

# DYNASTY BANKING'S DECEMBER REPORT

## HAPPY HOLIDAYS

## Message from the Chairman

*Manalapan*

I hope you guys are having a fantastic winter season. We at Dynasty Investments are pleased with how December treated us. Anticipation of the altered rates have served to push new found records into our Four Month CDs. I wish you all a wonderful New Year and as always fly safe.

## New Releases

Scheduled to be released in the next month is a new website design. There will be some changes so the site's menu is less crowded. Credit Accounts will also be released as well as Credit and Debit Cards. Finally we are going to be releasing our added Corporate Services to the website allowing you to control and maximize the ability of your Corporate Accounts.

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*Dynasty Banking Your Financial Partner*

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## The Dynasty Family

**Manalapan** Chairman, Teller, Market Manager

Leading Dynasty Banking as the Chairman Manalapan is responsible for maintaining the market trade to keep the interest rates high. He is also responsible for much of the backbone programming done to make deposits, loans, and interest payment function as smoothly as they do today.

**Iknota** Director, Teller, Server Manager

The second Dynasty Banking Founder, Iknota, is now responsible for maintaining the site and user interface that you have grown to enjoy. Most of the services you enjoy are responsible because of his programming. CDs, the login system, and money transfers are all made possible because of his hard work.

**Exec Order** Director, Advisor

Exec Order is the director assigned to Dynasty Investments. His ideas and concepts have been invaluable to Dynasty Banking. His concepts helped create corporate accounts, the automated loan system, and all the great services that have made Dynasty Banking known in EVE.

**Lexander** PR and Development Advisor

Lexander is our most recent employee. He has helped us for a long time and finally agreed to join the team last September. His insight has been essential to our reporting processes and future developments to provide more financial services to the greater EVE community.

**Salpad** PR Manager, Development Advisor

Our Public Relations Manager has been hard at work making sure Dynasty Banking is known in the universe. He has been in the process of developing a way to give back to the EVE community for all the help you have given us.

**Xabier** Head of Dynasty Investments

Xabier came to us looking to join something more substantial for the EVE community. He comes to us as an EVE veteran having multiple Bond offerings in MD as well as his own incredibly successful capital construction business.

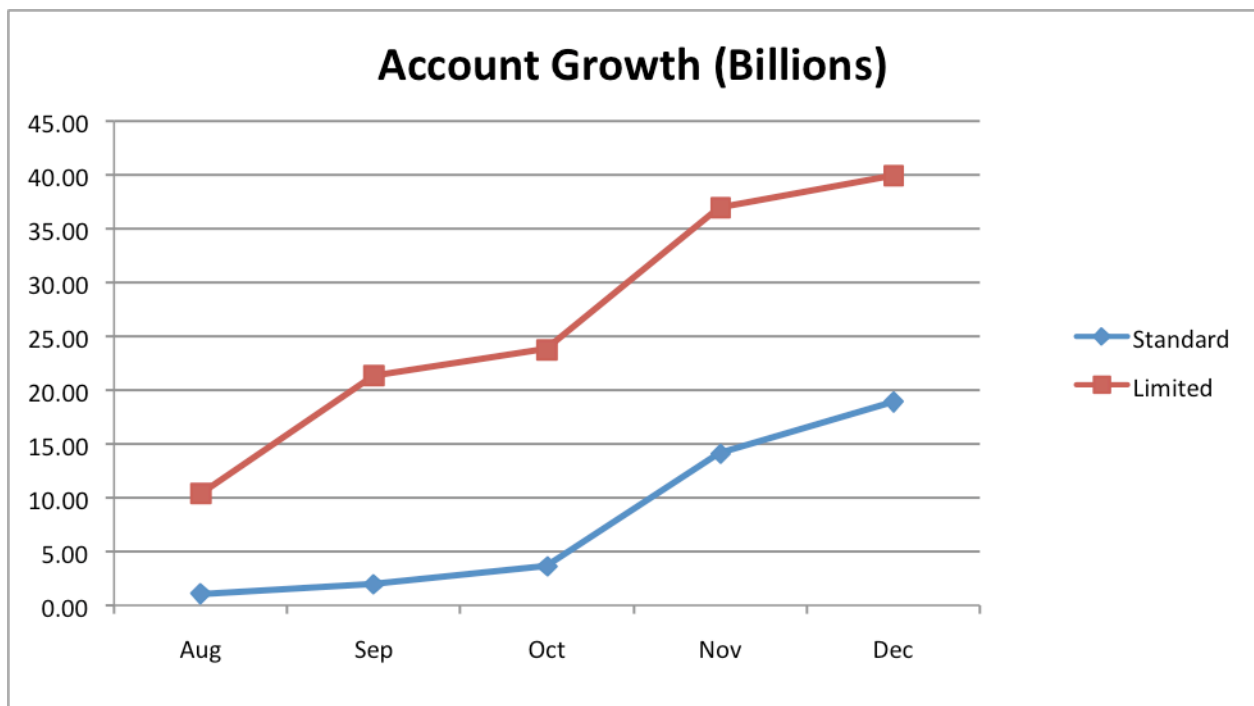
**Leon Angeal** PR Advisor

Leon has spent his time as a reporter in EVE writing for EON and EVE-Mag. We have brought Leon on to help with PR and head up the public channel in game.

# Account Growth

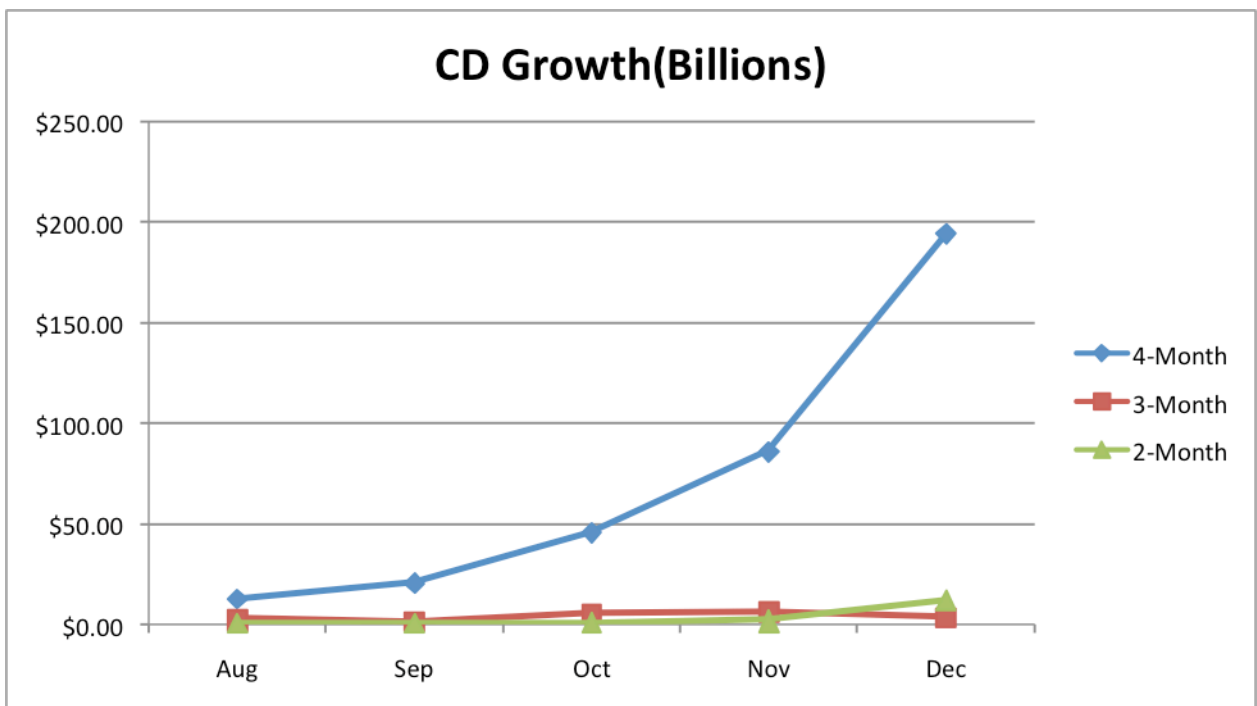
As was to be expected with the reduction in interest rates more players are taking advantage of the last opportunity to get the 10% Four Month CDs. While Standard and Limited Accounts are still growing they have dramatically changed their trend from the November growth. We are still pleased to see players using the lower interest accounts. We do expect new launches in the month to increase player’s holdings in these accounts.

The pattern that we see the Limited and Standard Accounts mirroring shows that both accounts seem to be growing at very similar rates now. This shows that more players are actively using their Limited Accounts and paying attention to their Standard Account deposits from CDs.



# CD Development

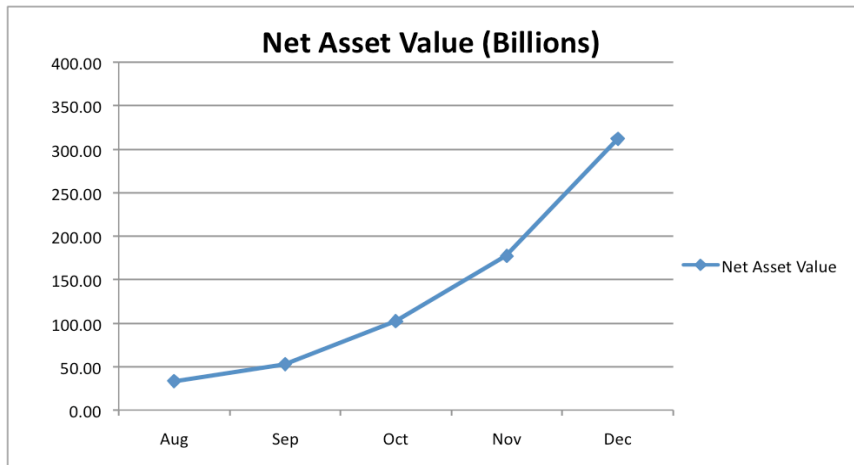
The Four Month CDs continue to sky rocket especially in anticipation for the interest rate change at the new year. While percent wise the growth is not too far out of line of the past three months where Four Month CDs nearly doubled. We feel though that that as Four Month CDs approach excess of 200 billion ISK we will start to see their growth level out as we achieve the equilibrium for new ISK. This combined with our decreased rate Three Month and Two Month CDs should start to grow to become more prominent than they have in the past.



# Asset Management

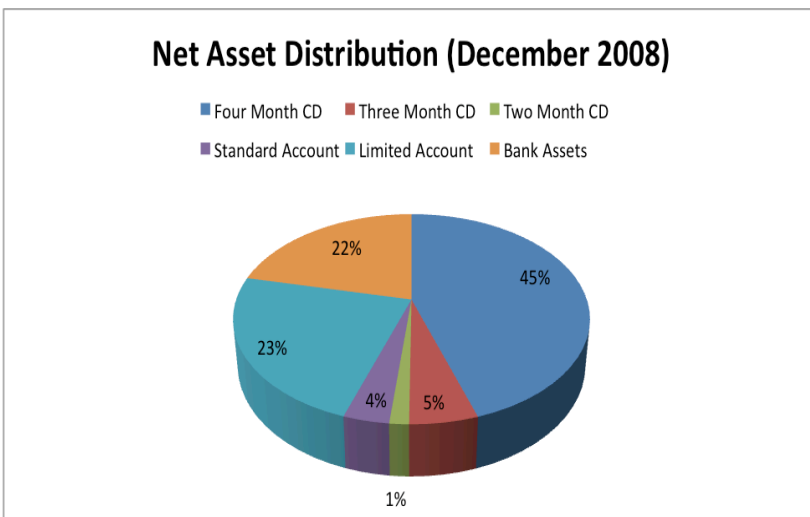
The Bank's assets continue to grow at a rapid pace as our December net asset value (NAV) has increased to 311,952,014,071.67, a 76% increase over November which had a 74% increase over October. Our total deposit growth for December was at 84%, maintaining nearly the same pace as November's growth of 83%. While we recognize that the bank's growth in terms of percentages will likely begin to slow, we believe that the continued deposit growth is indicative of an increased confidence in the Bank's long-term viability and also our commitment to provide strong returns for depositors.

Loans:	7%
Escrow:	32%
Investment:	7%
Reserves:	19%
Dynasty Investments:	16%
Unallocated:	16%



The Bank's profits continue to hold strong with a 28% increase in December's profits over November, and we have increased our total retained earnings and cash above deposits to 43B or 16% of the total deposits. We have also built the cash reserve fund to \$60B, which actually represents over 100% of the funds eligible for withdrawal.

We anticipate the Bank's growth rate to remain strong for the months to come, and we are continuing to implement additional controls and procedures to protect assets, diversify income, and strengthen the foundation for future initiatives.



The graph to left represents the cash distribution in the bank. The Bank Assets section represents the total value of the bank or the NAV. We have seen the percentage of the total NAV increase over the past month from 18% to 22%. We feel that this is a result of the holiday season and an increased activity in EVE.

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# Dynasty Investments

## *Exec Order*

The Dynasty Banking Board of Directors is pleased to announce the formation of Dynasty Investments, a new division of the Bank. Dynasty Investments will focus on directing and managing many of the Bank's active investment activities by making investments in companies, IPOs, projects, etc. Dynasty Investments has already began operations with an initial operating budget of 50B, has formed several partnerships, has initiated a variety of projects, and is well on its way to generating returns for Dynasty Banking.

We are also excited to announce that Xabier has been hired to manage this new division. Xabier is an Eve veteran having started his Eve career in 2003 and over the years he gathered enough ISK together to start his first business, a 0.0 moon mining network which was run with great success until his corporation left to engage in empire warfare. Instead of following his comrades, he embarked on an ambitious capital construction IPO which over the course of the past 7 months has exceeded a value of 160,000,000,000. The Board is confident that under the experienced leadership of Xabier, Dynasty Investments will become highly successful.

The formation of this new division is in line with the Board's initiatives to diversify the Bank's revenue streams, and also mitigate the potential risk of having all bank assets under the control of one Bank director or employee. While the Board has complete confidence in the good faith of all directors and staff, we also recognize that as the Bank's assets continue to grow it is only prudent to take precautionary measures to protect our depositor's assets.

Exec Order is the Dynasty Banking Director that will be assigned to Dynasty Investments and work with Xabier. Manalapan and Iknota will not have direct access to Dynasty Investments' funds, nor will Exec Order have direct access to general Dynasty Banking funds. However, all policy and major transaction decisions for all Dynasty Banking business and divisions will still be made and controlled through the Dynasty Banking Board of Directors with the input from staff and customers.

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# Risk Management

*Lexander*

It is a well known feature of investments that increasing reward comes at the price of increasing risk. This is particularly true for investors attempting to maximize earnings as opposed to sustaining steady earnings. Individual investors will often try to 'swing for the fences' in the hope of hitting it big. This unfortunate behavior is made more prevalent by the tendency of society to observe only the winners while ignoring the losers. What is missed is that for every person who became vastly wealthy trading real estate and stocks are many more individuals who went bankrupt.

A 'bank' in EVE does not have the privilege of 'swinging for the fences', and instead must focus on providing regular, consistent returns for investors. The use of the term 'bank' is telling. In practice, both DBANK and EBANK are effectively sellers of fixed return securities, not really banks. Players have no need of the traditional benefits of a bank. ISK in your wallet is as safe as any ISK in the game. As long as the insurance system fixes the total mineral basket this ISK will retain its purchasing power. What 'banks' such as D & E provide is a means for players to make use of capital that is otherwise providing no other benefits.

As the deposits within a bank grow, the risks to the capital also grow. Given the nature of human beings (particularly young men who still think that scamming in a game actually means something) there will be increased risks as the total size of the assets increase. Even completely honest players may one day leave the game and their ISK may become inaccessible. Things happen, and it is the responsibility of players to manage their own risk.

To combat the increasing risk, DBANK has decided to initiate a new risk management operation. As of this writing I am the only member, but I hope to see more people involved. This risk management group will be comprised of individuals interested not in managing the assets of the company but instead focusing on the improving the operations. My own personal field of study is statistics, and this is a natural extension of that work into something 'fun'.

This group is currently tasked with two functions. The first function is internal auditing. Internal auditing is focused on verifying the decisions of money managers within the company. Internal auditing is part of an process that will also involve external auditing. This effort is focused on using statistical methods to spot risky decisions and detect any fraudulent behavior. This is a heavy 'number crunching' operation working from API records and database records within the company. In theory this group also holds the 'whistleblower' function. One requirement for membership in this group is that all members are prohibited from managing any of the corporate assets. This prevents a conflict of interest. It also disallows any opportunity to scam other members of the bank. The incentive on members of this group is to prevent scams.

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# Risk Management Continued

*Lexander*

The second function is risk management. DBANK will be instituting a number of new policies over the next few months. The goal of each of these policies is to minimize the risk to investors. Some of these policies will focus on assuring that no individual is ever capable of running off with more than a limited portion of DBANK assets. Other policies will focus on diversifying investments, reducing liability exposure, and generally keeping the company from taking on more responsibility than it can bear. Not all of these policies are likely to be immediately popular. However, DBANK is focused on becoming a 'safe haven' for investors. We will leave the risky investments to others.

It is my hope that this group will help move DBANK into a situation where the risk to investors and employees is minimized. Over the next few months investors should begin to see the effects of some of these policies, along with a greater transparency within our operations.

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# Dynasty Foundation

*Salpad*

Last year, I emailed a few Dynasty Banking-related suggestions to Iknota, and he forwarded all of them to Manalapan, our boss, and he in turn liked them so much, especially this one about the Dynasty Banking Foundation, that he sent me a job offer. After brief talks about my budget (the major issue) and my salary (a very minor issue indeed), I decided to take the offer.

Basically the Dynasty Banking Foundation is an effort to reward tool-makers, those players who create useful tools for EVE Online, be they actual programs or static documents, or something in between, or even educators or service providers - during internal discussion at Dynasty Banking, facilitator services such as stock exchanges and player-driven teaching institutions were brought up as valid nominations.

We're letting our account holders decide who, among the many tool-creators, wins the prizes. These guys and girls put a lot of work into such sites as the Jita Mineral Index and easy-to-use information compilations like Ombey's 2D Maps. This time around, and probably next time around too, there'll be a 1st prize, 2nd prize and 3rd prize.

Both the nominations and the votes themselves, both of which I check up on every few days, have followed a quite predictable pattern, with most going for the programs that I expected - the usual suspects. That's all very good, and they do deserve to win their ISK, but if the same two items win every cycle, cycle after cycle, the Foundation Prize starts to become less exciting; some day it might even become outright boring. I anticipated that, and part of my original proposal was the winner's exclusion principle, where 1st place and 2nd place would be excluded for nomination in the next 2 and 1 cycles respectively. My original proposal was somewhat harsher (3 cycles for 1st place, 2 cycles for 2nd place, 1 cycle for 3rd place), but internal discussion in Dynasty Banking resulted in a somewhat more moderate version. Nevertheless, the intent is the same, and it's going to work, by ensuring that next cycle, hopefully starting with nominations in early March, will be at least as exciting as this one.

1st and 2nd place this time around is quite clear already, and I'd be really surprised if things turn around now [update: They didn't], with more than 50 account holders having voted [more update: almost 100 account holders voted]. Furthermore, the two items on 1st and 2nd place are exactly the ones I anticipated it would be, the only thing I was sure about being which of the two would come in 1st.

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# Dynasty Foundation Continued

*Salpad*

Not that I'm begrudging them their prize. Both are excellent tools, used and loved by many players. I use one of them myself a little, although I've had a few technical difficulties that probably were solved several versions ago. They deserve to win. They just don't deserve to win every time. Next cycle will, at least to me, be much more exciting. In this first cycle I haven't used my own nominations (as an account holder I have the same number of nominations and votes as everybody else, even though I'm also an employee of the bank), but I'm pretty sure I'll at least nominate in the 2nd cycle, to put forward my two favorite tools: EVE Dashboard and Ombey's 2D Maps. I even like to think that Ombey stands a fairly good chance of winning a prize - or am I the only one who can't wrap my head around the in-game maps at all?

This is an exciting project, and I'm very glad that it is running, and that I'm a part of it. I expect to stay with EVE and with Dynasty Banking for the next many, many years, but I hope that even after I quit, the Dynasty Banking Foundation will continue to operate, giving out rewards for diligent and selfless tool-creators.

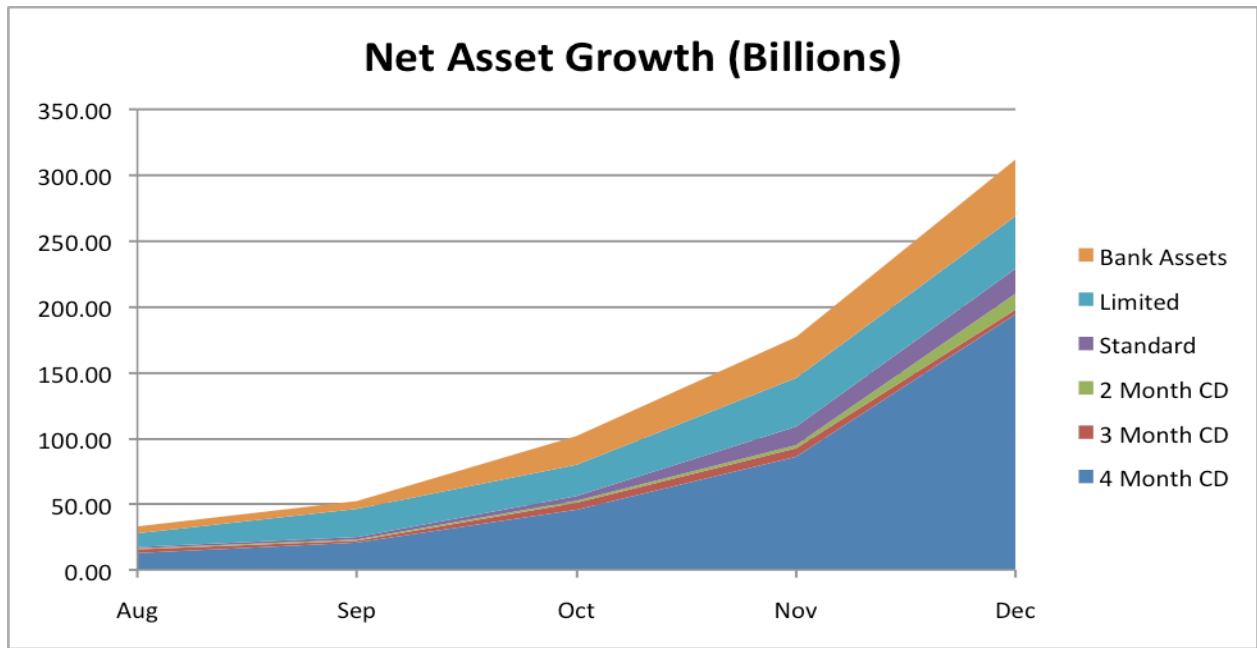
# Appendix

## Appendix A

<b>Dynasty Bank Balance Sheet</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Bank Equity</b>
Prior	176,955,318,243.72	145,783,679,753.12	31,171,638,490.60
Current	314,661,971,284.00	268,890,760,669.06	45,771,210,614.94
Change	137,706,653,040.28	123,107,080,915.94	14,599,572,124.34
<b>Loans</b>			
Prior	9,073,600,000.00		
Current	24,073,600,000.00		
Change	15,000,000,000.00		
Interest	669,802,666.66		
<b>Accounts</b>			
<b>Accounts</b>	<b>Limited</b>	<b>Standard</b>	
Prior	36,928,026,148.83	14,058,409,642.32	
Deposits	42,173,157,208.00	148,132,291,563.70	
Withdrawals	41,752,483,743.85	143,929,335,953.06	
Interest	2,605,904,316.06	710,956,665.62	
Change	3,026,577,780.21	4,913,912,276.26	
Total	39,954,603,929.04	18,972,321,918.58	
<b>CD's</b>			
<b>CD's</b>	<b>4-Month</b>	<b>3-Month</b>	<b>2-Month</b>
Prior	85,970,247,184.80	6,411,401,629.84	2,415,595,147.33
Deposits	106,080,019,192.35	1,745,000,000.00	10,298,372,852.47
Matured	10,034,821,450.79	4,788,676,866.83	955,217,942.95
Liability Increase	14,085,973,278.01	147,703,707.27	1,298,298,137.45
Terminated	1,809,393,379.75	0.00	900,666,667.76
Change	108,321,777,639.82	(2,895,973,159.56)	9,740,786,379.21
Total	194,292,024,824.62	3,515,428,470.28	12,156,381,526.54

# Appendix

## Appendix B



### The Accounting Report

Total Assets Value Prior to December: 176,955,318,243.72

Total Deposits Prior to December: 145,783,679,753.12

Standard Account Total Prior to December: 14,058,409,642.32

Standard Account Deposits: 148,132,291,563.70

Standard Account Withdrawals: 143,929,335,953.06

Standard Account Interest: 710,956,665.62

Standard Account Total Change: 4,913,912,276.26

Standard Account Total: 18,972,321,918.58

Limited Account Total Prior to December: 36,928,026,148.83

Limited Account Deposits: 42,173,157,208.00

Limited Account Withdrawals: 41,752,483,743.85

Limited Account Interest: 2,605,904,316.06

Limited Account Total Change: 3,026,577,780.21

Limited Account Total: 39,954,603,929.04

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## Appendix Continued

Two-Month CD Prior to December: 2,415,595,147.33  
Two-Month CD Deposits: 10,298,372,852.47  
Two Month CD Matured: 955,217,942.95  
Two-Month CD Liability Increase: 1,298,298,137.45  
Two Month CD Terminated: 900,666,667.76  
Two Month CD Change: 9,740,786,379.21  
Two Month CD Total: 12,156,381,526.54

Three-Month CD Prior to December: 6,411,401,629.84  
Three-Month CD Deposits: 1,745,000,000.00  
Three Month CD Matured: 4,788,676,866.83  
Three-Month CD Liability Increase: 147,703,707.27  
Three Month CD Terminated: 0.00  
Three Month CD Change: (2,895,973,159.56)  
Three Month CD Total: 3,515,428,470.28

Four-Month CD Prior to December: 85,970,247,184.80  
Four-Month CD Deposits: 106,080,019,192.35  
Four Month CD Matured: 10,034,821,450.79  
Four-Month CD Liability Increase: 14,085,973,278.01  
Four Month CD Terminated: 1,809,393,379.75  
Four Month CD Change: 108,321,777,639.82  
Four Month CD Total: 194,292,024,824.62

Change in Total Deposits: 123,107,080,915.94  
Current Total Deposits: 268,890,760,669.06

Total Amount Loaned Prior to December: 9,073,600,000.00  
Total Amount Loaned During December: 16,000,000,000.00  
Total Interest Earned During December: 669,802,666.66  
Total Amount Currently Loaned: 24,073,600,000.00  
Number of Active Loans: 4

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## Appendix Continued

Total Amount in Wallet: 49,123,246,723.05

Total Amount in Reserves: 60,000,000,000.00 (101.82% of Withdrawable Deposits, 22.31% of Total

Liability)

Total Value in Escrow: 65,800,000,000.00 (Only Significant Orders Rounded Down to nearest 100,000,000.00)

Total Value in Holdings: 35,500,000,000.00 (Book Value Rounded Down to Nearest 100,000,000.00)

Total Value in Stocks/Securities: 22,588,371,284.00

Total Budget to Dynasty Investments: 50,000,000,000.00

Total Received Dividends: 962,828,221.27

Current Assets: 314,661,971,284.00

Operating Expenses: 2,709,957,212.33

Change in Assets: 137,706,653,040.28

Profit: 11,889,614,912.01

Final Assets: 311,952,014,071.67

Notes on Terms:

Holdings = Inventory resulting from defaulted loans or long term market investments

Book Value = Value paid for inventory

CD Liability Increase = the value increase of a CD due to daily compounded interest

CD Terminated = the value of a prematurely terminated CD

Overhead Expenses: Salaries, Bonuses, PR Expenses, and Operating Expenses

Notes on Calculations:

Standard Deposits also includes Transfers From Limited Accounts and all completed CD Values in addition to basic deposits.

Limited Deposits include Transfers from Standard Accounts.

Standard and Limited Withdrawals also include Transfers between accounts and creation of CDs in addition to basic withdrawals.

The value of a terminated CD (CD Terminated) is the result from total liability decreases not the actual ISK received from the termination.

For the September report only the CD Liability Increase includes all previous months.