

**Rating Action: Arab Bank Australia Limited**

**Moody's upgrades Arab Bank Australia to Baa1**

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Sydney, December 14, 2006 -- Moody's Investors Service upgraded the Arab Bank Australia Limited's (ABAL) long-term deposit and debt ratings to Baa1 from Baa2. ABAL's short-term deposit and debt ratings of Prime-2 and its bank financial strength rating of D were not affected. The outlook for all the ratings is now Stable.

"The upgrade of ABAL's deposit ratings recognise the strongly supportive stance of the parent towards its Australian subsidiary", said Patrick Winsbury, a Senior Vice President in Moody's Sydney office.

"Arab Bank plc manages a sizeable pool of liquid assets on a global basis that could swiftly be made available to ABAL in case of need. This has been a long-standing feature of Arab Bank plc's operating practice. Arab Bank plc has also demonstrated its willingness in the past to support its subsidiaries, such as ABAL," Winsbury adds.

The foreign currency deposit rating of Arab Bank plc's foreign branches (in countries with no sovereign ceiling constraints) was raised to A3 from Baa1 on 4 December 2006, mainly due to the increase in country deposit ceilings of several markets that the bank operates in.

As a result, the aggregate operating environment of Arab Bank Group is now less risky than before, given that more than 55% of the group's total assets now domiciled in countries with deposit ceilings higher than A3.

The lower risk profile of Arab Bank plc means that it is now even better able to provide support to ABAL, and this underpins the latter's rating upgrade to Baa1 from Baa2.

Arab Bank plc manages liquidity in a number of hubs, although coordination between them is robust. ABAL will continue to access the parent's London treasury hub in the same manner as before, despite ongoing group restructuring. Furthermore, Moody's review established that a (i) very clear approval process and transfer mechanism exists for liquidity to be made available to ABAL in case of need, and (ii) that the funds available are strong in relation to contingent requirements by other Arab Bank group operating entities.

Arab Bank Australia Limited is headquartered in Sydney, New South Wales, Australia. It reported assets of AUD 877 million (approximately USD 664 million) at financial yearend 2005.

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