

United Arab Emirates  
Credit Analysis

**Bank of Sharjah**

**Ratings**

<b>Foreign Currency</b>	
Long-Term IDR	BBB+
Short-Term IDR	F2
Individual Rating	C/D
Support Rating	2
Support Rating Floor	BBB+
<b>Sovereign Risk (Abu Dhabi)</b>	
Foreign-Currency Long-Term IDR	AA
Local-Currency Long-Term IDR	AA

**Outlooks**

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

**Financial Data**

	31 Dec 09	31 Dec 08
Total assets (USDm)	4,918	4,308
Total assets (AEDm)	18,062	15,821
Equity (AEDm)	4,097	3,843
Operating profit (AEDm)	483	411
Published net income (AEDm)	476	410
Fitch comprehensive income (AEDm)	515	349
Operating ROAA (%)	2.8	3.1
Operating ROAE (%)	12.2	11.9
Eligible capital/weighted risks (%)	23.3	22.1
Tier 1 ratio (%)	22.7	21.7
Capital adequacy (%)	23.6	22.3

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**Related Research**

**Applicable Criteria**

- [Global Financial Institutions Rating Criteria \(December 2009\)](#)

**Rating Rationale**

- The IDRs and Support Rating of Bank of Sharjah (BOS) reflect expected support from the UAE federal authorities, in case of need. The Individual Rating reflects the bank's small but resilient franchise and good financial profile, particularly its strong capital position. It is constrained by large concentrations in loans and deposits and the risks inherent in Dubai where BOS conducts part of its business.
- BOS's earnings and profitability have held up well since the global crisis. Operating profit improved in 2009 benefiting from high margins, expanding loan volumes and good cost control which offset lower investment income and rising loan loss provisions. Core net interest income was improved by a shift into higher-yielding SME business and BOS re-pricing loans where possible. Results were also supported by BOS's low cost/income ratio of 24% in 2009, highlighting its small network and tight management control of operations.
- Asset quality remains good with non performing loans (NPLs) at 1.5% of gross loans at end-2009. NPLs were fully reserved. The bulk of NPLs came from its acquisition of a Lebanese bank in Q408 (these were fully reserved on acquisition) and the quality of the UAE book remains healthy. Thanks to a conservative strategy and risk appetite, the bank has modest direct lending to real estate and avoided exposure to troubled Saudi corporates and Dubai World (DW). Around 30% of the bank's lending is in Dubai where credit risks remain elevated. Concentration risks in the loan book are high reflecting BOS's niche corporate focus on certain medium and large entities in the UAE.
- Liquidity is strong overall with the bank's Fitch Ratings-calculated loan/deposit ratio improving to 97%. The bank is also a substantial net interbank lender.
- The bank is primarily funded by retail and corporate customer deposits, which have proved stable. BOS is not dependent on market funding, although it faces some refinancing risk from a USD200m syndicated loan due in July 2010.
- BOS is strongly capitalised, which provides a good buffer against rising credit risks in the system. Capital was strengthened by the conversion of a non-mandatory convertible bond in 2008.

**Support**

- Fitch believes there is a high probability that BOS would be supported given the Central Bank of the UAE's explicit statements of support for the system and the government of Sharjah's 15% stake in the bank.

**Key Rating Drivers**

- BOS's Long-Term IDR has a Stable Outlook and is at the Support Rating Floor. The Individual Rating could be upgraded if BOS demonstrates continuing healthy results whilst maintaining strong capital and asset quality indicators. Downside pressure could come from a material rise in NPLs which could negatively impact its risk profile, a scenario which is currently unlikely.

**Profile**

Established in 1973, BOS was the first commercial bank incorporated in Sharjah. At end-2009, it had a modest 1% of UAE banking system assets. The bank is primarily a niche corporate bank, operating four UAE branches and a Lebanese subsidiary.

- Sharjah-based bank of modest size
- Government of Sharjah owns 15%
- Main focus is on corporate banking
- Strong management team with a 'hands on' approach to running the business
- Conservative strategy has protected the franchise

## Profile

BOS was established in 1973 as the first bank in Sharjah (and the fifth in the UAE), with the government of Sharjah and Banque Paribas (now BNP Paribas) as founding shareholders. BNP Paribas sold its stake in 2002. BOS is now listed on the Abu Dhabi Stock Exchange and is 15% owned by the government of Sharjah. Members of the ruling families of Sharjah and Abu Dhabi own a further 20%. Regulated by the Central Bank of the UAE (CBUAE), the bank operates a head office/banking branch in Sharjah and three other branches in Dubai, Abu Dhabi and Al Ain. BOS is small by UAE standards, accounting for around 1% of UAE banking assets. The bank is primarily a corporate bank, although it also offers retail and investment banking, project finance and trade finance. In a major thrust abroad, BOS in 2008 acquired the Lebanese operations of BNP Paribas – Banque Nationale de Paris Intercontinentale (BNPI, a fully owned subsidiary of BNP Paribas) – through its subsidiary Emirates Lebanon Bank (ELBank). Simultaneously, BOS sold a 19% stake in ELBank to BNPI, whilst retaining 81%. Operating in Lebanon for over 60 years, BNPI is also a corporate bank with a network of five branches. BOS is in the process of finalising an agreement with BNP Paribas to expand private banking and wealth management in the UAE and the region.

## Management and Strategy

Fitch considers BOS to be relatively well managed. Senior management are experienced bankers (many with a BNP Paribas background) who take a 'hands on' approach to running the business. The bank's strategy is conservative, focusing primarily on a limited number of medium and large corporates based in Sharjah, Dubai and to a lesser extent Abu Dhabi. These are long standing relationships and the bank mainly provides short-term working capital and trade finance, which has ensured strong asset quality to date. This strategy has also allowed BOS to avoid the pitfalls of US subprime investments, real estate lending, and exposure to troubled Saudi corporates (Saad and Al Gosaibi) and, more recently, to Dubai World. As part of a medium-term principal investment strategy, BOS was active in IPO lending and took opportunistic stakes in several UAE/regional companies. This activity has been curtailed following the global credit crisis, although according to the bank, its existing equity investments are performing well. In the near term, BOS is looking to expand in Abu Dhabi where economic conditions are more favourable.

BOS's expansion into Lebanon adds value to the franchise and serves to diversify risk and earnings. BOS's management has considerable experience in Lebanon and sees many synergies between the two banks (a third of BOS's customer base is Lebanese), particularly in promoting trade flows and remittances. BNPI, although not a major player in the market, is a long-established franchise that the agency believes can be further developed in areas such as private and investment banking. According to the bank, integration risks of the merger are largely contained because of the two parties' shared BNP Paribas culture, risk management and documentation. The Lebanese operations formed around 20% of BOS's end-09 assets, thus becoming a material subsidiary of the group.

## Presentation of Accounts

BOS prepares its financial statements in line with IFRS and the requirements of the CBUAE. The financial analysis was based on 9M09 financial statements (reviewed by Deloitte) and headline figures and other financial data provided by BOS for 2009.

## Performance

DW's request for a debt standstill in November 2009 was clearly a setback for the economic outlook of Dubai and the wider UAE. Fitch is concerned that the DW restructuring and its affect on the broader UAE economy raises the prospect of higher NPLs than previously anticipated with banks already exposed to troubled Saudi corporates and the fallout of the global credit crisis (mainly the collapse in Dubai real estate values). As a result, the agency believes that the UAE banking

- Core earnings are healthy
- Fitch expects loan provisions to remain high in 2010

**Table 1: Peer Group Financial Indicators**

(% unless otherwise stated)	BOS			CBD <sup>a</sup>			RAK <sup>b</sup>			NBQ <sup>c</sup>		
	9M09	2008	2007	9M09	2008	2007	9M09	2008	2007	9M09	2008	2007
Assets (AEDm)	17,451	15,821	10,789	37,029	35,757	30,436	16,379	13,922	10,974	13,734	13,543	8,429
Operating profit (AEDm)	393	411	404	757	771	936	531	636	401	328	284	334
Net interest margin	4.0	3.6	3.5	4.3	3.9	4.4	8.4	8.0	6.2	4.9	4.2	4.9
Operating ROAA	3.1	3.1	4.6	2.8	2.3	3.9	4.7	5.0	4.1	3.2	2.5	5.0
Operating ROAE	13.4	11.9	19.1	20.2	16.2	22.0	30.5	34.9	28.5	15.4	12.0	21.6
Cost/income	22.7	18.3	17.3	30.6	29.1	29.4	43.8	47.9	47.1	20.5	35.1	22.4
Equity/total assets	23.1	24.3	21.3	14.4	13.2	15.6	15.9	14.9	14.4	21.7	20.5	20.4
Loan growth	7.5	96.4	41.5	0.5	37.6	64.3	16.4	34.0	20.0	-14.5	99.8	19.6

<sup>a</sup> Commercial Bank of Dubai (rated 'A-/stable/'F2'/'C' RWN/'1')

<sup>b</sup> National Bank of Ras Al-Khaimah (rated 'BBB+'/'stable/'F2'/'C'/'2')

<sup>c</sup> National Bank of Umm Al-Qaiwain (rated 'BBB+'/'stable/'F2'/'C'/'D'/'2') analysed by Fitch

Source: Financial statements of BOS

sector will remain challenged in 2010 and possibly into 2011. Pressure on sector profitability is likely to come from rising loan provisions as well as slower loan growth (the combined effects of low business confidence and stricter lending criteria) and rising funding costs as banks seek to refinance debt or to extend debt maturity profiles. Liquidity remains tight on negative market sentiment and weak private-sector deposit growth, although risk has been contained by the UAE authorities' substantial liquidity support for the system. UAE bank capital ratios improved in 2009 following reduced cash dividends, slowing asset growth and the conversion of federal deposits into Tier 2 capital. In addition, some banks received direct capital injections from their respective governments (Emirates NBD and all the Abu Dhabi banks). Fitch believes that if rising provisions over the next six months are largely limited to DW, the impact on capitalisation should be manageable for the UAE banking sector, although such an outcome remains uncertain (see report entitled "UAE Banks' Capital Weakened by Dubai World Restructure", available on [www.fitchratings.com](http://www.fitchratings.com)).

BOS reported net profits of AED476m for 2009, up a strong 16% yoy, despite overall weak operating conditions in the UAE. Corporate banking remains the primary revenue source for the bank forming around 95% of operating income in 2009. Operating ROAA and ROAE ratios were satisfactory at 2.8% and 12.2% in 2009. Fitch expects the bank to remain profitable in 2010, although loan provisions are likely to be high in the next few quarters.

### Operating Profit

BOS displays healthy core revenue. Net interest income (75% of operating revenue) grew rapidly in 2009 assisted by strong loan growth and higher margins. BOS improved margins (NIM was 3.8% in 2009) by a greater focus on higher-yielding segments such as SME finance and re-pricing existing loans where possible. Looking ahead, net interest income could be constrained by tighter liquidity, a possible large rise in NPLs and slower business growth – this is the case for the entire sector. Other income remains volatile under current market conditions - BOS saw lower investment gains and property revaluation losses in the year. More positively, net fees and commissions (mainly from trade finance) improved strongly yoy and continue to be a major source of earnings for the bank.

Operating costs increased sharply owing mainly to the consolidation of the Lebanese subsidiary. Therefore, BOS's cost/income ratio increased to 24%, but at a still comfortable level reflecting the bank's small network and franchise. Fitch believes BOS will find it challenging to maintain current efficiency levels given the likely slowdown in earnings in the coming periods. Loan loss provisions increased moderately in 2009 reflecting weaker credit conditions locally (the bulk was collective provisions). No permanent impairment provisions were set aside for investments unlike in 2008.

### Prospects

Fitch's rating outlook reflects the expectation that BOS's currently satisfactory business and financial profile will be maintained in the medium term. Although BOS is not exposed to Saad/AHAB and DW, Fitch believes BOS's main challenge will be to preserve asset quality, although its strong capital and good operating profitability are mitigating factors. Another challenge will be to maintain sufficient liquidity at a time when international funding is limited and expensive. Fitch expects ELBank to contribute strongly to BOS's bottom line as the Lebanese economy strengthens.

### Risk Management

Risk management is considered adequate for the size and complexity of the bank. Senior management closely control risk functions at head office level. Additionally, the bank states that ELBank's risk management controls and documentation are similar to BOS's owing to their shared BNP Paribas history; this could ease integration risks. Overall, the bank has moderate risk appetite.

### Credit Risk

This is the bank's main source of risk. Mitigating factors include BOS's highly selective lending policy (BOS has relations with only 40 business groups which generate about 85% of its business) and the bank primarily extending short-term finance (working capital facilities or trade finance). Unlike most UAE banks, BOS says that it did not restructure any corporate loans during 2009. The relatively undiversified nature of BOS's loan book, however, exposes it to concentration risk, with the 20 largest loans forming around 38% of total loans. 85% of BOS's lending is in the UAE (mainly Sharjah, Dubai and to a lesser extent Abu Dhabi) and the balance in Lebanon.

BOS grew its loan book in 2009, up 11% to AED11,451m by mainly increasing exposure to existing corporate clients. Despite the consolidation of the Lebanese book, exposure by economic segment has remained broadly stable (see Table 2). Trading companies are mainly in Sharjah and Dubai, reflecting BOS's main focus. Personal loans for commercial purposes are SME finance in the UAE, where the bank has expanded during the year to improve margins and earnings and risk diversification. Personal loans for individual purposes are essentially retail loans, which is not a core activity. Fitch understands that government lending is mainly related to the emirate of Sharjah, which so far has remained unaffected by Dubai's debt problems. The bank has limited direct exposure to UAE real estate – less than 1% of the book (naturally this excludes real estate collateral held by BOS for commercial loans, where the values may have been affected by declining real estate prices). Exposure to construction is fairly modest and BOS aims to reduce this exposure where possible. Contingent liabilities at end-9M09 were AED7.5bn, declining slightly since end-2008 due to lower trade finance activity and guarantees relating to construction. Related-party lending was relatively low and on a declining trend.

**Table 2: Loan Portfolio Breakdown**

(%)	2009	2008	2007
Trading	31	37	30
Construction	8	8	7
Manufacturing	11	10	10
Transport and communication	2	2	2
Financial institutions	0	0	0
Services	12	12	17
Government	4	5	6
Public utilities	5	4	8
Mining and quarrying	4	4	0
Personal loans for commercial purposes	19	15	18
Personal loans for individual purposes	1	1	0
Agriculture	0	0	0
Others	3	3	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: BOS

- Adequate risk management
- Management takes close control of all risk functions
- Exposure to Dubai based corporates heightens credit risk
- Current NPL ratio is relatively low
- Market and operational risks are limited
- High concentration risks by name

### Impaired Loans and Impairment Reserves

The bank defines NPLs as 90+ days past due. Table 3 shows that NPLs (excluding interest in suspense) fell to AED178m after write-offs, leading to an improved NPL ratio of 1.5% at end-2009. Of the bank's total NPLs around AED106m relate to Lebanon - this also explains the sharp rise in NPLs in 2008 as the Lebanese bank was acquired in Q408. These NPLs (which cannot be written off for legal reasons) were acquired at zero cost to the bank as they are either fully reserved or to a lesser extent guaranteed by BNP Paribas. The quality of the UAE book remains sound. Positively, the bank has no exposure to troubled Saudi groups or to DW, which implies that future NPL rises are unlikely to materially impact its risk profile. Loan loss coverage is high at 155% at end-2009, which is prudent in the current challenging environment.

**Table 3: Asset Quality**

(AEDm)	2009	2008	2007
Total gross loans	11,726	10,524	5,360
Impairment reserves (LLR) <sup>a</sup>	276	184	48
Total net loans	11,450	10,340	5,312
Impaired loans (NPLs) <sup>a</sup>	178	184	45
<b>Ratios (%)</b>			
NPLs/total gross loans	1.5	1.8	0.8
LLR/total gross loans	2.4	1.8	0.9
LLR/NPLs	155	100	107

<sup>a</sup> Excludes interest in suspense  
Source: BOS

### Other Earning Assets

The bank places substantial surplus funds at the CBUAE and the interbank market which supports its liquidity position. Investments of AED1.6bn formed a relatively small 9% of total assets and comprised principal equity investments, equities and debt securities - mainly classified as available for sale and trading. Regional equities totalled AED276m. Debt securities of AED770m were entirely UAE and Lebanese sovereign debt. Principal equity investments totalled AED593m which mainly relate to BOS's strategic investments in Oger Telecom (a Dubai-based phone operator mainly active in Turkey) of AED454m and Dana Gas (a UAE-based gas producer) of AED112m at end-2009. This raises some concern given the possibility of lower asset values and the limited exit opportunities in the current market. With the establishment of the Emirates Development Bank, BOS sold its stake in Emirates Industrial Bank to the UAE Ministry of Finance at a loss of AED9.4m in 2009.

### Market Risk

BOS is sensitive to equity price risk from principal equity investments. Whilst it is unusual for a GCC bank of this size to have a private equity investment strategy, Fitch accepts that these were opportunistic deals and within tolerable limits, although significant market uncertainty remains. Interest rate risk is acceptable. Net open FX positions are small and mainly in USD; risk is mitigated by the longstanding AED/USD peg. Derivatives are mainly used for hedging. VaR is not currently used to measure market risk exposure but is being considered.

### Operational Risk

BOS's executive committee sets operational risk policy and procedure. Operational risk has increased due to the consolidation of the Lebanese operation, although Fitch is comfortable that these risks are managed adequately.

## Funding and Capital

### Funding and Liquidity

BOS is strongly funded with customer deposits forming 87% of total liabilities at end-2009. Despite the limitations of a small network and lack of a retail franchise, BOS grew customer deposits by 20% at end-2009 with an increasing share of time deposits from corporates. Although these tend to be more expensive (relative to demand deposits), Fitch believes that the deposit base is now more stable given the rising competition for deposits in the UAE. Inevitably, this makes the deposit base highly concentrated, with BOS's 20 largest customer deposits forming 25% of total deposits at end-2009 (2008: 25%). BOS is not dependent on market funding. The

- Funded mainly by customer deposits
- Deposits are concentrated
- Adequate liquidity position
- Strongly capitalised
- Conversion of convertible bond added AED1.5bn of additional capital upon maturity in March 2008

bank faces some refinancing risk for a USD200m syndicated loan due in July 2010, although Fitch is comfortable that the bank has sufficient internal resources to repay this facility at maturity. BOS has not accessed the CBUAE liquidity support facility so far but had received AED531m under the Ministry of Finance (MOF) facility at end-2009. BOS has opted not to convert these deposits into Tier 2 capital (subordinated debt) given its healthy capital position. Fitch views liquidity as satisfactory overall. BOS has also adequately managed liquidity through interbank placements and remained a substantial interbank lender. Positively, BOS's loans/deposits ratio (as calculated by Fitch) improved to 97% at end-2009 (2008:104%), a level that is considered to be adequate given current conditions.

### Capital

BOS is strongly capitalised; a key factor driving its rating. Its Fitch Eligible Capital ratio was a high 23.3%. Regulatory capital adequacy ratio (CAR) and Tier 1 ratios were also healthy at 23.6% and 22.7% respectively at end-2009 and, in Fitch's opinion, remain a good buffer for the likely rise in credit risks during 2010. Capitalisation was strengthened by AED1.5bn following the conversion of its non-mandatory convertible bond in 2008 which comfortably supported the bank's Lebanese acquisition. BOS plans to pay cash dividends of AED400m for 2009 (2008: AED261m).

**Bank of Sharjah - Income Statement**

	31 Dec 2009			31 Dec 2008		31 Dec 2007		31 Dec 2006	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm Preliminary	AEDm Preliminary	Earning Assets	AEDm Original	Earning Assets	AEDm Original	Earning Assets	AEDm Original	Earning Assets
1. Interest Income on Loans	267.7	983.3	6.31	553.0	4.17	393.2	4.14	352.8	4.82
2. Other Interest Income	n.a.	n.a.	-	57.0	0.43	74.9	0.79	0.0	0.00
3. Dividend Income	n.a.	n.a.	-	35.3	0.27	28.5	0.30	3.2	0.04
<b>4. Gross Interest and Dividend Income</b>	<b>267.7</b>	<b>983.3</b>	<b>6.31</b>	<b>645.3</b>	<b>4.86</b>	<b>496.6</b>	<b>5.23</b>	<b>356.0</b>	<b>4.86</b>
5. Interest Expense on Customer Deposits	113.8	418.0	2.68	233.9	1.76	235.0	2.47	181.3	2.48
6. Preferred Dividends Paid & Declared	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Interest Expense	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
<b>8. Total Interest Expense</b>	<b>113.8</b>	<b>418.0</b>	<b>2.68</b>	<b>233.9</b>	<b>1.76</b>	<b>235.0</b>	<b>2.47</b>	<b>181.3</b>	<b>2.48</b>
<b>9. Net Interest Income</b>	<b>153.9</b>	<b>565.3</b>	<b>3.63</b>	<b>411.4</b>	<b>3.10</b>	<b>261.6</b>	<b>2.75</b>	<b>174.7</b>	<b>2.39</b>
10. Net Gains (Losses) on Trading and Derivatives	6.3	23.1	0.15	34.0	0.26	18.5	0.19	279.4	3.82
11. Net Gains (Losses) on Other Securities	12.4	45.6	0.29	215.2	1.62	22.7	0.24	97.3	1.33
12. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	-135.2	-1.02	83.4	0.88	-297.0	-4.06
13. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Net Fees and Commissions	33.2	121.8	0.78	116.8	0.88	90.7	0.95	65.3	0.89
15. Other Operating Income	-1.3	-4.6	-0.03	51.9	0.39	21.7	0.23	0.3	0.00
<b>16. Total Non-Interest Operating Income</b>	<b>50.6</b>	<b>185.9</b>	<b>1.19</b>	<b>282.7</b>	<b>2.13</b>	<b>237.0</b>	<b>2.49</b>	<b>145.3</b>	<b>1.98</b>
17. Personnel Expenses	n.a.	n.a.	-	85.7	0.65	62.1	0.65	47.2	0.64
18. Other Operating Expenses	48.6	178.4	1.14	41.0	0.31	24.2	0.25	17.1	0.23
<b>19. Total Non-Interest Expenses</b>	<b>48.6</b>	<b>178.4</b>	<b>1.14</b>	<b>126.7</b>	<b>0.95</b>	<b>86.3</b>	<b>0.91</b>	<b>64.3</b>	<b>0.88</b>
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>21. Pre-Impairment Operating Profit</b>	<b>156.0</b>	<b>572.8</b>	<b>3.67</b>	<b>567.4</b>	<b>4.28</b>	<b>412.3</b>	<b>4.34</b>	<b>255.7</b>	<b>3.49</b>
22. Loan Impairment Charge	24.5	89.9	0.58	58.4	0.44	8.3	0.09	-23.4	-0.32
23. Securities and Other Credit Impairment Charges	0.0	0.0	0.00	98.4	0.74	0.0	0.00	n.a.	-
<b>24. Operating Profit</b>	<b>131.5</b>	<b>482.9</b>	<b>3.10</b>	<b>410.6</b>	<b>3.09</b>	<b>404.0</b>	<b>4.25</b>	<b>279.1</b>	<b>3.81</b>
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	41.0	0.56
<b>30. Pre-tax Profit</b>	<b>131.5</b>	<b>482.9</b>	<b>3.10</b>	<b>410.6</b>	<b>3.09</b>	<b>404.0</b>	<b>4.25</b>	<b>320.1</b>	<b>4.37</b>
31. Tax expense	2.0	7.4	0.05	0.6	0.00	0.0	0.00	n.a.	-
32. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>33. Net Income</b>	<b>129.5</b>	<b>475.5</b>	<b>3.05</b>	<b>410.0</b>	<b>3.09</b>	<b>404.0</b>	<b>4.25</b>	<b>320.1</b>	<b>4.37</b>
34. Change in Value of AFS Investments	10.6	39.0	0.25	-60.8	-0.46	56.3	0.59	58.0	0.79
35. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>38. Fitch Comprehensive Income</b>	<b>140.1</b>	<b>514.5</b>	<b>3.30</b>	<b>349.2</b>	<b>2.63</b>	<b>460.3</b>	<b>4.85</b>	<b>378.1</b>	<b>5.16</b>
39. Memo: Profit Allocation to Non-controlling Interests	2.0	7.5	0.05	0.0	0.00	0.0	0.00	n.a.	-
40. Memo: Net Income after Allocation to Non-controlling Interests	127.4	468.0	3.00	410.0	3.09	404.0	4.25	320.1	4.37
41. Memo: Dividends Relating to the Period	108.9	400.0	2.57	260.6	1.96	312.5	3.29	250.0	3.41

Exchange rate

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

**Bank of Sharjah - Balance Sheet**

	31 Dec 2009			31 Dec 2008		31 Dec 2007		31 Dec 2006	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	AEDm	Assets	AEDm	Assets	AEDm	Assets	AEDm	Assets
	Preliminary	Preliminary	Preliminary	Original	Original	Original	Original	Original	Original
<b>Assets</b>									
<b>A. Loans</b>									
1. Corporate & Commercial Loans	3,193.1	11,726.5	64.92	10,524.2	66.52	5,359.9	49.68	3,804.4	49.89
2. Less: Reserves for Impaired Loans/ NPLs	75.2	276.0	1.53	183.8	1.16	47.8	0.44	47.8	0.63
<b>3. Net Loans</b>	<b>3,117.9</b>	<b>11,450.5</b>	<b>63.40</b>	<b>10,340.4</b>	<b>65.36</b>	<b>5,312.1</b>	<b>49.24</b>	<b>3,756.6</b>	<b>49.26</b>
<b>4. Gross Loans</b>	<b>3,193.1</b>	<b>11,726.5</b>	<b>64.92</b>	<b>10,524.2</b>	<b>66.52</b>	<b>5,359.9</b>	<b>49.68</b>	<b>3,804.4</b>	<b>49.89</b>
5. Memo: Impaired Loans included above	48.5	178.0	0.99	183.6	1.16	44.8	0.42	58.6	0.77
<b>B. Other Earning Assets</b>									
1. Loans and Advances to Banks	608.0	2,232.7	12.36	1,566.3	9.90	3,075.0	28.50	2,244.5	29.43
2. Trading Securities and at FV through Income	67.5	247.9	1.37	228.6	1.44	0.0	0.00	111.7	1.46
3. Derivatives	n.a.	n.a.	-	0.0	0.00	0.7	0.01	350.7	4.60
4. Available for Sale Securities	376.1	1,381.1	7.65	917.8	5.80	1,111.4	10.30	842.8	11.05
5. Held to Maturity Securities	2.8	10.1	0.06	42.3	0.27	0.0	0.00	0.0	0.00
6. At-equity Investments in Associates	21.8	80.1	0.44	80.1	0.51	0.0	0.00	15.4	0.20
7. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>8. Total Securities</b>	<b>468.1</b>	<b>1,719.2</b>	<b>9.52</b>	<b>1,268.8</b>	<b>8.02</b>	<b>1,112.1</b>	<b>10.31</b>	<b>1,320.6</b>	<b>17.32</b>
9. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Investments in Property	50.3	184.8	1.02	91.7	0.58	0.0	0.00	n.a.	-
11. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Earning Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
<b>13. Total Earning Assets</b>	<b>4,244.3</b>	<b>15,587.2</b>	<b>86.30</b>	<b>13,267.2</b>	<b>83.86</b>	<b>9,499.2</b>	<b>88.04</b>	<b>7,321.7</b>	<b>96.01</b>
<b>C. Non-Earning Assets</b>									
1. Cash and Due From Banks	322.1	1,182.8	6.55	1,019.9	6.45	530.4	4.92	263.1	3.45
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	56.7	208.1	1.15	193.2	1.22	73.0	0.68	9.1	0.12
5. Goodwill	76.5	280.9	1.56	279.8	1.77	54.0	0.50	n.a.	-
6. Other Intangibles	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	218.6	802.9	4.45	1,060.4	6.70	632.6	5.86	32.4	0.42
<b>11. Total Assets</b>	<b>4,918.1</b>	<b>18,061.9</b>	<b>100.00</b>	<b>15,820.5</b>	<b>100.00</b>	<b>10,789.2</b>	<b>100.00</b>	<b>7,626.3</b>	<b>100.00</b>
<b>Liabilities and Equity</b>									
<b>D. Interest-Bearing Liabilities</b>									
1. Customer Deposits - Current	n.a.	n.a.	-	3,446.2	21.78	2,021.6	18.74	1,606.4	21.06
2. Customer Deposits - Savings	n.a.	n.a.	-	1,269.7	8.03	78.6	0.73	65.9	0.86
3. Customer Deposits - Term	3,298.4	12,113.3	67.07	5,402.4	34.15	4,237.2	39.27	3,173.4	41.61
<b>4. Total Customer Deposits</b>	<b>3,298.4</b>	<b>12,113.3</b>	<b>67.07</b>	<b>10,118.3</b>	<b>63.96</b>	<b>6,337.4</b>	<b>58.74</b>	<b>4,845.7</b>	<b>63.54</b>
5. Deposits from Banks	137.1	503.5	2.79	409.6	2.59	333.5	3.09	12.4	0.16
6. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>7. Total Deposits, Money Market and Short-term Funding</b>	<b>3,435.5</b>	<b>12,616.8</b>	<b>69.85</b>	<b>10,527.9</b>	<b>66.55</b>	<b>6,670.9</b>	<b>61.83</b>	<b>4,858.1</b>	<b>63.70</b>
8. Senior Debt Maturing after 1 Year	0.0	0.0	0.00	734.6	4.64	1,234.3	11.44	497.5	6.52
9. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Funding	200.0	734.6	4.07	n.a.	-	n.a.	-	n.a.	-
<b>11. Total Long Term Funding</b>	<b>200.0</b>	<b>734.6</b>	<b>4.07</b>	<b>734.6</b>	<b>4.64</b>	<b>1,234.3</b>	<b>11.44</b>	<b>497.5</b>	<b>6.52</b>
12. Derivatives	n.a.	n.a.	-	0.4	0.00	0.3	0.00	73.2	0.96
13. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>14. Total Funding</b>	<b>3,635.5</b>	<b>13,351.4</b>	<b>73.92</b>	<b>11,262.9</b>	<b>71.19</b>	<b>7,905.5</b>	<b>73.27</b>	<b>5,428.8</b>	<b>71.19</b>
<b>E. Non-Interest Bearing Liabilities</b>									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Current Tax Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	167.1	613.8	3.40	714.7	4.52	584.4	5.42	101.0	1.32
<b>10. Total Liabilities</b>	<b>3,802.6</b>	<b>13,965.2</b>	<b>77.32</b>	<b>11,977.6</b>	<b>75.71</b>	<b>8,489.9</b>	<b>78.69</b>	<b>5,529.8</b>	<b>72.51</b>
<b>F. Hybrid Capital</b>									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
<b>G. Equity</b>									
1. Common Equity	1,073.6	3,942.8	21.83	3,744.0	23.67	2,185.0	20.25	2,038.5	26.73
2. Non-controlling Interest	15.1	55.5	0.31	45.4	0.29	0.0	0.00	0.0	0.00
3. Securities Revaluation Reserves	26.8	98.4	0.54	53.5	0.34	114.3	1.06	58.0	0.76
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
<b>6. Total Equity</b>	<b>1,115.5</b>	<b>4,096.7</b>	<b>22.68</b>	<b>3,842.9</b>	<b>24.29</b>	<b>2,299.3</b>	<b>21.31</b>	<b>2,096.5</b>	<b>27.49</b>
<b>7. Total Liabilities and Equity</b>	<b>4,918.1</b>	<b>18,061.9</b>	<b>100.00</b>	<b>15,820.5</b>	<b>100.00</b>	<b>10,789.2</b>	<b>100.00</b>	<b>7,626.3</b>	<b>100.00</b>
8. Memo: Fitch Core Capital	1,039.0	3,815.8	21.13	3,563.1	22.52	2,245.3	20.81	2,096.5	27.49
9. Memo: Fitch Eligible Capital	1,039.0	3,815.8	21.13	3,563.1	22.52	2,245.3	20.81	2,096.5	27.49

Exchange rate

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

**Bank of Sharjah - Summary Analytics**

	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
	Year End	Year End	Year End	Year End
	%	%	%	%
	Preliminary	Original	Original	Original
<b>A. Interest Ratios</b>				
1. Interest Income on Loans/ Average Gross Loans	8.76	7.07	8.22	10.83
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.69	2.90	4.60	4.42
3. Interest Income/ Average Earning Assets	6.65	5.61	6.57	6.03
4. Interest Expense/ Average Interest-bearing Liabilities	3.33	2.54	3.83	4.03
5. Net Interest Income/ Average Earning Assets	3.83	3.58	3.46	2.96
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.22	3.07	3.35	3.36
<b>B. Other Operating Profitability Ratios</b>				
1. Non-Interest Income/ Gross Revenues	24.75	40.73	47.53	45.41
2. Non-Interest Expense/ Gross Revenues	23.75	18.25	17.31	20.09
3. Non-Interest Expense/ Average Assets	1.04	0.95	0.99	0.98
4. Pre-impairment Op. Profit/ Average Equity	14.46	16.41	19.45	12.98
5. Pre-impairment Op. Profit/ Average Total Assets	3.34	4.24	4.72	3.89
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	15.69	27.63	2.01	-9.15
7. Operating Profit/ Average Equity	12.19	11.87	19.06	14.16
8. Operating Profit/ Average Total Assets	2.82	3.07	4.62	4.24
9. Taxes/ Pre-tax Profit	1.53	0.15	0.00	n.a.
<b>C. Other Profitability Ratios</b>				
1. Net Income/ Average Total Equity	12.00	11.86	19.06	16.24
2. Net Income/ Average Total Assets	2.78	3.06	4.62	4.87
3. Fitch Comprehensive Income/ Average Total Equity	12.99	10.10	21.72	19.19
4. Fitch Comprehensive Income/ Average Total Assets	3.00	2.61	5.27	5.75
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
<b>D. Capitalization</b>				
1. Fitch Eligible Capital/ Regulatory Weighted Risks	23.27	22.07	28.55	30.91
2. Tangible Common Equity/ Tangible Assets	21.46	22.93	20.92	27.49
3. Tangible Common Equity/ Total Business Volume	15.30	15.02	13.66	17.36
4. Tier 1 Regulatory Capital Ratio	22.67	21.74	27.09	30.00
5. Total Regulatory Capital Ratio	23.60	22.32	27.74	30.84
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	102.64	101.53	105.42	n.a.
7. Equity/ Total Assets	22.68	24.29	21.31	27.49
8. Cash Dividends Paid & Declared/ Net Income	84.12	63.56	77.35	78.10
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	77.75	74.63	67.89	66.12
10. Net Income - Cash Dividends/ Total Equity	1.84	3.89	3.98	3.34
<b>E. Loan Quality</b>				
1. Growth of Total Assets	14.17	46.63	41.47	32.66
2. Growth of Gross Loans	11.42	96.35	40.89	47.82
3. Impaired Loans(NPLs)/ Gross Loans	1.52	1.74	0.84	1.54
4. Reserves for Impaired Loans/ Gross loans	2.35	1.75	0.89	1.26
5. Reserves for Impaired Loans/ Impaired Loans	155.06	100.11	106.70	81.57
6. Impaired Loans less Reserves for Imp Loans/ Equity	-2.39	-0.01	-0.13	0.52
7. Loan Impairment Charges/ Average Gross Loans	0.80	0.75	0.17	-0.72
8. Net Charge-offs/ Average Gross Loans	n.a.	0.06	0.17	0.00
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
<b>F. Funding</b>				
1. Loans/ Customer Deposits	96.81	104.01	84.58	78.51
2. Interbank Assets/ Interbank Liabilities	443.44	382.40	922.04	18,100.81

**Bank of Sharjah - Reference Data**

	31 Dec 2009			31 Dec 2008		31 Dec 2007		31 Dec 2006	
	Year End USDm	Year End AEDm	As % of Assets	Year End AEDm	As % of Assets	Year End AEDm	As % of Assets	Year End AEDm	As % of Assets
	Preliminary	Preliminary	Preliminary	Original	Original	Original	Original	Original	Original
<b>A. Off-Balance Sheet Items</b>									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	5,160.0	32.62	2,989.2	27.71	299.1	3.92
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	1,167.2	7.38	n.a.	-	2,634.8	34.55
5. Committed Credit Lines	n.a.	n.a.	-	1,456.8	9.21	1,300.9	12.06	758.1	9.94
6. Other Contingent Liabilities	1,870.9	6,871.0	38.04	120.2	0.76	1,357.1	12.58	757.6	9.93
<b>7. Total Business Volume</b>	<b>6,789.1</b>	<b>24,932.9</b>	<b>138.04</b>	<b>23,724.7</b>	<b>149.96</b>	<b>16,436.4</b>	<b>152.34</b>	<b>12,075.9</b>	<b>158.35</b>
8. Memo: Total Weighted Risks	4,465.3	16,398.8	90.79	16,144.6	102.05	7,863.1	72.88	6,783.6	88.95
<b>B. Average Balance Sheet</b>									
Average Loans	3,056.1	11,223.5	62.14	7,822.4	49.44	4,786.3	44.36	3,258.8	42.73
Average Earning Assets	4,023.4	14,776.0	81.81	11,499.6	72.69	7,559.3	70.06	5,899.8	77.36
Average Assets	4,665.2	17,133.0	94.86	13,382.2	84.59	8,737.2	80.98	6,575.4	86.22
Average Managed Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	3,420.7	12,562.6	69.55	9,199.4	58.15	6,140.0	56.91	4,500.7	59.02
Average Common equity	1,039.8	3,818.8	21.14	3,311.0	20.93	2,050.2	19.00	1,948.7	25.55
Average Equity	1,078.6	3,961.0	21.93	3,458.4	21.86	2,119.4	19.64	1,970.6	25.84
Average Customer Deposits	3,086.0	11,333.3	62.75	8,063.5	50.97	5,107.1	47.34	4,101.9	53.79
<b>C. Maturities</b>									
<b>Asset Maturities:</b>									
Loans & Advances < 3 months	n.a.	n.a.	-	7,645.1	48.32	3,074.6	28.50	2,776.9	36.41
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	940.9	5.95	869.2	8.06	437.1	5.73
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	1,754.4	11.09	1,368.3	12.68	542.6	7.11
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>Liability Maturities:</b>									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	8,562.1	54.12	5,488.4	50.87	4,161.7	54.57
Other Deposits 3 - 12 Months	n.a.	n.a.	-	887.0	5.61	849.0	7.87	684.0	8.97
Other Deposits 1 - 5 Years	n.a.	n.a.	-	669.2	4.23	0.0	0.00	0.0	0.00
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior debt Maturing < 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior debt Maturing > 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	200.0	734.6	4.07	734.6	4.64	1,234.3	11.44	497.5	6.52
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing < 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing > 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>D. Net Income Reconciliation</b>									
1. Net Income	129.5	475.5	2.63	410.0	2.59	404.0	3.74	320.1	4.20
2. Add: Preferred Stock Dividend	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
<b>4. Published Net Income</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>
<b>E. Equity Reconciliation</b>									
1. Equity	1,115.5	4,096.7	22.68	3,842.9	24.29	2,299.3	21.31	2,096.5	27.49
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
<b>4. Published Equity</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>	<b>n.a.</b>	<b>-</b>

Exchange Rate

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

USD1 = AED3.67250

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