



بنك الاعتماد والتجارة الدولي

BANK OF CREDIT AND COMMERCE INTERNATIONAL

SOCIETE ANONYME

CENTRAL OFFICE: P.O. BOX 44338 SHAIKH HAMDAN ROAD ABU DHABI U.A.E.

ZAFAR IQBAL
CHIEF EXECUTIVE OFFICER

CONFIDENTIAL

May 6, 1991.

H.E. Dr. H. N. S. Karunatilake
Governor
Central Bank of Sri Lanka
Colombo, Sri Lanka.

Excellency,

I am writing to you in connection with recent press reports about the BCC Group which, understandably, may have been a cause of concern to you and your colleagues.

As you may be aware, the Government of Abu Dhabi and its related institutions acquired a shareholding of over 77 percent of BCCI Holdings in April last year. A programme to radically reorganise and restructure the Group was set in motion shortly thereafter. As this programme was in the process of being undertaken, our majority shareholders advised the Board of Directors of their intention to maintain the Group's capital base. This was also stated in our 1989 Annual Report (Note 1). The Government of Abu Dhabi has also recently reaffirmed this commitment to our College of Regulators consisting of the Bank of England, the Luxembourg Monetary Institute, the Central Banks of Spain, Switzerland and the UAE and the monetary authorities of Grand Cayman and Hong Kong. You will therefore appreciate that the Bank now has very strong financial backing and is looking forward to the future with confidence and strength.

As to the restructuring programme it is now in the process of planned implementation and is to be completed by the end of this year. The following are its main features:

- i BCCI's holding company and the principal subsidiary BCCI SA remain incorporated in Luxembourg but the Central Office which was previously located in London has since shifted to Abu Dhabi.
- ii In view of recent legislative developments in Luxembourg, the shareholders, in consultation with the Bank's College of Regulators, have finalised a plan in principle to consolidate and rationalise the Group's operations. The plan's objective is to achieve a simpler overall structure as compared to the present state of 33 subsidiaries and affiliates and a holding company. It is intended to reorganise the Group's operations into three separate and independent



entities. To this end entities with new names will be established in London, Abu Dhabi and Hong Kong under which most of the existing operations of the Group will be consolidated and some of the existing units wound up. The proposed entities will be capitalised from the very start in conformity with internationally agreed standards. These changes in stages are to be implemented completing the consolidation by end-1991 and winding up as early as practicable.

- iii Simultaneously with the intended restructuring outlined above, the shareholders have also decided to establish separate independent companies to take over from the Group, its problem loan portfolio, which was also mentioned by the press. Recovery of these loans, against the background of recession, has become a full time exercise. These new companies, whose creation is another reflection of the shareholders commitment to the Group, will enable BCC management to concentrate attention exclusively on the productive units and products in order to enhance the efficiency and profitability of the Group.

- iv Consequent upon these developments, and due to their complexities and volume, our balance sheet for 1990 could not obviously be finalised by April, as in previous years, with our auditors Price Waterhouse. Certain accounting matters and particularly the level of provisions etc are in the process of being discussed. We hope to publish it towards the end of next month. Compared to 1989, it will have a smaller asset base of approximately US\$19 billion, with customer deposits amounting to about US\$15 billion, and total loans of approximately US\$11 billion. The substantial net loss after loan loss reserves etc will be adequately covered by financial support from our majority shareholders and we expect to have a capital adequacy ratio acceptable to the College of Regulators. A consolidated list of our shareholders and the Board of Directors is appended for your information.

You may also have been concerned by the recent publicity surrounding our Group's "deemed" ownership in CCAH (Credit and Commerce American Holdings) the Holding Company for First American Bankshares Inc in USA, as certain overdue loans to individual shareholders of CCAH, some of which were secured by its shares were outstanding in our books. These matters were promptly reported by us to the Federal Reserve



Board and the Bank of England. Under the Consent Order signed with Federal Reserve, we have submitted a plan to divest these shares which the BCC Group is deemed to control. We may add that the former management responsible for these loans, have since resigned.

As regards BCC's own agencies in New York and Los Angeles, we had as part of our global restructuring programme decided on our own sometime ago to close down the significant loss-making US banking operation and this process has since started.

We hope that we have been able to cover all the points which show the strength and the correct status of our Group. In case you need any other information or clarification, kindly do let us know.

We remain committed to supporting our operation in your good country and take this opportunity to thank you most sincerely for your continued understanding and support.

Regards

Your sincerely,



Zafar Iqbal
Chief Executive Officer



BCCI Holdings (Luxembourg) SA
Consolidated list of Shareholders

Ruler of Abu Dhabi and the Crown Prince of Abu Dhabi.	38.45%
Government of Abu Dhabi and allied institutions	38.65%
ICIC & Staff Benefit Fund	<u>9.39%</u>
Other Shareholders (38)	13.51%

Board of Directors

HE Ghanim Faris Al-Mazrui
Mr. Yves C. Lamarche
Mr. J. D. Van Oenen
Dr. Alfred Hartmann
Mr. Zafar Iqbal