
Jordan Kuwait Bank (JOKB)

Equity Research Report
Q1 2009 Results Update

ABC 
Investments

P.O. Box 930059, Amman 11193, Jordan

Tel. + 962 (0) 6 5629300,

Fax. + 962 (0) 6 5682941

www.abci.com.jo

(A wholly owned subsidiary of ABC (Jordan))

Jordan Kuwait Bank (JOKB)

Banking Sector

7th July 2009

Initiation of Coverage

BUY

Current Price JD 4.13 / 12-Month Fair Value JD 6.36

Share Information	
Ticker	JOKB
Exchange	ASE
Closing Price*	JD 4.13
52-Week High	JD 7.75
52-Week Low	JD 3.91
Year-on-Year % Change	(45.3%)
Year-to-Date % Change	(11.9%)
Market Cap	JD 413,000,000

* Price as of July 7th 2009

Key Ratios	
P/E (Trailing)	8.89x
P/E (Forward)*	7.23x
P/BV**	1.70x
ROAA*	2.8%
ROAE*	23.7%
Capital Adequacy	14.99%
NPL / Net Credit Facilities****	0.5%

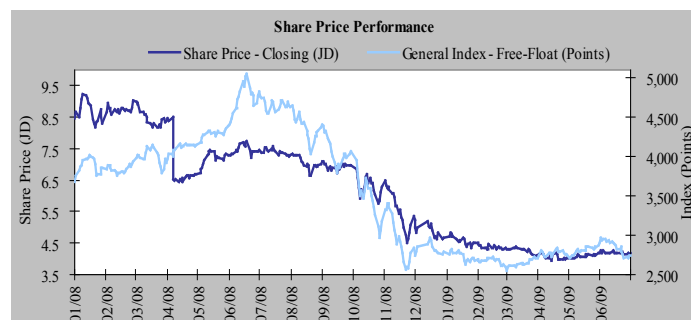
* Based on Annualised Q1 2009 Profits

** Based on Q1 2009 Book Value

*** Net of Interest in Suspense

Based on a current market price of JD 4.13 JOKB is currently trading at a trailing P/E and P/BV of 8.89x and 1.70x, respectively based on its Q1 2009 financial results. Going forward, JOKB is forecast to register a before-tax bottom line of JD 75.72 million and an after-tax net income of JD 53.76 million, giving an estimated forward P/E and P/BV of 8.00x and 1.47x.

Our estimated fair value for the JOKB stock, using two peer-based multiples valuation methods and the excess return model, is JD 6.36 per share, offering a upside potential of 53.9% over its current price of JD 4.13. Therefore, we maintain our initial recommendation of a BUY.



- JOKB's bottom line registered an 8.1% increase in 2008 to register at JD 49.08 million, compared to JD 45.40 million at the end of 2007. During the first quarter of 2009, JOKB's net profit for the period amounted to JD 14.28 million, which, when annualised, registers at JD 57.10 million.
- Net interest income increased to JD 82.50 million in 2008, falling short of our previous estimate of JD 85.00 million. Net commissions dropped to JD 13.15 million, significantly lower than our expectation of JD 17.69 million, while other income rose to JD 21.00 million despite the JD 1.92 million loss to the P&L during the year.
- Total assets of the Bank increased by 2.3% to JD 2.06 billion in 2008, but dropped by 0.6% during Q1 2009, following the decline in net credit facilities also declining by 3.6% over the same period to reach JD 1.19 billion. Customer deposits and cash margins rose to JD 1.33 billion in Q1 2009 from JD 1.31 billion in 2008.
- Return on Average Assets (ROAA) and Return on Average Equity (ROAE) declined to 2.4% and 21.5% respectively for 2008, rising to 2.8% and 23.7% respectively in Q1 2009, based on annualised first quarter profits.

Key Financial Information	2009F	2010F	2011F	2012F	2013F
Net Profits after Tax	53,758,410	59,853,383	65,987,894	70,695,005	76,870,620
Net Interest & Commissions Income	97,018,238	104,445,406	116,352,345	126,270,649	137,378,979
Total Assets	2,125,176,073	2,253,389,285	2,428,293,934	2,626,920,555	2,849,354,722
Shareholders' Equity	281,479,473	321,218,845	382,151,404	420,616,593	469,745,493
ROAA	2.6%	2.7%	2.8%	2.8%	2.8%
ROAE	20.6%	19.9%	18.8%	17.6%	17.3%

Research Department

Tanya Khammash, CVA
Head of Equity Research Department
tanyak@abci.com.jo

Zein Alkhas
Equity Research Analyst
zeina@abci.com.jo

- Ratings Change
- Target Price Change
- Estimates Change

Bank Overview

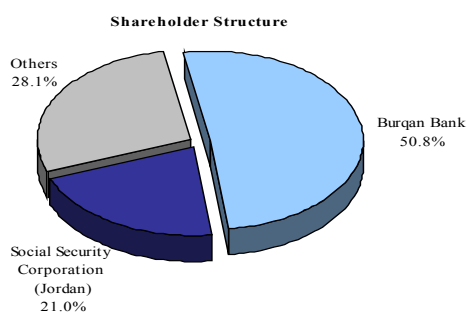
Jordan Kuwait Bank (JOKB) was established in 1976 by a group of Jordanian, Kuwaiti and Arab investors. Over the years, the Bank has grown to become the third largest bank in the Kingdom in terms of assets, with an operating network of 48 branches distributed across the Kingdom, one branch in each of Nablus and Ramallah in Palestine, along with an international banking unit in Cyprus. The Bank has two subsidiary companies, the Arab Orient Insurance Company (AALI) and United Financial Investment Company (UCFI), which are listed on the Amman Stock Exchange. In 2008, AALI's net profits amounted to JD 2.00 million while UCFI had a bottom line of JD 4.55 million.

Subsidiaries of Jordan Kuwait Bank

Company Name	Country	Ownership (%)	Ownership (JD)
Arab Orient Insurance Company	Jordan	65.7%	7,226,684
United Financial Investment Company	Jordan	50.0%	2,500,277

JOKB's primary objective is to expand in the market by offering services beyond "traditional" banking. It was the first bank to offer internet banking services and has launched the "VISA Infinite" card and discounted certificates of deposit. The Bank also offers advisory and investment banking services, in addition to private banking services to its customers. To enhance its efficiency, the Bank developed a new organisational structure in late 2007, where it divided the Bank into three main groups; the Banking Group, the Risk Group, and the Support Services Group.

In April 2008, JOKB raised its paid-up capital by 25 million shares/JD to reach 100 million shares/JD.



Source: Securities Depository Commission, as of June 25th 2009

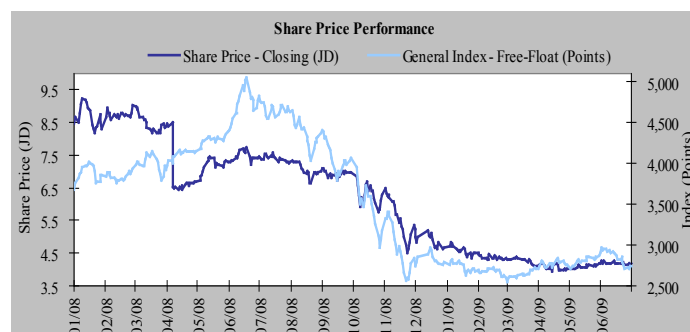
JOKB's major shareholders are Burgan Bank, with an ownership of 50.8% following its acquisition of United Gulf Bank's 43.9% holding in JOKB in mid-2008, and the Social Security Corporation with 21.0% holding.

Share Performance

The recovery in the stock market in early 2008, and the anticipation of the strong financial results for the Bank, led JOKB's share price to climb during the first quarter of 2008, reaching the year's high of JD 9.48 on January 13th, and ending the quarter at JD 8.35. The JD 25 million capital increase in April 2008 and the distribution of 33.3% stock dividends caused the share price to be adjusted down to JD 6.54. Nevertheless, the stock continued its ascent to reach JD 7.40 by the end of the first half.

The third quarter of the year saw JOKB's share price free-fall,

mirroring the trend in the General Index, to end the quarter at JD 6.96, registering a significant drop of 17.6% compared to the start of the year, and a 5.9% drop during the quarter alone. The decline continued into the final quarter of the year, where it registered its low for the year of JD 4.39 on November 25th before correcting slightly and closing the year at JD 4.69, giving an aggregate decline for the year of 44.5%.



The plummet in the General Index continued into 2009, pulling down the Bank's share price further, oscillating within a range of JD 4.82 and JD 3.96 during the first six months. JOKB stock ended the first half of 2009 at JD 4.16, down 12.1% from the start of the year and 43.8% down year-on-year.

JOKB's Trading Activity

Year	Value Traded	Volume Traded	Average Daily Value Traded	Average Daily Volume Traded
2008*	394,613,272	54,676,768	1,617,268	224,085
2009**	3,271,740	776,371	26,385	6,261

* Excluding Block Trades

** For the Six Month Ended 30th June 2009

The Bank also had one block deal executed on its stock during 2008 to the value of JD 689.50 thousand over 98,214 thousand shares.

As liquidity in the market weakened during 2009, JOKB's average daily value traded fell to reach JD 26.39 thousand compared to JD 1.62 million in 2008, while the average daily volume traded dropped by 97.2% to reach 6,261 shares traded.

The Balance Sheet

JOKB's balance sheet continued to grow in 2008 but at a decelerating rate compared to previous years, with total assets growing by a mere 2.3% in 2008 compared to a 22.2% growth in 2007. During the first three quarters of 2008, the Bank had experienced a 7.6% increase in assets to reach JD 2.17 billion, but was largely offset in the final quarter of the year by a JD 102 million decrease in assets to end 2008 at JD 2.06 billion as a consequence of the global financial crisis and increased risk aversion of banks. This decline continued into the first quarter of 2009 where the Bank's total assets declined further to reach JD 2.05 billion.

Predictably, the Bank's credit facilities grew at a lower pace compared to previous years, rising by 9.6% by the end of 2008, to reach JD 1.24 billion. During the first quarter of 2009, and as banks tightened their credit-granting policies, JOKB's credit facilities fell by 3.6% to reach JD 1.19 billion. We anticipate a

further decline in facilities granted by year end.

JOKB's liabilities growth also decelerated sharply, rising by 1.2% by the end of 2008 compared to a 23.2% growth in 2007. During the first quarter of 2009, the Bank's total liabilities declined by 0.9% to end the quarter at JD 1.80 billion, with customer deposits falling further to JD 1.18 billion compared to JD 1.19 billion in 2008. This contrasts with the overall banking sector which experienced a rise in deposits over the period. This can be explained due to the emphasis of JOKB's operations on corporate clients rather than on retail business, whose business are beginning to feel the squeeze from the economic downturn.

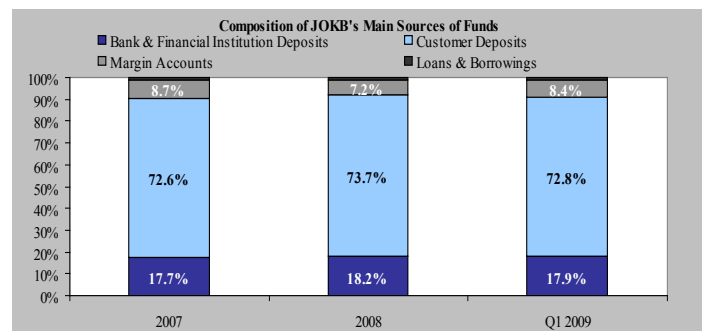
The JD 25 million capital increase during 2008 increased JOKB's shareholders' equity by an impressive 10.3% to end the year at JD 239.40 million. The strong financial results during the first quarter of 2009 were fed through to shareholders' equity, raising it to JD 243.42 million.

Key Balance Sheet Items

	2007	2008	Q1 2009	% Change
Total Assets	2,016,727,606	2,062,791,204	2,051,046,927	(0.6%)
Total Liabilities	1,790,964,139	1,812,634,554	1,796,295,700	(0.9%)
Shareholders' Equity	216,946,670	239,397,722	243,422,947	1.7%

Sources of Funds

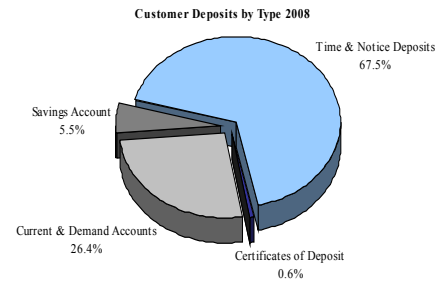
Customer deposits continued to comprise the larger part of the Bank's sources of funds, making up 72.8% during the first quarter of 2009 compared to 73.7% at the end of 2008. During the quarter, customer deposits dropped by 0.4% to reach JD 1.18 billion, while cash margins increased by 18% over the same period to reach JD 136.76 million compared to JD 115.84 million at the end of 2008, giving a combined total of JD 1.13 billion in 2008, falling significantly short of our previous estimate of JD 1.42 billion.



In 2008, JOKB's customer deposits comprised mostly of time and notice deposits, which made up 67.5% of total deposits. This concentration implies that the Bank has a higher cost of funds due to the high interest rates offered on these types of accounts. However, worth noting is that the time and notice deposits contribution dropped slightly in 2008 compared to 2007 where it reached 68.4%. Going forward, we estimate an increase in the proportion of time and notice deposits due to the sharp downward correction in the local and global stock markets, as investors prefer to place their funds in high interest-earning accounts to compensate for the loss of investment profits.

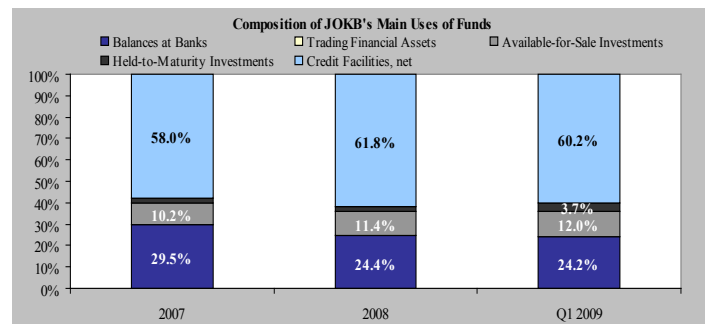
During the same period, savings and current accounts also

increased to end the year at JD 65.38 million and JD 315.57 million respectively from JD 59.68 million and JD 277.23 million in 2007.



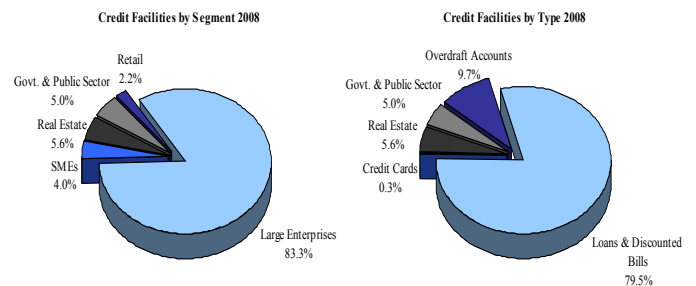
Uses of Funds

The Bank's primary uses of funds are its credit facilities, which constitute 60.2% of the Bank's major uses of funds. During the first quarter of 2009, as banks became hesitant in their lending policies, JOKB's net credit facilities granted declined to reach JD 1.19 billion compared to JD 1.24 billion at year-end 2008, pulling down its weighting within the Bank's major uses of funds, compared to a weighting of 61.8% in 2008.



The corporate segment was the primary recipient in terms of credit facilities granted by the Bank, with JD 1.04 billion of the JD 1.24 billion total in 2008, while the real estate sector was next, falling far behind with JD 69.64 million of the facilities.

Loans and discounted bills claimed the lion's share of facilities granted by type, reaching JD 995.82 million by the end of 2008. They were followed by overdraft accounts, with JD 121.88 million.



Asset Quality

JOKB is renowned for having the highest quality credit facilities amongst banks in Jordan. The Bank has been successfully reducing its non-performing loans-to-credit facilities ratio over the years, ranking itself in top position compared to other banks in the sector. Nevertheless, JOKB's value of non-performing loans rose in 2008 to reach JD 6.05 million compared to JD 2.31 million

in 2007. This increase is to be expected since the Bank tends to be more corporate business-oriented rather than retail business-oriented. Since the eruption of the financial crisis and credit crunch, companies have been finding it increasingly difficult to settle their loans due to the tight liquidity in the market and poorer sales, which led the non-performing loans-to-credit facilities ratio to increase to 0.5% compared to 0.2% in 2007. Despite this increase, JOKB, nonetheless, maintained a high coverage ratio of 253.1% compared to 227.3% in 2007 through providing for an additional JD 13.85 million against non-performing loans during the year.

Asset Quality of JOKB

	2007	2008	% Change
Credit Facilities (Gross)	1,135,040,795	1,253,362,329	10%
Non-Performing Loans*	2,314,353	6,050,514	161%
Provision for Credit Losses	5,261,607	15,315,485	191%
NPL*/Credit Facilities (Net)**	0.2%	0.5%	139%
Provision for Credit Losses/NPL*	227.3%	253.1%	11%

* Net of Interest in Suspense

** Net of Interest in Suspense and Provisions for Credit Losses

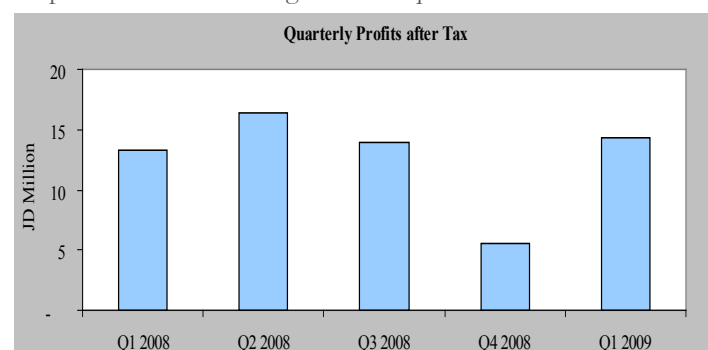
Going forward, we expect non-performing loans to continue to rise, as further challenges are experienced by the corporate and retail sectors, therefore raising the proportion of non-performing loans-to-credit facilities to a higher rate. We do, however, expect the Bank to continue to outperform its peers in this regard.

Shareholders' Equity

The shareholders' equity increased to JD 243.42 million during the first quarter of 2009 compared to JD 239.40 million in 2008. The downward trend in the global capital markets witnessed during the second half of 2008 led to a JD 9.04 million negative change in fair value of available-for-sale assets bypassing the income statement and being registered as part of shareholders' equity in the fair value reserve account, leading the fair value account to drop to a negative JD 7.90 million by the end of 2008. In the first quarter 2009, the reserve account showed a slight improvement of around JD 200 thousand, leading total shareholders' equity to end the first quarter of 2009 at almost JD 4.0 million higher than the end of 2008. The continued downward trend of global capital markets leads us to expect further negative changes in fair value as values of assets continue to devalue under existing market conditions.

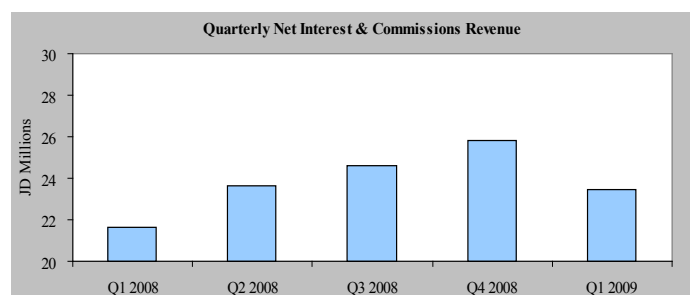
Income Statement

During the first quarter of 2009, JOKB's net profit for the period amounted to JD 14.28 million, almost JD 1 million higher than the profits achieved during the same quarter of 2008.



The trailing quarter profits illustrated in the chart above reveal a steady climb in quarterly profits at the start of 2008, before dropping sharply in Q3 and Q4 of 2008. Despite this, however, the Bank managed to register an 8.1% increase in its net profit overall compared to 2007, with a bottom line of JD 49.08.

Despite the financial challenges in 2009, JOKB's net interest income managed to increase during the first three months of 2009 to reach JD 19.88 million, rising by 7.4% compared to the same period of 2008, while net interest and commissions also rose by 8.7% over the same period.



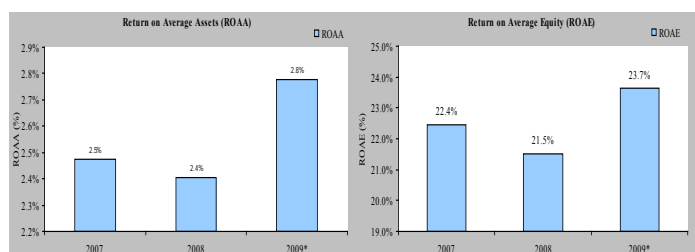
We expect that Bank to focus more on obtaining revenues in the coming year from non-core operations, such as fees, charges and commissions, in order to compensate for the reduced income from restricted credit facilities granted.

The high inflation rates that existed during 2008 resulted in an increase in the Bank's expenses during the first three quarters of the year. Total expenses rose by 46.0% to reach JD 48.32 million compared to JD 33.11 million in 2007. Employee costs increased to JD 20.43 million compared to JD 16.88 million in the previous year, while provisions for credit losses increased to JD 10.33 million compared to JD 1.50 million in 2007.

The drop in oil prices and decline in inflation rates during 2009 led prices to become more reasonable which saw Bank's expenses fall back to JD 9.63 million, which when annualised, registers 20.2% lower than the expenses for 2008.

Profitability Ratios

The Bank's key profitability ratios slightly dropped during the year with a Return on Average Assets (ROAA) and a Return on Average Equity (ROAE) of 2.4% and 21.5% respectively in 2008. Annualised Q1 2009 returns give an increase in the ratios for 2009 to 2.8% and 23.7% respectively.



* Based on Annualised Q1 2009 Returns

Price-to-Earnings (P/E) and Price-to-Book (P/B) Ratios

The decline in JOKB's share price to JD 4.69 at 2008 year-end, led to a drop in the Bank's P/E ratio from 13.94 times at the end of 2007 to 10.10 times in 2008. Based on the current share price

and annualised Q1 2009 EPS, the Bank's forward P/E registers at a low 7.23 times.

	2004	2005	2006	2007	2008
P/E (times)	19.86 x	16.62x	12.51x	13.94x	10.10x
P/B (times)	4.39x	4.12x	2.61x	2.85x	1.96x
Share Price*	11.80	10.60	6.53	8.25	4.69

* Closing price at period-end

The Bank's P/BV also dropped over the same period, to reach 1.96 times in 2008 compared to 2.85 times in 2007. For 2009, based on JOKB's current share price, the P/BV stood at 1.70 times.

Dividends and the Dividend Yield

The Bank's cash dividends policy has been stable in recent years, at 20% of paid-up capital. However, in 2008, the Bank's General Assembly approved the distribution of JD 0.10 per share, equivalent to 10% cash dividends, which led to a decline in the dividend yield from 2.4% in 2007 to 2.1%. The decline in dividend distribution comes at a time of prudence by the Bank, where excess cash is favourable.

VALUATION

Revised Estimates

We have revised our previous estimates taking into account JOKB's weaker than expected 2008 and Q1 2009 performance, and to reflect the impact of the global strain on the financial system, the credit crunch, and reduced aggressiveness arising from increased risk averseness.

JOKB's growth in both customer deposits and credit facilities will be affected by the minimum liquidity in the market and the tightened lending policies. The deceleration in growth will be fed through the income statement in the form of lower than previously estimated core revenues. Our previous analysis of the Bank had come at a time of exceptional performance for the Bank and strong growth. For 2009, we have revised downwards our estimated operating income to JD 75.72 million from JD 105.92 million, while the Bank's bottom line has also been reduced to JD 53.76 million from our previous estimate of JD 75.20 million.

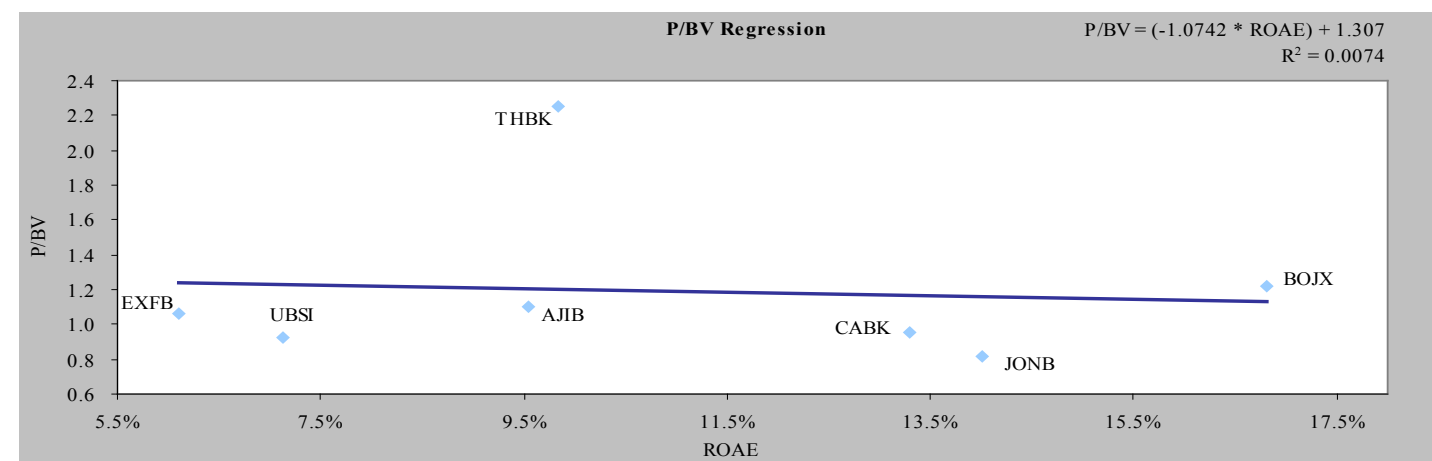
Valuation Methods

Using three types of valuation methods, we arrive at a weighted average fair value for JOKB's stock of JD 6.36, registering 53.9% higher than the stock's current price, leading us maintain our BUY recommendation for the stock.

Weighted Average Fair Value per Share			
Valuation Method	Target Value	Weighting	Value
Peer Valuation (P/BV)	2.60	20%	0.52
Peer Valuation (P/E)	6.27	20%	1.25
Excess Equity Returns Model	7.64	60%	4.58
Weighted Average Fair Value		100%	6.36
Current Price			4.13
Upward (Downward) Potential			53.9%

P/BV Ratio

This method of valuation entails the regression of the Price to Book Value (P/BV) multiple for the banks in JOKB's peer group against their respective annualised Return on Average Equity (ROAE) ratios based on 2009 first quarter financial results and current stock price.



The regression analysis returned the relationship $P/BV = -1.074 * ROAE + 1.307$. Based on a forecasted ROAE for JOKB for the year 2009, the implied P/BV multiple for JOKB is 1.085 times, thereby giving a price per share for the stock of JD 2.60.

P/E Ratio

This method of valuation relies on the average P/E ratio for a selected peer group to determine an appropriate P/E multiple for the Bank. The projected 2009 EPS for the Bank, alongside the computed multiple, is then used to determine a fair value price for JOKB's stock.

The peer group used in this method includes the Housing Bank for Trade and Finance (THBK), the Jordan National Bank (JONB),

the Capital Bank (EXFB), the Union Bank (UBSI), Cairo Amman Bank (CABK) the Bank of Jordan (BOJX), and the Arab Jordan Investment Bank (AJIB), which have an average forward P/E of 12.14 times. With a forecasted EPS for JOKB for 2009 of JD 0.516, this gives a price per share for the stock of JD 6.27.

Excess Returns Model

Again we used the Excess Returns Model, which values the Bank based on returns generated, over and above the required cost of equity. A cost of equity of 8.62% was used, and a sustainable growth rate for the period 2013 - 2018 equal to the cost of equity was utilised, before decelerating to 2% into perpetuity. This method lends a fair value for the stock of JD 7.64 per share.

	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	Terminal Value
Net Income	53,758,410	59,853,383	65,987,894	70,695,005	76,870,620	73,026,256	79,318,174	86,152,201	93,575,046	94,377,624
Less: Equity Cost	24,252,178	27,676,109	32,926,038	36,240,185	40,473,115	44,942,270	48,814,481	53,020,321	57,588,534	62,550,343
Excess Equity Return	29,506,233	32,177,274	33,061,857	34,454,820	36,397,505	28,083,985	30,503,692	33,131,880	35,986,512	31,827,281
Cumulative Cost of Equity	1.086160	1.179743	1.281389	1.391793	1.511710	1.641958	1.783428	1.937088	2.103987	
Present Value	27,165,650	27,274,821	25,801,576	24,755,705	24,077,049	17,103,961	17,103,961	17,103,961	17,103,961	

Estimating Equity Cost each Year										
Beginning BV of Equity	281,479,473	321,218,845	382,151,404	420,616,593	469,745,493	521,616,113	566,558,384	615,372,865	668,393,186	725,981,720
Cost of Equity	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%
Equity Cost	24,252,178	27,676,109	32,926,038	36,240,185	40,473,115	44,942,270	48,814,481	53,020,321	57,588,534	62,550,343

Estimating Book Value of Equity										
Return on Equity	20.64%	19.86%	18.76%	17.61%	17.27%	14.00%	14.00%	14.00%	14.00%	
Net Income	53,758,410	59,853,383	65,987,894	70,695,005	76,870,620	73,026,256	79,318,174	86,152,201	93,575,046	
Dividend Payout Ratio	38.75%	34.81%	37.89%	35.36%	32.52%	38.46%	38.46%	38.46%	38.46%	
Dividends Paid	20,833,333	20,833,333	25,000,000	25,000,000	25,000,000	28,083,985	30,503,692	33,131,880	35,986,512	
Retained Earnings	32,925,077	39,020,049	40,987,894	45,695,005	51,870,620	44,942,270	48,814,481	53,020,321	57,588,534	

Risk-Free Rate	4.697%	Based on CBJ Treasury Bond Rate
MRP	8.90%	Based on Damodaran Market Risk Premium for Jordan
Beta (adjusted)	0.440	Computed by ABCI
Cost of Equity	8.62%	

Average Sustainable Growth Rate	8.62%
Steady State Growth	2.00%

Equity Invested	281,479,473
PV of Equity Excess Return	211,417,813
PV of Terminal Value	270,983,639
Value of Equity	763,880,925
Number of Shares Outstanding	100,000,000
Value per share	7.64

Sensitivity Analysis

The table below illustrates the sensitivity of the excess returns model valuation to the inputs of the model. To reflect the extent of this sensitivity, we have performed a sensitivity analysis on the model's two key inputs; the terminal growth rate and the cost of equity.

		Terminal Growth Rate				
		0.00	1.00	2.00	3.00	4.00
Cost of Equity	7.62	8.14	8.60	9.22	10.11	11.50
	8.12	7.52	7.88	8.37	9.04	10.04
	8.62	6.97	7.26	7.64	8.15	8.89
	9.12	6.47	6.70	7.00	7.39	7.94
	9.62	6.02	6.20	6.44	6.74	7.15

BALANCE SHEET

	Historical					Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS										
Cash Balances	322,942,768	531,124,132	380,433,479	575,253,532	489,120,939	755,973,939	816,137,204	838,048,058	917,138,617	1,012,101,087
Investment Portfolio	85,105,915	133,687,438	237,263,732	242,758,281	274,205,559	231,445,173	265,109,926	286,318,720	314,950,592	346,445,651
Direct Credit Facilities, net	445,427,298	688,975,366	959,174,719	1,129,106,496	1,237,394,692	1,074,508,869	1,106,744,135	1,234,711,425	1,321,141,225	1,413,621,111
Premises and Equipment	9,540,660	11,567,195	11,915,212	13,175,555	12,920,684	12,624,282	13,255,496	15,508,931	18,372,118	20,209,330
Other Assets	23,294,617	43,018,051	60,974,575	56,433,742	49,149,330	50,623,810	52,142,524	53,706,800	55,318,004	56,977,544
Total Assets	886,311,258	1,408,372,182	1,649,761,717	2,016,727,606	2,062,791,204	2,125,176,073	2,253,389,285	2,428,293,934	2,626,920,555	2,849,354,722
LIABILITIES & SHAREHOLDERS' EQUITY										
Liabilities										
Banks and Financial Institution Deposits	90,588,103	113,167,023	102,471,661	266,756,424	294,190,077	273,526,114	309,294,913	334,038,506	367,442,357	404,186,592
Customer Deposits & Margin Accounts	647,718,125	1,106,346,397	1,117,551,853	1,256,208,792	1,310,376,669	1,343,136,086	1,383,430,168	1,452,601,677	1,554,283,794	1,663,083,660
Loans and Borrowings	17,252,239	15,919,882	41,473,731	15,104,151	15,104,151	15,859,359	16,652,326	17,484,943	18,359,190	19,277,149
Provisions	15,739,609	21,140,352	27,455,277	31,216,390	39,266,118	35,768,799	37,557,239	40,561,819	44,618,000	49,079,801
Other Liabilities	27,529,766	43,390,842	164,958,237	221,678,382	153,697,539	164,115,668	172,321,452	186,107,168	204,717,885	225,189,673
Total Liabilities	798,827,842	1,299,964,496	1,453,910,759	1,790,964,139	1,812,634,554	1,832,406,026	1,919,256,099	2,030,794,112	2,189,421,226	2,360,816,875
Shareholders Equity										
Paid up Capital	31,250,000	40,000,000	75,000,000	75,000,000	100,000,000	100,000,000	100,000,000	120,000,000	120,000,000	120,000,000
Share Premium Reserve	-	-	30,000,000	30,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Statutory Reserve	11,697,637	15,485,206	20,979,781	27,244,808	33,814,668	41,386,275	49,816,329	59,110,399	69,067,442	79,894,289
Voluntary Reserve	18,274,846	25,849,983	30,413,055	42,943,109	56,082,829	56,082,829	56,082,829	56,082,829	56,082,829	56,082,829
Foreign Branches Reserves	4,545,000	-	-	-	-	-	-	-	-	-
General Banking Risk Reserve	3,857,195	6,192,433	8,878,398	9,970,215	11,882,337	12,000,000	12,000,000	16,000,000	17,000,000	18,000,000
Fair Value Reserve - Net	1,014,784	658,454	1,313,560	1,137,442	(7,900,942)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Retained Earnings	13,330,680	14,689,561	21,080,829	30,651,096	40,518,830	65,010,368	96,319,687	123,958,177	151,466,322	188,768,375
Total Equity attributable to the Bank's Shareholders	83,970,142	102,875,637	187,665,623	216,946,670	239,397,722	281,479,473	321,218,845	382,151,404	420,616,593	469,745,493
Minority Interest	3,513,274	5,532,049	8,185,335	8,816,797	10,758,928	11,290,575	12,914,341	15,348,418	16,882,737	18,792,354
Total Equity	87,483,416	108,407,686	195,850,958	225,763,467	250,156,650	292,770,047	334,133,186	397,499,822	437,499,329	488,537,847
Total Liabilities and Shareholders' Equity	886,311,258	1,408,372,182	1,649,761,717	2,016,727,606	2,062,791,204	2,125,176,073	2,253,389,285	2,428,293,934	2,626,920,555	2,849,354,722

INCOME STATEMENT

	Historical					Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Interest Income	42,146,518	58,215,998	102,634,139	132,756,834	145,842,239	142,757,553	151,664,367	165,494,107	178,858,313	193,626,206
Interest Expense	(15,086,496)	(22,184,214)	(45,435,529)	(67,610,357)	(63,344,052)	(60,015,070)	(62,385,398)	(65,691,173)	(70,473,495)	(75,609,848)
Net Interest Income	27,060,022	36,031,784	57,198,610	65,146,477	82,498,187	82,742,483	89,278,969	99,802,935	108,384,818	118,016,358
Net Commissions	5,052,290	6,132,538	8,916,568	14,737,001	13,153,933	14,275,755	15,166,437	16,549,411	17,885,831	19,362,621
Net Interest Income and Commissions	32,112,312	42,164,322	66,115,178	79,883,478	95,652,120	97,018,238	104,445,406	116,352,345	126,270,649	137,378,979
Gains from Foreign Exchange	2,010,019	3,320,720	3,011,521	3,887,477	4,116,745	2,855,151	3,033,287	3,309,882	3,577,166	3,872,524
Gains (Losses) from Trading Investments	387,363	994,960	(352,864)	(69,591)	(216,705)	-	-	-	-	-
Gains (Losses) from Available-for-Sale Investments	1,871,748	2,641,360	514,131	1,356,605	(1,920,951)	(1,000,000)	1,000,000	2,000,000	2,000,000	2,000,000
Other Income	6,283,323	11,726,496	10,414,544	11,716,257	19,024,544	19,986,057	21,233,011	21,514,234	21,462,998	23,235,145
Gross Income	42,664,765	60,847,858	79,702,510	96,774,226	116,655,753	118,859,446	129,711,705	143,176,462	153,310,813	166,486,647
Employee Costs	8,717,861	11,195,406	14,471,870	16,881,841	20,433,783	22,477,161	24,724,877	27,197,365	29,917,102	32,908,812
Depreciation and Amortisation	1,537,059	2,098,647	3,259,224	3,590,959	3,661,805	3,577,803	3,756,693	4,395,331	5,206,776	5,727,454
Other Expenses	6,263,555	7,086,436	8,872,956	10,113,947	11,965,792	12,564,082	13,192,286	13,851,900	14,544,495	15,271,720
Provision for Credit Losses	(2,112,898)	569,063	(3,662,477)	1,499,108	10,332,256	2,500,000	1,611,763	2,559,346	1,728,596	1,849,598
Provision (surplus) for impairment in Held-to-Maturity Inv.	(200)	-	-	-	-	-	-	-	-	-
Sundry Provisions	589,749	594,198	817,256	1,019,980	1,927,933	2,024,330	2,125,546	2,231,823	2,343,415	2,460,585
Total Expenses	14,995,126	21,543,750	23,758,829	33,105,835	48,321,569	43,143,375	45,411,165	50,235,765	53,740,384	58,218,169
Operating Income	27,669,639	39,304,108	55,943,681	63,668,391	68,334,184	75,716,071	84,300,539	92,940,696	99,570,430	108,268,479
Non Operating Revenues (Expenses)	-	-	-	-	-	-	-	-	-	-
Net Income before Income Tax	27,669,639	39,304,108	55,943,681	63,668,391	68,334,184	75,716,071	84,300,539	92,940,696	99,570,430	108,268,479
Income Tax	(8,189,073)	(11,404,772)	(15,810,869)	(18,271,729)	(19,258,193)	(21,957,661)	(24,447,156)	(26,952,802)	(28,875,425)	(31,397,859)
Net Income after Income Tax and Appropriations	19,480,566	27,899,336	40,132,812	45,396,662	49,075,991	53,758,410	59,853,383	65,987,894	70,695,005	76,870,620
Minority Interest	914,644	2,387,511	997,932	1,018,115	2,635,584	2,150,336	2,394,135	2,639,516	2,827,800	3,074,825
Profit Attributable to the Shareholders of the Bank	18,565,922	25,511,825	39,134,880	44,378,547	46,440,407	51,608,074	57,459,247	63,348,379	67,867,205	73,795,795

KEY RATIOS

Key Ratios	Historical					Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Income	42,664,765	60,847,858	79,702,510	96,774,226	116,655,753	118,859,446	129,711,705	143,176,462	153,310,813	166,486,647
Profit before Tax	27,669,639	39,304,108	55,943,681	63,668,391	68,334,184	75,716,071	84,300,539	92,940,696	99,570,430	108,268,479
Profit after Tax	19,480,566	27,899,336	40,132,812	45,396,662	49,075,991	53,758,410	59,853,383	65,987,894	70,695,005	76,870,620
EPS	0.594	0.638	0.522	0.592	0.464	0.516	0.575	0.528	0.566	0.615
Total Assets	886,311,258	1,408,372,182	1,649,761,717	2,016,727,606	2,062,791,204	2,125,176,073	2,253,389,285	2,428,293,934	2,626,920,555	2,849,354,722
Shareholders' Equity	83,970,142	102,875,637	187,665,623	216,946,670	239,397,722	281,479,473	321,218,845	382,151,404	420,616,593	469,745,493
Paid-up Capital	31,250,000	40,000,000	75,000,000	75,000,000	100,000,000	100,000,000	100,000,000	120,000,000	120,000,000	120,000,000
Growth in Facilities	40.0%	54.7%	39.2%	17.7%	9.6%	(13.2%)	3.0%	11.6%	7.0%	7.0%
Growth in Customer Deposits	25.4%	70.8%	1.0%	12.4%	4.3%	2.5%	3.0%	5.0%	7.0%	7.0%
Growth in Net Profits	32.0%	43.2%	43.8%	13.1%	8.1%	9.5%	11.3%	10.2%	7.1%	8.7%
Growth in Operating Income	37.1%	42.0%	42.3%	13.8%	7.3%	10.8%	11.3%	10.2%	7.1%	8.7%
Facilities-to-Assets	50.3%	48.9%	58.1%	56.0%	60.0%	50.6%	49.1%	50.8%	50.3%	49.6%
Facilities-to-Total Deposits	60.3%	56.5%	78.6%	74.1%	77.1%	66.5%	65.4%	69.1%	68.7%	68.4%
Facilities-to-Customer Deposits	68.8%	62.3%	85.8%	89.9%	94.4%	80.0%	80.0%	85.0%	85.0%	85.0%
Growth in Non-Interest Expense	1.2%	43.7%	10.3%	39.3%	46.0%	(10.7%)	5.3%	10.6%	7.0%	8.3%
Non-Interest Income-to-Operating Income	56.4%	63.1%	40.2%	49.7%	50.0%	47.7%	48.0%	46.7%	45.1%	44.8%
Cost-to-Income Ratio	54.2%	54.8%	42.5%	52.0%	70.7%	57.0%	53.9%	54.1%	54.0%	53.8%
Dividends Per Share	0.200	-	0.200	0.200	0.100	0.200	0.200	0.200	0.200	0.200
Dividend Payout Ratio	33.7%	0.0%	38.3%	33.8%	21.5%	38.8%	34.8%	37.9%	35.4%	32.5%
Dividend Yield	1.7%	0.0%	3.1%	2.4%	2.1%	4.8%	4.8%	4.8%	4.8%	4.8%
Net Interest Margin	64.2%	61.9%	55.7%	49.1%	56.6%	58.0%	58.9%	60.3%	60.6%	61.0%
ROAA	2.4%	2.4%	2.6%	2.5%	2.4%	2.6%	2.7%	2.8%	2.8%	2.8%
ROAE	25.7%	29.9%	27.6%	22.4%	21.5%	20.6%	19.9%	18.8%	17.6%	17.3%
EPS	0.594	0.638	0.522	0.592	0.464	0.516	0.575	0.528	0.566	0.615
Book Value	2.687	2.572	2.502	2.893	2.394	2.815	3.212	3.185	3.505	3.915
P/E Ratio	19.86	16.62	12.51	13.94	10.10	8.00	7.19	7.82	7.30	6.72
P/BV Ratio	4.39	4.12	2.61	2.85	1.96	1.47	1.29	1.30	1.18	1.06
Share Price	11.80	10.60	6.53	8.25	4.69	4.13	4.13	4.13	4.13	4.13

Disclaimer

This document has been issued by ABC Investments for informational purposes only. The information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed and such information may be incomplete or condensed. This document is not, and should not, be construed as an offer or the solicitation of an offer to buy or sell any security. ABC Investments accepts no liability for any loss or damage of any kind arising from the use of all or any part of this document. ABC Investments has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein changes or subsequently becomes inaccurate. This document may not be reproduced or circulated without the written consent of ABC Investments.