

United Bank for Africa Plc

Nigeria Bank Analysis

August 2011

| Security class | Rating scale | Currency | Rating | Rating watch | Expiry date |
|----------------|---------------|----------|--------|--------------|-------------|
| Long term | National | Naira | AA- | | |
| Short term | National | Naira | A1+ | Yes | 08/2012 |
| Long term | International | US\$ | BB- | Yes | 08/2012 |

Financial data:

(US\$m Comparative)

| | 30/12/09* | 31/12/10 |
|------------------|-----------|----------|
| NGN/US\$ (avg.) | 150.97 | 152.80 |
| NGN/US\$ (close) | 152.35 | 153.34 |
| Total assets | 9,145.7 | 9,249 |
| Tier 1 capital | 1,158.4 | 1,151.1 |
| Tier 2 capital | 73.7 | 73.2 |
| Net advances | 3,764.1 | 3,712.7 |
| Liquid assets | 3,329.3 | 2,575.2 |
| Operating income | 1,081.5 | 746.0 |
| NPAT | 85.4 | 14.2 |
| Market cap** | US\$813m | |
| Market share*** | 8.2% | |

*Restated.

** Value of listing as at end-August 2011.

*** As a % of industry assets at end-December 2010.

Fundamentals:

United Bank for Africa (“UBA”) was incorporated in 1961 to take over the assets and liabilities of the Banque Nationale Pour Le Commerce et L’ Industrie, incorporated in Nigeria in 1949. The bank’s shares were listed on The Nigerian Stock Exchange, by way of an Initial Public Offer, in 1970. UBA merged with Standard Trust Bank Plc, to form a larger business entity, in 2005 with the UBA name retained by the enlarged entity.

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Rating rationale

The rating is based on the following key factors:

- UBA’s strong brand, underpinned by its long operational history and strong ownership profile, which includes highly rated institutional investors such as the International Finance Corporation (“IFC”) and the African Development Bank (“AfDB”). UBA is the largest bank in Nigeria based on branch network (with over 720 branches and outlets across Africa as at December 2010) and ranks 3rd and 4th based on total assets and capital respectively.
- The bank maintained a liquidity ratio ranging between 37% and 50% (measured on a monthly basis) throughout the year, well above the present statutory requirement of 30%. Given the bank’s increased appetite for investments, its liquid & trading assets/total short term funding ratio drop to 34.9% in F10, after having declined from 78.7% in F08 to 42.5% in F09.
- Asset quality remained under pressure over the past 3 years, with the bank’s non-performing loans (“NPL”) ratio reaching 6.7% in F10 (after climbing from 3.6% in F08 to 6.5% in F09). That said, driven by a 31% reduction in loans outstanding for more than 1 year, specific provisions held reduced by 41% - thus covering a lower 71% (F09: 97%) of delinquent loans. Net NPLs amounted to 4.7% of total capital as at end-December 2010. Although the bulk of advances were secured, not much value is given to collateral given the cumbersome judicial process in realising security in Nigeria.
- Pressure on profitability has intensified over the past 2 years, with after tax earnings dropping by 74% and 79% in F09 and F10 respectively. The reported total operating income was mainly supported by non-interest revenue, as the bank’s reliance on low yielding assets (underpinning the net interest margin decline from 6% in F09 to 3.7%) translated to a 42% decline in net interest income. Exceptional items of N12.7bn, comprising losses on loans sold to AMCON and the amortization of the special assets account written off during the year, further reduced pre-tax profits. Overall, the bank’s ROaE dropped from 8.5% in F09 to 7.9%, while the ROaA remained flat at 1.1%.

Financial flexibility

UBA’s funding structure as at end-December 2010 was made up as follows: equity capital- 13.5%, customer deposits- 80.5% and borrowings- 6%. The bank can, however, also issue new shares through a public offer by virtue of its listing on the local bourse. In 2010, the bank offered for subscription N20bn fixed rate subordinated unsecured notes maturing in 2017 (being the first tranche under a N400bn medium term note programme) – all notes were allotted.



Business profile

The enlarged UBA acquired Continental Trust Bank Limited in December 2005 and there after Trade Bank Limited, Metropolitan Bank, City Express Bank Limited, African Express Bank Limited, Gulf Bank Limited and Liberty Bank Plc (all in liquidation) via the Central Bank of Nigeria's ("CBN") "purchase and assumption" option. This allowed the bank to take over the verified customers' deposits and some agreed assets while receiving interest rated bond from CBN. UBA is currently one of the largest banks in Sub-Sahara Africa outside South Africa.

Ownership

The bank's ownership base is well diversified, comprising local and foreign individuals, as well as institutional investors. Other than the UBA Staff Investment Trust Scheme and Stanbic Nominees Nigeria Limited, holding 12.7% and 8% of the bank's shares, no single investor held more than 5% of the bank's shares as at end-December 2010. Other significant shareholders include: Consolidated Trust Funds Limited, the Bank of New York Mellon, BGL Securities Limited, STH Limited, IFC, AfDB, First Dominion Investment Limited and African Capital Holding Limited.

Strategy and operations

As a full service financial institution, UBA offers a wide array of financial services, which *inter alia* include: corporate, commercial, consumer and international banking, trade services, cash management, treasury and capital market services and electronic banking products, while trust services, pension custodian services, stockbroking, issuing house services, securities underwriting, security registration and custodial services are provided through subsidiaries. In addition, UBA is also an approved primary dealer/market maker in Federal Government of Nigeria ("FGN") Bonds and other Money Market Instruments. Furthermore, the bank, in partnership with Union Bank of Switzerland AG, is one of the local banks approved by the CBN to manage Nigeria's foreign reserves.

UBA also maintains strategic partnerships with other local and international organisations with a similar retail focus. These organisations include MasterCard International, MoneyGram International, UBS, North American Airlines, ValuCard, InterSwitch, Air Nigeria (formerly Virgin Nigeria), MTN and the ATM Consortium, amongst others. In terms of information technology, UBA's operations are supported by the "Finacle" core banking application, a leading universal, modular banking solution from Infosys Technologies headquartered in India. All branches are connected on-line and in real time.

Corporate governance

UBA's code of Corporate Governance conforms to the provisions of the CBN's Code of Corporate Governance for Banks in Nigeria. As at end December 2010, the bank's Board of Directors comprised a non-executive chairman, 8 non-executive directors (including a vice chairman), 2 independent directors and 9 executive directors (including the Managing Director). The oversight responsibilities of the board are performed through 6 standing committees, namely: the Board Audit Committee, the Board Risk Management Committee, the Finance and General Purpose Committee, the Nomination and Governance Committee, the Board Credit Committee and the Statutory Audit Committee.

Industry overview

Banking operations in Nigeria are governed by the provisions of the Banks and Other Financial Act of 2004, with the CBN being the chief regulator. A total of 24 deposit money banks are presently operating in the country, 21 of which are listed on The Nigerian Stock Exchange ("NSE"), while 3 are local subsidiaries of foreign banks. Little product differentiation exists among the banks due to the universal banking model in operation in the country. However, the universal banking model has been repealed in November 2010, ushering in the re-introduction of a specialised banking model - categorising banks into 3 types, viz. commercial banks, merchant banks and specialised banks. Moreover, the geographic coverage of a commercial bank is dependent on the category of its banking licence, which, in turn, is split into 3 categories, viz. regional, national and international.

Due to the asset quality problems confronting the Nigerian banking industry over the last 2 years, a revised set of prudential guidelines for banks was issued by the CBN in July 2010. Banks are now also required to obtain a credit report from at least 2 credit reference bureaus before granting a facility to any customer. Another key initiative to strengthen the industry includes the establishment of a state run asset management company ("AMCON"), which is empowered to purchase non-performing assets as well as inject equity (direct/debt facilities) into banks.

Competitive position

UBA's key performance indicators for the year ended 31 December 2010 are juxtaposed with that of some selected Nigerian banks in table 1 below. Aside from being the largest bank in Nigeria based branch network, UBA is currently one of the largest banks in Sub-Sahara Africa outside South Africa.

Risk management

UBA, along with its peers, has yet to fully implement the Basel accord's risk management framework - although management advises that the bank has reached an advanced stage of implementation. At present, the bank's enterprise-wide risk management process covers credit risk, market and liquidity risk, operational risk, compliance risk and information technology risk.

Credit risk

On the back of an 8% contraction in F09, UBA's total assets (after adjusting for balances held on behalf of customers in respect of letters of credit) grew by 1.8% to N1.4tr in F10. Indicating a shift in the bank's asset mix, interbank balances and customer advances (net) declined by 37.7% and 0.7% respectively, with a tradeoff growth of 8% registered in investments. Constrained by the interbank decline (given the low interest rate environment persisting for most of F10), the bank's cash & liquid assets/total assets ratio dropped from 36.4% in F09 to 27.8%. It is noteworthy that risk-free FGN bonds (including a 3-year, zero coupon bond issued by AMCON) comprised around 54% of the investment portfolio as at the balance sheet date.

| | F09 | | F10 | |
|---------------------------------|----------------|--------------|----------------|--------------|
| | N'bn | % | N'bn | % |
| Cash & liquid assets | 507.2 | 36.4 | 394.9 | 27.8 |
| Cash | 23.7 | 1.7 | 21.3 | 1.5 |
| Liquidity reserve deposits | 7.7 | 0.6 | 8.3 | 0.6 |
| Treasury bills and bonds | 15.9 | 1.1 | 78.7 | 5.5 |
| Balances with other banks | 459.9 | 33.0 | 286.6 | 20.2 |
| Customer advances | 573.5 | 41.1 | 569.3 | 40.1 |
| Investments | 199.2 | 14.3 | 374.9 | 26.4 |
| Fixed assets | 63.5 | 4.6 | 56.2 | 4.1 |
| Other assets | 50.0 | 3.6 | 23.0 | 1.6 |
| Total | 1,393.4 | 100.0 | 1,418.3 | 100.0 |

*Excluding balances held on behalf of customers in respect of letters of credit.

Credit risk associated with interbank placements is considered minimal, given the guarantee on interbank borrowings granted by the CBN (valid up to end-

December 2011). Other assets comprised receivables and prepayments. At N628.3bn, contingent assets declined by 8% in F10 and equated to 335% of the bank's shareholders' funds. The bank's contingent asset portfolio, at balance sheet date, consisted of: performance bonds and guarantees - 19.8%, letters of credits - 9.9%, funds under custody - 68.8% and other liabilities - 1.5%. Cash coverage in respect of letters of credits amounted to 23% as at end-December 2010.

Loan portfolio: Gross advances stood at N600.8bn, representing a year-on-year decline of just under 2% over the F09 restated figure. This is as a direct result of the bank's more conservative/selective lending policies to curb any further deterioration in asset quality, given the still depressed credit environment.

| By sector: (%) | | | |
|----------------------------|------|---------------------|------|
| Agriculture | 6.2 | Finance & insurance | 12.3 |
| Oil & gas | 17.5 | Government | 9.5 |
| General commerce | 4.8 | Transport | 6.0 |
| Consumer credit | 17.3 | Communication | 8.9 |
| Manufacturing | 8.9 | Others | 1.8 |
| Real estate & construction | 6.8 | | |
| Largest exposures: (%) | | | |
| Single largest | 6.0 | Ten largest | 35.1 |
| Five largest | 21.6 | Twenty largest | 51.3 |

With term loans forming the bulk of the portfolio, the bank displayed a fairly long-dated loan book, 35% of which mature after 1 year. Given the huge funding requirement in the bank's targeted sectors, the loan book reflected some concentration by obligor, with the single largest credit accounting for 6% and 19% of total loans & advances and capital respectively.

Asset quality: Rapid advances growth, in the face of a weak risk management process (further exacerbated by the 2009 global economic crisis), has resulted in a marked deterioration in asset quality across the Nigerian banking industry over the past 3 years. In turn, UBA's gross NPL ratio nearly doubled from

| UBA vs. selected banks | Zenith | FirstBank | GTBank | UBA |
|---|---------|-----------|---------|---------|
| Year end 31 December 2010 | | | | |
| Capital (N'bn) | 350.4 | 340.7 | 205.2 | 187.7 |
| Total assets (N'bn) | 1,736.5 | 1,915.4 | 1,037.1 | 1,418.3 |
| Net loans (N'bn) | 703.1 | 1,025.0 | 563.5 | 569.3 |
| Net profit after tax (N'bn) | 33.3 | 26.9 | 36.5 | 2.2 |
| Capital/Assets (%) | 20.1 | 17.8 | 19.8 | 13.2 |
| Cash & liquid assets/Total short-term funding (%) | 118.1 | 33.6 | 46.9 | 34.9 |
| Gross non-performing loans ratio (%) | 2.8 | 8.3 | 7.5 | 6.7 |
| Net interest margin (%) | 3.9 | 6.2 | 6.5 | 3.7 |
| Cost ratio (%) | 66.1 | 66.5 | 51.2 | 72.3 |
| ROaE (%) | 9.8 | 7.6 | 18.6 | 7.9 |
| ROaA (%) | 2.0 | 1.4 | 3.7 | 1.1 |

3.6% in F08 to 6.7% by end F10.

| Table 4: Asset quality | F09 | F10 |
|-----------------------------------|---------------|---------------|
| | N'm | N'm |
| Gross advances | 611,847 | 600,772 |
| Loan classification | | |
| Normal | 572,210 | 560,572 |
| Gross NPL's (> 90 days) | 39,637 | 40,200 |
| Less : Interest in suspense | (2,764) | (10,399) |
| Capital value in arrears | 36,873 | 29,801 |
| Less: Provisions | (35,618) | (21,061) |
| Net NPL's | 1,255 | 8,740 |
| Gross NPL ratio (%) | 6.5 | 6.7 |
| Net NPL ratio (%) | 0.2 | 1.5 |
| Net NPLs/Capital (%) | 0.7 | 4.7 |

Although impaired credits worth N13.7bn were written off, with a further N24.7bn sold to AMCON during the year, gross NPL's rose by 1.4% to N40.2bn in F10. However, given a 31% reduction in loans outstanding for more than 1 year, specific provisions was reduced by 41%, thus covering a lower 71% (F09: 97%) of NPLs. After accounting for provisions, net NPL's amounted to 4.7% of total capital as at end-December 2010. Note is, however, taken of the fact that 37% of advances were secured against real estate, while 3% and 53% were secured by shares of quoted securities and other means respectively. That said, collateral is considered as secondary in our analysis due to the cumbersome judicial process in realising security in the country.

Liquidity risk

Given the increased uptake of investments, the bank's liquid & trading assets/total short term funding ratio declined further to 34.9% in F10, having already dropped from 78.7% in F08 to 42.5% in F09. The bank's liquidity ratio fluctuated between 37% and 50% (on a monthly basis) during the year, well above the present statutory requirement of 30%.

Market risk

The bank's exposure to market risk is limited to interest rate and foreign exchange risk. UBA does not trade in derivatives as part of its proprietary trading activities. The daily volatility of all open market positions is monitored via Reuters' Kondor Plus application.

Financial flexibility

UBA's funding structure as at end-December 2010 is as follows: equity capital at 13.5%, customer deposits at 80.5% and borrowings at 6%. The bank can also issue new shares through a public offer by virtue of its listing on The Nigerian Stock Exchange ("NSE") –but this is constrained by the depressed market. Following an 8.5% decline in F09, customer deposits shrunk by a further 2.8% to N1.1tr in F10. The outflow of deposit liabilities is largely related to the

bank's intensified focus on cutting down more expensive tenured deposits – with this a strategic initiative to offset the margin pressure associated with a lower-yield asset portfolio.

| Table 5: Deposit book characteristics | | | |
|---------------------------------------|------|----------------|------|
| By type: | % | Concentration: | % |
| Demand | 60.2 | Single largest | 15.1 |
| Savings | 17.2 | Five largest | 22.8 |
| Term | 22.6 | Twenty largest | 31.9 |

Outstanding borrowings ended the period at N83.9bn and comprised: the AfDB- N22.3bn¹, corporate bonds - N20.6bn² and on-lending facilities provided by the CBN- N41bn³.

On the back of a drastic decline in after tax profit, coupled with dividend payments (which eroded retained earnings by 1%), total shareholders' funds remained flat at N187.7bn. Nevertheless, the bank's capital (as at end-December 2010) equated to 3.8x the required capital for an international bank in Nigeria. UBA's tier 1 capital adequacy ratio of 13.7% comfortably surpassed the 10% statutory requirement.

Financial performance

A 3-year financial synopsis is reflected at the end of this report.

Pressure on profitability has intensified over the past 2 years, with after tax earnings dropping by 74% and 79% in F09 and F10 respectively (with higher than budgeted operating costs and exceptional items the main reasons for the poor performance in F10). The reported total operating income was mainly supported by non-interest revenue, as the bank's reliance on low earning assets (underpinning the net interest margin decline from 6% in F09 to 3.7%) translated to a 42% decline in net interest income. Although a year-on-year decline of 20% in total operating income was forecasted for F10, strong growth in non-interest income halved the anticipated shrinkage to just 10%.

Despite a 6% reduction in operating expenditure, this was outpaced by the contraction in operating income, which lifted the bank's cost ratio from 66% in F09 to 72.3%. Although the bank registered a 53% reduction in its bad debt charge, exceptional items of N12.7bn (comprising losses on loans sold to AMCON and the

¹The AfDB borrowing comprises of an unsecured term loan facility ("TLF") and an unsecured trade finance initiative facility ("TFIF"). The TLF is repayable over 5 years from December 2010, with a moratorium period not exceeding 3 years on principal. Interest accrues at 6 months USD Libor plus 500 basis points. The TFIF loan is to be repaid in a bullet payment at final maturity in May 2013. The interest rate on the TFIF is 6 months USD Libor plus 450 basis points. Interest on both the TLF and TFIF are payable semi annually.

² In 2010, the bank offered for subscription N20bn fixed rate subordinated unsecured notes maturing in 2017 (being the first tranche under a N400bn Medium Term Note). The notes were issued at fixed coupon rate of 13%.

³The on-lending was provided by CBN with the sole purpose of granting loans, at subsidized rates, to companies engaged in agriculture.

amortization of special assets account written off during the year), further reduced pre-tax profits. Overall, the bank's ROaE declined from 8.5% in F09 to 7.9%, while the ROaA remained flat at 1.1%.

Future prospects

With no exceptional items anticipated, a pre-tax profit of N12.1bn has been forecasted for F11 -thus representing a year-on-year growth of 223% over F10. Impairment losses, in turn, are expected to remain unchanged. Profit before tax of N7.7bn was reported for the half of F11, supported by a reduction in both the impairment charge and operating expenditure.

| Table 6: Actual vs. budget | Actual F10 | Budget F11 | Actual 1H F11 | Variance |
|----------------------------|--------------|--------------|---------------|---------------|
| | N'bn | N'bn | Nbn | %* |
| Income statement | | | | |
| Net int. income | 62.9 | 58.4 | 28.5 | (2.3) |
| Other income | 51.1 | 53.4 | 21.8 | (18.4) |
| Total income | 114.0 | 111.8 | 50.3 | (10.0) |
| Bad debt charge | (15.1) | (15.1) | (3.4) | (77.5) |
| Operating exp. | (82.5) | (84.6) | (39.2) | (7.3) |
| Exceptional items | (12.7) | - | - | n.a |
| NPBT | 3.7 | 12.1 | 7.7 | 27.5 |
| Balance sheet | | | | |
| Advances | 569.3 | 780.6 | 628.9 | (19.4) |
| Deposits | 1,119.1 | 1,423.3 | 1,234.7 | (13.2) |
| Total capital | 187.7 | 213.0 | 192.6 | (9.6) |
| Total assets | 1,418.3 | 1,754.7 | 1,582.8 | (9.8) |

*The first half results for F11 compared to the forecast for the full year.

In line with the new banking model in the country, UBA has received CBN's approval to operate as an international bank (consolidated under a holding company structure). Apart from Nigeria, UBA presently operates in 18 African countries, the United States of America, United Kingdom and France. Under the new structure, the group holding company ("UBA Holdings Plc") will have 3 subsidiaries, comprising 2 banking subsidiaries (UBA Plc and UBA Africa Holdings Limited) and a non-banking subsidiary (UBA Capital Holdings Limited). Consequently, all UBA's subsidiaries across Africa (other than Nigeria) will be owned by UBA Africa Holdings Limited, while the non-banking subsidiaries will be owned by UBA Capital Holdings Limited. UBA is presently the largest bank in Nigeria based on branch network and offshore presence. In as much as the bank will benefit from earnings diversification from the wide offshore presence, cognisance must also be taken of the inherent operational risk.

United Bank for Africa PLC

(Naira in millions except as noted)

Year end: 31 December

| Income Statement Analysis | Sept. 08 | Dec. 09 | Dec. 10 |
|-------------------------------------|-----------------|----------------|----------------|
| Interest income | 111,118 | 163,456 | 106,597 |
| Interest expense | (39,800) | (54,920) | (43,670) |
| Net interest income | 71,318 | 108,536 | 62,927 |
| Other income | 42,974 | 54,738 | 51,069 |
| Total operating income | 114,292 | 163,274 | 113,996 |
| Impairment charge | (1,548) | (32,568) | (15,179) |
| Operating expenditure | (58,107) | (107,717) | (82,458) |
| Exceptional items | (8,786) | (7,025) | (12,666) |
| Net profit before tax | 45,851 | 15,964 | 3,693 |
| Tax | (5,849) | (3,075) | (1,526) |
| Net profit after tax | 40,002 | 12,889 | 2,167 |
| Other after-tax income / (expenses) | - | - | - |
| Net income | 40,002 | 12,889 | 2,167 |

Balance Sheet Analysis

| | | | |
|---|------------------|------------------|------------------|
| Subscribed capital | 122,658 | 124,423 | 124,423 |
| Reserves (incl. net income for the year) | 65,497 | 63,296 | 63,307 |
| Hybrid capital (incl. eligible portion of subordinated term debt) | - | - | - |
| Less: Intangible assets (incl. goodwill) | - | - | - |
| Total capital and reserves | 188,155 | 187,719 | 187,730 |
| Bank borrowings (incl. deposits, placements & REPOs) | - | 10,080 | 51 |
| Deposits | 1,162,995 | 1,150,305 | 1,108,480 |
| Other borrowings | - | 14,760 | - |
| Short-term funding (< 1 year) | 1,162,995 | 1,175,145 | 1,108,531 |
| Bank borrowings (incl. deposits, placements & REPOs) | - | - | - |
| Deposits | 95,040 | 781 | 10,583 |
| Other borrowings | - | - | 83,956 |
| Long-term funding (> 1 year) | 95,040 | 781 | 94,539 |
| Payables/Deferred liabilities | 67,986 | 29,706 | 27,466 |
| Other liabilities | 67,986 | 29,706 | 27,466 |
| Total capital and liabilities | 1,514,176 | 1,393,351 | 1,418,266 |
| Balances with central bank | 12,337 | 7,712 | 8,258 |
| Fixed assets | 56,165 | 63,497 | 56,216 |
| Derivative financial assets | - | - | - |
| Receivables/Deferred assets (incl. zero rate loans) | 71,795 | 50,010 | 22,990 |
| Non-earnings assets | 140,297 | 121,219 | 87,464 |
| Short-term deposits & cash | 23,991 | 23,725 | 21,345 |
| Loans & advances (net of provisions) | 421,748 | 573,465 | 569,312 |
| Bank placements | 645,283 | 459,836 | 286,585 |
| Marketable/Trading securities | 246,105 | 15,945 | 78,703 |
| Equity investments | - | 150,565 | 313,659 |
| Investments in subsidiaries/associates | 36,752 | 48,596 | 61,198 |
| Total earning assets | 1,373,879 | 1,272,132 | 1,330,802 |
| Total assets | 1,514,176 | 1,393,351 | 1,418,266 |
| Contingencies (relating to unutilised credit card limits) | 446,754 | 684,047 | 628,253 |

Ratio Analysis (%)†

Capitalisation

| | | | |
|--|------|------|------|
| Internal capital generation | 21.3 | 6.9 | 1.2 |
| Total capital / Net advances + net equity invest. + guarantees | 21.7 | 13.3 | 12.4 |
| Total capital / Total assets | 12.4 | 13.5 | 13.2 |

Liquidity ‡

| | | | |
|--|------|------|------|
| Net advances / Deposits + other short-term funding | 33.5 | 48.8 | 50.9 |
| Net advances / Total funding (excl. equity portion) | 33.5 | 48.8 | 47.3 |
| Liquid & trading assets / Total assets | 60.5 | 35.8 | 27.3 |
| Liquid & trading assets / Total short-term funding | 78.7 | 42.5 | 34.9 |
| Liquid & trading assets / Total funding (excl. equity portion) | 72.8 | 42.5 | 32.1 |
| Liquid & trading assets / Total contingencies (x cover) | 78.7 | 42.5 | 34.9 |

Asset quality

| | | | |
|---|------|------|------|
| Impaired loans / Gross advances | 3.6 | 6.5 | 6.7 |
| Total loan loss reserves / Gross advances | 0.0 | 0.0 | 0.0 |
| Bad debt charge (income statement) / Gross advances (avg.) | n.a. | 6.3 | 2.6 |
| Bad debt charge (income statement) / Total operating income | 1.4 | 19.9 | 13.3 |

Profitability

| | | | |
|--|------|------|------|
| Net income / Total capital (avg.) | n.a. | 6.9 | 1.2 |
| Net income / Total assets (avg.) | n.a. | 0.9 | 0.2 |
| Interest income + com. fees / Earning assets + guarantees (a/avg.) | n.a. | 6.0 | 3.7 |
| Non-interest income / Total operating income | 37.6 | 33.5 | 44.8 |
| Non-interest income / Total operating expenses (or burden ratio) | 74.0 | 50.8 | 61.9 |
| Cost ratio | 50.8 | 66.0 | 72.3 |
| OEaA (or overhead ratio) | n.a. | 7.4 | 5.9 |
| ROaE | 51.9 | 8.5 | 7.9 |
| ROaA | n.a. | 1.1 | 1.1 |

Nominal growth indicators

| | | | |
|--------------------------------------|------|--------|--------|
| Total assets | n.a. | (8.0) | 1.8 |
| Net advances | n.a. | 36.0 | (0.7) |
| Shareholders funds | n.a. | (0.2) | 0.0 |
| Total capital and reserves | n.a. | (0.2) | 0.0 |
| Deposits (wholesale) | n.a. | (8.5) | (2.8) |
| Total funding (excl. equity portion) | n.a. | (6.5) | 2.3 |
| Net income | n.a. | (74.2) | (79.0) |

† Growth ratio's for 2007/2008 were not calculated due to a change in GCR's number capturing spread.

‡ Please note that for these ratios, liquid assets exclude the statutory reserve balance

Long term debt

Investment grade

| | |
|-------------|---|
| AAA | Highest credit quality. The risk factors are negligible, being only slightly more than for risk free government bonds. |
| AA+ | Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significantly. |
| AA | |
| AA- | |
| A+ | High credit quality. Protection factors are good. |
| A | However, risk factors are more variable and greater in periods of economic stress. |
| A- | |
| BBB+ | Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles. |
| BBB | |
| BBB- | |

Non-investment grade

| | |
|------------|---|
| BB+ | Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category. |
| BB | |
| BB- | |
| B+ | Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes. |
| B | |
| B- | |
| CCC | Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments. |
| DD | Defaulted debt obligations. Issuer failed to meet scheduled principal and/or Interest payments. |

Short term debt

High Grade

| | |
|------------|---|
| A1+ | Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills. |
| A1 | Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor. |
| A1- | High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. |

Good Grade

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|-----------|---|
| A2 | Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small. |
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Satisfactory Grade

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| A3 | Satisfactory liquidity and other protection factors qualify issues as to investment grade. However, risk factors are larger and subject to greater variation. |
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Non-investment Grade

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|----------|---|
| B | Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation. |
|----------|---|

Default

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| C | Issuer failed to meet scheduled principal or interest payments. |
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Claims paying ability

Secure

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|-------------|---|
| AAA | Highest claims paying ability. The risk factors are negligible. |
| AA+ | Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions. |
| AA | |
| AA- | |
| A+ | High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions. |
| A | |
| A- | |
| BBB+ | Adequate claims paying ability. Protection factors are adequate although there is considerable variability in risk over time due to economic and/or underwriting conditions. |
| BBB | |
| BBB- | |
| BB+ | Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions. |
| BB | |
| BB- | |
| B+ | Possessing substantial risk that policyholder and contract-holder obligations will not be paid when due. |
| B | Judged to be speculative to a high degree. |
| B- | |
| CCC | Company has been, or is likely to be, placed under an order of the court. |