

# Al Arabi Investment Group Co.

## XNET Workshop Athens, Greece

October, 2009



AB INVEST

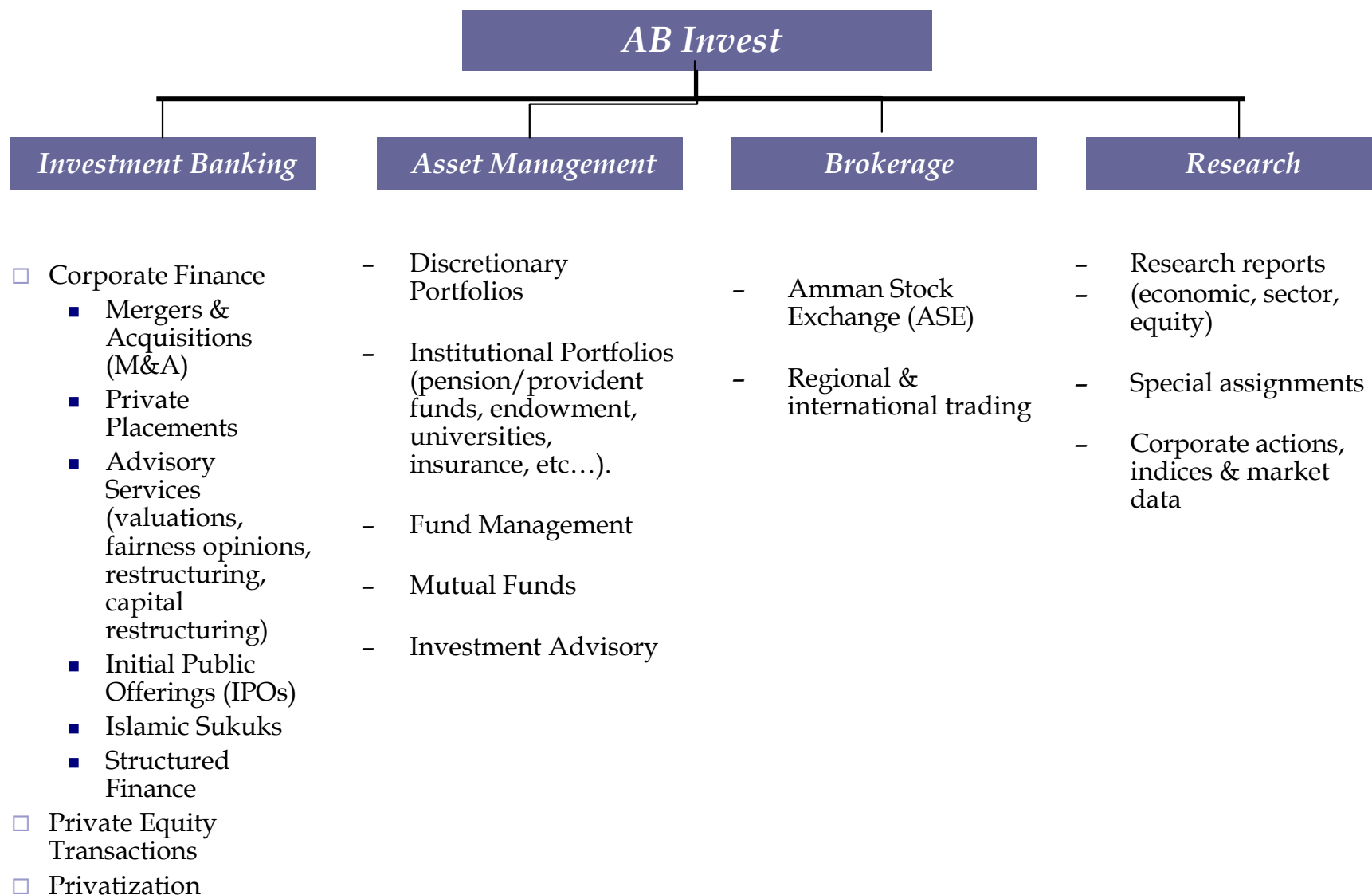
AL ARABI INVESTMENT GROUP CO.

# A Profile of AB Invest

- Investment Banking firm established in **February 1996**
- **Oldest**, full-fledged Investment Banking firm in Jordan
- Wholly-owned subsidiary of the Arab Bank
- An integrated (4 business), **one-stop-shop** offering:
  - ✓ asset management
  - ✓ corporate finance
  - ✓ brokerage
  - ✓ research
- One of the **largest** and **most qualified**, teams in Jordan
- **Regulated** by the Jordan Securities Commission
- **Compliance** Officer is a full-time member of team

# Service Platform

## Bringing clarity to important business issues



# Who is AB-Invest Team?

- A Total of 20 professionals across Asset Management, Investment Banking , Research, and Brokerage in addition to 24 other support staff; largest and most experienced investment banking team in Jordan.
- Competitive advantage for Arab Bank; develop into a center of excellence.
- Qualifications:
  - 4 Chartered Financial Analyst (CFA) holders; AB Invest pays tuition/fees upon passing
  - 1 Certified Public Accountant (CPA) and 1 Certified Valuation Analyst (CVA)
  - Over 6 MBA, MSc, and MA holders from reputable universities
  - Entrance exam is mandatory
  - Continuous training programs



# Success Factors for Investment Banking

The vision is *to build the premier Investment Banking operation in the Middle East* – The business model will rely on these critical success factors:

- Human Capital

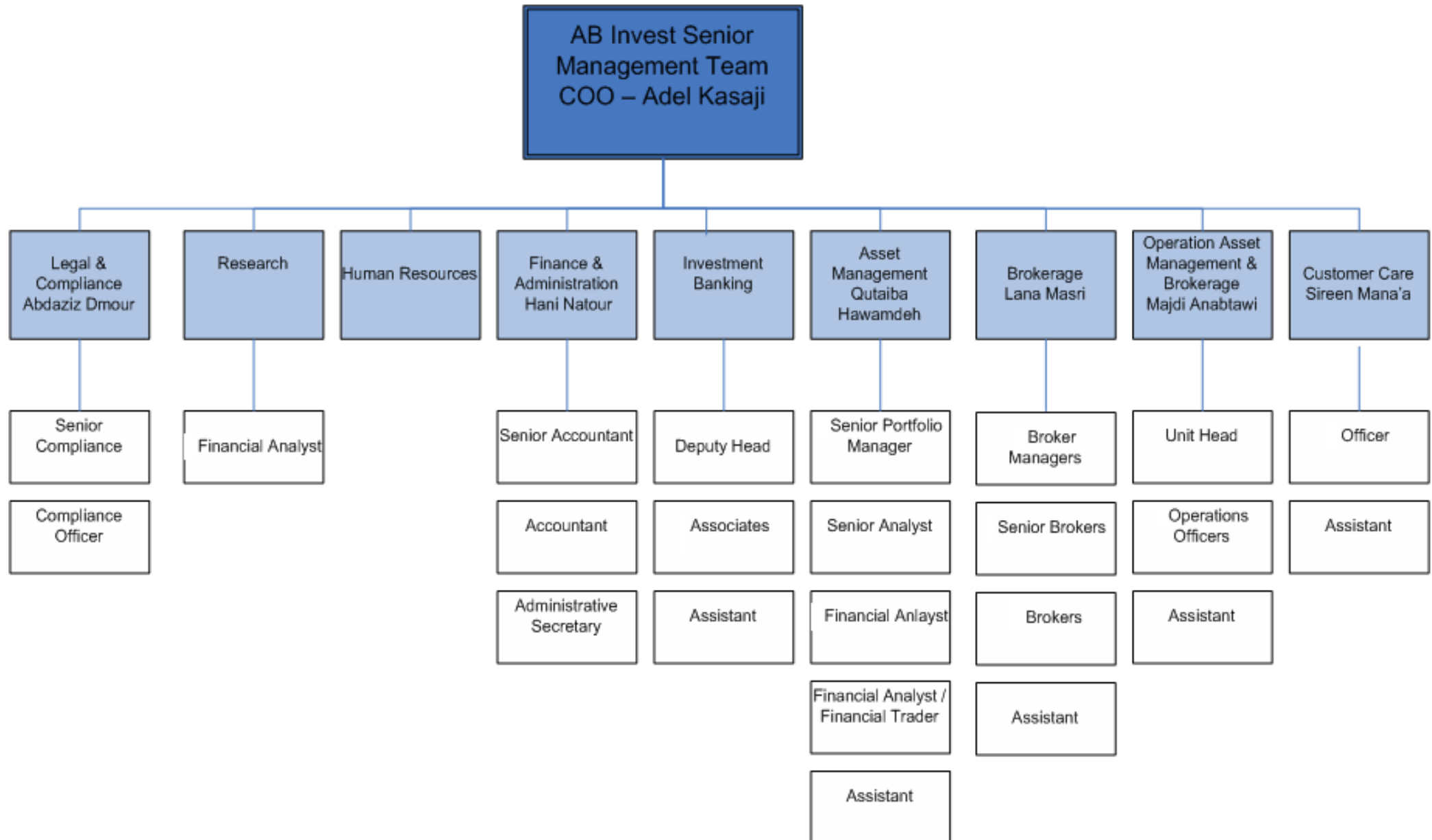
- Distribution

- Integration

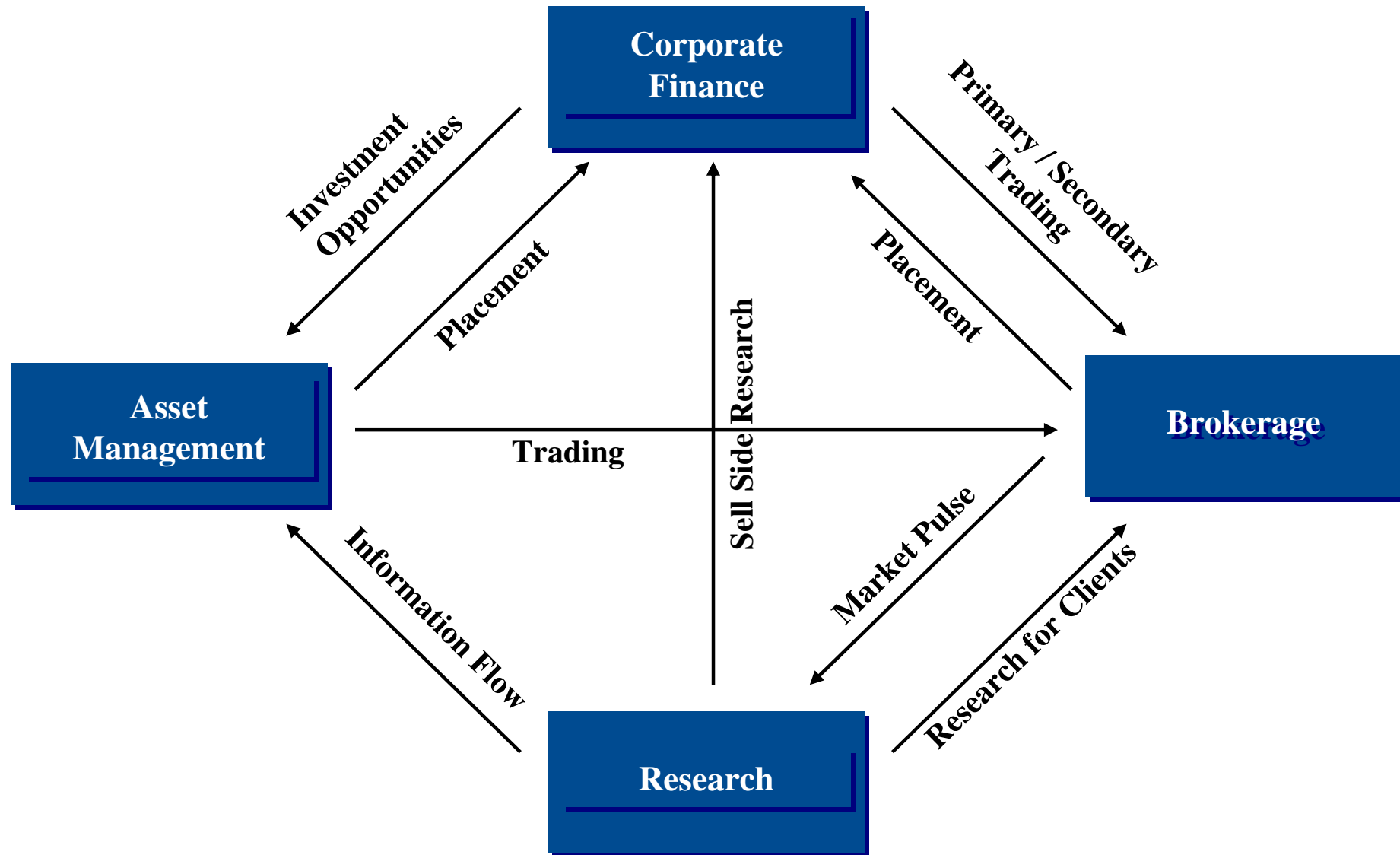
- Equity Base

- Reputation

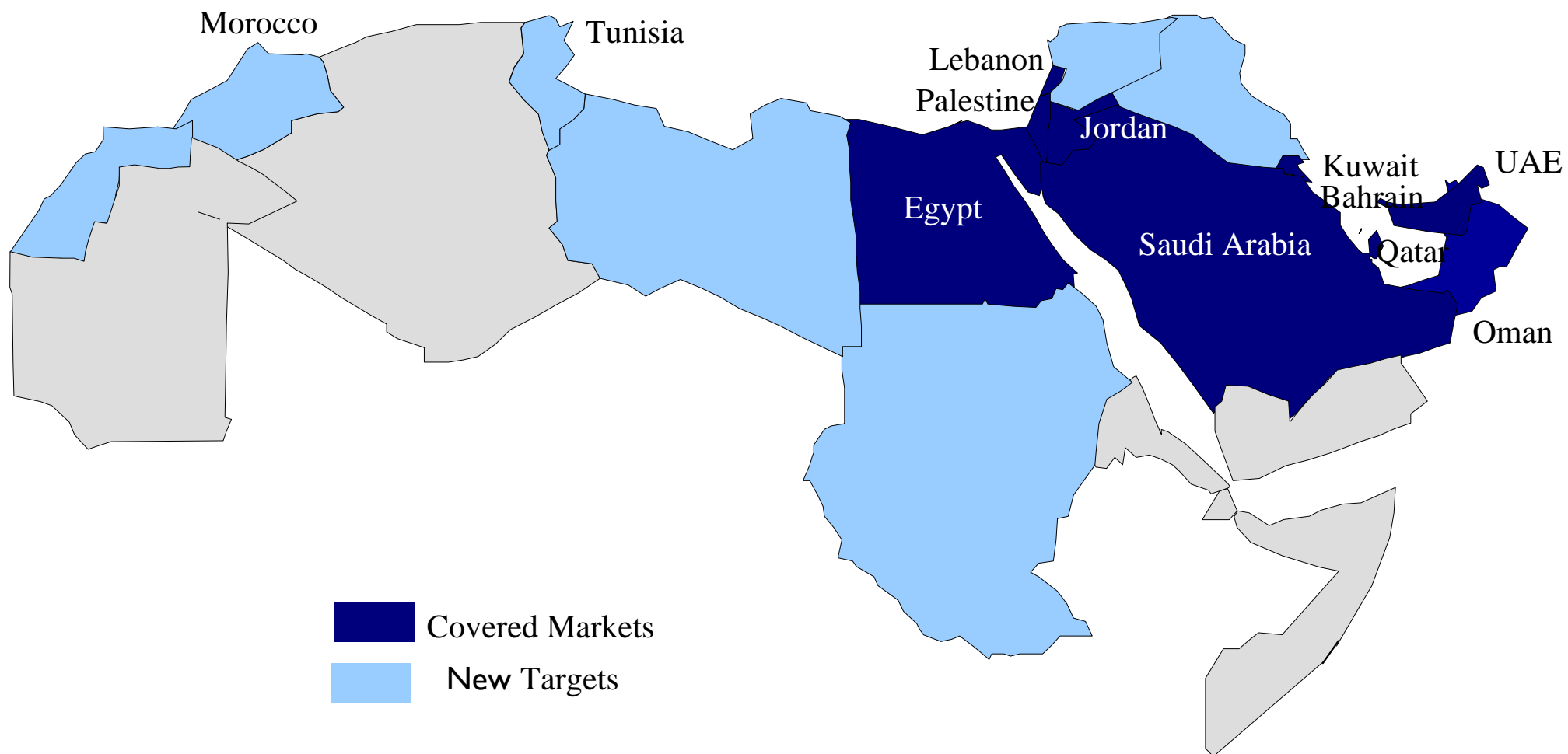
# Organization Chart for Investment Banking



# Intrinsic Benefits of Cross-Fertilization



# Market Coverage







## *AB-Invest – Selected Figures*

	2004	2005	2006	2007	2008
<b>Owner's Equity (JD mill)</b>	5.29	10.02	12.11	16.28	20.32
<b>Net Income (JD mill)</b>	1.52	4.93	2.09	4.17	4.04
<b>AB Invest Turnover (JD mill)</b>	285	1,685	933	1,843	1,730
<b>ASE Turnover (JD mill)</b>	7,598.5	33,786	28,420	24,703	40,637
<b>Rank/Total Active brokers</b>	13/31	7/48	8/62	1/66	4/69
<b>Number of Clients</b>	1,671	4,156	11,103	12,666	13,820



# *The Hashemite Kingdom of Jordan*

## *Country Profile*

- *Located at the heart of the MENA region at the cross roads of three continents*
- *Population of approximately 5.9 mill, with over a third residing in its capital Amman.*
- *Around 60% of the population are under the age of 25*
- *One of the premier educational systems in the region with a 91.30% average literacy rate*
- *Low to middle income country*
- *Limited resources with Potash and Phosphate as its only resources*
- *Decades of political stability and a safe haven*

# Jordan's Recent Performance

	2004	2005	2006	2007	2008
<b>Real GDP Growth (%)</b>	8.6	8.1	8	6.6	<b>5.6</b>
<b>Unemployment (%)</b>	14.7	14.8	14	13.1	<b>12.7</b>
<b>Trade Balance (% GDP)</b>	-29.6	-39.7	-34.1	-39	<b>-36.1</b>
<b>Current Account Balance (%GDP)</b>	0.8	-17.4	-10.8	-17.7	<b>-12.1</b>
<b>Consumer prices (avg %)</b>	3.4	3.5	6.2	5.4	<b>14.9</b>
<b>M2 (JOD bn)</b>	10.6	12.3	14.1	15.6	<b>18.3</b>
<i>M2 (y-o-y growth%)</i>	<i>11.7</i>	<i>17</i>	<i>14.1</i>	<i>10.6</i>	<i>17.3</i>
<b>Credit Facilities Extended by Banks (JOD bn)</b>	6.2	7.7	9.8	11.3	<b>13.2</b>
<i>Credit Facilities (y-o-y growth %)</i>	<i>17.6</i>	<i>25.1</i>	<i>26.1</i>	<i>15.7</i>	<i>16.8</i>
<b>Total Deposits (JOD bn)</b>	11.6	13.1	14.6	16.0	<b>18.1</b>
<i>Total Deposits (y-o-y growth %)</i>	<i>16</i>	<i>13.4</i>	<i>11.2</i>	<i>9.6</i>	<i>13.2</i>
<b>Credit/Deposits (%)</b>	54	59	67	71	<b>73</b>
<i>Credit/Deposits (y-o-y growth %)</i>	<i>1</i>	<i>10</i>	<i>13</i>	<i>6</i>	<i>3</i>
<b>FX Reserves (JOD bn)</b>	3.4	3.4	4.3	4.9	<b>5.5</b>
<b>GDP per head (US\$ at market exchange rates)</b>	2133	2307	2650	2889	<b>3421</b>

*Source: CBJ & DOS*

# Government Budget Balance

(JOD m)

	2007 Actual	2008 Prel	2009 Budget	Jan-Aug08	Jan-Aug 09	%
<b>Total Revenues and Grants</b>	<b>3971.5</b>	<b>5092.8</b>	<b>5466.9</b>	<b>3,620.1</b>	<b>2,941.5</b>	<b>-18.7</b>
<b>Domestic Revenues</b>	<b>3628.1</b>	<b>4374.6</b>	<b>4782.9</b>	3,139.4	2,838.8	-9.6
<b>Tax revenues</b>	2472.1	2758.1	3257.4	1,950.6	2,041.2	4.6
<b>Pension Contribution</b>	18.2	21.2	20.6	13.9	13.2	-5.0
<b>Other Revenues</b>	1137.8	1595.3	1504.9	1,174.9*	784.4	-33.2
<b>Foreign grants*</b>	<b>343.4</b>	<b>718.2</b>	<b>684.0</b>	480.7	102.7	-78.6
<b>Total Expenditures</b>	<b>4586.5</b>	<b>5431.0</b>	<b>6155.5</b>	<b>3,472.8</b>	<b>3,699.2</b>	<b>6.5</b>
<b>Current Expenditures</b>						
Commitment basis	3743.9	4481.4	4790.5	2,925.5	2,889.9	-1.2
Cash basis	3697.7	4481.4	4790.5	2,957.5	2,889.9	-2.3
<b>Capital Expenditures*</b>	<b>842.6</b>	<b>949.6</b>	<b>1365.0</b>	<b>547.3</b>	<b>809.3</b>	47.9
<b>Deficit including Grants</b>	<b>-615.0</b>	<b>-338.2</b>	<b>-688.6</b>	<b>147.3*</b>	<b>-757.7</b>	<b>-614.4</b>
<b>Deficit excluding Grants</b>	<b>-958.4</b>	<b>-1056.4</b>	<b>-</b>	<b>-333.4*</b>	<b>-860.4</b>	<b>158.1</b>

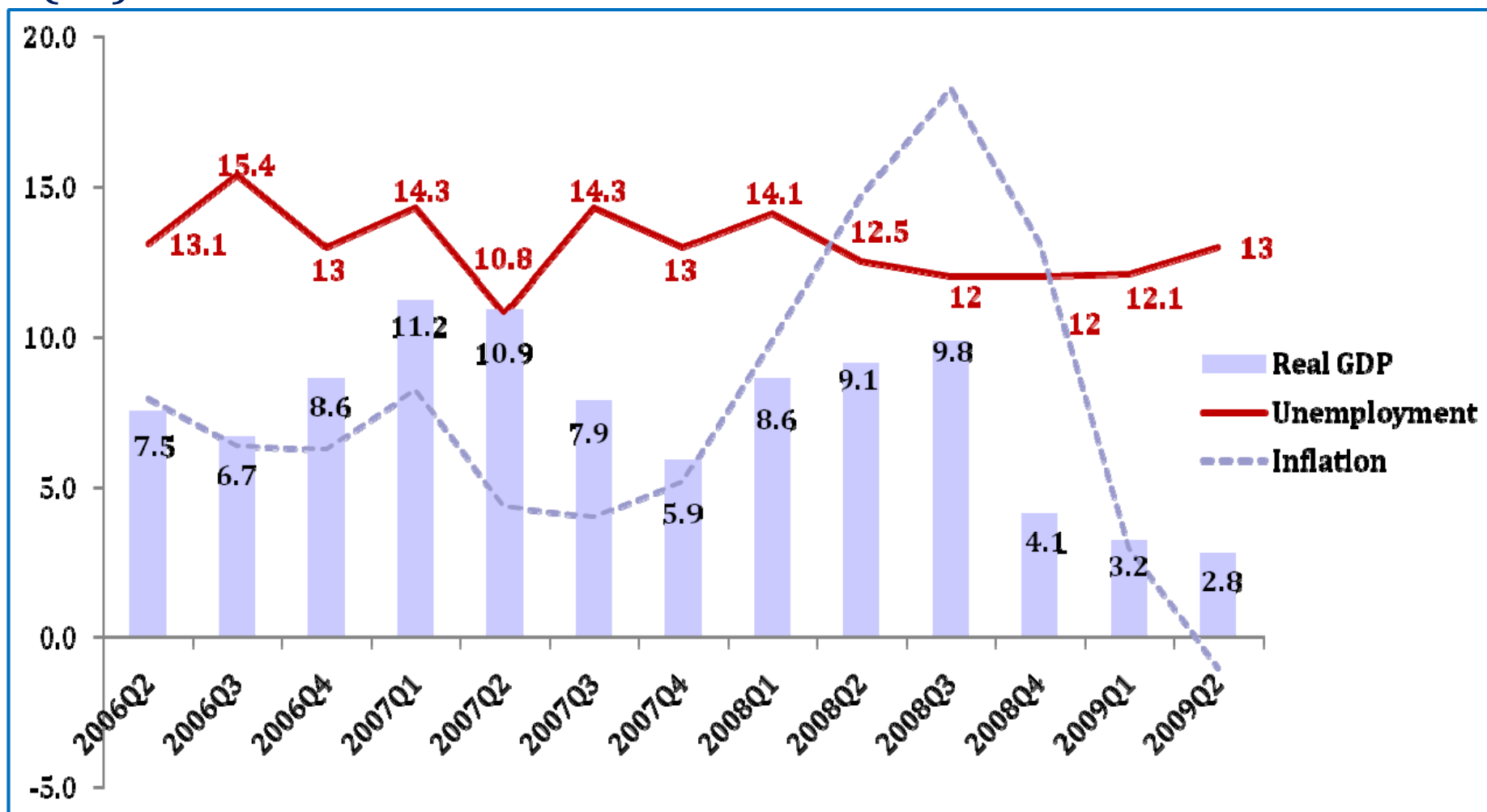
\*Includes irregular revenues of JOD 354.5mn from selling 1372.6

a land in Aqaba.

Source: Ministry of Finance, September 2009

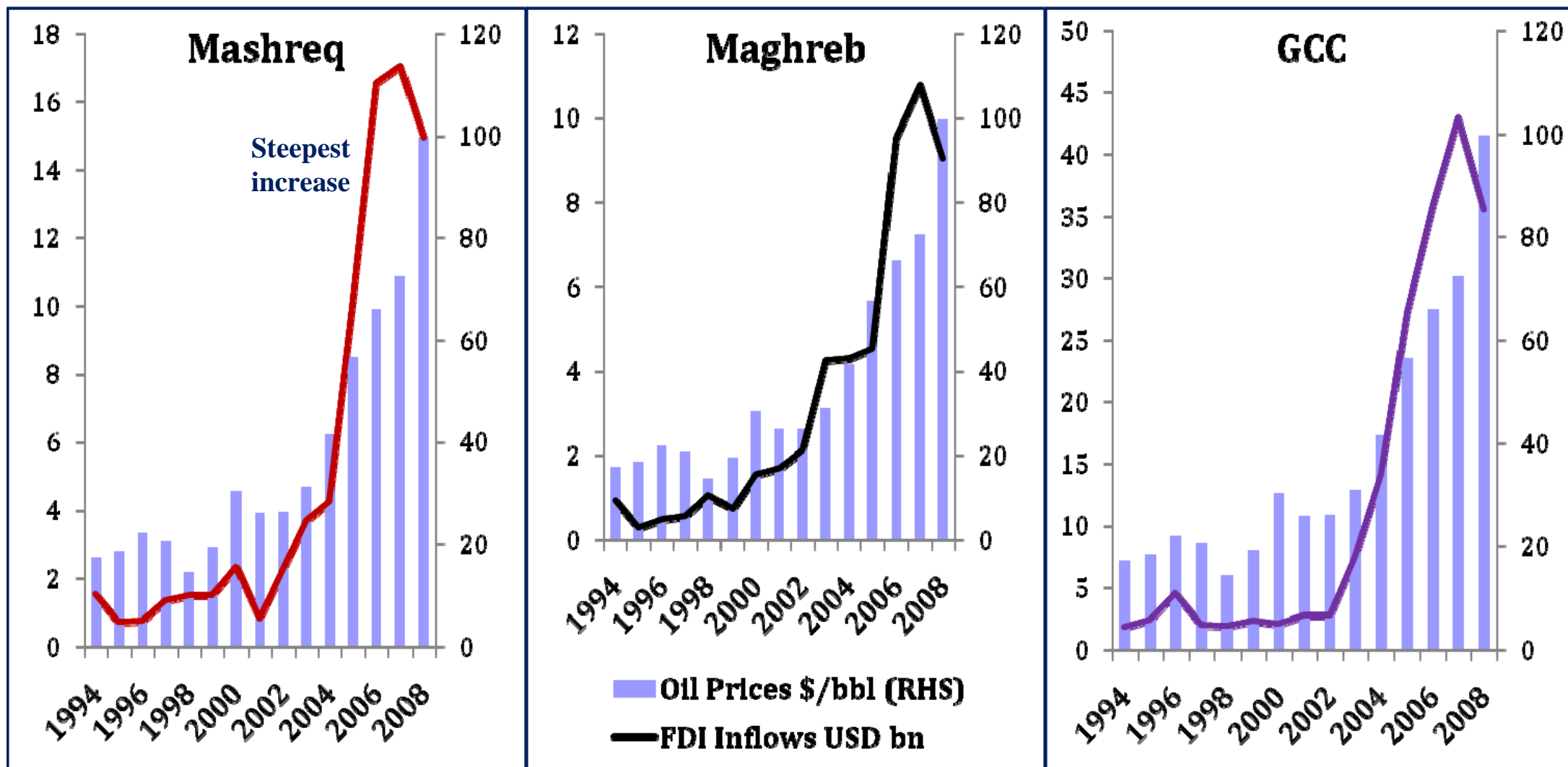
# Jordan's Quarterly Growth, Inflation, & Unemployment

(%)

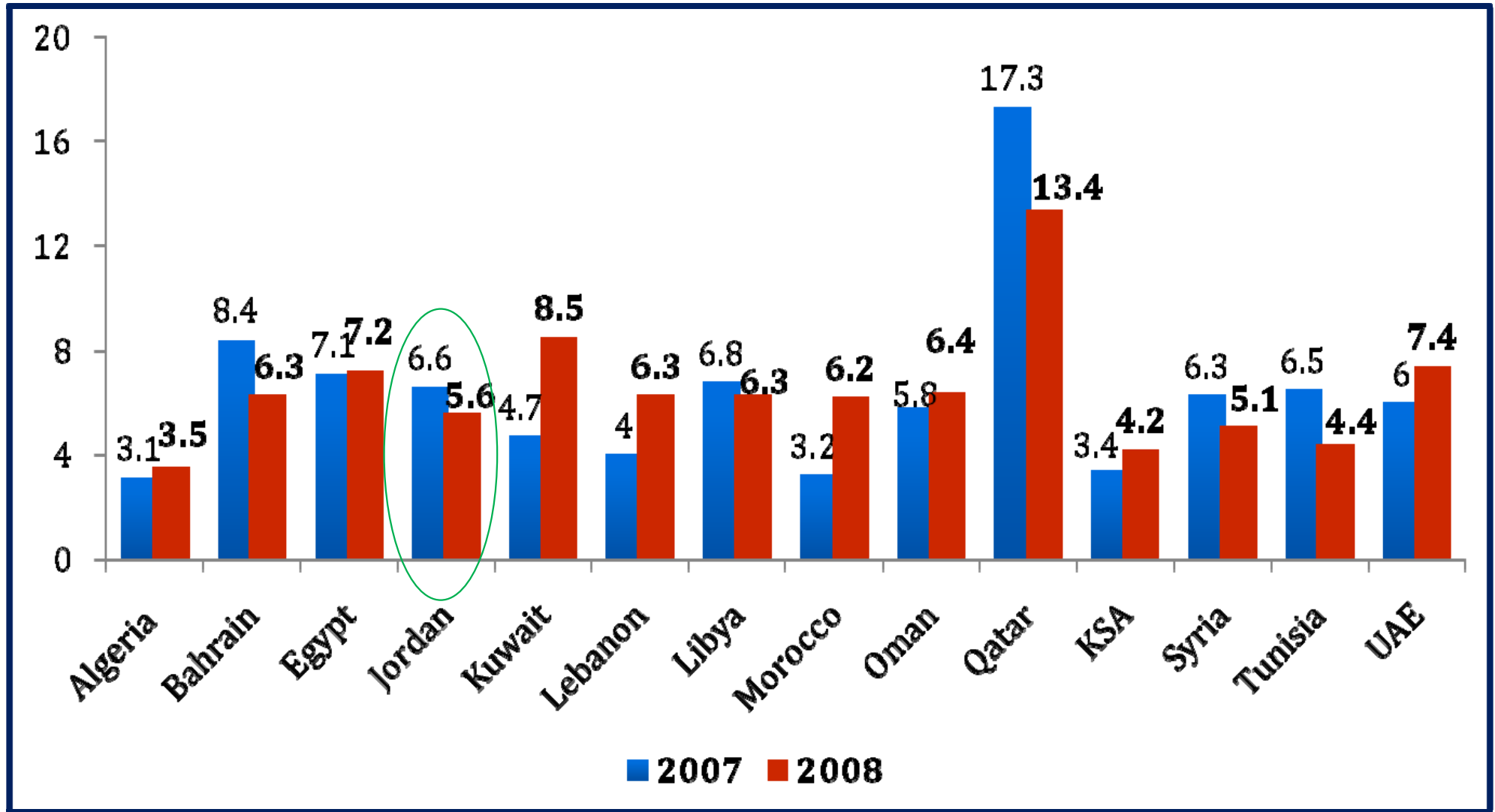


Source: CBJ & DOS

# MENA Growth Drivers: FDI & Oil



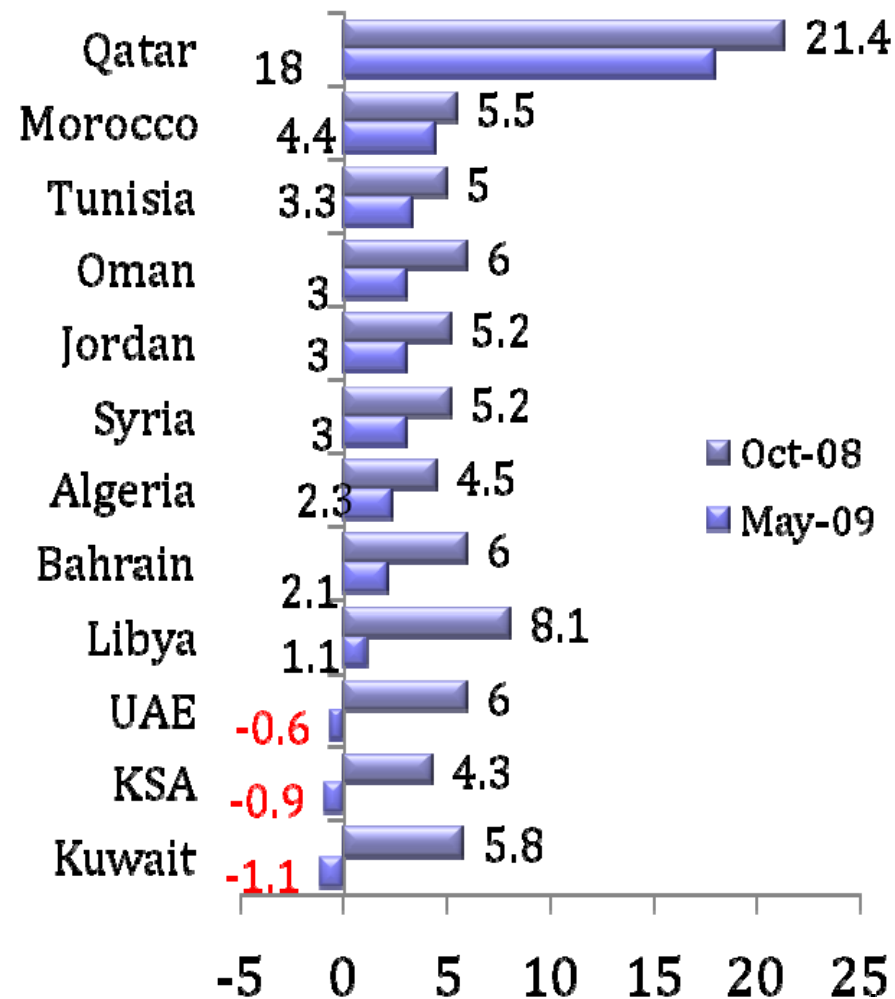
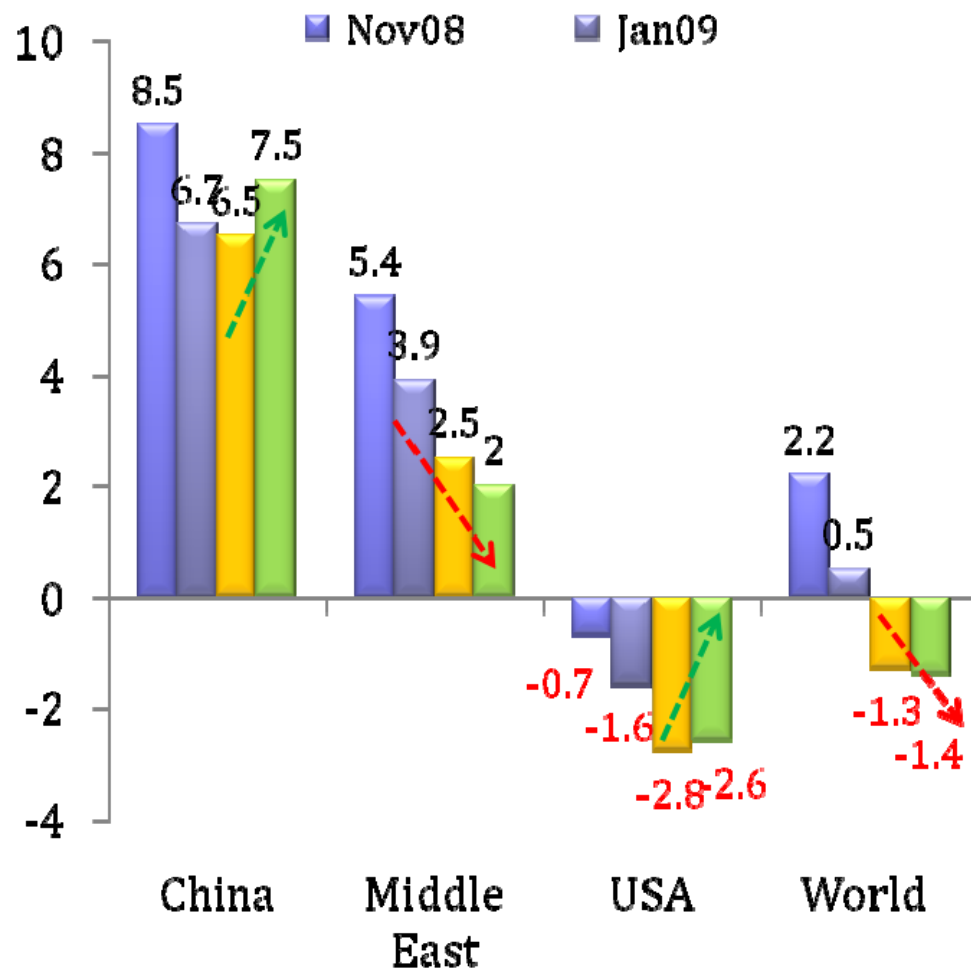
# MENA: Impressive Recent Growth Record



Source: EIU

# Global and MENA Growth Outlook

## Downward Global Growth Trends



*\*The IMF will raise its global growth forecast in the coming days.*



# Key Interest Rates

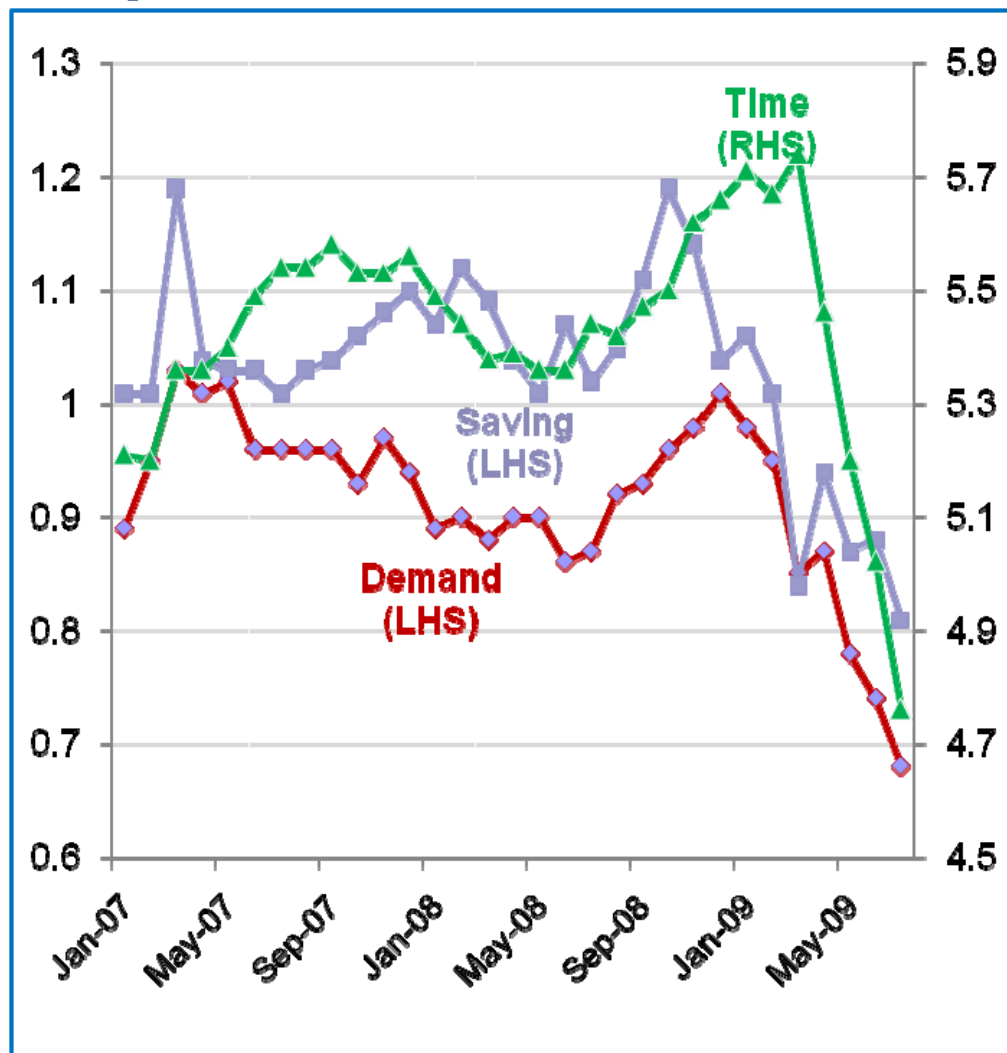
	Jordan			US	Europe
Period	Overnight Deposit Window	Repurchase Agreements	Re-discount Rate	Fed Funds Rate	Main refinancing rate
July-06	5.25	8.5	7.5	5.24	2.75
July-07	5.25	7.25	7.5	5.25	4.00
July-08	4.5	6.5	6.75	2.01	4.25
Sep-08	4.5	6.5	6.75	1.81	4.25
Dec-08	4.0	6.0	6.25	0.16	2.50
Mar-09	3.5	5.5	5.75	0.18	1.50
June-09	3.0	5.0	5.25	0.21	1.00
July-09	3.0	5.0	5.25	0.16	1.00

*Source: CBJ*

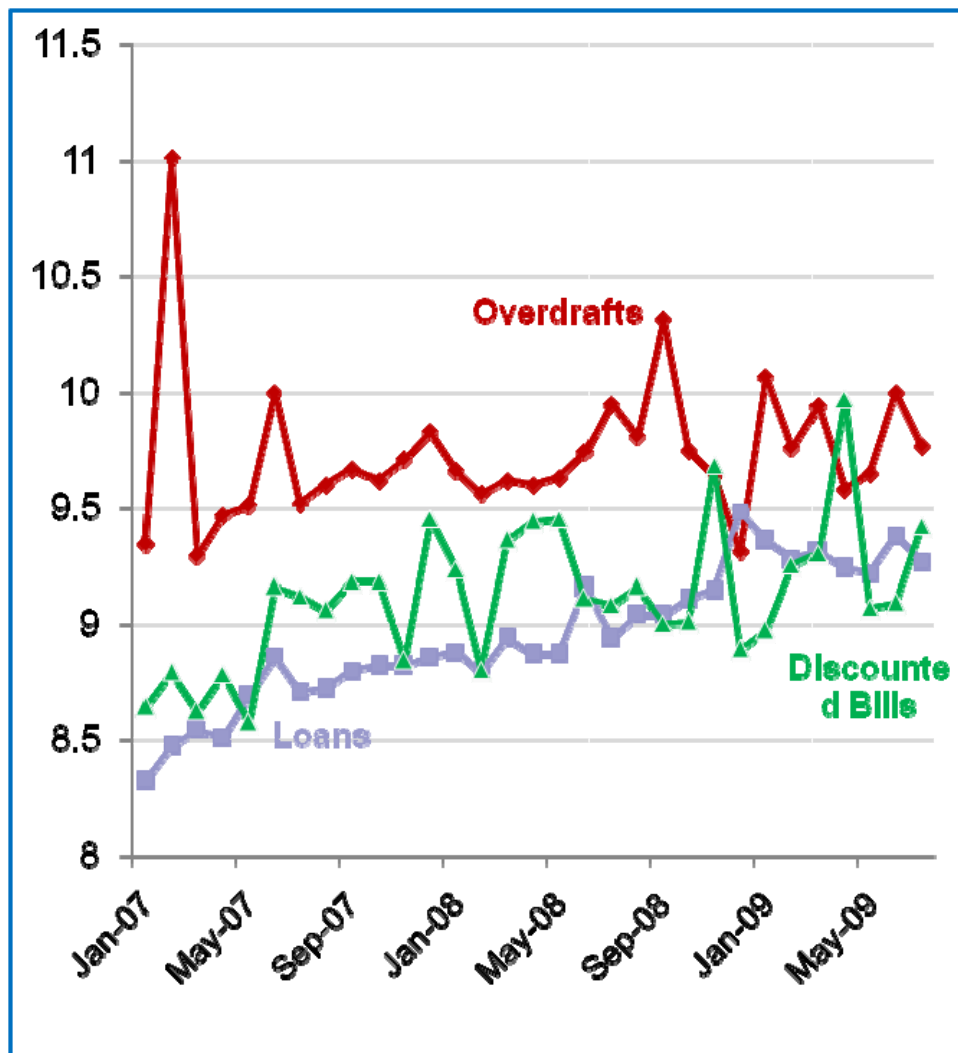
# Interest Rates in Jordan

Jan07 – Jul09 (%)

Deposit Rates



## Loan Rates





# *The Jordanian Capital Market History*

- Public Shareholding companies began trading long before the setting up of the Jordanian Market (Early 1930's)
- The first Corporate bonds were issued in the early sixties.
- The Amman Financial Market was established in 1976
- Turning point for the Jordanian capital market in the year 1997, where efforts were made to restructure and regulate the market.
- The Amman Stock Exchange was established on march 1999 as a result of the restructuring process of the Jordanian Capital market.
- The three institutions established were:
  - The Amman Stock Exchange ASE
  - The Securities Depositary Centre SDC
  - The Jordan Securities Commission JSC



# *The Jordanian Capital Market Overview*

## *The Amman Stock Exchange ASE*

- Auction Driven Market
- Equity Denominated
- Four main sectors as follows:
  - Banking, Insurance, Services, & Industrial
- Large number of sub sectors
- Market Main Indices:
  - ASE General Weighted Price Index
  - ASE General Free-float Weighted index
- Large number of listed companies compared to other MENA markets

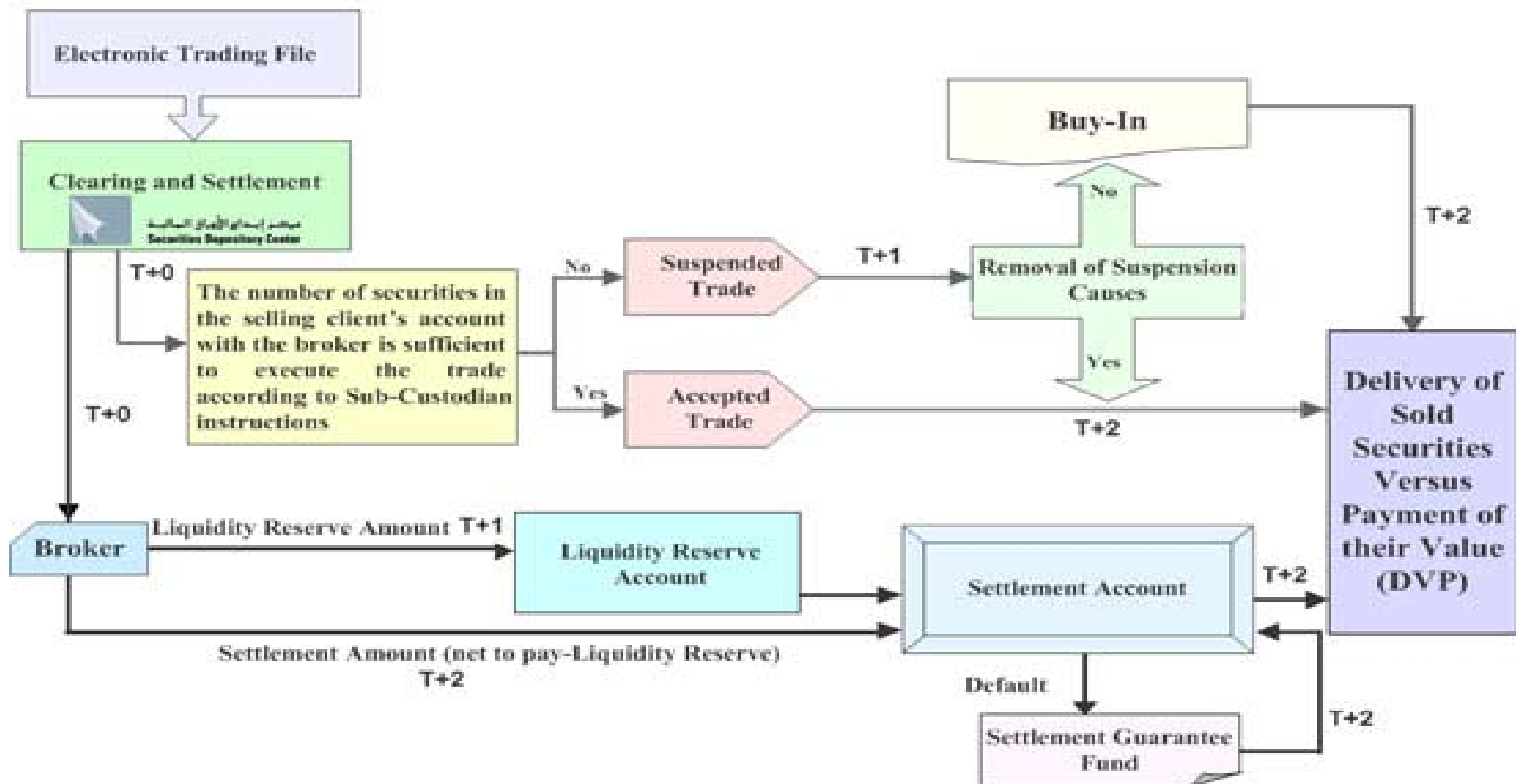


# *ASE – Trading Information*

- 1 Jordanian Dinar = USD 1.41
- 1 Jordanian Dinar = EUR 0.95
- Market opening days:  
    Sunday – Thursday
- Trading Hours and Phases:  
    Investigation phase: 8:30 – 9:30  
    Pre-opening phase: 9:30 – 10:00  
    Continuous trading: 10:00 – 12:15  
    Close price auction: 12:15 – 12:25  
    Close price Trading: 12:25 – 12:40  
    Block trading phase: 12:40 – 13:00
- Trading Limits: +/- 5%
- Settlement Cycle: T + 2

# Clearing & Settlement

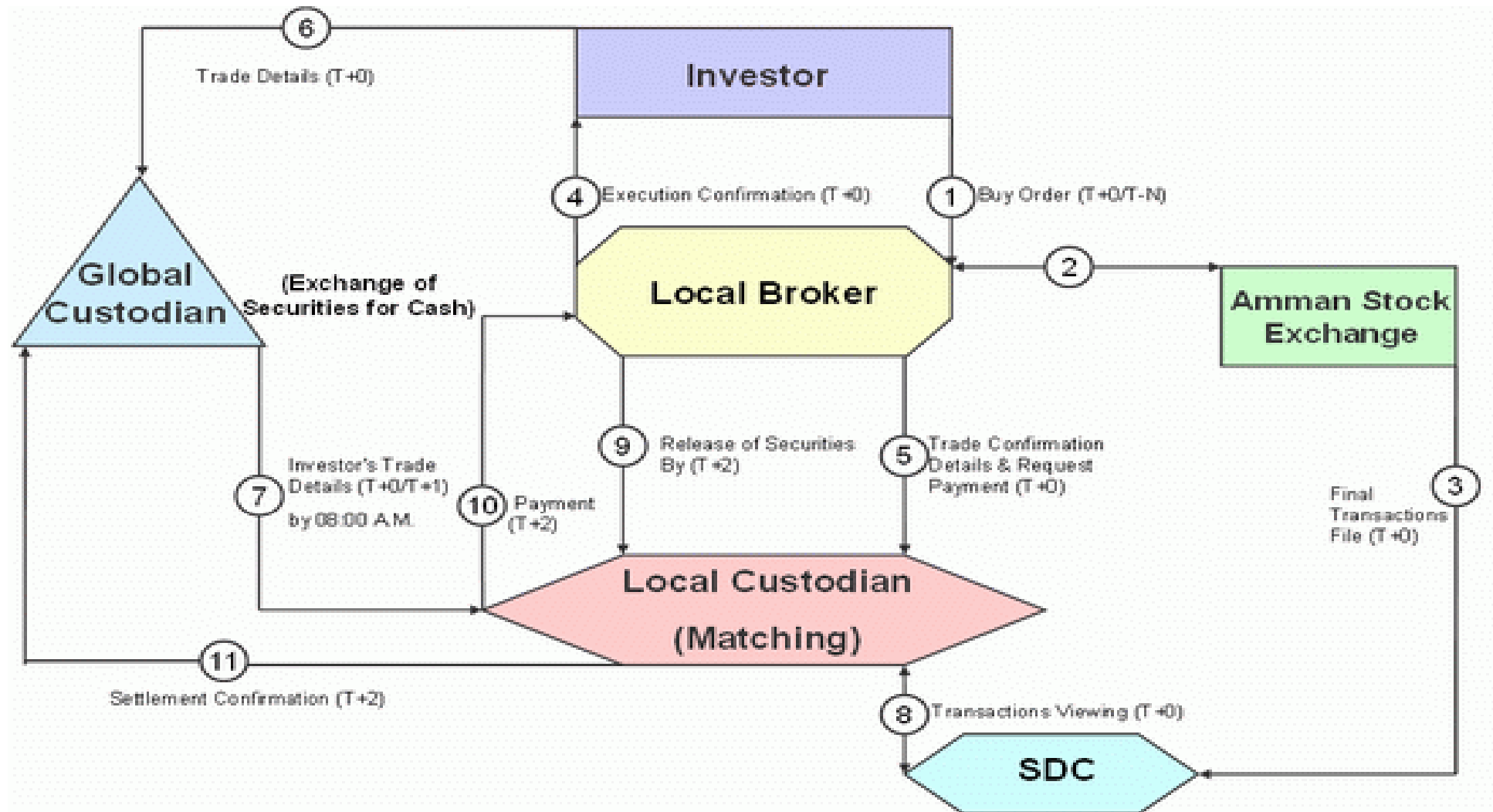
## Delivery versus Payment



Source: Securities Depository centre

# Clearing & Settlement (Cont'd)

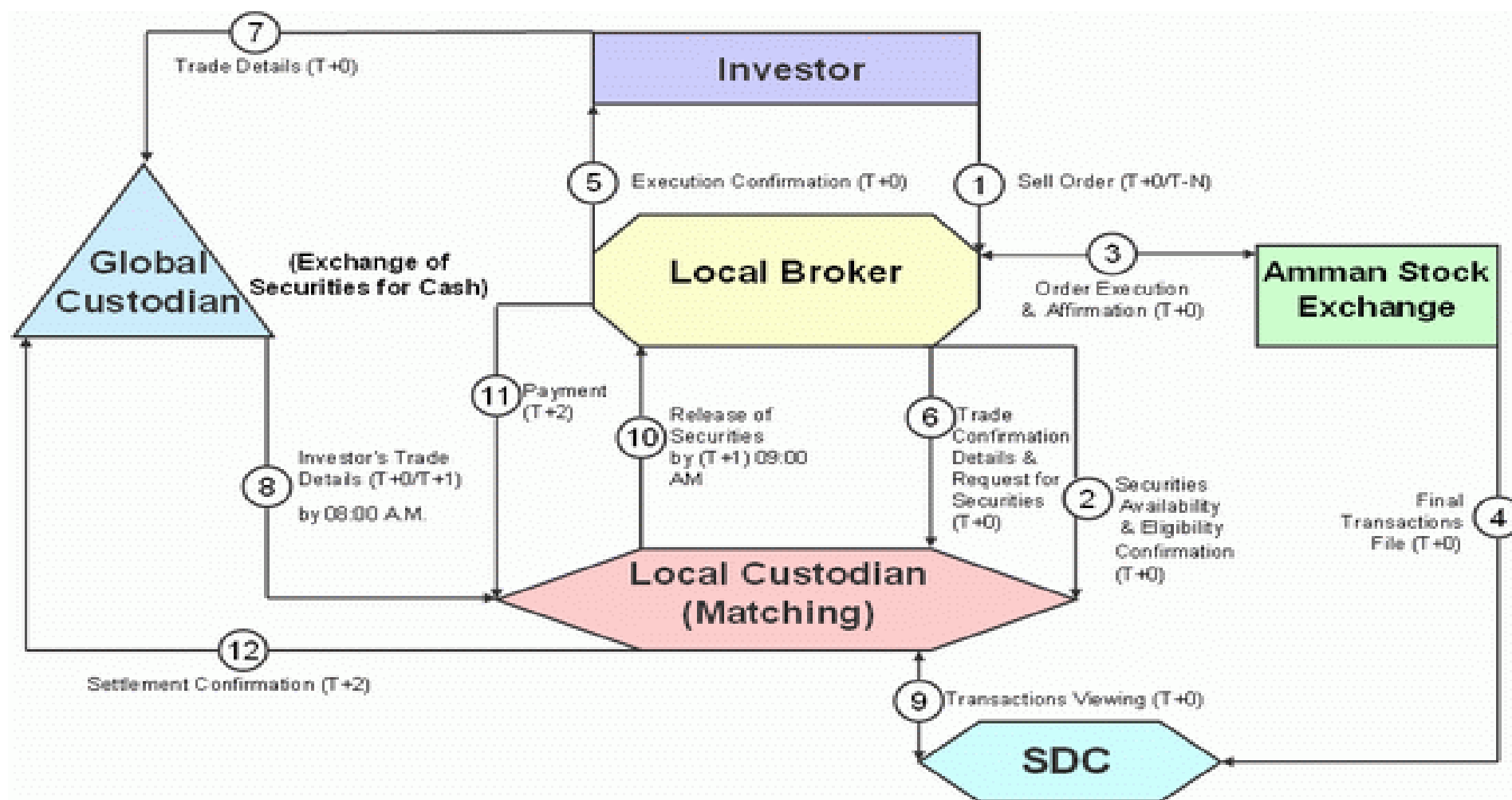
## BUY ORDER



Source: Securities Depository Centre

# Clearing & Settlement (Cont'd)

## SELL ORDER





# ASE – Selected Statistics

	2005	2006	2007	2008	*2009
Number of Listed Companies	201	227	245	262	272
Market Capitalization (JD million)	26,667	21,078	29,241	25,406	23,741
Value Traded (JD million)	16,871	14,210	12,348	20,318	7,059
Average Daily Traded value (JD million)	69.1	58.7	50.0	82.9	41.8
No. of Traded Shares (million)	2,583	4,104	4,479	4,702	4,071
No. of Transactions (thousand)	2,392	3,443	3,458	3,266	2,109
ASE General Weighted Price Index (point)	8,192	5,518	7,519	6,243	5,749
ASE General Free-float Weighted Index	4,260	3,014	3,675	2,758	2,565
No. of Traded Bonds (thousand)	3.4	1.2	1.6	0.4	0.6
Value of Traded Bonds (JD million)	3.1	1.9	3.8	0.6	1.9
P/E Ratio (times)	44.2	16.7	28.0	18.8	14.9
P/BV (times)	3.2	2.9	3.0	2.2	1.9
Dividend Yield Ratio(%)	1.6	2.3	1.8	2.5	2.7
Non-Jordanian Ownership of Market Cap(%).	45	45.5	48.9	49.2	48.8
Net Investment of Non-Jordanian (JD million)	413	180.6	466.2	309.8	29.4
Market Capitalization / GDP(%)	326.6	233.9	289.0	226.3	167.3

Source: Amman Stock Exchange

\* Cumulative up to August 2009

## *ASE – Largest Co.'s by market cap*

Company name	Ticker	Sector	Market Cap (JOD mill)
The Arab Bank Group	ARBK	Financials/banks	7,260
The Arab Potash	APOT	Industrial/Mining	2,780
The Housing Bank	THBK	Financials/banks	1,800
Jordan Phosphate Mines	JOPH	Industrial/Mining	1,350
Jordan Telecom Group	JTEL	Services/Telecoms	1,280
Jordan Kuwait Bank	JOKB	Financials/banks	417
Jordan Islamic Bank	JOIB	Financials/banks	390
Jordan Electric Power	JOEP	Services/Utilities	339
Jordan Petroleum Refinery	JOPT	Industrial/energy	288
Bank of Jordan	BOJX	Financials/banks	240

*Source: Amman Stock Exchange*



# *Corporate Activity*

## **Major Recent Privatization**

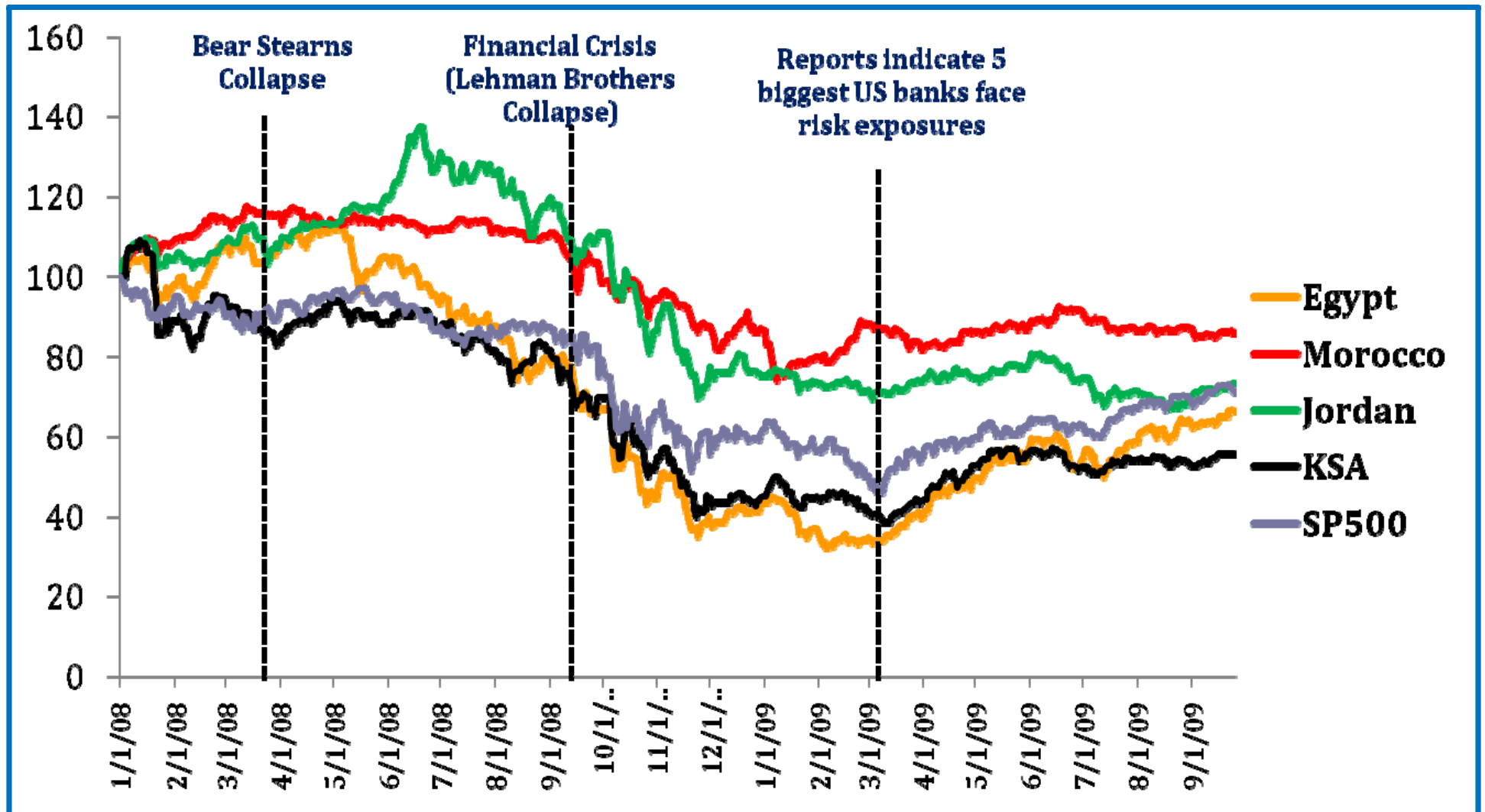
- Jordan Telecom Group (2000)
- Jordan Phosphate Mines Company (2001)
- The Arab Potash Company (2003)
- Royal Jordanian Airlines (2007)

## **Privatization plans**

- Jordan post

# Financial Markets & the Crisis

Base 1/1/2008 = 100



Source: Zawya, Yahoo Finance & Official Markets



## *AB Invest – Integration with Xnet*

AB Invest brokerage division main areas of focus:

- The institutional brokerage platform which includes the following:
  - Professional execution capabilities
  - Maintenance and development of its IT Infrastructure
  - Reaching to a wider range of foreign institutional investors

AB Invest views the Xnet project as an opportunity to AB Invest and the institutional investors.



*Thank you ...*