard. A budget of EGP 0.5 mn (less than 0.3% of operating income) was set for FYE 2005 with a similar budget set for 2006; only EGP 0.05 mn was

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<sup>3</sup> 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.

<sup>4</sup> Currently, the NPL sector and the Follow-Up sector are headed by the same person.

<sup>5</sup> There are 10 first tier managers in the bank representing sector heads of: Finance, IT & MIS, NPL& Follow-Up, Credit, HR & Admin, Operations, Investment, Marketing & Research, Inspection and Legal.

actually spent to train 301 employees representing the bank's technical workforce (EGP 166 per employee in training). MERIS views this as potentially another reason for the higher turnover for the relatively younger workforce.

Nevertheless, this may not be an issue for the older staff. MIDB staff benefits from an end of service bonus and pension scheme through a special retirement fund that currently stands at around EGP 90 mn<sup>6</sup>. This scheme is a main reason for the bank's ability to retain relatively older employees where 20% of the bank's work force is above the age of 50.

## Financial Fundamentals

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### Restructuring of the Loan Portfolio Leading to Recognition of More NPLs Tallying Credit Quality Pressure

Credit has considerably slowed down during 2005 where the gross loan portfolio at EGP 1.796 bn marked less than 1% in growth rate for FYE 2005 and even decreased by more than 3% for Q1 2006 reflecting the management's decision to liquidate some of its existing relationships, the scarcity of new good lending opportunities in the Egyptian market and the pricing war that is taking place between banks operating in Egypt over the few lending opportunities that exist<sup>7</sup>.

As of FYE 2005, the net loan portfolio stands at 28% of total balance sheet size, down from 36% as of FYE 2004 and amounts to EGP 1.49 bn. 81% of the loan portfolio is with private sector entities as of FYE 2005 down from 86% as of FYE 2004<sup>8</sup>. The industrial sector still has the lion's share or 60% of the loan portfolio as of FYE 2005. The currency and maturity profiles are unchanged where almost 70% of the loan portfolio is EGP denominated and 81% of the loan portfolio is of short term nature (less than one year) as of H1 2006.

The portfolio is still dominated by "big ticket" clients where 47% of the loan portfolio is lent in the form of loans/facilities of size above EGP 50 mn<sup>9</sup>. The bank still exhibits a concentration in its loan portfolio where the top 20 clients<sup>10</sup> account for 65% of the gross loan portfolio. The top 20 performing clients account for 53% of the gross loan portfolio as of FYE 2005 up from 49% as of FYE 2004.

The bank has recognized a higher level of NPLs during 2005<sup>11</sup> and H1 2006 to reach EGP 518 mn as of H1 2006 up from EGP 376 mn as of FYE 2004 exhibiting a 38% increase. One exposure in the tourism sector, Hadayek Al Ahram for Hotels, account for 62% of this increase where MIDB has purchased BoA's exposure to this client during H1 2006 at approximately 55% discount<sup>12</sup>. 60% of the NPLs balance is classified as bad debt, 31% as doubtful and 9% as substandard<sup>13</sup>. Again concentration risk is evident where the top 10 NPLs account for 21% of the gross loan portfolio and 70% of the NPLs balance; in fact a company in the tourism sector account for 27% of total NPLs and a group of related borrowers (3 companies) account for another 24% of total NPLs. The bank's top management has pioneered a restructuring project for its loan portfolio where the chairman and general manager worked personally on each and every non performing/troubled exposure. The top management efforts, in this regard, are viewed positively, although it is not unexpected that the bank may recognize a higher level of NPLs in the future given the persistent economic conditions in the market.

Provisioning (general and specific) has increased by 13% during FYE 2005 and by 3% during H1 2006 to reach EGP 319 mn as of H1 2006 providing 72% coverage<sup>14</sup> of the bank's NPLs as of H1 2006 down from 71% ratio as of FYE 2004.

It is important to add that as of May 2005, the CBE has issued a "Basis of Credit" manual to be adopted by banks operating in Egypt. This manual indicates that banks should take into consideration the following when calculating provisioning balance:

- Cash deposits, CDs, treasury bills and bonds;
- LGs by foreign banks with high credit ratings;
- 65% of market value of collateralized shares;
- 50% of market value of real estate collateral (first degree mortgage);

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<sup>6</sup> The fund is invested to generate a minimum of 10% per annum; if that target rate of return is not reached, MIDB subsidizes the difference.

<sup>7</sup> The aggregate gross loan portfolio of the banking industry in Egypt has increased by 4% for FYE 2005.

<sup>8</sup> The family sector exposure has increased from 4% to 8% of the gross loan portfolio for the same time period.

<sup>9</sup> 72% of the loan portfolio is lent in the form of loans/facilities of size above EGP 10 mn.

<sup>10</sup> Four of them are NPLs and account for 17% of the gross loan portfolio.

<sup>11</sup> NPLs represent 23% of the gross loan portfolio as of FYE 2005 and 30% as of H1 2006.

<sup>12</sup> The difference between the book value and the discounted value of the transaction was used to support provisioning.

<sup>13</sup> According to CBE regulations, NPLs are classified according to a three-category classification: substandard (3-6 months overdue & requiring 25% provisioning); doubtful (6-12 months overdue & requiring 50% provisioning); bad debt (over 12 months overdue & requiring 100% provisioning)

<sup>14</sup> Provisioning balance includes EGP 51 mn related to Hadayek EL Ahram Exposure (difference between book value o Boa books and the discounted value)

- 25% of market value of commercial real estate collateral (first degree mortgage).

According to these regulations, the provisions coverage of MIDB will be presented as follows:

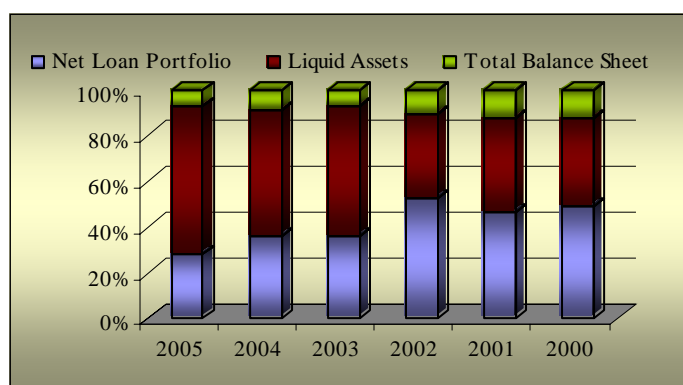
<i>EGP mn</i>	H1 2006	FYE 2005	FYE 2004	FYE 2003	FYE 2002
NPLs	763.42	729.03	631.11	555.64	710.75
Interest In Suspense	245.15	320.64	255.56	232.93	438.27
Interest In Suspense/NPLs	32%	44%	40%	42%	62%
<b>Outstanding Balance</b>	<b>518.27</b>	<b>408.39</b>	<b>375.55</b>	<b>322.71</b>	<b>272.48</b>
Provisions	372.26	301.74	266.74	271.446	230.119
<b>Coverage</b>	<b>72%</b>	<b>74%</b>	<b>71%</b>	<b>84%</b>	<b>84%</b>
Guarantees	152.69	88.52	-	-	-
<b>Outstanding Balance Net of Guarantees</b>	<b>365.58</b>	<b>319.86</b>	<b>375.55</b>	<b>322.71</b>	<b>272.48</b>
<b>Coverage</b>	<b>102%</b>	<b>94%</b>	<b>71%</b>	<b>84%</b>	<b>84%</b>

Worth noting is the fact that 60% of the guarantees balance relates to the bank largest NPL. Most of these guarantees are in the form real estate and commercial mortgages; if exercised, the bank would have to book a relatively sizeable portfolio of assets acquired in settlement of debt. MERIS has concerns regarding both the bank's ability to maintain the assets on one hand and its ability to liquidate the assets on the other hand given the conditions in the industrial sector and the commercial and residential real estate markets. Thus MIDB may have to book these non-income generating assets on its balance sheet for a material period of time if acquired.

Finally, the bank does not have a clear business plan regarding its loan portfolio. The overall strategy targeting an EGP 10.0 bn balance sheet size over the next five years is not reflected in a business plan and marketing strategy outlining the growth in the loan portfolio in terms of target clients, new markets or new products/services.

### Highly Liquid Balance Sheet Driven by Interbank Operations and the Trading Portfolio

MIDB liquidity indicators reflect even a more liquid position relative to FYE 2004 where net loans % of customer deposits decreased to 51% as of FYE 2005 from 71% as of FYE 2004 and liquid assets accounted for 65% of the bank's total assets up from 55% as of FYE 2004. The increase in the bank's funding base (customer deposits) was channeled into liquid assets basically trading securities and interbank placements that grew by 184% and 30% respectively as of FYE 2005 driven by the slow down in credit during the same year.



Interbank placements account for 33% of total assets. 53% are with foreign banks as of FYE 2005 up from 22% as of FYE 2004. The increase was basically driven by increase foreign currency deposits on the funding side. 38% of foreign placements are with one bank, National Bank of Egypt International Ltd.

Trading securities account for 23% of total assets as of FYE 2005 up from 10% as of FYE 2004. As of FYE 2005, 86% of the trading portfolio (EGP 1.056 mn) is in T-Bonds under primary dealing activity. The profile of the trading portfolio can be presented as follows:

<i>EGP mn</i>	FYE 2005	%	Q1 2006	%	H1 2006	%
Shares	39.63	3%	56.95	4%	45.78	4%
Bonds	1,168.47	95%	1,243.75	95%	1,125.58	93%
Mutual Funds	19.40	2%	13.91	1%	40.43	3%
<b>Total</b>	<b>1,227.50</b>	<b>100%</b>	<b>1,314.62</b>	<b>100%</b>	<b>1,211.79</b>	<b>100%</b>

### Concentration with Government Still Evident on the Funding Side

Customer deposits (including CDs) are the bank's largest source of funds accounting for 66% of the bank's total assets as of FYE 2005 up from 56% as of FYE 2004<sup>15</sup>. Customer deposits have experienced a 48% increase during

<sup>15</sup> CDs account for 11% of total assets as of FYE 2005

2005 reaching EGP 3.5 bn. 71% of the increase was due to growth in time deposits and 27% due to the issuance of a three-year savings certificates offering 10% monthly return or 10.25% quarterly return<sup>16</sup>.

95% of this increase is by institutional depositors, which account for 85% of customer deposits as FYE 2005 up from 81% as of FYE 2004. Household depositors account for the remaining 15% as of FYE 2005 (down from 19% contribution as of FYE 2004) although they have increased in absolute terms from EGP 453 mn as of FYE 2004 to EGP 514 mn as of FYE 2005.

The bank still exhibits a concentration with government/public sector affiliated entities where that sector account for almost 50% of the bank's customer deposits base<sup>17</sup>. The bank's top 10 depositors are all public sector entities and account for 47% of total customer deposits<sup>18</sup>; in fact the bank's largest depositor has a 30% stake in MIDB and account for 21% of the bank's customer deposits base.

78% of customer deposits have short term maturities (majority have less than 6 months maturities). Almost 70% of customer deposits are EGP denominated and 30% are denominated in foreign currencies. 55% of customer deposits are of size larger than EGP 10mn<sup>19</sup>.

As for interbank funding, it accounts for 14% of total assets as of FYE 2005 (down from 20% as of FYE 2004). 46% of total bank placements with MIDB come from one local bank and is US\$ denominated; another 14% are with public sector banks.

Market funds (bond issue) account for only 3.7% of total assets and consist of an EGP 200 bond issue maturing in February 2007 and bearing a 10.5% coupon rate.

### **Increase in Bottom Line Figure Driven by Money Market Operations**

The bank's bottom line grew by 28% for FYE 2005 to reach a record EGP 111 mn in the bank's net profit trend. ROAA and ROE increased to 2.3% and 16.7% respectively for FYE 2005 as a result of growth in balance sheet size.

This increase in the bank's bottom line has been basically the result of the following:

- 90% increase in interest income from T-bills and bonds reaching EGP 105 mn for FYE 2005 up from EGP 55 mn as of FYE 2004. This increase pushed the bank's NII by 15% contributing favorably to the bank's net spread and highlighting the fact that treasury operations is still driving the bank's profitability;
- EGP 19 mn increase in non-interest income raising its contribution to the bank's operating income to 52%. A closer look to the composition of non-interest income reveals the fact that the increase has been basically the result of EGP 25 mn gain on sale of trading investments and EGP 13 mn increase in fees and commissions revenues<sup>20</sup>. Commission and fees revenues are still the main contributors to the bank's non interest income contributing 35% of operating income for FYE 2005<sup>21</sup>.
- EGP 25 mn net investment valuation gains<sup>22</sup>; a rise in the stock prices on CASE during 2005 has resulted for substantial gains for entities with investments on the stock market. This trend has been reversed during 2006 and the bank is expected to record revaluation losses during 2006<sup>23</sup>.

As for provisioning expenses, MIDB has resumed its provisioning build-up as a result of recognizing a higher level of NPLs. Provisioning expense amounted to 25% of operating income and witnessed more than 125% increase for FYE 2005. Cost to income ratio has increased to 32% for FYE 2005 up from 30% for FYE 2004; the ratio remains comparable to peers.

Although, the increase in bottom line figure is viewed favorably by MERIS, the bank needs to diversify its sources of revenues. The bank's ability to grow and maintain a consistently high level of profitability will depend on MIDB ability to attract and maintain business and diversify its markets, products and clientele.

### **Adequate Capitalization**

MIDB is maintaining adequate tier 1 capitalization ratios and is exceeding the CBE capital adequacy ratio requirement of 10%. Total shareholders' equity% of total assets has decreased from 14.8% for FYE 2004 to 12.4% for FYE 2005 based on a 27% increase in balance sheet size during FYE.2005. MIDB capitalization indicators

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<sup>16</sup> Decreased to 7.75% and 8.0% during H1 2006.

<sup>17</sup> 25% with insurance companies.

<sup>18</sup> The top 20 depositors account for 60% of the bank's customer deposits base.

<sup>19</sup> 32% of customer deposits are of size larger than EGP 50 mn.

<sup>20</sup> The increase in gain on sale of trading investments and fees and commission revenues during FYE 2005 has been partially offset by EGP 15mn in FX losses resulting from the appreciation of the EGP against US\$ and the revaluation of the bank's assets and liabilities denominated in foreign currencies accordingly.

<sup>21</sup> Commission and fees on highest debit balances remain the main contributors to fees and commission revenues.

<sup>22</sup> EGP 42 mn positive trading portfolio revaluation adjustments and EGP 17 mn negative available for sale portfolio revaluation adjustments as of FYE 2005. 79% (EGP 33 mn) of the revaluation gain on the trading portfolio is related to T-bonds.

<sup>23</sup> An EGP 25 mn in trading portfolio investment revaluation losses are expected to be booked during H1 2006.

have been constantly decreasing since 2003. MERIS does not view this decrease unfavorably given that the increase in the bank's balance sheet has been basically driven by money market operations. Although, the bank is maintaining adequate capitalization ratio for the level of risks MIDB is assuming, it may need to grow its capital base to increase its "single obligor limit" to be able to tap its target markets in the etroleum, gas, chemicals and petrochemicals sectors.

## Appendix I

### Bank Profile

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#### Background

MIDB was initially established in 1975 as an investment bank subsequent to the "Open Door Policy" initiatives to encourage long-term investments. The involvement of Iran in the shareholding structure was a mere reflection of the good diplomatic ties and the rapport between the two countries at the time and to further enhance cooperation with the Republic of Iran. The initial paid-up capital was US\$ 20 million with a 50%-50% shareholding structure between Egypt and Iran. In 1978, the bank raised its capital to US\$ 40 million. Due to the Iranian War, it was very difficult for the Iranian counterpart to subscribe in the increase and the Egyptian parties subscribed fully. The Egyptian shareholding participation increased to 75%.

The Articles of Incorporation of the bank has been modified in 2003 and MIDB was designated as an Egyptian Joint Stock Company in accordance with Law No.43/1974, Law No.230 of 1989, Law No. 8 of 1997 and Law No.95 of 1992 and its Executive Regulations.

The objective of the Bank is carrying out all the business and activities of Investment and Business banks, more particularly in the field of foreign exchange and capital markets in Egypt and abroad; study, financing, execution and management of the development projects in all sectors of the economic activity, especially agriculture, industry, metallurgy, trade, transport, building, services and tourism, in the interest of the national economy.

#### Capital Structure

The bank's authorized capital is US\$ 200 mn (or the equivalent in EGP) and paid-up capital as of 31/3/2006 is US\$ 161. The bank's capital underwent the following changes:

- The bank was established in 1976 with paid-up capital amounting to EGP 10.0 million;
- First capital increase took place in 1991 and paid-up capital stood at EGP 146.2 million;
- Second capital increase took place in 2000 and paid-up capital stood at EGP 170 million;
- Third capital increase took place in 2003 and paid-up capital stood at EGP 434 million;
- A transfer from the bank's reserves (US\$ 11mn) increased the bank's paid-up capital to EGP 502 mn in 2004.

#### Shareholding Structure:

The ownership profile of the bank as of FYE 2005 is as follows:

Shareholder (s)	Paid-up Capital (US\$ mn)	% Ownership
Iran Foreign Investment Company	64.6	40.14%
Bank of Alexandria	48.2	29.93%
Misr Insurance Company	48.2	29.93%
<b>Total</b>	<b>161.0</b>	<b>100.00%</b>

In Q2 2006 (April 2006), BoA stake in MIDB was completely transferred to NIB at US\$ 38.8/share for 481,897 shares as part of liquidating BoA stake in joint venture banks as a step towards the privatization of the bank. The main role of the state-owned NIB is boosting development and fighting recession. The NIB was established by law no. 118 of 1980, first it was affiliated to the ministry of planning. Along with the amendment of the CBE law, the amendment of the National Investment Bank (NIB) law was an equally important step in the new reform program. Under the new law, however, the NIB is instead being affiliated to the Ministry of Finance, and will also be subjected to the supervision of the CBE. On 30<sup>TH</sup> of June 2004, the total financial resources at NIB's disposal stood at LE290 billion. From this amount, LE134 billion was used by the bank to fund the state's 2003/2004 development plan, according to official statistics.

#### Branches

Currently, the bank has 12 operational branches besides the head office located in Guiza, Cairo, Port-Said, Alexandria, 6<sup>th</sup> of October, Nasr City, Maadi, Heliopolis, Mohandesseen, 10<sup>th</sup> of Ramadan, Guezira Sheraton Hotel and 6<sup>th</sup> of October University premises.

#### Employees

Currently, the bank has a total of 463 employees

### Current BOD

As of June 2006, the bank has 10 BOD members as follows<sup>24</sup>:

Name	
Mr. Ismail Hassan Mohamed	Chairman & Managing Director
Mr. Amr El-Garhy	National Investment Bank Representative
Mrs. Manal Hussein	National Investment Bank Representative
Mr. Badr Islam	National Investment Bank Representative
Mr. Waleed Mohamed Al-Rasheed	Misr Insurance Company Representative
Mrs. Naglaa Ahmed El-Bialy	Misr Insurance Company Representative
Mr. Mohamed Khozaay	Iran Foreign Investment Company Representative
Mr. Mahdy Reda Darweish Zadah	Iran Foreign Investment Company Representative
Mr. Ghollam Hussien Assady	Iran Foreign Investment Company Representative
Mr. Mahdy Ibrahimy	Iran Foreign Investment Company Representative

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<sup>24</sup> Change in BOD structure was based on change in shareholding structure on the Egyptian side in Q2 2006.

**Appendix II**  
**MIDB Outstanding Bond Issue**

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<i>Bond Size</i>	EGP 200 mn
<i>Duration</i>	5 years
<i>Maturity</i>	19/2/2007
<i>Call Option</i>	n.a.
<i>Coupon</i>	10.5%

**Appendix III**  
**MERIS National Scale Rating**

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

**Appendix IV**  
**List of Abbreviations**

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BoA	:	Bank of Alexandria
CASE	:	Cairo & Alexandria Stock Exchange
CBE	:	Central Bank of Egypt
GOE	:	Government of Egypt
IFIC	:	Iran Foreign Investment Company
MIDB	:	Misr Iran Development Bank
NIB	:	National Investment Bank
NII	:	Net Interest Income
NIM	:	Net Interest Margin
NPL	:	Non Performing Loans

## Appendix V

### Misir Iran Development Bank

#### Misir Iran 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>
<b>Summary Balance Sheet (Egyptian Pounds Thousands)</b>						
Cash & Central Bank	377,186	189,150	167,156	135,288	87,867	112,155
Due from Banks	1,744,574	1,340,210	1,232,518	521,972	556,805	441,769
Government Securities	109,861	368,116	458,902	4,973	--	--
Trading Securities	1,227,499	432,674	155,588	16,140	6,661	12,351
Investment Securities	248,124	264,738	157,464	--	--	--
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	1,796,131	1,780,842	1,563,821	1,188,002	935,311	945,912
Loan Loss Reserves (LLR)	(301,768)	(266,740)	(271,446)	(230,119)	(196,704)	(205,328)
Net Loans	1,494,363	1,514,102	1,292,375	957,884	738,607	740,583
Equity in Affiliates	26,406	26,406	35,197	135,280	133,332	128,180
Fixed Assets	43,404	45,017	48,687	47,972	33,059	36,556
Other Assets	86,772	55,390	25,124	13,944	28,472	29,299
<b>Total Assets</b>	<b>5,358,188</b>	<b>4,235,802</b>	<b>3,573,012</b>	<b>1,833,453</b>	<b>1,584,803</b>	<b>1,500,894</b>
<b>Total Assets (USD mn)</b>	<b>933,905</b>	<b>688,748</b>	<b>579,564</b>	<b>396,422</b>	<b>459,593</b>	<b>439,762</b>
Customer Deposits	2,957,069	2,125,936	1,524,043	968,902	925,723	863,102
Due to Banks	761,852	831,359	903,677	220,031	216,291	213,988
Borrowings	783,678	475,062	379,524	202,143	2,857	3,571
Other Liabilities	192,636	178,865	118,159	44,009	41,562	63,121
<b>Total Liabilities</b>	<b>4,695,236</b>	<b>3,611,222</b>	<b>2,925,402</b>	<b>1,435,085</b>	<b>1,186,434</b>	<b>1,143,782</b>
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	662,952	624,580	647,609	398,368	398,368	357,112
Total Capital Funds	662,952	624,580	647,609	398,368	398,368	357,112
<b>Total Liabilities &amp; Capital Funds</b>	<b>5,358,188</b>	<b>4,235,802</b>	<b>3,573,011</b>	<b>1,833,453</b>	<b>1,584,803</b>	<b>1,500,894</b>
Derivatives - Notional Amount	--	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--	--
Contingent Liabilities	213,999	258,601	153,390	--	--	--
<b>Summary Income Statement (Egyptian Pounds)</b>						
Interest Income	294,929	240,697	160,624	118,518	114,257	124,772
Interest Expense	(202,756)	(160,407)	(109,967)	(89,068)	(85,145)	(83,516)
Net Interest Income	92,173	80,290	50,658	29,449	29,112	41,256
FX Income	(14,678)	1,662	136,442	5,870	32,806	23,399
Trading Income	24,829	9,074	3,609	2,342	694	2,195
Fees & Commissions	64,857	52,105	37,591	28,619	20,360	24,311
Other Operating Income	19,258	12,666	9,089	6,255	5,239	6,239
<b>Total Non Interest Income</b>	<b>94,266</b>	<b>75,507</b>	<b>186,731</b>	<b>43,085</b>	<b>59,098</b>	<b>56,144</b>
<b>Operating Income</b>	<b>186,439</b>	<b>155,797</b>	<b>237,388</b>	<b>72,534</b>	<b>88,210</b>	<b>97,400</b>
Personnel Expenses	(28,250)	(24,510)	(25,077)	--	--	--
Other Operating Expenses	(26,893)	(17,578)	(20,704)	(36,152)	(34,418)	(35,402)
<b>Operating Funds Flow</b>	<b>131,296</b>	<b>113,709</b>	<b>191,607</b>	<b>36,382</b>	<b>53,792</b>	<b>61,997</b>
Amortisation / Depreciation	(4,056)	(4,454)	(5,514)	--	--	--
<b>Total Non Interest Expense</b>	<b>(59,199)</b>	<b>(46,541)</b>	<b>(51,295)</b>	<b>(36,152)</b>	<b>(34,418)</b>	<b>(35,402)</b>
Preprovision Income (PPI)	127,240	109,255	186,093	36,382	53,792	61,997
Loan Loss Provisions Expenses (LLPE)	(46,138)	(20,471)	(116,510)	(35,689)	(30,907)	(30,996)
<b>Non Operating Income</b>	<b>19,993</b>	<b>(2,228)</b>	<b>4,591</b>	<b>(693)</b>	<b>(1,308)</b>	<b>(150)</b>
<b>Pretax Income</b>	<b>101,095</b>	<b>86,556</b>	<b>74,174</b>	<b>0</b>	<b>21,576</b>	<b>30,851</b>
Taxes	9,726	--	--	--	--	--
<b>Net Income</b>	<b>110,821</b>	<b>86,556</b>	<b>74,174</b>	<b>0</b>	<b>21,576</b>	<b>30,851</b>
Minority Interests	--	--	--	--	--	--
<b>Net Income (Group share)</b>	<b>110,821</b>	<b>86,556</b>	<b>74,174</b>	<b>0</b>	<b>21,576</b>	<b>30,851</b>
Dividends	(65,000)	(55,237)	--	--	--	--
Transfers to Capital Reserves	(45,821)	(31,314)	(74,174)	(0)	(21,576)	(30,851)
Other Adjustments	--	(6)	--	--	--	--

## Misir Iran 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>
<b>Summary Balance Sheet - Growth (%)</b>						
Cash & Central Bank	99.41	13.16	23.56	53.97	-21.66	-0.23
Due from Banks	30.17	8.74	136.13	-6.26	26.04	30.12
Government Securities	-70.16	-19.78	9,127.07	--	--	--
Trading Securities	183.70	178.09	863.99	142.31	-46.07	-12.06
Investment Securities	-6.28	68.13	--	--	--	--
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	0.86	13.88	31.63	27.02	-1.12	-1.82
Loan Loss Reserves (LLR)	13.13	-1.73	17.96	16.99	-4.20	4.07
Net Loans	-1.30	17.16	34.92	29.69	-0.27	-3.34
Equity in Affiliates	0.00	-24.98	-73.98	1.46	4.02	4.95
Fixed Assets	-3.58	-7.54	1.49	45.11	-9.56	-10.14
Other Assets	56.66	120.47	80.17	-51.02	-2.82	55.87
Total Assets	26.50	18.55	94.88	15.69	5.59	6.16
Total Assets (USD)	35.59	18.84	46.20	-13.74	4.51	5.39
Customer Deposits	39.09	39.49	57.30	4.66	7.26	6.79
Due to Banks	-8.36	-8.00	310.70	1.73	1.08	14.55
Borrowings	64.96	25.17	87.75	6,975.00	-20.00	-16.67
Other Liabilities	7.70	51.38	168.49	5.89	-34.15	-0.19
Total Liabilities	30.02	23.44	103.85	20.96	3.73	7.65
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	6.14	-3.56	62.57	0.00	11.55	1.68
Total Capital Funds	6.14	-3.56	62.57	0.00	11.55	1.68
Total Liabilities & Capital Funds	26.50	18.55	94.88	15.69	5.59	6.16
Derivatives - Notional Amount	--	--	--	--	--	--
Derivatives - Replacement Value	--	--	--	--	--	--
Risk Weighted Assets (RWA)	--	--	--	--	--	--
Contingent Liabilities	-17.25	68.59	--	--	--	--
<b>Summary Income Statement - Growth (%)</b>						
Interest Income	22.53	49.85	35.53	3.73	-8.43	16.00
Interest Expense	26.40	45.87	23.46	4.61	1.95	19.41
Net Interest Income	14.80	58.49	72.02	1.16	-29.44	9.66
FX Income	-982.90	-98.78	2,224.56	-82.11	40.20	490.10
Trading Income	173.64	151.44	54.07	237.76	-68.40	2,887.27
Fees & Commissions	24.47	38.61	31.35	40.57	-16.25	-8.13
Other Operating Income	52.05	39.35	45.32	19.38	-16.03	-35.96
Total Non Interest Income	24.84	-59.56	333.40	-27.10	5.26	39.51
Operating Income	19.67	-34.37	227.28	-17.77	-9.44	25.09
Personnel Expenses	15.26	-2.26	--	--	--	--
Other Operating Expenses	53.00	-15.10	-42.73	5.04	-2.78	1.70
Operating Funds Flow	15.47	-40.66	426.65	-32.36	-13.24	44.00
Amortisation / Depreciation	-8.94	-19.23	--	--	--	--
Total Non Interest Expense	27.20	-9.27	41.89	5.04	-2.78	1.70
Preprovision Income (PPI)	16.46	-41.29	411.50	-32.36	-13.24	44.00
Loan Loss Provisions Expenses (LLPE)	125.38	-82.43	226.46	15.47	-0.29	71.74
Non Operating Income	-997.50	-148.52	-762.54	-47.02	772.02	-89.97
Pretax Income	16.80	16.69	1,483,488,183.75	-100.00	-30.06	31.23
Taxes	--	--	--	--	--	--
Net Income	28.03	16.69	1,483,488,183.75	-100.00	-30.06	31.23
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	28.03	16.69	1,483,488,183.75	-100.00	-30.06	31.23

## Misr Iran 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>
<b>Balance Sheet - % of Total Assets</b>						
Cash & Central Bank	7.04	4.47	4.68	7.38	5.54	7.47
Due from Banks	32.56	31.64	34.50	28.47	35.13	29.43
Government Securities	2.05	8.69	12.84	0.27	--	--
Trading Securities	22.91	10.21	4.35	0.88	0.42	0.82
Investment Securities	4.63	6.25	4.41	--	--	--
Other Liquid Assets	--	--	--	--	--	--
Gross Loans	33.52	42.04	43.77	64.80	59.02	63.02
Loan Loss Reserves (LLR)	-5.63	-6.30	-7.60	-12.55	-12.41	-13.68
Net Loans	27.89	35.75	36.17	52.24	46.61	49.34
Equity in Affiliates	0.49	0.62	0.99	7.38	8.41	8.54
Fixed Assets	0.81	1.06	1.36	2.62	2.09	2.44
Other Assets	1.62	1.31	0.70	0.76	1.80	1.95
Customer Deposits	55.19	50.19	42.65	52.85	58.41	57.51
Due to Banks	14.22	19.63	25.29	12.00	13.65	14.26
Borrowings	14.63	11.22	10.62	11.03	0.18	0.24
Other Liabilities	3.60	4.22	3.31	2.40	2.62	4.21
Total Liabilities	87.63	85.25	81.87	78.27	74.86	76.21
Subordinated Loan Capital	--	--	--	--	--	--
Minority Interest	--	--	--	--	--	--
Supplementary Capital	--	--	--	--	--	--
Shareholders' Equity	12.37	14.75	18.13	21.73	25.14	23.79
Total Capital Funds	12.37	14.75	18.13	21.73	25.14	23.79
<b>Income Statement - % of Average Assets</b>						
Interest Income	6.15	6.16	5.94	6.93	7.41	8.56
Interest Expense	-4.23	-4.11	-4.07	-5.21	-5.52	-5.73
Net Interest Income	1.92	2.06	1.87	1.72	1.89	2.83
FX Income	-0.31	0.04	5.05	0.34	2.13	1.61
Trading Income	0.52	0.23	0.13	0.14	0.04	0.15
Fees & Commissions	1.35	1.33	1.39	1.67	1.32	1.67
Other Operating Income	0.40	0.32	0.34	0.37	0.34	0.43
Total Non Interest Income	1.97	1.93	6.91	2.52	3.83	3.85
Operating Income	3.89	3.99	8.78	4.24	5.72	6.68
Personnel Expenses	-0.59	-0.63	-0.93	--	--	--
Other Operating Expenses	-0.56	-0.45	-0.77	-2.12	-2.23	-2.43
Operating Funds Flow	2.74	2.91	7.09	2.13	3.49	4.25
Amortisation / Depreciation	-0.08	-0.11	-0.20	--	--	--
Total Non Interest Expense	-1.23	-1.19	-1.90	-2.12	-2.23	-2.43
Preprovision Income (PPI)	2.65	2.80	6.88	2.13	3.49	4.25
Loan Loss Provisions Expenses (LLPE)	-0.96	-0.52	-4.31	-2.09	-2.00	-2.13
Non Operating Income	0.42	-0.06	0.17	-0.04	-0.08	-0.01
Pretax Income	2.11	2.22	2.74	0.00	1.40	2.12
Taxes	0.20	--	--	--	--	--
Net Income	2.31	2.22	2.74	0.00	1.40	2.12
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	2.31	2.22	2.74	0.00	1.40	2.12
<b>Income Statement - % of Operating Income</b>						
Interest Income	158.19	154.49	67.66	163.40	129.53	128.10
Interest Expense	-108.75	-102.96	-46.32	-122.79	-96.53	-85.75
Net Interest Income	49.44	51.53	21.34	40.60	33.00	42.36
FX Income	-7.87	1.07	57.48	8.09	37.19	24.02
Trading Income	13.32	5.82	1.52	3.23	0.79	2.25
Fees & Commissions	34.79	33.44	15.84	39.46	23.08	24.96
Other Operating Income	10.33	8.13	3.83	8.62	5.94	6.41
Total Non Interest Income	50.56	48.47	78.66	59.40	67.00	57.64
Operating Income	100.00	100.00	100.00	100.00	100.00	100.00
Personnel Expenses	-15.15	-15.73	-10.56	--	--	--
Other Operating Expenses	-14.42	-11.28	-8.72	-49.84	-39.02	-36.35
Operating Funds Flow	70.42	72.99	80.71	50.16	60.98	63.65
Amortisation / Depreciation	-2.18	-2.86	-2.32	--	--	--
Total Non Interest Expense	-31.75	-29.87	-21.61	-49.84	-39.02	-36.35
Preprovision Income (PPI)	68.25	70.13	78.39	50.16	60.98	63.65
Loan Loss Provisions Expenses (LLPE)	-24.75	-13.14	-49.08	-49.20	-35.04	-31.82
Non Operating Income	10.72	-1.43	1.93	-0.96	-1.48	-0.15
Pretax Income	54.22	55.56	31.25	0.00	24.46	31.68
Taxes	5.22	--	--	--	--	--
Net Income	59.44	55.56	31.25	0.00	24.46	31.68
Minority Interests	--	--	--	--	--	--
Net Income (Group share)	59.44	55.56	31.25	0.00	24.46	31.68

## Misr Iran 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>
<b>Profitability Indicators</b>						
Return on Average Assets (%)	2.31	2.22	2.74	0.00	1.40	2.12
Return on Shareholder's Equity - period end (%)	16.72	13.86	11.45	0.00	5.42	8.64
Recurring Earning Power 1	2.65	2.80	6.88	2.13	3.49	4.25
PPI (%) Avg Total Capital Funds	19.76	17.18	35.58	9.13	14.24	17.51
Interest Expense (%) Interest Income	68.75	66.64	68.46	75.15	74.52	66.93
Interest Income (%) Avg Interest Earning Assets 2	6.33	6.21	6.06	7.34	7.88	9.18
Interest Expense (%) Avg Interest Bearing Liabilities 3	5.11	5.14	5.24	7.02	7.65	8.03
Net Spread (%) 4	1.22	1.07	0.82	0.31	0.23	1.15
Net Interest Margin (%) 5	1.98	2.07	1.91	1.82	2.01	3.04
Non-Interest Income (%) Operating income	50.56	48.47	78.66	59.40	67.00	57.64
Income Tax (%) Pre-tax Income	-9.62	--	--	--	--	--
<b>Efficiency Indicators</b>						
Non Interest Expense (%) Avg Assets	1.23	1.19	1.90	2.12	2.23	2.43
Cost to Income Ratio (%) 6	31.75	29.87	21.61	49.84	39.02	36.35
Personnel Expenses (%) Avg Assets	-0.59	-0.63	-0.93	--	--	--
Personnel Expenses (%) Operating Income	-15.15	-15.73	-10.56	--	--	--
Personnel Expenses (%) Non Interest Expense	47.72	52.66	48.89	--	--	--
<b>Liquidity Indicators</b>						
Net Loans (%) Customer Deposits	50.54	71.22	84.80	98.86	79.79	85.80
Net Loans (%) Total Deposits 7	40.18	51.20	53.23	80.57	64.68	68.76
Average Net Loans (%) Average Customer Deposits	59.19	76.89	90.27	89.54	82.69	90.15
Average Net Loans (%) Average Assets	31.36	35.94	41.62	49.63	47.94	51.70
Liquid Assets 8 (%) Total Assets	64.56	55.01	56.37	37.00	41.10	37.73
Customer Deposits (%) Total Deposits	79.51	71.89	62.78	81.49	81.06	80.13
Customer Deposits / Shareholders' Equity (Times)	4.46	3.40	2.35	2.43	2.32	2.42
Due from Banks (%) Due to Banks	228.99	161.21	136.39	237.23	257.43	206.45
Liquid Assets (%) of Total Deposits	93.01	78.79	82.97	57.06	57.03	52.57
<b>Loan Portfolio Quality Indicators</b>						
Problem Loans (%) Gross Loans	22.74	21.09	20.64	22.94	--	--
Problem Loans (%) (Shareholders' Equity + LLR)	42.33	42.13	35.11	43.36	--	--
(Problem Loans - LLR) (%) Shareholders' Equity	16.08	17.42	7.92	10.63	-49.38	-57.50
Loan Loss Reserve (%) Gross Loans	16.80	14.98	17.36	19.37	21.03	21.71
Loan Loss Provision Expenses (%) Preprovision Income	36.26	18.74	62.61	98.10	57.46	50.00
LLP (%) (Loan Loss Reserve - LLP)	18.05	8.31	75.20	18.36	18.64	17.78
Loan Loss Provision Expenses (%) Gross Loans	2.57	1.15	7.45	3.00	3.30	3.28
Preprovision Income (%) Net Loans	8.51	7.22	14.40	3.80	7.28	8.37
Shareholders' Equity (%) Net Loans	44.36	41.25	50.11	41.59	53.94	48.22
<b>Capitalization Indicators</b>						
Tier 1 ratio (%)	--	--	--	--	--	--
Shareholders' Equity (%) Total Assets	12.37	14.75	18.13	21.73	25.14	23.79
Shareholders' Equity (%) T. Assets + Contingent Liab.	11.90	13.90	17.38	21.73	25.14	23.79
Total Capital funds (%) Total Assets	12.37	14.75	18.13	21.73	25.14	23.79
Total Capital funds (%) Total Assets+ Contingent Liab.	11.90	13.90	17.38	21.73	25.14	23.79
Shareholders' Equity (%) Total Capital funds	100.00	100.00	100.00	100.00	100.00	100.00
Contingent Liabilities (%) Total Assets	3.99	6.11	4.29	--	--	--
"Free" Capital 9 (%) Shareholders' Equity	89.47	88.56	87.05	54.00	58.23	53.87
Dividend Payout (%) 10	58.65	63.82	--	--	--	--
Internal Capital Growth (%) 11	7.34	4.84	18.62	0.00	6.04	8.78

### 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

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