

التاريخ : 2011/1/14

الاشارة : ٢/٥٦٥ ش م 2011/

DISCLOSURE - AMMI - 14/2/2011

السادة هيئة الأوراق المالية المحترمين

الموضوع : التصنيف الائتماني

تحية واحتراما ،،

بموجب أحكام المادة (8) / أ-4 من تعميمات افصاح الشركات المصدرة والمعايير المحاسبية ومعايير التدقيق يرجى العلم بان شركة Standard & Poor's قد أجرت تغيير على التصنيف الائتماني للشركة من BB+ (Stable Outlook) نظرة مستقرة الى BB+ (Negative Outlook) نظرة سلبية وذلك نظرا لتغيير التصنيف الائتماني للاردن .

لإطلاعكم وتأشير ذلك في سجلاتكم ، مع قبول فائق الاحترام ،،،

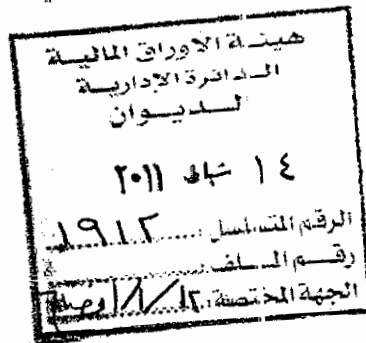
المرفقات: 1- تقرير S&P الخاص بالتصنيف الائتماني للاردن والذي تم نشره بتاريخ 2011/2/8 .

2- تقرير S&P الخاص بالتصنيف الائتماني للشركة والذي تم نشره بتاريخ 2011/2/10 .

القائم بأعمال المدير العام

الدكتورة لانا بدر

Lana



١٢/١٤
٢/١٤

نسخة السادة :

- الدائرة المالية
- التدقيق الداخلي
- ملف هيئة الأوراق المالية

Serve to Grow ... Grow to Serve

February 10, 2011

Research Update:

**Outlook On Euro Arab Insurance
Group P.S.C.'s Ratings Revised To
Negative On Downgrade Of Jordan;
Ratings Affirmed**

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Research Update:

Outlook On Euro Arab Insurance Group P.S.C.'s Ratings Revised To Negative On Downgrade Of Jordan; Ratings Affirmed

Overview

- On Feb. 8, 2011, we lowered the long-term and short-term local currency sovereign ratings on the Hashemite Kingdom of Jordan (Jordan) to 'BB+/B' from 'BBB-/A-3' and we affirmed our 'BB/B' long-term and short-term foreign currency ratings on the sovereign.
- At the same time we revised the outlook on the long-term foreign currency and local currency ratings to negative from stable.
- We are therefore revising the outlook on Euro Arab Insurance Group P.S.C.'s (Euro Arab's) ratings to negative from stable. At the same time we are affirming the 'BB+' ratings on Euro Arab.
- Should the sovereign rating fall below the 'BB+' level, the ratings on Euro Arab would also be lowered.

Rating Action

On Feb. 10, 2011, Standard & Poor's Ratings Services revised its outlook on Jordan-based Euro Arab Insurance Group P.S.C.'s (Euro Arab's) ratings to negative from stable. At the same time, we affirmed the 'BB+' long-term counterparty credit and insurer financial strength ratings.

Rationale

The rating action follows the recent lowering of the long-term and short-term local currency sovereign ratings on the Hashemite Kingdom of Jordan (for more information, see "Jordan's Local Currency Ratings Lowered To 'BB+/B'; Foreign Currency Ratings Affirmed; Outlook Negative On Both," published on Feb. 8, 2011, on RatingsDirect). Under our ratings criteria, sovereign risk is a key factor influencing the financial strength of insurers. As a result, the vast majority of insurers are rated no higher than the relevant sovereign local currency rating. Consequently, we have revised the outlook on Euro Arab to negative to reflect the increasing sovereign-related risk.

More than 90% of Euro Arab's total investments are held in Jordan, and about 75% of total investments are held with Jordan-based banks in the form of cash and cash-equivalents. Hence, we believe the quality of the company's investment portfolio is directly affected by movements in the sovereign rating. The heightened sovereign risk also adversely affects our view of industry and economic risks in Jordan.

Research Update: Outlook On Euro Arab Insurance Group P.S.C.'s Ratings Revised To Negative On Downgrade Of Jordan; Ratings Affirmed

Outlook

The negative outlook on Euro Arab reflects that on the long-term local currency sovereign credit rating on Jordan. If we were to lower the long-term local sovereign credit rating on Jordan, we would also lower the ratings on Euro Arab so that they were in alignment with the sovereign.

Upwards rating action is unlikely over the rating horizon because of the currently challenging macroeconomic environment in Jordan.

Related Criteria And Research

- Jordan's Local Currency Ratings Lowered To 'BB+/B'; Foreign Currency Ratings Affirmed; Outlook Negative On Both, published Feb. 8, 2011.
- Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings, published Feb. 11, 2003.

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Euro Arab Insurance Group P.S.C.		
Counterparty Credit Rating		
Local Currency	BB+/Negative/--	BB+/Stable/--
Financial Strength Rating		
Local Currency	BB+/Negative/--	BB+/Stable/--

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The McGraw-Hill Companies

February 8, 2011

Research Update:

Jordan's Local Currency Ratings
Lowered To 'BB+/B'; Foreign
Currency Ratings Affirmed; Outlook
Negative On Both

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Research Update:

Jordan's Local Currency Ratings Lowered To 'BB+/B'; Foreign Currency Ratings Affirmed; Outlook Negative On Both

Overview

- Following a week of protests with sporadic violence, King Abdullah II replaced Jordan's government on Feb. 1, 2011.
- We believe ongoing turmoil will lower Jordan's medium-term growth prospects and damage its public finances.
- We are lowering the local currency long-term and short-term ratings on Jordan to 'BB+/B' from 'BBB-/A-3'.
- In our view, external indicators still support the 'BB/B' foreign currency ratings on Jordan and we are affirming these ratings.
- We are revising the outlook on Jordan's long-term foreign currency and local currency sovereign ratings to negative from stable as we believe that both could be affected by further deterioration in the political environment or in the fiscal and external accounts.

Rating Action

On Feb. 8, 2011, Standard & Poor's Ratings Services affirmed its 'BB/B' long-term and short-term foreign currency ratings on the Hashemite Kingdom of Jordan (Jordan). We also lowered our long-term and short-term local currency ratings on Jordan to 'BB+/B' from 'BBB-/A-3'. We revised the outlook on the long-term foreign currency and local currency ratings to negative from stable. The recovery rating of '4' is unchanged.

At the same time, we left unchanged Jordan's 'BBB-' transfer and convertibility assessment. We do not believe recent events have affected the likelihood of the sovereign restricting private sector access to foreign exchange needed for debt servicing.

Rationale

On Feb. 1, 2011, King Abdullah II accepted the resignation of Jordan's reformist government led by Samir Rifai, who had been prime minister since December 2009. The King subsequently appointed Mr. Marouf al-Bakhit as prime minister; Mr. Bakhit had held that position from 2005 to 2007.

We expect the demonstrations--which have occurred in various parts of Jordan for a week--to continue despite the appointment of the new prime minister. We do not view the street rebellions as being in the same category as those in Tunisia (foreign currency rating BBB/Watch Neg/A-3) or Egypt (foreign currency rating BB+/Watch Neg/B), but we do believe that the demonstrators could use

the regional uprisings as an opportunity to express their discontent about high unemployment and the lack of economic development for lower income groups. We also expect the new government to respond with higher subsidies for food, oil, and other staples. On the other hand, we do not anticipate that Jordan's monarchical legitimacy will be challenged in the manner that the autocratic regimes in North Africa have been. We base this view on: the standing of King Abdullah II with his citizens; the greater rule of law in Jordan compared with other Middle Eastern states; and the lower level of perceived corruption.

In our opinion, the current political turmoil will affect Jordan's sovereign creditworthiness in two respects. The first is fiscal; higher subsidies will divert spending from public capital investment and will raise fiscal deficits. The trend toward higher recurrent spending began a few years ago. Primarily because of a decrease in capital expenditure, the general government deficit (including social security and local government components) decreased to an estimated 5.3% of GDP in 2010, from an estimated 7.8% of GDP in 2009. For 2011, we believe that the government will be challenged to enact its plan of compensating cuts to offset new social spending estimated at 320 million Jordanian dinars annually (about 1.5% of GDP). Of this new spending, about half includes increased wages and pensions in the public sector, and the remainder includes subsidies for basic goods. Without these compensating measures, the cost of this increased public sector workforce and higher subsidies would bring the government deficit to an estimated 6.8% of GDP. We believe that the government is unlikely to find savings elsewhere in the budget to enable it to achieve its 5.3% deficit target, as it is our view that there will be a slowdown in government revenues due to weaker growth, and that the current expenditure mix is too rigid. As a result, we forecast Jordan's gross government debt ratio to reach 65% of GDP in 2011, well above the 'BB' median (41%).

The second factor pertains to Jordan's growth prospects. We believe that the less growth-oriented mix of public sector expenditure combined with greater political uncertainty will likely depress growth prospects, particularly in the tourism and related sectors. We expect per capita economic growth to average just above 2.0% per year during 2010-2013, which is better than the trough of around 0.3% in 2009 but well below the 2004-2008 average of almost 5.0% annually.

On the other hand, in our view Jordan's external leverage and liquidity have not so far been materially adversely affected, but may come under pressure if policies were to become more expansionary, in turn leading to growing external imbalances. The current account has markedly improved since the height of the Iraq War, and we forecast that current account deficits of about 6% of GDP this year and next will be roughly half funded by FDI with the balance funded by portfolio flows and increased nonresident deposits. Jordan's gross external financing needs in 2011 and 2012 are about equal to its current account receipts (CAR) and international reserves, which we view as adequate. We note, however, that the external position of Jordan's financial system has swung from a creditor position of 22% of CAR at year-end 2008 to a forecast debtor

*Research Update: Jordan's Local Currency Ratings Lowered To 'BB+/B'; Foreign Currency Ratings Affirmed;
Outlook Negative On Both*

position of 4% of CAR at year-end 2011, as some large banks have used foreign offices to raise liquidity for their head offices and as nonresident deposits have grown.

Outlook

The negative outlook reflects our view that the current social unrest in Jordan and the repercussion of conflicts in the region will likely lead to decreased economic growth and fiscal revenue expectations. If unchecked, this trend could result in, on our current expectations, a one-notch lowering of both ratings this year or next. Similarly, if Jordan's external position were to weaken, the ratings could come under downward pressure.

On the other hand, if the new government is able to address public grievances in a manner supportive of public finances and external investor confidence, then we believe the ratings could stabilize at the current levels.

Related Criteria And Research

- S&P CORRECT: Arab Republic of Egypt Ratings Lowered On Continuing Unrest; Long-Term Ratings On Watch Negative, published Feb. 4, 2011.
- Tunisia's Jasmine Revolution Is Adding To Political And Fiscal Risks In The MENA Region, published Jan. 27, 2011.
- Republic of Tunisia Ratings Put On Watch Negative On Continuing Uncertainty; Local Currency Rating Lowered To 'BBB+', published Jan. 18, 2011.
- Use Of CreditWatch And Outlooks, published Sept. 14, 2009.
- Sovereign Credit Ratings: A Primer, published May 29, 2008.
- Introduction Of Sovereign Recovery Ratings, published June 14, 2007.

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Jordan (Hashemite Kingdom of)		
Sovereign Credit Rating		
Local Currency	BB+/Negative/E	BBB-/Stable/A-3

Downgraded

	To	From
Jordan (Hashemite Kingdom of)		
Senior Unsecured	BB+	BBB-
Short-Term Debt	B	A-3

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Jordan (Hashemite Kingdom of)		
Sovereign Credit Rating		
Foreign Currency	BB/Negative/B	BB/Stable/B

*Research Update: Jordan's Local Currency Ratings Lowered To 'BB+/B'; Foreign Currency Ratings Affirmed;
Outlook Negative On Both*

Ratings Affirmed

Jordan (Hashemite Kingdom of)
Transfer & Convertibility Assessment

BBB-

Ratings Affirmed

Jordan (Hashemite Kingdom of)
Senior Unsecured

BB

Recovery Rating

4

4

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