19

012613 الرقم: ب ن/٦٠/٢٠٠٧
التاريخ: ٢٠٠٧/١٢/٢٤

DISCLOSURE - ABCO - 26-12-2007

معالي رئيس هيئة الاوراق المالية الاكرم،
عمان - الأردن

٢٥٨٩ ٠٧, ١٢ ٢٦ ١٢, ٣٢
J.S.C.

الموضوع: رفع تصنيف بنك المؤسسة العربية المصرفية (الاردن)
بحسب مؤسسة التصنيف الدولية Capital Intelligence

تحية طيبة وبعد،

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مرفق التقرير الخاص بالمؤسسة

وتفضلوا معاليكم بقبول فائق الاحترام،،،

12

المراقب المالي
باسل النبر

نائب الرئيس التنفيذي لإدارة الدعم والعمليات
عمار الصفدي

هيئة الأوراق المالية
الدائرة الإدارية
الديوان
٢٦ كانون الأول ٢٠٠٧
الرقم المتسلسل ٢٠٢٠١
رقم الملف
الجهة المختصة

Arab Banking Corporation (Jordan)
P.O.Box 926691 Amman 11190 Jordan
Tel: 566 4 183-5 / 562 1 801 - Fax 568 6 291
E-mail: info@arabbanking.com.jo

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Arab Banking Corporation (Jordan)

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Ref: JO0306RR/11-07

ARAB BANKING CORPORATION (JORDAN)

Amman, Jordan
November 2007

RATINGS

	Current	Last Changed From	Date
Sovereign			
Long-Term:	**BB**	BB-	Sep 03
Short-Term:	**B**	-	-
Outlook	**Stable**	-	-
Foreign Currency			
Long-Term:	**BB**	BB-	Sep 03
Short-Term:	**B**	-	-
Financial Strength	**BBB**	BBB-	Nov 07
Support	**2**	-	-
Outlook			
Foreign Currency	**Stable**	-	-
Financial Strength	**Stable**	Positive	Nov 07

FINANCIAL HIGHLIGHTS

USD (mn) JOD (mn)	2006 USD	2006 JOD	2005 JOD	2004 JOD
Total Assets	730	518	411	374
Net Loans	336	238	206	148
Total Deposits*	616	437	329	286
Total Capital	93	66	53	43
Gross Income	36	26	27	20
Net Income	15.5	11	12	7
Exchange Rate: USD/JOD		***0.7090***	***0.7090***	***0.7090***

****Customer + Interbank***

%	2006	2005	2004
NPL / Gross Loans	2.13	3.55	7.92
LLR / NPL	113.41	107.25	99.41
Capital Adequacy Ratio	19.32	20.18	21.45
Net Loans / Stable Funds	60.42	62.83	50.13
Interest Differential	3.94	4.18	4.25
Cost / Income	48.09	52.99	46.65
ROAA	2.37	3.02	1.87

RATINGS DRIVERS

Supporting the Rating

- Strong ownership
- Sound asset quality and solid capital adequacy position
- Increasing underlying profitability coupled with strong returns
- Conservative management

Constraining the Rating

- Small balance sheet
- Some loan and deposit concentrations though improving

RATING RATIONALE

Arab Banking Corporation (Jordan) (ABCJ) continues to grow at a measured pace reflecting its conservatism and prudent credit policy. While still ranking among the smaller institutions operating in Jordan's banking sector, its key financial ratios have improved significantly over recent years and remain superior in relation to some other domestic banks. Amid sustained buoyant economic conditions, the Bank continues to reap the benefits of a focused management team and strengthened systems of risk control. Problem loans declined further in both absolute and percentage terms during 2006 assisted by substantial recoveries. Provision cover for non-performing loans (NPLs) has also been bolstered to high levels. Although net profit declined in the year under review due to lower brokerage commissions, ABCJ's returns remained strong reflecting a growing and diversifying revenue base. The capital adequacy position is solid underscoring strong shareholder support combined with a policy of retaining earnings. Liquidity levels remain comfortable despite some tightening in ratios. CI raises ABCJ's financial strength rating to BBB in recognition of the improved asset quality and profitability in recent years. All other ratings are affirmed as above. The outlook reverts to 'Stable' from 'Positive'.

BANK HISTORY AND STRATEGIES

History and Ownership Arab Banking Corporation (Jordan) (ABCJ) was established in January 1990 after its parent Arab Banking Corporation – Bahrain (ABC – Bahrain), with total assets exceeding USD22 billion, and The Housing Bank for Trade and Finance (HBTF) acquired the assets and liabilities of the Jordan Securities Corporation, which at the time was undergoing liquidation. The acquisition was structured as a debt conversion. In 1998, in line with HBTF's divestiture programme, HBTF sold its entire 25.46% stake to ABC in Bahrain. This effectively raised ABC - Bahrain's participation in the Bank to 86% from 60%. The remaining 14% shares are held mainly by Jordanian investors. ABCJ benefits from the technical support provided by its parent while enjoying access to the Group's international network. In June 2006, Mr Nour Nahawi was seconded to the Bank from the parent to replace outgoing CEO Dr Ziad Fariz. Mr Nahawi, a veteran banker with over 32 years experience mostly with BNP Banque Paribas, was the former head of the Arab World Division at ABC – Bahrain. A commercial bank in nature, ABCJ currently operates through 13 outlets and is active in commercial and retail banking, primary capital markets, mergers and acquisitions, securities trading, loan syndications and project finance. The Bank also has a domestic-based subsidiary, the Arab Co-operation Financial Investment Company Limited, whose services include commission brokerage, underwriting new stock issues and proprietary stock trading.

Current Business Model

Being a subsidiary of ABC, the Bank's business model and strategies are to some extent set by the parent and therefore constitute a part of the wider ABC business model and strategies. ABC's conservative business model focuses on core activities in project finance and trade finance in the Arab world as well as retail and corporate banking. ABC seeks to replicate the success of its Jordanian subsidiary across other and new MENA markets. Currently, ABC operates subsidiaries in Egypt, Tunisia and Algeria.

The ABCJ core business model includes commercial and retail banking. Certain functions that benefit from specialised expertise (such as project finance and syndications) are normally centralised at the ABC level. The same applies to product design and personnel policies while risk policies are closely aligned with those of the parent bank. Pricing for each product or service is however set at the local level with reference to prevailing market conditions.

Principal Business Strategies

ABCJ is integral to its parent's MENA-focused business strategy. While the Bank will continue to grow its market share in Jordan through organic means, other options are not ruled out including a potential merger or acquisition. The board recently agreed to make available JOD50mn (USD70.5mn) should the need for additional capital arise.

Although still small, ABCJ concentrates on serving and growing its client base with an increasing emphasis on retail banking products. Access to specialised products and services from ABC is available when needed. To support these efforts, considerable investment is being made in delivery channels. The Bank intends to increase its number of outlets to 25 by 2010 while diversifying its customer deposit base by targeting small savers. The ATM network will also grow and plans are underway to install Cash Disbursement Machinese (CDMs). SME lending (currently within the corporate banking unit) is soon to be launched as a separate product line under the Bank's business segmentation policy. The largely neglected SME sector reportedly contributes over three-fourths to Jordan's economic activity. These measures together should ensure that ABCJ continues to consolidate its market position and sustain growth in profitability.

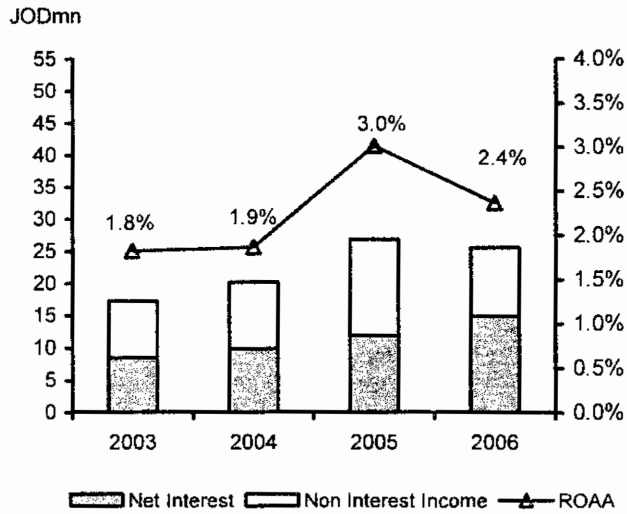
KEY FINANCIAL ISSUES

FINANCIAL PERFORMANCE DECEMBER 2006

ABCJ's financial statements are produced in accordance with International Financial Reporting Standards (IFRS) and audited in compliance with international auditing standards by Ernst & Young (Jordan).

Net profit declines mainly due to lower brokerage commissions Despite the moderately lower profitability in 2006, ABCJ's returns remained strong and better than that of the local industry average. Net profit declined by 7% to JOD10.99mn (USD15.5mn), producing a ROAA ratio of 2.37% compared to 3.02% in 2005. Similarly, the return on average equity (ROAE) retreated to a still strong 18.5% from 24.7% in 2005. Operating profit however increased modestly by 5% to JOD13.3mn (USD18.8mn) in 2006 or 2.9% of average total assets.

Breakdown of Income



It should be noted that in 2005 earnings were significantly boosted by commissions from brokerage activities. The marked correction on the local stock market combined with higher interest rates resulted however in considerably lower trading volumes in 2006.

Steady year-on-year growth in net interest income The Bank's revenue streams are comfortably diversified with both net interest and non-interest income making significant contributions to earnings. Despite an increase in the cost of funds associated with the steady rise in interest rates in 2006, a commensurate rise in the interest on average earning assets ensured that the interest differential narrowed only slightly to 3.94% (2005: 4.18%). The healthy interest spreads reflect the growing share of high margin retail credits in the loan mix. These factors coupled with the expansion of the credit portfolio in 2006 led to a 26% increase in net interest income to JOD14.99mn (USD21mn). This was offset by the decline in non-interest earnings with the result that net interest income provided a higher 58% of gross income (2005: 44%).

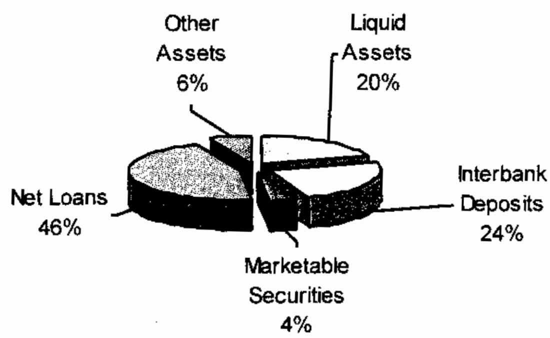
Diversified sources of non-interest income Non-interest income fell by 29% to JOD10.7mn (USD15mn), though from a relatively high base of comparison, due to lower commissions from brokerage activities. Although fee and commission income declined by 40% to JOD7mn (USD10mn) it remained the largest contributor to non-interest earnings accounting for around two-thirds of the total. Brokerage commissions amounted to JOD4.9mn against JOD9.5mn in 2005 and contributed 62% to total non-interest income. Other income of JOD1.8mn was the second largest component of non-interest income in 2006 accounting for 17% of the total. This item comprised mainly fees related to credit card and transfers. ABCJ's gross income declined by about 5% to JOD26mn (USD38mn) because of lower fees and commissions but forming a still comparatively high 5.5% of average total assets (2005: 6.4%).

Good cost control ABCJ's cost base contracted by 13% to JOD12mn (USD17mn) reflecting the lower performance-related bonuses paid to employees in 2006. While salaries and benefits increased by 18% to JOD4.1mn, staff bonuses fell sharply by 79% to JOD790k. Other general and administrative costs increased slightly by 3% to JOD5.4mn. With the decline in total operating expenses exceeding the fall in gross income, ABCJ improved on its operating efficiency as measured by the cost/income ratio. The latter fell to 48% from 53% in 2005, remaining marginally higher than the peer group average. Jordanian banks as a group exhibit good cost to income ratios.

BALANCE SHEET

Sound asset quality The low risk profile of ABCJ's balance sheet reflects a historically conservative lending policy. The already sound asset quality continued to improve in the year under review as evidenced by the further reduction in NPLs and a rise in the coverage ratio. Apart from the larger share of bank placements in total assets and the offsetting decline in net loans, the overall asset mix was relatively stable at end 2006 as shown in the accompanying chart. As is the case with the majority of other Jordanian banks, ABCJ's asset base is characterised by a significant investment in deposits with other banks (2006: 24%).

Asset Composition at end 2006



Emphasis on retail banking; credit growth moderates While lending to commercial companies constitutes the mainstay of the Bank's credit business, the retail banking operation continues to grow underscoring the importance it has gained as ABCJ pursues a policy of diversifying risk and earnings. It also reflects the increasing demand for consumer and housing loans in the relatively underdeveloped and expanding retail banking sector in Jordan. Net lending grew by 16% to JOD238mn (USD336mn) in 2006, compared with 39% in the previous year, with most of the growth coming from the trade and retail sectors. (The 39% loan increase in 2005 was partly driven by the inclusion of ABCJ's margin accounts (around JOD30mn) following their reclassification to 'credit facilities' from 'other assets' as required under CBJ rules). Despite the steady growth in lending over the last four years, the share of net credits in total assets remains comparatively low at 46% as is the case with the majority of banks in Jordan (2005: 50%). This measure also underscores the degree by which ABCJ can potentially increase its loan book. The contingent accounts constituted a significant 27% of total assets and comprise mainly letters of guarantee and letters of credit.

Distribution of Loans by Economic Sector	2006	2005
Residential mortgages	17.0	17.0
Consumer finance	15.0	13.0
General trade	14.0	10.0
Investment in shares	13.0	10.0
Services and public utilities	12.0	13.0
Manufacturing and mining	10.0	11.0
Construction	8.0	8.0
Financial services	3.0	1.0
Other	8.0	17.0
Total	**100.0**	**100.0**

Loans well diversified across sector ABCJ's loan book remained well diversified by economic sector at end 2006 as shown in the accompanying table. Aggregate exposure to the retail sector (including housing loans) has increased over the years as has been the case with other Jordanian banks. The larger share of retail loans in the book falls in line with the Bank's objective to diversify the credit risk. Residential mortgage lending targets principally owner-occupied dwellings with individual loan limits set at JOD250k. The loan-to-value ratio is set at a conservative 80%.

In terms of maturity, around one-half (56%) of credits mature over the short-term. The credit portfolio continues to exhibit some concentration as regard to borrowers as at end 2006, although it should be noted that these exposures are mainly to sound government entities. Approximately 10% of loans granted are guaranteed by the Jordanian government. All the Bank's top 25 credits were performing at year-end.

Conservative lending policy ABCJ follows a prudent credit policy and this is reflected in the loan growth rate which is below that of the Jordanian industry average. The Bank's systems of credit control and approval are modelled along the standards implemented at its Bahraini parent (rated A-). Lending is granted largely on a secured basis and credit decision making is supported by an internal loan risk rating system. A credit scoring model is used for retail and SME customers. The fair value of security held against credit facilities amounted to JOD148mn representing 62% of net loans at end 2006.

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Amman, Jordan
November 2007

RATINGS

	Current	Last Changed From	Date
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Long-Term:	BB	BB-	Sep 03
Short-Term:	B	-	-
Outlook	Stable	-	-
Foreign Currency			
Long-Term:	BB	BB-	Sep 03
Short-Term:	B	-	-
Financial Strength	BBB	BBB-	Nov 07
Support	2	-	-
Outlook			
Foreign Currency	Stable	-	-
Financial Strength	Stable	Positive	Nov 07

FINANCIAL HIGHLIGHTS

USD (mn) JOD (mn)	2006 USD	2006 JOD	2005 JOD	2004 JOD
Total Assets	730	518	411	374
Net Loans	336	238	206	148
Total Deposits*	616	437	329	286
Total Capital	93	66	53	43
Gross Income	36	26	27	20
Net Income	15.5	11	12	7
Exchange Rate: USD/JOD		*0.7090*	*0.7090*	*0.7090*

**Customer + Interbank*

%	2006	2005	2004
NPL / Gross Loans	2.13	3.55	7.92
LLR / NPL	113.41	107.25	99.41
Capital Adequacy Ratio	19.32	20.18	21.45
Net Loans / Stable Funds	60.42	62.83	50.13
Interest Differential	3.94	4.18	4.25
Cost / Income	48.09	52.99	46.65
ROAA	2.37	3.02	1.87

RATINGS DRIVERS

Supporting the Rating

- Strong ownership
- Sound asset quality and solid capital adequacy position
- Increasing underlying profitability coupled with strong returns
- Conservative management

Constraining the Rating

- Small balance sheet
- Some loan and deposit concentrations though improving

RATING RATIONALE

Arab Banking Corporation (Jordan) (ABCJ) continues to grow at a measured pace reflecting its conservatism and prudent credit policy. While still ranking among the smaller institutions operating in Jordan's banking sector, its key financial ratios have improved significantly over recent years and remain superior in relation to some other domestic banks. Amid sustained buoyant economic conditions, the Bank continues to reap the benefits of a focused management team and strengthened systems of risk control. Problem loans declined further in both absolute and percentage terms during 2006 assisted by substantial recoveries. Provision cover for non-performing loans (NPLs) has also been bolstered to high levels. Although net profit declined in the year under review due to lower brokerage commissions, ABCJ's returns remained strong reflecting a growing and diversifying revenue base. The capital adequacy position is solid underscoring strong shareholder support combined with a policy of retaining earnings. Liquidity levels remain comfortable despite some tightening in ratios. CI raises ABCJ's financial strength rating to BBB in recognition of the improved asset quality and profitability in recent years. All other ratings are affirmed as above. The outlook reverts to 'Stable' from 'Positive'.

BANK HISTORY AND STRATEGIES

History and Ownership Arab Banking Corporation (Jordan) (ABCJ) was established in January 1990 after its parent Arab Banking Corporation – Bahrain (ABC – Bahrain), with total assets exceeding USD22 billion, and The Housing Bank for Trade and Finance (HBTF) acquired the assets and liabilities of the Jordan Securities Corporation, which at the time was undergoing liquidation. The acquisition was structured as a debt conversion. In 1998, in line with HBTF's divestiture programme, HBTF sold its entire 25.46% stake to ABC in Bahrain. This effectively raised ABC - Bahrain's participation in the Bank to 86% from 60%. The remaining 14% shares are held mainly by Jordanian investors. ABCJ benefits from the technical support provided by its parent while enjoying access to the Group's international network. In June 2006, Mr Nour Nahawi was seconded to the Bank from the parent to replace outgoing CEO Dr Ziad Fariz. Mr Nahawi, a veteran banker with over 32 years experience mostly with BNP Banque Paribas, was the former head of the Arab World Division at ABC – Bahrain. A commercial bank in nature, ABCJ currently operates through 13 outlets and is active in commercial and retail banking, primary capital markets, mergers and acquisitions, securities trading, loan syndications and project finance. The Bank also has a domestic-based subsidiary, the Arab Co-operation Financial Investment Company Limited, whose services include commission brokerage, underwriting new stock issues and proprietary stock trading.

Current Business Model

Being a subsidiary of ABC, the Bank's business model and strategies are to some extent set by the parent and therefore constitute a part of the wider ABC business model and strategies. ABC's conservative business model focuses on core activities in project finance and trade finance in the Arab world as well as retail and corporate banking. ABC seeks to replicate the success of its Jordanian subsidiary across other and new MENA markets. Currently, ABC operates subsidiaries in Egypt, Tunisia and Algeria.

The ABCJ core business model includes commercial and retail banking. Certain functions that benefit from specialised expertise (such as project finance and syndications) are normally centralised at the ABC level. The same applies to product design and personnel policies while risk policies are closely aligned with those of the parent bank. Pricing for each product or service is however set at the local level with reference to prevailing market conditions.

Principal Business Strategies

ABCJ is integral to its parent's MENA-focused business strategy. While the Bank will continue to grow its market share in Jordan through organic means, other options are not ruled out including a potential merger or acquisition. The board recently agreed to make available JOD50mn (USD70.5mn) should the need for additional capital arise.

Although still small, ABCJ concentrates on serving and growing its client base with an increasing emphasis on retail banking products. Access to specialised products and services from ABC is available when needed. To support these efforts, considerable investment is being made in delivery channels. The Bank intends to increase its number of outlets to 25 by 2010 while diversifying its customer deposit base by targeting small savers. The ATM network will also grow and plans are underway to install Cash Disbursement Machinese (CDMs). SME lending (currently within the corporate banking unit) is soon to be launched as a separate product line under the Bank's business segmentation policy. The largely neglected SME sector reportedly contributes over three-fourths to Jordan's economic activity. These measures together should ensure that ABCJ continues to consolidate its market position and sustain growth in profitability.

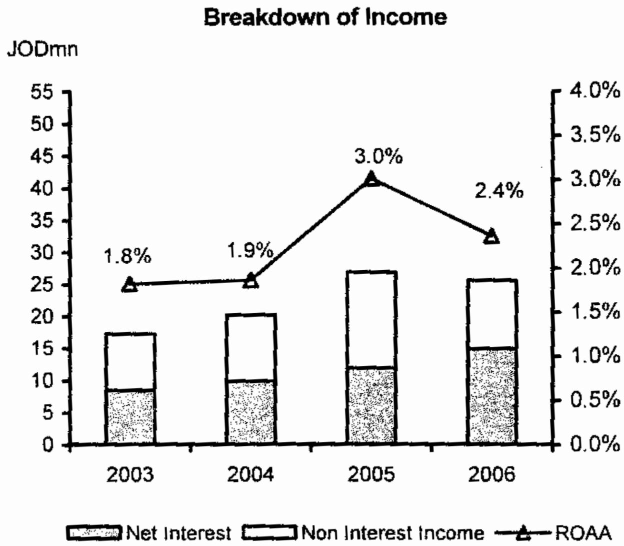
KEY FINANCIAL ISSUES

FINANCIAL PERFORMANCE DECEMBER 2006

ABCJ's financial statements are produced in accordance with International Financial Reporting Standards (IFRS) and audited in compliance with international auditing standards by Ernst & Young (Jordan).

Net profit declines mainly due to lower brokerage commissions Despite the moderately lower profitability in 2006, ABCJ's returns remained strong and better than that of the local industry average. Net profit declined by 7% to JOD10.99mn (USD15.5mn), producing a ROAA ratio of 2.37% compared to 3.02% in 2005. Similarly, the return on average equity (ROAE) retreated to a still strong 18.5% from 24.7% in 2005. Operating profit however increased modestly by 5% to JOD13.3mn (USD18.8mn) in 2006 or 2.9% of average total assets.

It should be noted that in 2005 earnings were significantly boosted by commissions from brokerage activities. The marked correction on the local stock market combined with higher interest rates resulted however in considerably lower trading volumes in 2006.



Steady year-on-year growth in net interest income The Bank's revenue streams are comfortably diversified with both net interest and non-interest income making significant contributions to earnings. Despite an increase in the cost of funds associated with the steady rise in interest rates in 2006, a commensurate rise in the interest on average earning assets ensured that the interest differential narrowed only slightly to 3.94% (2005: 4.18%). The healthy interest spreads reflect the growing share of high margin retail credits in the loan mix. These factors coupled with the expansion of the credit portfolio in 2006 led to a 26% increase in net interest income to JOD14.99mn (USD21mn). This was offset by the decline in non-interest earnings with the result that net interest income provided a higher 58% of gross income (2005: 44%).

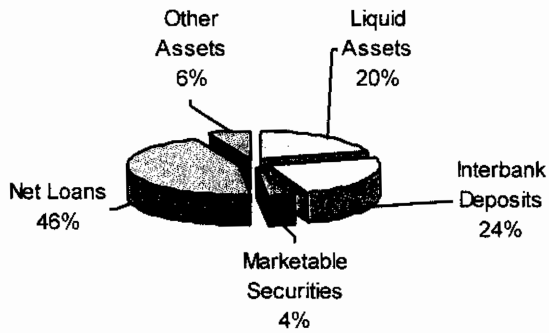
Diversified sources of non-interest income Non-interest income fell by 29% to JOD10.7mn (USD15mn), though from a relatively high base of comparison, due to lower commissions from brokerage activities. Although fee and commission income declined by 40% to JOD7mn (USD10mn) it remained the largest contributor to non-interest earnings accounting for around two-thirds of the total. Brokerage commissions amounted to JOD4.9mn against JOD9.5mn in 2005 and contributed 62% to total non-interest income. Other income of JOD1.8mn was the second largest component of non-interest income in 2006 accounting for 17% of the total. This item comprised mainly fees related to credit card and transfers. ABCJ's gross income declined by about 5% to JOD26mn (USD38mn) because of lower fees and commissions but forming a still comparatively high 5.5% of average total assets (2005: 6.4%).

Good cost control ABCJ's cost base contracted by 13% to JOD12mn (USD17mn) reflecting the lower performance-related bonuses paid to employees in 2006. While salaries and benefits increased by 18% to JOD4.1mn, staff bonuses fell sharply by 79% to JOD790k. Other general and administrative costs increased slightly by 3% to JOD5.4mn. With the decline in total operating expenses exceeding the fall in gross income, ABCJ improved on its operating efficiency as measured by the cost/income ratio. The latter fell to 48% from 53% in 2005, remaining marginally higher than the peer group average. Jordanian banks as a group exhibit good cost to income ratios.

BALANCE SHEET

Sound asset quality The low risk profile of ABCJ's balance sheet reflects a historically conservative lending policy. The already sound asset quality continued to improve in the year under review as evidenced by the further reduction in NPLs and a rise in the coverage ratio. Apart from the larger share of bank placements in total assets and the offsetting decline in net loans, the overall asset mix was relatively stable at end 2006 as shown in the accompanying chart. As is the case with the majority of other Jordanian banks, ABCJ's asset base is characterised by a significant investment in deposits with other banks (2006: 24%).

Asset Composition at end 2006



Emphasis on retail banking; credit growth moderates While lending to commercial companies constitutes the mainstay of the Bank's credit business, the retail banking operation continues to grow underscoring the importance it has gained as ABCJ pursues a policy of diversifying risk and earnings. It also reflects the increasing demand for consumer and housing loans in the relatively underdeveloped and expanding retail banking sector in Jordan. Net lending grew by 16% to JOD238mn (USD336mn) in 2006, compared with 39% in the previous year, with most of the growth coming from the trade and retail sectors. (The 39% loan increase in 2005 was partly driven by the inclusion of ABCJ's margin accounts (around JOD30mn) following their reclassification to 'credit facilities' from 'other assets' as required under CBJ rules). Despite the steady growth in lending over the last four years, the share of net credits in total assets remains comparatively low at 46% as is the case with the majority of banks in Jordan (2005: 50%). This measure also underscores the degree by which ABCJ can potentially increase its loan book. The contingent accounts constituted a significant 27% of total assets and comprise mainly letters of guarantee and letters of credit.

Distribution of Loans by Economic Sector	2006	2005
Residential mortgages	17.0	17.0
Consumer finance	15.0	13.0
General trade	14.0	10.0
Investment in shares	13.0	10.0
Services and public utilities	12.0	13.0
Manufacturing and mining	10.0	11.0
Construction	8.0	8.0
Financial services	3.0	1.0
Other	8.0	17.0
Total	**100.0**	**100.0**

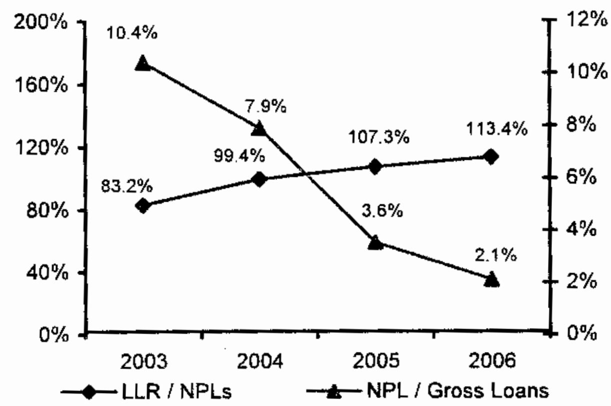
Loans well diversified across sector ABCJ's loan book remained well diversified by economic sector at end 2006 as shown in the accompanying table. Aggregate exposure to the retail sector (including housing loans) has increased over the years as has been the case with other Jordanian banks. The larger share of retail loans in the book falls in line with the Bank's objective to diversify the credit risk. Residential mortgage lending targets principally owner-occupied dwellings with individual loan limits set at JOD250k. The loan-to-value ratio is set at a conservative 80%.

In terms of maturity, around one-half (56%) of credits mature over the short-term. The credit portfolio continues to exhibit some concentration as regard to borrowers as at end 2006, although it should be noted that these exposures are mainly to sound government entities. Approximately 10% of loans granted are guaranteed by the Jordanian government. All the Bank's top 25 credits were performing at year-end.

Conservative lending policy ABCJ follows a prudent credit policy and this is reflected in the loan growth rate which is below that of the Jordanian industry average. The Bank's systems of credit control and approval are modelled along the standards implemented at its Bahraini parent (rated A-). Lending is granted largely on a secured basis and credit decision making is supported by an internal loan risk rating system. A credit scoring model is used for retail and SME customers. The fair value of security held against credit facilities amounted to JOD148mn representing 62% of net loans at end 2006.

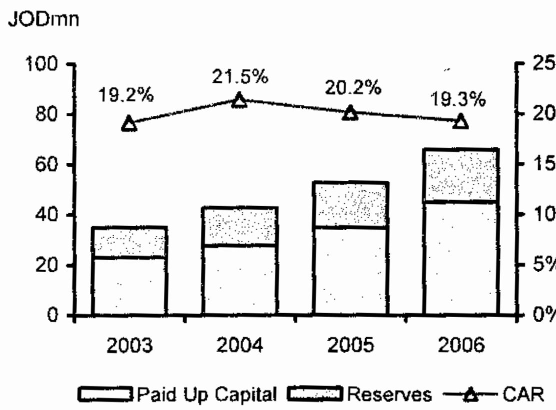
NPL ratio one of the best in the sector ABCJ's problem credits declined for a fourth year in a row in 2006 assisted by significant recoveries. Moreover, the coverage ratio continued to rise contributing to the marked improvement in credit quality. NPLs (net of interest in suspense) decreased by 32% to JOD5.2mn at end 2006 or 2.13% of gross loans. This followed a 40% decline in 2005. ABCJ's NPL ratio remained comfortably below the improved sector average of around 5%.

NPLs and Provision Cover



Similarly, loan-loss reserves fell by 28% to JOD5.9mn (USD8.3mn) or 2.4% of gross loans due to recoveries. The Bank wrote back JOD2.2mn (USD3.1mn) in provisions during 2006 against JOD3.8mn in 2005. NPLs settled amounted to JOD2.5mn. With the decline in NPLs again outstripping that of loan-loss reserves, the cover for NPLs rose further to a very strong 113% from 107% a year earlier. The overwhelming majority of problem loans were in the loss category and related to commercial clients. Write-offs were a miniscule JOD34K in 2006.

Capital Composition & Adequacy

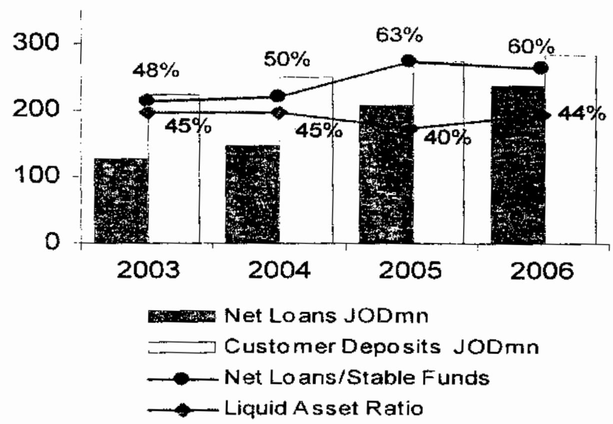


Well capitalised balance sheet A strong rate of internally generated capital combined with a policy of full earnings retention has served to reinforce ABCJ's capital base over the last four years. The risk asset ratio calculated in accordance with CBJ guidelines stood at a still solid 19.32% compared to 20.18% at end 2005. Jordanian banks as a group are very well capitalised; the capital adequacy ratio for the sector stood at over 20% reflecting a high minimum statutory requirement of 12%.

ABCJ's capital base is underpinned by the undoubted support of its parent ABC in Bahrain. The board recently agreed in principle to make available JOD50mn in capital to the Bank.

Further increases in paid-up capital by 2010 Jordanian banks are obliged to increase their paid-up capital to JOD100mn (USD141mn) by end 2010 to comply with higher CBJ minimum paid-up capital requirements. ABCJ increased its paid-up capital by 30% to JOD44.8mn in 2006 by capitalising reserves. This exercise underscores management's intent to fulfil the new requirement. Total capital grew further by 24% to JOD66mn (USD93mn) in 2006 from retained profit. Although the rate of internal capital generation declined to the level seen prior to 2005, the measure remained strong at 15% (2005: 22%). Total capital funded a steady 13% of total assets at end 2006.

Still good liquidity In common with the vast majority of Jordanian banks, ABCJ's liquidity position is comfortable and similar to that of the industry average. Liquidity levels increased slightly at end 2006 as measured by the ratio of net loans to stable funds of 60% and liquid asset ratio of 44% (2005:



40%). This reflected primarily the allocation of surplus funds to bank placements. The Bank's net loans to total customer deposits ratio increased to 85% from 75% at end 2005 as the pace of credit expansion surpassed that of customer funding. In CI's assessment the support which the parent bank ABC continues to amply demonstrate is a significant mitigating factor in the area of liquidity.

Reliance on expensive time deposits ABCJ's liquid balance sheet underscores its conservative risk profile and the quite large holdings of liquid assets principally in the form of deposits with other institutions and the central bank. The Bank's overall funding mix has been quite stable over the last four years with aggregate customer deposits remaining the largest component of liabilities. Despite intense competition in the local market for both loans and customer deposits, customer funding expanded by 3% in 2006 to JOD282mn (USD397mn). Although the relatively cheap demand variety of funds recorded significant increases in recent years, expensive time deposits continued to dominate the customer deposit base accounting for 62% of the total.

Some funding concentration Deposits from clients financed a steady 65% of total assets, with the ratio of customer deposits to total deposits standing also at a comfortable 65%. Deposits from government institutions contributed 6% to total customer funds and non-interest bearing deposits represented 17% of total client deposits at end 2006. There was some concentration as regard to deposits but these are largely related to government entities including public sector pension funds. Deposits with other banks constituted the largest liquid asset class accounting for close to one-half of the total. These funds are placed mainly with prime institutions in Europe, USA and the parent in Bahrain. The Bank has been a consistent net placer of funds on the money market over the last four years. Net interbank assets amounted to JOD26mn (USD34mn) at end 2006. Interbank borrowings more than doubled to JOD98mn funding 19% of the asset base (2005: 11%). Assets and liabilities are generally well matched. As at end 2006, the Bank carried a moderate negative cumulative gap representing 28% of total assets at three months, falling to 19% at one year.

CURRENT YEAR UPDATE (Q3 2007)

The table below highlights ABCJ's financials for the first nine months of 2007:

JODmn	Q3 2007	2006	Δ%
Total Assets	611	518	18.0
Net Loans	267	238	12.0
NPLs	5.6	5.2	8.0
Total Deposits	517	437	18.0
Total Capital	75	66	13.5
%	**Q3 2007**	**2006**	
NPL / Gross Loans	2.1	2.1	
LLR / NPL	120.0	113.0	
Capital Adequacy Ratio	NA	18.6	
Net Loans / Stable Funds	61.6	60.4	
Cost To Income	44.2	48.09	
Annualised ROAA	2.03	2.37	

**excludes net profit*

JODmn	9-mo 07	9-mo 06	Δ%
Net Interest Income	12.9	11.3	14.5
Non Interest Income	9.5	9.6	(1.0)
Gross Income	**22.4**	**20.8**	**7.0**
Operating Expenses	9.9	9.9	-
Operating Profit	**12.5**	**10.9**	**14.0**
Provision Charges	0.4	(1.2)	-
Gross Profit	**12.1**	**12.1**	-
Income Tax	3.5	4.0	(14.0)
Net Profit	**8.6**	**8.1**	**6.0**

The major variances are discussed below:

Profit and Loss

- **Net interest income enjoys further growth despite slightly tighter margins** This reflects the steady expansion in the credit portfolio.
- **Fee and commission income increases significantly** The 25% rise in fees and commissions to JOD1.7mn offset the small dealing securities loss. ABCJ is focusing on improving non-interest income generation through a policy of charging for services previously provided free of charge.

- **Higher gross income on the back of a rise in net interest earnings coupled with flat cost growth** This produced a better cost to income ratio of 44%.
- **Both operating and net profitability continue to grow as a result.**

<u>**Balance Sheet**</u>

- **Total assets expand at a faster pace than that of other Jordanian banks** Asset expansion was led by a substantial increase in deposits with other banks. The latter doubled to reach JOD1.17 billion at end Q3 07 over end 2006. This growth reflects the significant increase in customer deposits mobilised by the one of largest branch networks in the country.
- **Credit growth continues to decelerate a little in common with the banking sector.**
- **NPL ratio remains stable and provision coverage very strong.**
- **Paid-up capital increases further to JOD56mn from the capitalisation of reserves** The capital base crosses the USD100mn mark.

AB BANKING CORPORATION (JORDAN)

06-Dec-2007
JO03

RMANCE RATIOS

External Audit	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003
SIZE FACTORS				
Total Assets (USD 000)	730,118	579,374	527,907	470,939
Total Capital (USD 000)	92,780	74,638	60,683	49,499
ASSET QUALITY				
Total Assets Growth Rate (Year on Year %)	26.02	9.75	12.10	11.79
Loan-Loss Reserve to Gross Loans (%)	2.42	3.80	7.88	8.68
Non-Performing Loans to Gross Loans (%)	2.13	3.55	7.92	10.44
Loan-Loss Reserve to Non-Performing Loans (%)	113.41	107.25	99.41	83.20
Unprovided Non-Performing Loans to Free Capital (%)			0.22	9.24
Loan-Loss Provision Charge on Gross Loans (%)	-0.91	-1.79	1.49	1.09
Reserve for Dimin. of Investments to Total Investments (%)				
Related Party Loans to Total Capital (%)	3.65	4.09	3.96	
Total Contingents on Total Assets (%)	26.63	25.04	28.03	29.76
CAPITAL ADEQUACY				
CI Risk Asset Ratio (%)	14.73	15.22	14.32	11.54
Estimated BIS Risk Asset Ratio (%)	17.14	17.52	17.11	14.66
Estimated BIS RAR on Tier One Capital (%)	17.14	17.52	17.11	14.66
Actual Risk Asset Ratio to Local Standards (%)	19.32	20.18	21.45	19.18
Internal Capital Generation (%)	15.15	22.32	15.26	16.50
Total Capital Growth Rate (Year on Year %)	24.30	23.00	22.59	21.65
Total Capital to Total Assets (%)	12.71	12.88	11.49	10.51
Total Capital to Gross Loans (%)	26.96	24.70	26.81	25.00
Free Capital Funds (JOD 000)	54,950	44,735	34,840	26,646
Estimated BIS RAR Shortfall (JOD 000)	0	0	0	0
Risk Weighted Assets on Total Footings (%)	58.55	58.82	52.47	55.24
LIQUIDITY				
Net Loans to Total Deposits (%)	54.53	62.66	51.67	47.91
Net Loans to Total Customer Deposits (%)	84.54	75.36	59.45	56.95
Net Loans to Stable Funds (%)	60.42	62.83	50.13	48.47
Customer Deposits to Total Deposits (%)	64.50	83.14	86.91	84.13
Liquid Asset Ratio (%)	44.44	39.55	45.04	44.95
Quasi-Liquid Asset Ratio (%)	48.24	42.52	50.72	52.24
FX Currency Assets to FX Currency Liabilities (%)				
FX Currency Loans to FX Currency Deposits (%)				
Interbank Assets to Interbank Liabilities (%)	126.80	161.03	301.67	230.02
Net Interbank Assets (JOD 000)	26,154	27,857	52,471	38,688
PROFITABILITY				
Return on Average Assets (%)	2.37	3.02	1.87	1.83
Return on Average Equity (%)	18.52	24.73	16.97	18.12
Underlying Profits on Average Assets (%)	2.07	2.57	2.72	2.63
Underlying Profits on Average Equity (%)	16.17	21.00	24.65	26.05
Funding Cost (%)	4.08	2.72	1.82	2.17
Interest on Average Earning Assets (%)	8.02	6.90	6.06	5.98
Interest Differential (%)	3.94	4.18	4.25	3.81
Non-Interest Income to Gross Income (%)	41.64	55.74	50.97	50.93
Operating Expenses to Gross Income (%)	48.09	52.99	46.65	48.38
Operating Profit Growth Rate (%)	5.33	17.44	20.77	29.18
Operating Profit on Average Assets (%)	2.87	3.23	3.04	2.82
Risk Provisioning Charge to Operating Profit (%)	-11.98	-30.22	22.68	17.71
Dividend Payout Ratio (%)	0.06	0.08	0.23	0.05
RATES				
Exchange Rate (Units per USD)	0.7090	0.7090	0.7090	0.7090
Inflation Rate (%)	6.25	3.49	3.36	1.63
Imputed Interest Rate on Free Capital (%) (Discount Rate)	7.50	6.50	3.75	2.50

BALA
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0% 0% 10% 20% 20% 20% 20% 100% 100% 20% 50% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 50% 20% 10% 5%

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INTERE Current Short Other TOTAL CUSTO Demanc Savings Time Other - TOTAL OFFICI TOTAL OTHER MEDIUN TIER TV Asset R Hybrid C Subordir TOTAL TIER ON Paid Up Minority Reserve TOTAL TOTAL TOTAL

PROFIT
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ARAB B

BALANCE SHEET - ASSETS (JOD 000)

RISK WGHT	External Audit	12/2006 USD 000	AUD 12/2006	AUD 12/2005	AUD 12/2004	AUD 12/2003	Growth (%) 12/2006	12/2005	12/2004	12/2003	Breakdown (%) 12/2006	12/2005	12/2004	12/2003
	LIQUID ASSETS:													
0%	Cash & 7 Day	7,213	5,114	4,068	4,031	3,745	25.71	0.92	7.64	44.09	0.99	0.99	1.08	1.12
0%	Central Bank	62,684	44,443	60,602	69,768	77,908	-26.66	-13.14	-10.45	92.68	8.59	14.75	18.64	23.33
10%	Treasury Bills	20,055	14,219	0	1,945	0	-	-100.00	-	-	2.75	0.00	0.52	0.00
20%	Government Securities	59,983	42,528	24,307	14,341	0	74.96	69.49	-	-100.00	8.22	5.92	3.83	0.00
20%	Other													
	TOTAL LIQUID ASSETS	149,935	106,304	88,977	90,085	81,653	19.47	-1.23	10.33	58.53	20.54	21.66	24.07	24.45
	DEPOSITS WITH BANKS:													
20%	Short - Up to 1 Year	174,519	123,734	73,503	78,489	68,443	68.34	-6.35	14.68	-17.82	23.90	17.89	20.97	20.50
20%	Short - Other	0	0	0	0	0	-	-	-	-100.00	0.00	0.00	0.00	0.00
100%	Non - OECD Medium Term													
	TOTAL DEPOSITS WITH BANKS	174,519	123,734	73,503	78,489	68,443	68.34	-6.35	14.68	-18.79	23.90	17.89	20.97	20.50
100%	MARKETABLE SECURITIES	27,776	19,693	12,187	21,273	24,328	61.59	-42.71	-12.56	-10.84	3.80	2.97	5.68	7.29
	LOANS AND ADVANCES:													
20%	Government Guaranteed	34,071	24,156	27,341	31,104	7,090	-11.65	-12.10	338.70	0.00	4.67	6.66	8.31	2.12
50%	First Mortgage Loans													
100%	Bills Disc. & Short Term	155,584	110,309	80,864	40,845	118,656	36.41	97.98	-65.58	15.17	21.31	19.69	10.91	35.54
100%	Medium/Long Term	147,171	104,344	98,474	75,808		5.96	29.90			20.16	23.97	20.25	
100%	Other													
100%	Non-Performing Loans	7,344	5,207	7,601	12,712	14,653	-31.50	-40.21	-13.25	-11.08	1.01	1.85	3.40	4.39
100%	Loan-Loss Reserve	-8,329	-5,905	-8,152	-12,637	-12,191	-27.56	-35.49	3.66	13.59	-1.14	-1.98	-3.38	-3.65
	NET LOANS AND ADVANCES	335,841	238,111	206,128	147,832	128,208	15.52	39.43	15.31	10.65	46.00	50.18	39.50	38.40
100%	UNQUOTED INVESTMENTS	5,417	3,841	1,675	1,687	1,709	129.31	-0.71	-1.29	-13.47	0.74	0.41	0.45	0.51
100%	NON-FINANCIAL SUBS & AFFILS.													
	FINANCIAL SUBS & AFFILIATES													
100%	FIXED ASSETS	15,276	10,831	8,185	8,184	8,449	32.33	0.01	-3.14	8.45	2.09	1.99	2.19	2.53
100%	OTHER ASSETS	21,354	15,140	20,132	26,736	21,106	-24.80	-24.70	26.67	111.44	2.92	4.90	7.14	6.32
	TOTAL ASSETS	730,118	517,654	410,787	374,286	333,896	26.02	9.75	12.10	11.79	100.00	100.00	100.00	100.00
	CONTINGENT ACCOUNTS:													
100%	Fin. Gtees/SLCs/Acceptances	75,401	53,459	30,370	27,455	24,790	76.03	10.62	10.75	-18.25	38.77	29.53	26.17	24.94
50%	Undrown Credit Commitments	49,471	35,075	37,497	29,719	25,991	-6.46	26.17	14.34	54.81	25.44	36.46	28.33	26.15
20%	LCs/Bank & Govt Guarantees	69,587	49,337	34,980	47,729	48,598	41.04	-26.71	-1.79	-20.47	35.78	34.01	45.50	48.90
10%	Bonding for Banks & Govts													
5%	IR Swaps/Bank & Govt LCs													
	TOTAL CONTINGENT ACCOUNTS	194,458	137,871	102,847	104,903	99,379	34.05	-1.96	5.56	-8.17	100.00	100.00	100.00	100.00
	TOTAL FOOTINGS	924,577	655,525	513,634	479,189	433,275	27.62	7.19	10.60	6.48	-	-	-	-
	RISK WEIGHTED ASSETS	541,367	383,829	302,111	251,450	239,322	27.05	20.15	5.07	5.56	-	-	-	-

BALANCE SHEET - LIABILITIES (JOD 000)

	USD 000	12/2006	12/2005	12/2004	12/2003	12/2006	12/2005	12/2004	12/2003	12/2006	12/2005	12/2004	12/2003
INTERBANK LIABILITIES:													
Current & 7 Day	13,305	9,433	23,188	8,010	5,932	-59.32	189.49	35.03	34.94	1.82	5.64	2.14	1.78
Short	124,326	88,147	22,458	18,008	23,823	292.50	24.71	-24.41	-31.62	17.03	5.47	4.81	7.13
Other													
TOTAL INTERBANK LIABILITIES	137,630	97,580	45,646	26,018	29,755	113.78	75.44	-12.56	-24.16	18.85	11.11	6.95	8.91
CUSTOMER DEPOSITS:													
Demand	93,440	66,249	65,909	59,973	49,575	0.52	9.90	20.97	36.05	12.80	16.04	16.02	14.85
Savings	15,364	10,893	9,530	10,359	9,515	14.30	-8.00	8.87	42.87	2.10	2.32	2.77	2.85
Time	245,904	174,346	168,522	151,247	135,123	3.46	11.42	11.93	-0.52	33.68	41.02	40.41	40.47
Other - Cash Margins	42,567	30,180	29,552	27,083	30,928	2.13	9.12	-12.43	1,910.92	5.83	7.19	7.24	9.26
TOTAL CUSTOMER DEPOSITS	397,275	281,668	273,513	248,662	225,141	2.98	9.99	10.45	24.75	54.41	66.58	66.44	67.43
OFFICIAL DEPOSITS	81,024	57,446	9,808	11,424	12,725	485.71	-14.15	-10.22	57.98	11.10	2.39	3.05	3.81
TOTAL DEPOSITS + INTERBANK	615,929	436,694	328,967	286,104	267,621	32.75	14.98	6.91	17.50	84.36	80.08	76.44	80.15
OTHER LIABILITIES	21,409	15,179	28,900	45,158	31,180	-47.48	-36.00	44.83	-25.89	2.93	7.04	12.07	9.34
MEDIUM/LONG TERM LIABILITIES	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
TIER TWO CAPITAL:													
Asset Revaluation Reserve	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Hybrid Capital Instruments	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Subordinated Term Debt	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
TOTAL TIER TWO CAPITAL	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
TIER ONE CAPITAL:													
Paid Up Capital	63,258	44,850	34,500	27,600	23,000	30.00	25.00	20.00	15.00	8.66	8.40	7.37	6.89
Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Reserves	29,522	20,931	18,420	15,424	12,095	13.63	19.42	27.52	36.67	4.04	4.48	4.12	3.62
TOTAL TIER ONE CAPITAL	92,780	65,781	52,920	43,024	35,095	24.30	23.00	22.59	21.65	12.71	12.88	11.49	10.51
TOTAL CAPITAL	92,780	65,781	52,920	43,024	35,095	24.30	23.00	22.59	21.65	12.71	12.88	11.49	10.51
TOTAL LIABILITIES AND CAPITAL	730,118	517,654	410,787	374,286	333,896	26.02	9.75	12.10	11.79	100.00	100.00	100.00	100.00

PROFIT AND LOSS ACCOUNT (JOD 000)

	USD 000	12/2006	12/2005	12/2004	12/2003	Growth (%) 12/2006	12/2005	12/2004	12/2003	% of Average Total Assets 12/2006	12/2005	12/2004	12/2003
Interest Income	43,178	30,613	20,295	14,935	13,851	50.84	35.89	7.83	-11.40	6.59	5.17	4.22	4.38
Interest Expense	-22,032	-15,621	-8,376	-5,027	-5,366	86.50	66.62	-6.32	-34.96	-3.36	-2.13	-1.42	-1.70
Net Interest	21,145	14,992	11,919	9,908	8,485	25.78	20.30	16.77	14.91	3.23	3.04	2.80	2.68
Fees and Commissions	9,917	7,031	11,651	6,047	4,942	-39.65	92.67	22.36	64.35	1.51	2.97	1.71	1.56
FX Trading Income	955	677	689	516	530	-1.74	33.53	-2.64	-13.26	0.15	0.18	0.15	0.17
Dealing Securities Income	1,291	915	1,497	2,189	2,519	-38.88	-31.61	-13.10	82.27	0.20	0.38	0.62	0.80
Other Investment Income	392	278	242	323	152	14.88	-25.08	112.50	-81.62	0.06	0.06	0.09	0.05
Other Income	2,536	1,798	933	1,223	663	92.71	-23.71	84.46	10.32	0.39	0.24	0.35	0.21
Non Interest Income	15,090	10,699	15,012	10,298	8,806	-28.73	45.78	16.94	46.84	2.30	3.82	2.91	2.78
GROSS INCOME	36,236	25,691	26,931	20,206	17,291	-4.60	33.28	16.86	29.22	5.53	6.86	5.71	5.47
Administrative Expenses	15,863	11,247	13,271	8,459	7,460	-15.25	56.89	13.39	30.10	2.42	3.38	2.39	2.36
Depreciation	1,564	1,109	1,000	967	905	10.90	3.41	6.85	22.80	0.24	0.25	0.27	0.29
Other Expenses													
OPERATING EXPENSES	17,427	12,356	14,271	9,426	8,365	-13.42	51.40	12.68	29.27	2.66	3.64	2.66	2.64
OPERATING PROFIT	18,808	13,335	12,660	10,780	8,926	5.33	17.44	20.77	29.18	2.87	3.23	3.04	2.82
Provisions for Doubtful Debts	3,121	2,213	3,844	-2,383	-1,525	42.43	-261.31	56.26	-51.86	0.48	0.98	-0.67	-0.48
Prov. for Dimin. of Investments	-867	-615	-18	-62	-56	3,316.67	-70.97	10.71	12.00	-0.13	0.00	-0.02	-0.02
GROSS PROFIT (or -LOSS)	21,062	14,933	16,486	8,335	7,345	-9.42	97.79	13.48	98.94	3.22	4.20	2.35	2.32
Extraordinary Items	1,437	1,019	43	46	0	2,269.77	-6.52	-	-	0.22	0.01	0.01	0.00
Tax & Equivalent	-6,997	-4,961	-4,666	-1,754	-1,550	6.32	166.02	13.16	20.25	-1.07	-1.19	-0.50	-0.49
NET PROFIT (or -LOSS)	15,502	10,991	11,863	6,627	5,795	-7.35	79.01	14.36	141.16	2.37	3.02	1.87	1.83
Transfers/Adjustments	2,647	1,877	-1,958	1,317	453	195.86	-248.67	190.73	-95.73	0.40	-0.50	0.37	0.14
APPROPRIATION:													
Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Bonus Shares Issued	14,598	10,350	6,900	4,600	3,000	50.00	50.00	53.33	0.00	2.23	1.76	1.30	0.95
Dividends	10	7	9	15	3	-22.22	-40.00	400.00	-99.74	0.00	0.00	0.00	0.00
Movement in Reserves	3,542	2,511	2,996	3,329	3,245	-16.19	-10.00	2.59	-63.33	0.54	0.76	0.94	1.03
TOTAL	18,150	12,868	9,905	7,944	6,248	29.91	24.69	27.14	>>>>	2.77	2.52	2.24	1.98

RATIO FORMULAE

A. Size Factors	
1. TOTAL ASSETS (USD 000)	
2. TOTAL CAPITAL (USD 000)	
B. Asset Quality Ratios	
3. TOTAL ASSETS GROWTH RATE (YEAR ON YEAR %)	(CURRENT YEAR TOTAL ASSETS - LAST YEAR TOTAL ASSETS) X 100 / LAST YEAR TOTAL ASSETS
4. LOAN-LOSS RESERVE TO GROSS LOANS (%)	LOAN-LOSS RESERVE X 100 / GROSS LOANS
5. NON-PERFORMING LOANS TO GROSS LOANS (%)	NON-PERFORMING LOANS X 100 / GROSS LOANS
6. LOAN-LOSS RESERVE TO NON-PERFORMING LOANS (%)	LOAN-LOSS RESERVE X 100 / NON-PERFORMING LOANS
7. UNPROVIDED NON-PERFORMING LOANS TO FREE CAPITAL (%)	NON-PERFORMING LOANS - LOAN LOSS RESERVE X 100 / FREE CAPITAL
8. LOAN-LOSS PROVISION CHARGE ON GROSS LOANS (%)	PROVISIONS FOR DOUBTFUL DEBTS CHARGE X 100 / GROSS LOANS
9. RESERVE FOR DIMINUTION OF INVESTMENTS TO TOTAL INVESTMENTS (%)	RESERVE FOR DIMINUTION OF INVESTMENTS X 100 / TOTAL INVESTMENTS
10. RELATED PARTY LOANS TO TOTAL CAPITAL (%)	RELATED PARTY LOANS X 100 / TIER ONE + TIER TWO CAPITAL
11. TOTAL CONTINGENTS ON TOTAL ASSETS (%)	TOTAL CONTINGENTS X 100 / TOTAL ASSETS
C. Capital Adequacy Ratios	
12. CI RISK ASSET RATIO (%)	FREE CAPITAL FUNDS X 100 / RISK WEIGHTED ASSETS - NON-FINANCIAL SUBS. - FIXED ASSETS
13. ESTIMATED BIS RISK ASSET RATIO (%)	(TOTAL CAPITAL - FINANCIAL SUBSIDIARIES) X 100 / RISK WEIGHTED ASSETS
14. ESTIMATED BIS RAR ON TIER ONE CAPITAL (%)	TIER ONE CAPITAL - FINANCIAL SUBSIDIARIES X 100 / RISK WEIGHTED ASSETS
15. ACTUAL RISK ASSET RATIO TO LOCAL STANDARDS (%)	AS REPORTED BY LOCAL CENTRAL OR COMMERCIAL BANKS
16. INTERNAL CAPITAL GENERATION (%)	(NET PROFIT - DIVIDENDS -EXTRAORDINARY ITEMS) X 100 / TIER ONE CAPITAL
17. TOTAL CAPITAL GROWTH RATE (YEAR ON YEAR %)	(CURRENT YEAR TOTAL CAPITAL - LAST YEAR TOTAL CAPITAL) X 100 / LAST YEAR TOTAL CAPITAL
18. TOTAL CAPITAL TO TOTAL ASSETS (%)	TOTAL CAPITAL X 100 / TOTAL ASSETS
19. TOTAL CAPITAL TO GROSS LOANS (%)	TOTAL CAPITAL X 100 / GROSS LOANS
20. FREE CAPITAL FUNDS (LOCAL CURRENCY)	TOTAL CAPITAL - FINANCIAL & NON FINANCIAL SUBSIDIARIES - FIXED ASSETS
21. ESTIMATED BIS RAR SHORTFALL (LOCAL CURRENCY)	IF BIS RISK ASSET RATIO IS LESS THAN 8% (0.08 X RISK WEIGHTED ASSETS) - (TOTAL CAPITAL - FINANCIAL SUBSIDIARIES)
22. RISK WEIGHTED ASSETS ON TOTAL FOOTINGS (%)	RISK WEIGHTED ASSETS X 100 / TOTAL FOOTINGS
D. Liquidity Ratios	
23. NET LOANS TO TOTAL DEPOSITS (%)	NET LOANS X 100 / TOTAL CUSTOMER DEPOSITS & INTERBANK
24. NET LOANS TO TOTAL CUSTOMER DEPOSITS (%)	NET LOANS X 100 / TOTAL CUSTOMER DEPOSITS
25. NET LOANS TO STABLE FUNDS (%)	NET LOANS X 100 / STABLE FUNDS
26. CUSTOMER DEPOSITS TO TOTAL DEPOSITS (%)	TOTAL CUSTOMER DEPOSITS X 100 / TOTAL DEPOSITS & INTERBANK
27. LIQUID ASSET RATIO (%)	(TOTAL LIQUID ASSETS + TOTAL DEPOSITS WITH BANKS) X 100 / TOTAL ASSETS
28. QUASI-LIQUID ASSET RATIO (%)	QUASI-LIQUID ASSETS X 100 / TOTAL ASSETS
29. FOREIGN CURRENCY ASSETS TO FOREIGN CURRENCY LIABILITIES (%)	FOREIGN CURRENCY ASSETS X 100 / FOREIGN CURRENCY LIABILITIES
30. FOREIGN CURRENCY LOANS TO FOREIGN CURRENCY DEPOSITS (%)	FOREIGN CURRENCY LOANS X 100 / FOREIGN CURRENCY BORROWINGS + FOREIGN CURRENCY DEPOSITS
31. INTERBANK ASSETS TO INTERBANK LIABILITIES (%)	TOTAL DEPOSITS WITH BANKS X 100 / TOTAL INTERBANK LIABILITIES
32. NET INTERBANK ASSETS (LOCAL CURRENCY)	TOTAL DEPOSITS WITH BANKS - TOTAL INTERBANK LIABILITIES

E. Profitability Ratios	
33. RETURN ON AVERAGE ASSETS (%)	NET PROFIT (or LOSS) X 100 / AVERAGE TOTAL ASSETS
34. RETURN ON AVERAGE EQUITY (%)	NET PROFIT (or LOSS) X 100 / AVERAGE TIER ONE CAPITAL +AVERAGE REVALUATION RESERVE
35. UNDERLYING PROFITS ON AVERAGE ASSETS (%)	(OPERATING PROFIT - INTEREST ON AVERAGE FREE CAPITAL) X 100 / AVERAGE TOTAL ASSETS
36. UNDERLYING PROFITS ON AVERAGE EQUITY (%)	(OPERATING PROFIT - INTEREST ON AVERAGE FREE CAPITAL) X 100 / AVERAGE TIER ONE CAPITAL + AVERAGE REVALUATION RESERVE
37. FUNDING COST (%)	INTEREST EXPENSE X 100 / AVERAGE TOTAL DEPOSITS & INTERBANK+AVERAGE MEDIUM/LONG TERM LIABILITIES+AVERAGE HYBRID CAPITAL INSTRUMENTS+AVERAGE SUBORDINATED TERM DEBT
38. INTEREST ON AVERAGE EARNING ASSETS (%)	INTEREST INCOME X 100 / AVERAGE CASH & 7 DAY+AVERAGE T-BILLS+AVERAGE GOVERNMENT SECURITIES+AVERAGE OTHER LIQUID ASSETS+AVERAGE TOTAL DEPOSITS WITH BANKS+AVERAGE MARKETABLE SECURITIES+AVERAGE NET LOANS
39. INTEREST DIFFERENTIAL (%)	INTEREST ON AVERAGE EARNING ASSETS (%) - FUNDING COST (%)
40. NON-INTEREST INCOME TO GROSS INCOME (%)	(GROSS INCOME - NET INTEREST) X 100 / GROSS INCOME
41. OPERATING EXPENSES TO GROSS INCOME (%)	OPERATING EXPENSES X 100 / GROSS INCOME
42. OPERATING PROFIT GROWTH RATE (YEAR ON YEAR %)	(CURRENT YEAR OPERATING PROFIT - LAST YEAR OPERATING PROFIT) X 100 / LAST YEAR OPERATING PROFIT
43. OPERATING PROFIT ON AVERAGE ASSETS (%)	OPERATING PROFIT X 100 / AVERAGE TOTAL ASSETS
44. RISK PROVISIONING CHARGE TO OPERATING PROFIT (%)	PROV. CHARGE FOR DOUBTFUL DEBTS & DIM. OF INVESTMENTS X 100 / OPERATING PROFIT
45. DIVIDEND PAYOUT RATIO (%)	DIVIDENDS X 100 / NET PROFIT (or LOSS)

DEFINITIONS:

FREE CAPITAL:- FREE CAPITAL FUNDS - TIER TWO CAPITAL

STABLE FUNDS:- TOTAL CUSTOMER DEPOSITS + OFFICIAL DEPOSITS + MEDIUM/LONG TERM LIABILITIES + FREE CAPITAL FUNDS.

QUASI LIQUID ASSETS:- TOTAL LIQUID ASSETS + TOTAL DEPOSITS WITH BANKS + MARKETABLE SECURITIES.

TOTAL INVESTMENTS:- MARKETABLE SECURITIES + UNQUOTED INVESTMENTS + NON-FINANCIAL SUBSIDIARIES & AFFILIATES + FINANCIAL SUBSIDIARIES & AFFILIATES.

RISK WEIGHTED ASSETS:- WEIGHTED TOTAL OF ASSETS APPLYING THE FOLLOWING PERCENTAGES:-

100%	Non-OECD medium term deposits, marketable securities, bills discounted & short term loans, medium/long term loans, other loans, non-performing loans, loan-loss provisions, unquoted investments, non-financial subsidiaries & affiliates, fixed assets, other assets, financial guarantees / standby LCs / acceptances.
50%	First mortgage loans, bid & performance bonds.
20%	Government securities, other liquid assets, up to 1 year deposits with banks, short/other deposits with banks, government guaranteed / collateralised loans, LCs / bank & government guarantees.
10%	T-Bills, bonding for banks & governments.
5%	Interest rate swaps/bank & government LCs.

GROSS LOANS:- GOVERNMENT GUARANTEED, FIRST MORTGAGE LOANS, BILLS DISC. & SHORT TERM, MEDIUM/LONG TERM LOANS, OTHER LOANS, NON-PERFORMING LOANS.

EQUITY:- TIER ONE CAPITAL + ASSET REVALUATION RESERVE

RATINGS DEFINITIONS

Foreign and Local Currency Ratings

Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings for non-sovereign issuers are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to banks and corporates are generally not higher than the local and foreign currency ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.

C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.

RS Regulatory supervision. The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.

A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.

RS Regulatory supervision. The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular bank is, respectively, slightly greater or less than that of similarly rated peers.
Outlook – expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.
Qualified – in cases where data and/or co-operation are such that it is not possible to formulate ratings to CI's high standards of robustness and reliability the letter "q" is appended to the ratings.

Financial Strength Ratings

CI's financial strength ratings provide an opinion of a bank's inherent financial strength, soundness and risk profile. These ratings do not address sovereign risk factors, including transfer risk, which may affect an institution's capacity to honour its financial obligations, be they local or foreign currency. Financial strength ratings also exclude support factors, which are addressed by foreign and local currency ratings, as well as CI's support ratings. However, financial strength ratings do take into account the bank's operating environment including the economy, the structure, strength and stability of the financial system, the legal system, and the quality of banking regulation and supervision. Financial strength ratings do not assess the likelihood that specific obligations will be repaid in a timely manner.

The following rating scale applies to the financial strength rating.

AAA Financially in extremely strong condition with positive financial trends; significant strengths in other non-financial areas. Operating environment likely to be highly attractive and stable.

AA Financially in very strong condition and significant strengths in other non-financial areas. Operating environment likely to be very attractive and stable.

A Strong financial fundamentals and very favourable non-financial considerations. Operating environment may be unstable but institution's market position and/or financial strength more than compensate.

BBB Basically sound overall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment.

BB One or two significant weaknesses in the bank's financial makeup could cause problems. May be characterised by a limited franchise; other factors may not be sufficient to avoid a need for some degree of temporary external support in cases of extraordinary adversity. Unstable operating environment likely.

B Fundamental weaknesses are present in the bank's financial condition or trends, and other factors are unlikely to provide strong protection from unexpected adversities; in such an event, the need for external support is likely. Bank may be constrained by weak market position and/or volatile operating environment.

C In a very weak financial condition, either with immediate problems or with limited capacity to withstand adversities. May be operating in a highly volatile operating environment.

D Extremely weak financial condition and may be in an untenable position.

Capital Intelligence appends "+" and "-" signs to financial strength ratings in the categories from "AA" to "C" to indicate that the strength of a particular institution is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a rating over the 12 months following its publication are denoted Positive, Stable or Negative.

Qualified – in cases where data and/or co-operation are such that it is not possible to formulate ratings to CI's high standards of robustness and reliability the letter "q" is appended to the ratings.

Support Ratings

CI's support ratings assess the likelihood that, in the event of difficulties, a bank would receive sufficient financial assistance from the government or private owners to enable it to continue meeting its financial obligations in a timely manner. Support ratings complement CI's financial strength ratings which, in effect, indicate the likelihood that a bank will fail due to inherent financial weaknesses and/or an unstable operating environment and therefore may require external support to avoid defaulting on its obligations. Neither financial strength ratings or support ratings take account of transfer and convertibility risks associated with sovereign events. The overall creditworthiness of an institution and default risk is captured by CI's foreign currency ratings. Foreign currency ratings take into account all factors affecting the likelihood of repayment including inherent financial strength, external support, the operating environment, and sovereign-related risks.

Although subjective, support ratings are based on a thorough assessment of a bank's ownership, market position and importance within the sector and economy, as well as the country's regulatory and supervisory framework and the credit standing of potential supporters.

The following rating scale applies to support ratings.

1. The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.

2. The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.

3. The likelihood of support is high. The ability and willingness of potential supporters to provide sufficient and timely support is strong.

4. The likelihood of support is moderate. There is some uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

5. The likelihood of support is low. There is considerable uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.