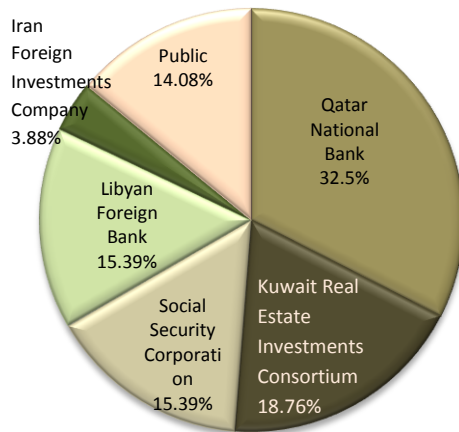


## The Housing Bank for Trade & Finance Third Quarter and Nine Months 2008 Results

### Shareholder Structure



**Ticker:** THBK

**Last (27/11/2008):** JD8.70

**Year low (29/11/2007):** JD6.85

**Year High(4/9/2008):** JD9.76

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The Housing Bank's performance in the first 9 months of 2008 improved despite a decline in the third quarter 2008 results. Net income for the third quarter 2008 dropped by 28.8% to reach JD 20.9 million with JD 0.077 Earnings per Share (EPS) compared to JD 29.3 million in the third quarter 2007 with JD 0.11 EPS. Net income for the first nine months of 2008 totaled JD89.1 million, or JD 0.451 per share compared to JD87.0 million, or JD0.33 per share from the same period in 2007. This represents an 8.6% increase over the same period in 2007.

Improvement in first the nine months of 2008 was mainly due to continued good performance in loans and deposits, fees and commissions income. This was partly counterbalanced during the third quarter by the decline in the value of investment securities following a global and regional declines in asset valuations. The Bank recorded losses on sales from available for sale investments of JD 6.8 million in Q3 2008, compared to a gain of JD 2 million for Q3 2007.

In the income statement, net interest and commission income grew by 16.7%. Non operating income declined by (JD1.49 million) or 4.6% in the first 9 month of 2008 compared to the same period of 2007. The net interest margin for the third quarter was 2.8%, an improvement of 20 basis points from 2.6% in the second quarter of 2008.

From the balance sheet side, the Bank continues to experience good growth. The Bank's total assets increased by 8% from JD5 billion by end of September 2007 to JD 5.4 billion by the end of September 2008. Net loans and advances increased by JD 492.9 million (28%) to JD2.3 billion by the end of the first nine months of 2008 as compared to the same period in 2007. On the funding end, customer deposits increased in the same period by JD268.9 million (8%) to reach JD3.8 billion and external borrowings increased by JD 4.99 million by end of September 2008 to reach JD 6.85 billion.

In an environment of much chaos in the financial markets, the bank's results continued to be resilient. The Bank reported that its Capital Adequacy Ratio stood at 27.6%, well above the 12% minimum regulatory requirement. This high ratio is as well supported by the result of the bank's branches and affiliates outside Jordan whose results were better than the same period of last year, consequently increasing their input to the Bank's profit.

Figure 1: Financial Highlights

Operations	Quarter Ended				Year to Date			
	30-Sep-08	30-Sep-07	Change (JD)	Change (%)	30-Sep-08	30-Sep-07	Change (JD)	Change (%)
Net interest & commission income	58,230,747	51,969,872	6,260,875	12%	169,820,237	145,515,236	24,305,001	17%
Foreign exchange income	1,458,975	1,943,686	(484,711)	-25%	8,587,276	5,912,300	2,674,976	45%
Gains (Losses) from trading & investments	(407,842)	(856,737)	448,895	52%	850,596	(1,783,365)	2,633,961	148%
Gains(losses) on sales from available for sale investments	(6,833,616)	2,074,832	(8,908,448)	-429%	(4,924,445)	10,921,927	(15,846,372)	-145%
Bank's share from profit of associates	-	285,473	-	-	-	499,030	-	-
Other income	6,575,886	6,878,833	(302,947)	-4%	26,243,059	17,195,597	9,047,462	53%
Operating expenses	14,394,522	13,926,846	467,676	3%	44,067,786	37,369,711	6,698,075	18%
Other Expenses	9,319,649	7,449,135	1,870,514	25%	29,636,919	23,425,547	6,211,372	27%
Provision for credit losses	(1,103,668)	(275,011)	(828,657)	-301%	(293,208)	3,138,537	(3,431,745)	-109%
Sundry provisions	326,653	827,322	(500,669)	-61%	1,061,447	1,816,743	(755,296)	-42%
Profit before income tax	36,086,994	40,367,667	(4,280,673)	-11%	126,103,779	112,510,187	13,593,592	12%
Net Income	20,891,135	29,274,851	(8,383,716)	-29%	89,142,297	82,070,089	7,072,208	9%
Net income attributable to shareholders	19,422,533	27,726,506	(8,303,973)	-30%	84,234,474	78,810,645	5,423,829	7%
Minority Interest	1,468,602	1,548,345	(79,743)	-5%	4,907,823	3,259,444	1,648,379	51%
Number of Shares	252,000,000	250,000,000	2,000,000	1%	252,000,000	250,000,000	2,000,000	1%
EPS	0.077	0.111	-0.03	-31%	0.334	0.315	0.02	6%

Source: The Housing Bank Financial Statements

**Figure 2: Selected Balance Sheet Data**

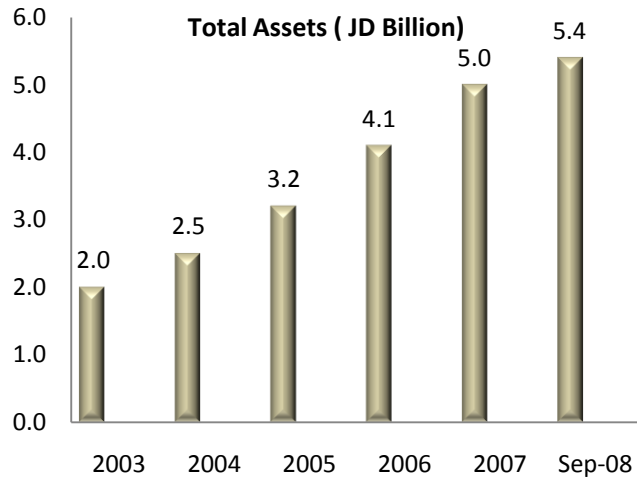
Year to Date	30/09/2008	30/09/2007	Change (JD)	Change(%)
Cash & balances with central banks	954,381,829	1,025,695,000	(71,313,171)	-7%
Balances and deposits at banks and financial institutions	831,459,054	1,175,555,000	(344,095,946)	-29%
Net loans and advances	2,275,519,189	1,782,603,000	492,916,189	28%
Total Assets	5,436,910,484	5,012,039,000	424,871,484	8%
Customer Deposits	3,833,274,005	3,564,353,000	268,921,005	8%
Borrowings	6,848,589	1,862,000	4,986,589	268%
Shareholder's Equity	912,115,206	819,559,000	92,556,206	11%

Source: The Housing Bank Financial Statements

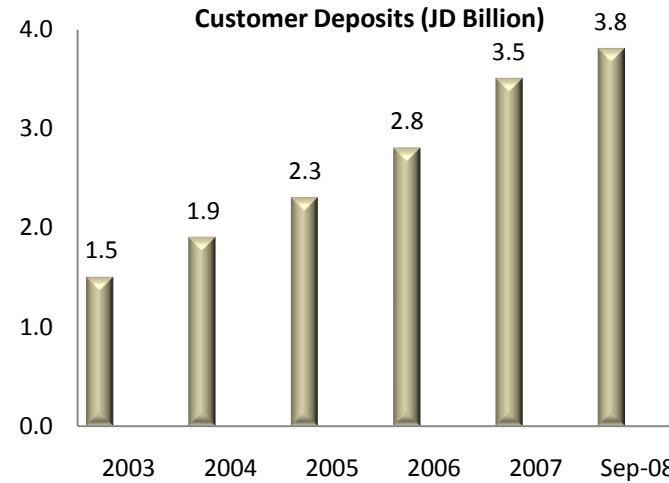
**Figure 3: Ratio Analysis**

Ratios	Nine Months 2008	Nine Months 2007
<b>Asset Structure Ratios</b>		
Total Deposits to Assets	74.7%	76.0%
Net Loans to -Total Assets	41.9%	35.6%
Equity to Net Loans	40.1%	47.7%
Equity to Total Assets	16.8%	17.0%
<b>Liquidity Ratios</b>		
Net Loans to Total Deposits	56.1%	46.8%
Net Loans to Customer Deposits	59.4%	50.0%
Customer Deposits to Total Deposits	94.4%	93.6%
Equity to Total Deposits	22.5%	22.3%
<b>Profitability Ratios</b>		
Return on Average Assets	2%	1.6%
Return on Average Equity	6.7%	6.1%
ROA	1.6%	1.6%
ROE	9.8%	9.7%
Net Interest Margin	2.8%	2.6%
Non-interest Income to Interest Income	36.4%	39.4%

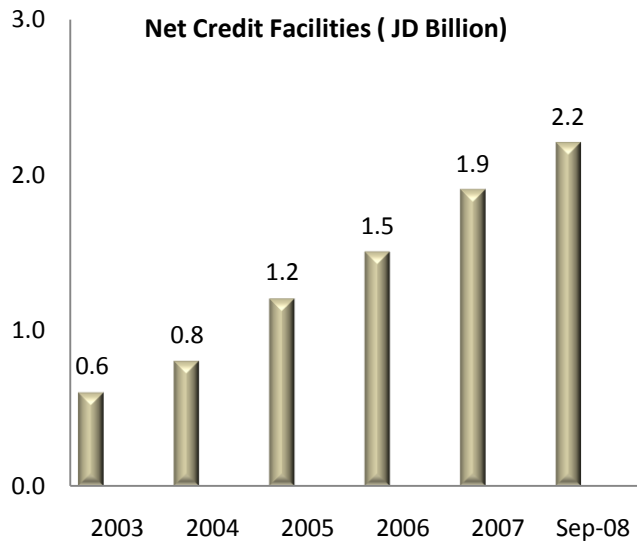
Source: Awraq Research Division



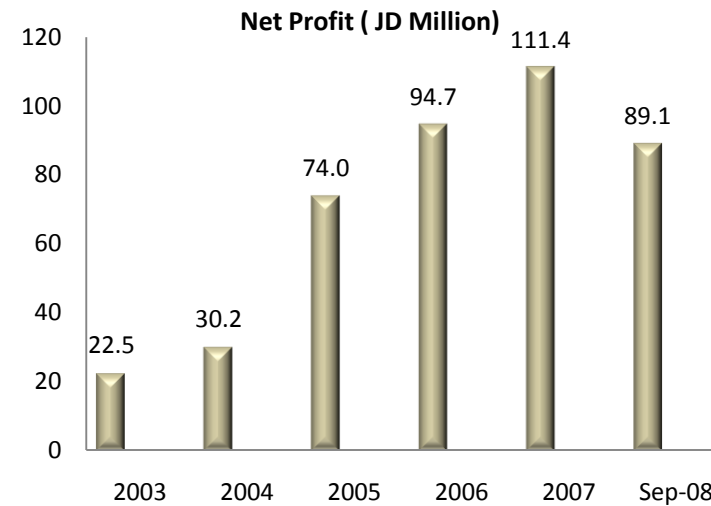
Source: The Housing Bank Financial Statements



Source: The Housing Bank Financial Statements



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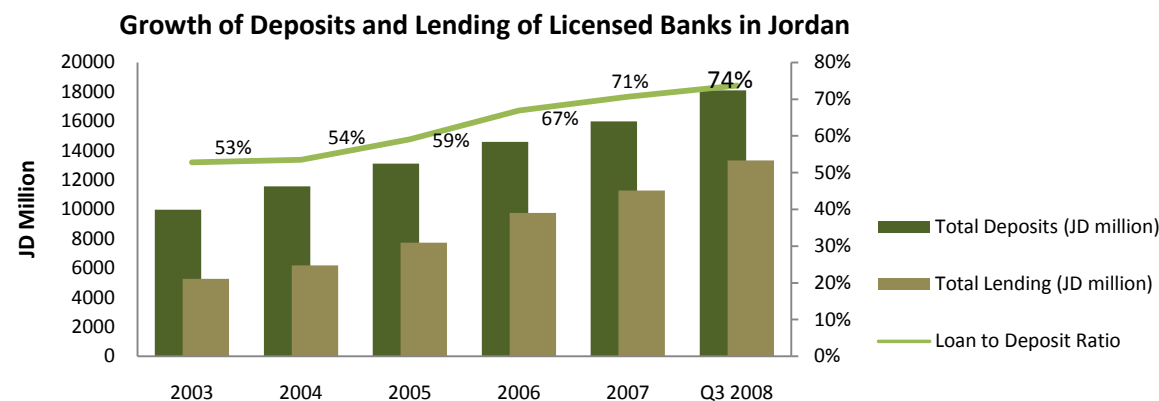
Source: The Housing Bank Financial Statements

### Global Credit Crisis and Jordan's Banking Sector

The global financial crises is not expected to have a significant impact on the Jordanian economy and the banking sector eventually. Unlike the Gulf countries, banks in Jordan have had partial exposure to the international financial markets. Given that the banks in Jordan have local concentration, recent international credit market conditions have not, up till now, had any major impact on the banking system. Nevertheless, the Jordanian economy might be affected by global economic deceleration, a decrease in foreign direct investment surge and the potential decrease in export activities which will most likely take place .

While the banking system in Jordan remains positively growing and asset quality has been improving in recent years, concerns do one way or another exist. Jordanian banks lending growth rates are expected to decline going forward in 2009 and 2010. This slower growth will be due to lower GDP growth coupled with more cautious lending practices by Jordanian banks. Credit facilities in Jordan have been growing at a reasonably fast pace in the past five years ( CAGR of 17%). Total lending has grown at a faster rate compared to total deposits during the same period. This increase could be problematic when economic growth starts to decelerate.

While the monetary policy in Jordan started to ease, it is not expected to be heavily relaxed next year. Therefore interest rates are expected to continue to be seen as high. With the ongoing competition between banks to attract deposits, banks will still pay high cost for deposits. Therefore, with higher cost of funding and very selective lending, margins are expected to be squeezed. Hence we might see a bit of pressure on operating revenues and the overall growth in the bank's profitability is expected to be muted.



Source: Central Bank of Jordan

## Valuation

On August 24<sup>th</sup> 2008, Awraq Investments issued an updated report for the Housing Bank with a Hold recommendation.

Since our last report, stock prices of the regional peers, United National Bank (UAE), Al Ahli Bank of Kuwait (Kuwait), Doha Bank (Qatar) and Burgan Bank (Kuwait) have decreased by 64%, 32%, 60% and 25% respectively. This decrease has resulted in a drop in the peers P/E multiple to reach 7.3X and P/BV 1.6X and the weighted average fair value to reach JD5.3. The decrease in the stock prices of the regional peers was due to the recent global crises. Stock markets in the Gulf region have been negatively affected by the chaos in the global financial markets. Investors sentiment continue to trim down as they continue to feel concerned over the uncertainty surrounding global and regional economic output. In addition, investors are concerned over the outlook of the Gulf financial system as the price of oil, a key source of income, has decreased sharply coupled with severe losses by gulf investors abroad.

In this valuation, we expanded our peer analysis to include local Jordanian peers in addition to regional peers. The local peers include Cairo Amman Bank, Bank of Jordan, Jordan Kuwait Bank and Union Bank for Savings and Investments. The local peers P/E reached 9.37X and P/BV reached 1.38X.

We expect the Housing Bank for Trade and finance to report a growth in its performance and hence report an improvement in the fourth quarter EPS. Nevertheless, we are downgrading shares of THBK to 'Sell' from 'Hold' based on valuation. In our previous report issued on August 24<sup>th</sup>, 2008, regional peers were used in representing the fair value of the stock. Two methods were used to generate the fair value for THBK: The price to book value multiple and the price to earnings multiple.

Figure 4: Valuation

Estimated Fair Value- Regional Peers			Estimated Fair Value- Local Peers		
Multiple	Weighting	Target Value	Multiple	Weighting	Target Value
Price to Book Value Multiple	80%	JD5.83	Price to Book Value Multiple	80%	JD7.08
Price to Earnings	20%	JD3.31	Price to Earnings	20%	JD4.23
Weighted Average Fair Value		JD5.3	Weighted Average Fair Value		JD6.5

Source: Awraq Research Division

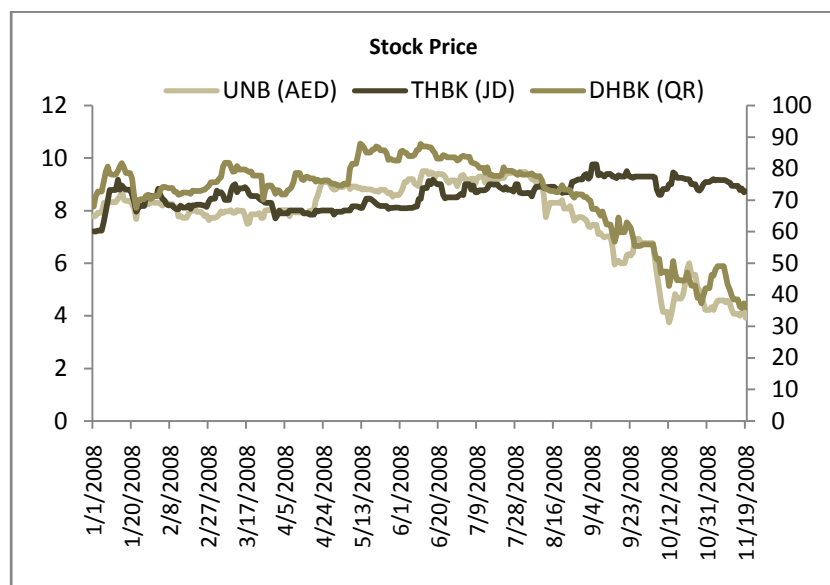
As of November 27, 2008, the share of THBK trades at JD 8.70, 2.4X its Q3 2008 book value of JD5.11 per share. This is considerably above the peers average. Our valuation yields a fair value of **JD 5.9 per share**. The stock price is therefore overvalued by 47%. **We downgrade our valuation to Sell.** This price is derived as the average of the fair values reached from both regional and local peers.

Figure 5: Stock Prices

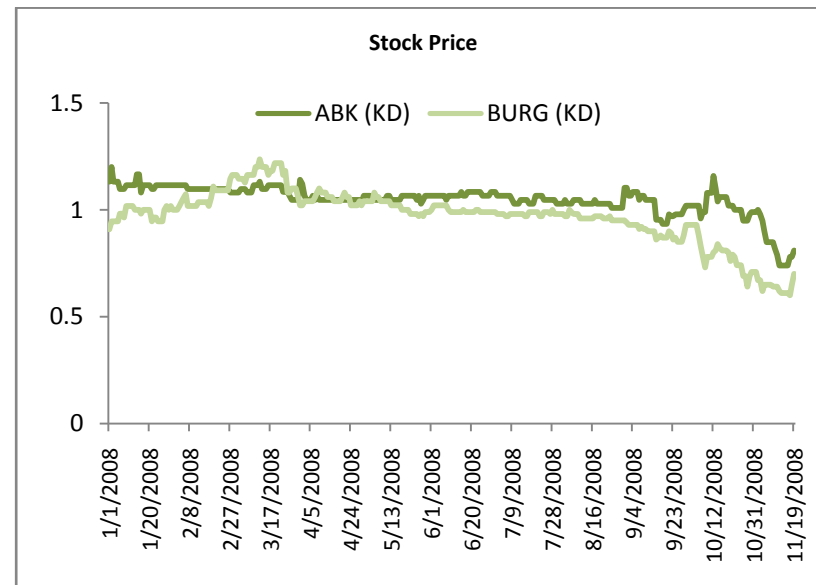
Bank	Ticker	Stock Price	Date	52 Week Low	Date	52 Week High	Date	Change (%)
The Housing Bank for Trade & Finance	THBK	JD8.70	27/11/08	JD6.85	29/11/07	JD9.76	04/09/08	42.5%
Regional Peer	Ticker	Stock Price	Date	52 Week Low	Date	52 Week High	Date	Change (%)
Burgan Bank - Kuwait	BURG	KWD770	27/11/08	KWD600	17/11/08	KWD1020	08/06/08	-41.2%
Doha Bank - Qatar	DHBK	QR34.5	27/11/08	QR33.8	26/11/08	QR87.9	12/05/08	-61.5%
Union National Bank - U.A.E	UNB	AED3.21	27/11/08	AED3.16	26/11/08	AED9.51	12/06/08	-66.8%
Al Ahli Bank of Kuwait	ABK	KWD780	27/11/08	KWD740	12/11/08	KWD1200	02/01/08	-38.3%
Jordan Peers	Ticker	Stock Price	Date	52 Week Low	Date	52 Week High	Date	Change (%)
Cairo Amman Bank	CABK	JD2.48	27/11/08	JD2.38	24/11/08	JD3.87	03/08/08	-38.5%
Bank of Jordan	BOJX	JD2.20	27/11/08	JD1.98	24/11/08	JD3.17	15/01/08	-37.5%
Jordan Kuwait Bank	JOKB	JD5.09	27/11/08	JD4.51	24/11/08	JD7.74	19/06/08	-41.7%
Union Bank for Savings and Investments	UBSI	JD2.55	27/11/08	JD2.52	26/11/08	JD3.91	5/12/07	-35.5%

Source: Bloomberg

Figure 6: Stock Prices (January – November 2008)



Source: Bloomberg



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