البنك الإسلامي الأردني

الإدارة العامة

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للتقييم

٢٩

السادة بورصة عمان المحترمين ،،
عمان – الأردن

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني

يسرنا أن نرفق لكم في طيه نسخة من التصنيف الخاص بمصرفنا والصادر عن **Capital Intelligence** إصدار كانون أول ٢٠١١.

وتفضلوا بقبول فائق الاحترام،،،

محمد علان
نائب ثاني المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٩ كانون الثاني ٢٠١٢
الرقم المتسلسل: ٢٠٤
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الجهة المختصة:

ن ت/ن ت

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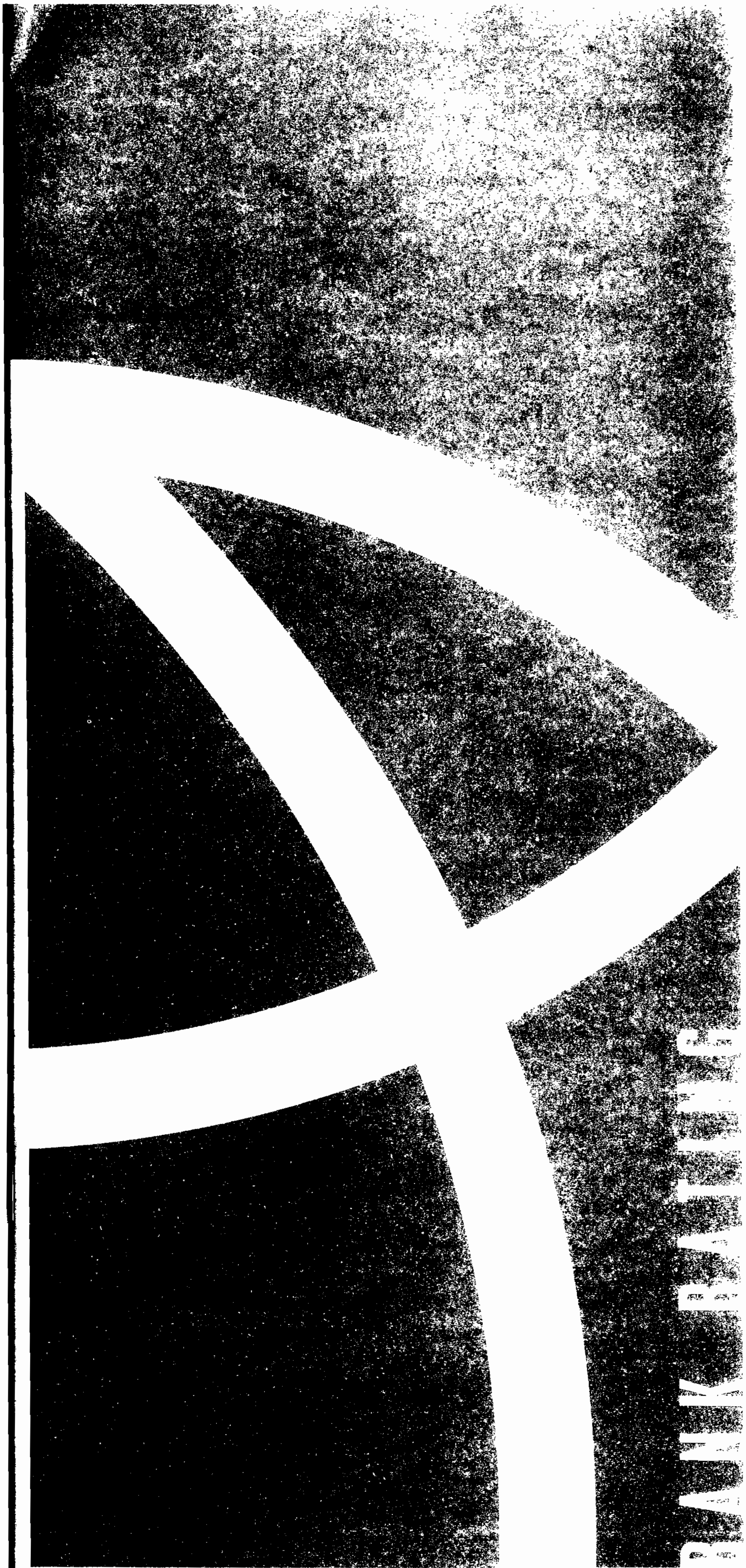

CAPITAL intelligence

Jordan Islamic Bank

December 2011

Bank Rating Report

Jordan Islamic Bank

Jordan

December 2011

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The rating has been disclosed to the rated entity and released with no amendment following that disclosure. Ratings on the issuer were first released in October 1985. The ratings were last updated in November 2010. The principal methodology used in determining the ratings is Bank Rating Methodology. The methodology and the meaning of each rating category and definition of default, as well as information on the attributes and limitations of CI's ratings, can be found at www.ciratings.com

Ref: JO01010BNK00-1/12-11

JORDAN ISLAMIC BANK

Amman, Jordan
December 2011

RATINGS

	Current	Last Changed From	Last Changed 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-**	BB+	Oct 06
Support	**3**	-	-
Outlook			
Foreign Currency	**Stable**	Positive	Oct 04
Financial Strength	**Stable**	-	-

FINANCIAL HIGHLIGHTS

USD (mn) JOD (mn)	2010 USD	2010 JOD	2009 JOD	2008 JOD
Total Assets	3,667	2,604	2,183	1,848
Net Financing	1,750	1,243	1,086	954
Total Deposits*	3,303	2,345	1,929	1,590
Total Capital	284	202	194	189
Gross Income	116	82	80	90
Net Profit	41	29	28	35
Exchange Rate: USD/JOD		*0.7100*	*0.7100*	*0.7090*

**Customer + Interbank*

%	2010	2009	2008
NPF / Gross Financing	5.37	3.94	3.67
FLR / NPF	68.45	92.28	102.97
Capital Adequacy Ratio	12.86	14.47	13.73
Net Financing / Stable Funds	50.75	52.60	55.43
Liquid Asset Ratio	43.18	40.19	37.30
Profit Sharing Differential	5.68	6.00	7.59
Cost / Income	37.95	38.90	33.36
ROAA	1.22	1.38	2.04

RATINGS DRIVERS

Supporting the Ratings

- Strong liquidity rests on customer deposit funding, in common with conventional banks in Jordan
- Dominant market share of Islamic banking assets and customer deposits
- Better than average cost to income ratio

Constraining the Ratings

- Problem financings increased further, reflecting the slowdown in Jordan's economy
- Sector concentration risk
- Profitability is on a downward trend mainly due to margin pressure and higher provisioning
- Challenging domestic and regional operating environment

RATING RATIONALE

Jordan Islamic Bank (JIB) continues to control the lion's share of Islamic banking assets, deposits and capital within the Jordanian banking system, despite the entry of other GCC-owned Islamic institutions in recent years. The noticeably slower economic growth in Jordan, coupled with regional instability has heightened credit risk in the local market and created a challenging operating environment for all banks. Notwithstanding the further rise in JIB's problem financings, the quality of the financing portfolio remained satisfactory, as evidenced by the lower than sector average non-performing financing (NPF) ratio and just adequate provision coverage. Relatively low-risk Murabaha facilities dominated the financing portfolio. The Bank's liquidity position has consistently been strong, in common with conventional banks in Jordan, reflecting the rather low share of financings in total assets together with the significant level of deposits held at the central bank.

JIB's profit at both the operating and net levels recovered moderately in 2010, as was the case with most conventional banks, due to higher net profit sharing and good cost control. Although operating profitability (operating profit to average total assets ratio) continued to decline, it remained at a satisfactory level - ensuring that provisioning can be increased when required. The Bank's ROAA also continued to trend downwards due to a combination of margin compression, lower non profit sharing income and increased provisions. JIB's rather low non profit sharing income reflected ongoing weak equity markets, as well as its modest share of documentary credits business. Nevertheless, JIB's profitability as measured by the ROAA ratio remained comparable to the Jordanian industry average. Capital adequacy was satisfactory, although the ratio declined further and was near the regulatory minimum due to growth in total risk weighted assets.

Capital Intelligence (CI) affirms the Bank's Long and Short-Term Foreign Currency Ratings at 'BB' and 'B' respectively. These ratings are set in line with Jordan's sovereign ratings. While the Financial Strength Rating (FSR) is maintained at 'BBB-', the rating could come under downward pressure in the event that asset quality, capital adequacy or profitability indicators deteriorate by a discernible degree. The Support Level of '3' is affirmed on the basis of the high likelihood of support from the central bank in case of need. The Outlook for the ratings is 'Stable'.

BANK HISTORY AND OWNERSHIP

Jordan Islamic Bank (JIB) was established in 1978 under a special decree. The Bank has an established position in the Jordanian banking market, although competition has intensified in recent years. JIB is listed on the Amman Stock Exchange and 66% of its capital is held by Bahrain based Al-Baraka Banking Group (ABG). Four members of JIB's board, including its chairman, are appointed by ABG. The latter is owned by Jeddah based Dallah Al-Baraka Group (DBG). The Bank's principal activities include the provision of demand and joint investment accounts (savings, fixed and notice accounts) and specified investment accounts (depositors' funds in fiduciary capacity managed without recourse to the Bank). JIB undertakes financing and investment through Islamic modes of Murabaha (cost plus profit margin), Mudaraba (the Bank shares profits as capital provider), Musharaka (participation investment) and Ijara (lease financing). JIB's network of 60 branches, 12 cash offices and 84 ATMs operate on an online real-time basis. The Bank employed 1,829 staff at end 2009.

DBG is one of the largest diversified business groups in Saudi Arabia founded in 1969 by Sheikh Saleh Abdullah Kamel. With interests in over 300 companies (including 23 banks) and across 44 countries, DBG has a workforce of over 60,000. The group's investments exceed USD12 billion covering three principal sectors: business, finance and media. DBG's banking arm, Al-Baraka Banking Group (ABG) holds a bank holding company licence issued by the Central Bank of Bahrain. The subsidiaries of ABG include AlBaraka Islamic Bank (Bahrain), Al Baraka (Tunisia), AlBaraka Finance House (Turkey), AlBaraka Algeria, AlBaraka Lebanon, Al Baraka (Egypt), AlBaraka Bank (South Africa), AlBaraka Sudan and AlBaraka Syria.

Current Business Model

The Bank's business model and strategies are to some extent set by the parent ABG and therefore represent a part of the wider ABG business model and strategies. Currently, the principal activities of JIB include the provision of demand and investment accounts; finance and investment on the basis of Murabaha, Mudaraba, Musharaka and Ijara. On the liability side of the balance sheet, investment (customer) accounts are managed on the basis of Mudaraba. The Bank operates through an extensive branch network in Jordan. JIB's stated objective is to reach all citizens who wish to deal in compliance with the principles of Islamic Shari'a.

Principal Business Strategies

On the back of growing domestic demand for Islamic banking services, JIB seeks to further grow its market share of deposits and financings in the local market through sustainable growth in corporate and retail banking. To continue supporting its expansion strategy, further investment is being made towards improving delivery channels, especially through an increase in the number of branches and ATMs. While competition is expected to intensify over the near to medium-term following the recent market entry of a number of GCC-based Islamic banks, JIB should be well able to safeguard its dominant market share.

Operating Environment

The Jordanian banks as a group were not adversely impacted by the 2008-2009 global financial crisis due to their high levels of liquidity and stable customer deposit funding base. The Central Bank of Jordan (CBJ) had no need to inject liquidity or equity into Jordan's banking system as international financial markets came under severe pressure. Rather, the CBJ took pre-emptive steps to maintain confidence and support the domestic money market following the onset of the global credit crisis. In addition, in October 2008, the CBJ announced a full guarantee of all bank deposits (including URIA) until end-2009 (then extended until end-2010). Being almost exclusively focused on domestic lending opportunities, the vast majority of Jordanian banks (apart from Arab Bank and Housing Bank for Trade and Finance) also carried very little, if any, regional credit exposures and were therefore effectively insulated from credit events in the GCC region.

Economic activity in Jordan will remain subdued over the near term, due largely to continuing high commodity-import prices and lingering regional political uncertainties. Following a decade of robust growth during 2000–09 (averaging about 6½ percent), supported by a favorable external environment, economic activity slowed sharply in 2010 as global economic conditions deteriorated. While the Jordanian economy is among the most open in the Middle East, it has suffered external shocks (like many other countries in the region) from commodity price inflation and fall out from regional instability. This has resulted in slower economic growth and larger fiscal deficits, although these challenges are partially mitigated by Jordan's close relations with donor countries. These relationships support comparably modest external borrowing needs, though these are rising. While the authorities have implemented an ambitious program of structural reforms to develop the private sector, unemployment remains high, particularly among the young and graduates. Jordan has seen some social and political unrest but these have been largely peaceful. In response to the public protests, the government has announced constitutional amendments.

A difficult global environment (high imported food and fuel prices and rising sovereign financing costs) negatively affected the Jordanian economy in 2010–11. Because of a larger import bill, declining remittances, sharply lower tourism receipts, and lower FDI inflows, international reserves dropped to $11.8 billion (equivalent to 7 months of imports) at end-July 2011. Real GDP is expected to grow at a slow pace of 2½ percent in 2011, led by the mining and financial sectors. In 2012, real GDP growth is projected to pick up modestly to 3 percent as business confidence gradually improves.

In May 2011, Gulf Cooperation Council (GCC) leaders announced Jordan, along with Morocco, had been invited to join the political bloc, which currently consists of the six states of Saudi Arabia, Kuwait, Bahrain, the UAE, Qatar and Oman. Jordan is an immediate neighbour of GCC heavyweight Saudi Arabia and a major trading partner of alliance countries. Recently, the GCC discussed a five-year economic development plan for Jordan and Morocco: both countries hope to join the alliance of oil-rich monarchies.

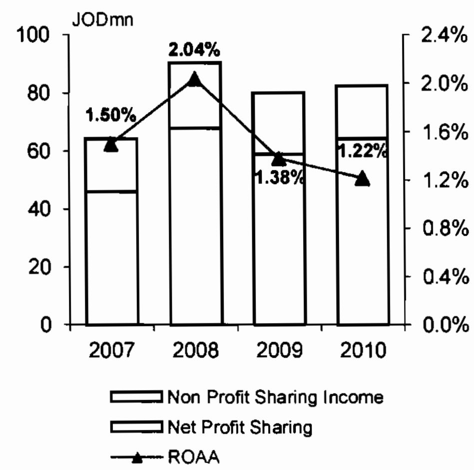
KEY FINANCIAL ISSUES

JIB's consolidated financial statements have been prepared in accordance with the rules and principles of the Islamic Shari'a as determined by the Bank's Shari'a supervisory board, and in compliance with the accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The consolidated financial statements were audited by both Ernst and Young (Jordan) and the local firm of Ibrahim Al-Abbassi & Co., who jointly issued an unqualified audit opinion. Disclosure standards in the audited financial statements and notes have improved in recent years.

FINANCIAL PERFORMANCE

Net and operating profit recovered moderately in 2010. Following a decline in 2009, JIB's profit at both the operating and net levels recovered in 2010 on the back of higher net profit sharing and good cost control. Operating profit rebounded 5% to JOD51mn (USD72mn) or 2.14% of average total assets (down from 2.43% in 2009). Similarly, net profit recovered 4% to JOD29mn (USD41mn) despite moderately higher provisioning. As demonstrated in the adjacent chart, profitability as measured in terms of ROAA declined marginally to 1.22% (2009: 1.38%) due to the larger increase in the Bank's asset base. JIB's slower rates of financing expansion in 2009 and 2010, as Jordan's economic expansion decelerated, contributed to the decline in net profit in those years.

Breakdown of Income & ROAA



The banking sector had shown rather varied results for 2010. While the majority of banks in Jordan in 2009 reported a fall in profitability largely due to stepped up provisioning and lower brokerage income, most banks in 2010 showed generally more positive results thanks to improved operating profit coupled with lower provisioning. The industry ROAA ratio calculated on a simple average basis rose slightly to 1.3% in 2010 (2009: 1.2%). JIB's modest profitability is partly a function of the considerable level of non-remunerative deposits held at CBJ.

Net profit sharing returned to positive growth. Net profit sharing recovered 9% to JOD64mn (USD91mn), having decreased by 13% in 2009 from a record level in 2008. The growth in 2010 was driven in part by a significantly improved cost of funds and partly by financing expansion, although the latter's growth rate remained lower than that observed in the years prior to 2009. Investment revenues rose by a marginal 1% to JOD101mn, while depositors' share (i.e. return of unrestricted investment accounts holders) retreated for the first time by 11% to JOD37mn. The further fall in Jordan's stock market indices amid sustained low trading volumes continued to negatively affected investment revenue in 2010.

Still sound profit sharing differential. JIB's healthy profit differential of 5.68% (2009: 6%) underpinned its performance at the net profit sharing level. That said, the profit sharing differential has narrowed in recent years due to the effects of increased balance sheet liquidity and margin pressure associated with keen market competition. JIB's profit sharing differential nonetheless remained higher than the interest differential reported by conventional banks reflecting the significant share of high margin retail facilities (Murabaha) in its financing portfolio. Net profit sharing contributed an increased 78% to gross income in 2010 (2009: 74%) due to a fall in non profit sharing income.

Nearly all components of non profit sharing income decreased for a second year in a row. JIB's non profit sharing income declined by 14% to JOD18mn (USD26mn), having retreated by 7% in 2009. Measured to average total assets, non profit sharing income declined further to 0.76% (2009: 1.04%). On the basis of this ratio, the Bank's level of non profit sharing income was lower than the non-interest income to gross income ratio of conventional banks in Jordan. This is largely a reflection of the modest volumes of contingent accounts business (LCs and LGs) generated by JIB and the consequential limited fee and commission income.

Fee and commission income fell by 4% to JOD10.1mn (USD14mn) in 2010 largely due to a further decline in brokerage commissions to JOD1.5mn and partly due to a decline in fees from documentary credits (LCs and LGs) to JOD2.3mn. The latter reflected the slowdown in trade finance activity in the country. Most other constituents of fee and commission income recorded positive growth including salary transfer commissions to JOD2.8mn, account management commissions to JOD1.3mn and transfers commissions to JOD0.6mn. Fee and commission income remained the largest single contributor to non profit sharing income, accounting for 56% of the total (2009: 50%).

The category 'other income' on CI's spreads, which constituted the second biggest component of non profit sharing income (32% of the total), decreased by 7% to JOD5.8mn (USD8mn) in 2010 largely as a result of a sustained decline in profits from Muqarada ('profit sharing') bonds. However, credit card commissions continued to grow to reach JOD1.8mn.

Notwithstanding the decrease in non profit sharing income, JIB's gross income recovered 3% to JOD82.4mn (USD116mn) in 2010 due to growth in net profit sharing. That said, income generation as measured by the ratio of gross income to average total assets declined to 3.44% from 3.97% and remained below the 4.46% sector average in large part due to relatively low non profit sharing income.

Ongoing good operating efficiency. Thanks to good cost control, JIB's total operating expenses rose by a fractional 0.5% to JOD31.3mn (USD44mn) in 2010. Total employee expenditures grew by 2% to JOD18.8mn and accounted for 60% of the cost base. Other expenses declined due to a fall in marketing and training costs. The effect of an increase in gross income in combination with marginal cost growth resulted in an improved cost to income ratio of 37.9% from 38.9% in 2009. This measure of operating efficiency remained better than the sound Jordanian banking sector average of 43%.

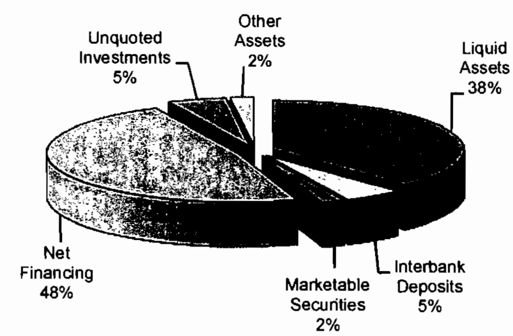
Provisions set aside for financings and investments rose by 5% to JOD10.5mn in 2010. The provision charge depleted an unchanged 20% of operating profit. Going forward, it is CI's expectation that JIB's provision charges are likely to increase further given the ongoing heightened credit risk and the challenging regional operating environment. In this regard, the Bank's satisfactory operating profitability will continue to provide the flexibility to increase provisioning as necessary.

BALANCE SHEET

Asset Quality

Asset mix shifted further towards lower-yielding assets. Reflecting the Bank's ongoing cautious stance amid Jordan's economic slowdown, JIB deployed a larger share of its asset base into liquid assets namely CBJ deposits. Liquid assets including interbank placements constituted a significant 43% of the asset base at end 2010. Conversely, the share of financings in total assets declined to 48% (see adjacent chart) from 50% at end 2009. The asset profile of Jordanian banks as a group is characterised by a relatively low ratio of net loans to total assets. The Bank's total assets continued to grow at a faster than sector average pace in 2010, rising by a strong 19% to JOD2,604mn (USD3.67 billion) commensurate with the increase in total customer deposits. JIB's balance sheet was ranked third largest in the local market at end 2010.

Asset Composition at end 2010



Murabaha receivables dominate the financing book. The net financing portfolio was composed of principally Murabaha receivables and to a lesser extent Mudaraba and Musharaka financing. Murabaha financing represents sale contracts on deferred terms. In this context, JIB arranges a Murabaha transaction by buying a commodity and then selling the same commodity with a profit margin to the beneficiary (Murabeh). The sale price, representing the sum of the cost and profit margin, is repaid by the beneficiary in instalments over the agreed period. In the event of customer default, the Bank has the legal right to foreclose on the collateral. In terms of remaining maturity as at end 2010, a major part of the financing book was short-term in tenor (less than one year).

Ongoing high credit risk in the local market. The net financing book grew by 14% to JOD1,243mn (USD1.75 billion) led by an increase in Murabaha facilities to individuals and to a lesser extent commercial entities. Although Jordan's economy continues to record positive growth, albeit at a slow pace, credit risks remain rather high in the local market due to regional political instability and its knock-on effect on Jordan's operating environment. On the basis of Q1 - Q3 2011 trends, it would appear that the Bank's NPFs could be pushed up further in the near term though at a slower accretion rate.

Distribution of Loans by Economic Sector (%)	2009	2010
Commercial	41	36
Individuals	33	34
Real Estate (incl. residential mortgages)	24	22
Government & Public Sector	-	7
Industrial	2	1
Total	**100**	**100**

Financing portfolio reveals sector concentration. A distribution of JIB's financing book by economic sector shows ongoing significant exposures to commerce and individuals at end 2010 (see adjacent table). Although financing to nearly all sectors increased, the relative share of each in the financing book declined at end 2010 as a result of new facilities extended to the government and public sector. Exposure to commerce and individuals however continued to be large and posed sector concentration risks. The bulk of the Bank's NPFs also stemmed from these two sectors. The commerce sector's considerable contribution to JIB's financing portfolio is to some degree a function of Jordan's trade based economy.

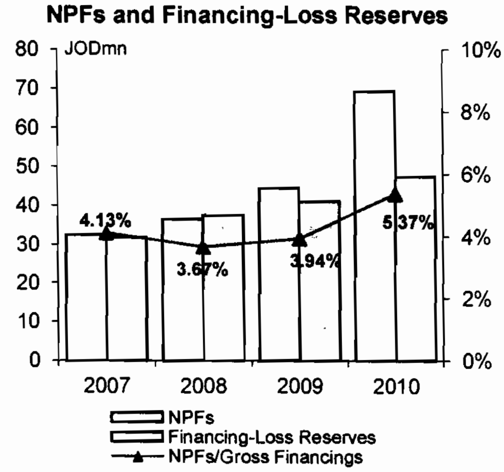
The Bank's total exposure to the soft real estate market (including Ijara) remained significant at 22% and is carefully monitored. It should be noted that being an Islamic bank, JIB's financings are backed by assets, typically real estate with the proceeds not necessarily being used for investment in real estate itself. The real estate sector (including housing) in Jordan has expanded noticeably over the recent past driven by strong demand from domestic and regional investors. The CBJ has set the exposure limit to the real estate sector at 20% of total customer deposits; JIB's actual exposure (including investments) was 12% of total customer deposits at end 2010.

Reasonably diversified investment portfolio. Within JIB's total investments of JOD186mn at end 2010 (2009: JOD174mn), large categories were available-for-sale (AFS) securities composed of mainly unquoted Muqarada bonds (Sukuk) (JOD65mn) and quoted equities (JOD39mn), unquoted investments in real estate (JOD59mn) and Islamic securities including Sukuk (JOD11mn). Investments in affiliates amounted to JOD15mn and were carried at cost. These companies operated in the trade, investment and insurance sectors. The Bank's total investments formed a relatively low 7% of total assets at end 2010. JIB's total assets under management (reported off balance sheet) declined further by 4% to JOD277mn (USD390mn) at year-end reflecting customers' ongoing risk aversion.

Non-performing financings increased further. JIB's non-performing financings (NPFs), calculated according to the classification criteria of the Central Bank of Jordan (90 days past due), grew by 56% to JOD69mn (USD98mn) at end 2010, though from a comparatively low base. It should be noted that while such a rate of increase in problem accounts would normally be a cause for concern, JIB's share of financings in total assets is relatively low as is the case with conventional banks in Jordan.

The majority of new NPFs originated in mainly the trade (SME) and individual sectors reflecting the challenging conditions in the local economy. Government delays in payment to contractors contributed to the increase in NPFs. Measured as

NPFs and Financing-Loss Reserves



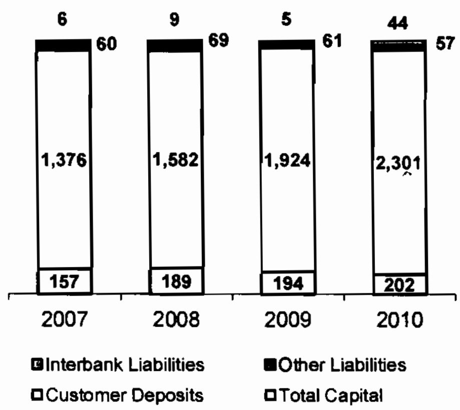
a percentage of gross financings, NPFs increased to 5.37% from 3.94% a year earlier and remained below the increased sector size-weighted average of 7.3% (see **Current Year Update** below). A majority of classified financings were in the 'bad' category, while the remainder was split between the 'doubtful' and 'substandard' categories. As was the case with many conventional banks in Jordan, the Bank rescheduled JOD25mn financings (equivalent to 1.9% of gross financings) in 2010 in accordance with the regulations stipulated by CBJ. Write-offs require the approval of the Shari'a Supervisory Board and amounted to JOD5mn.

Financing-loss reserve coverage weakened. Although financing-loss reserves rose by 16% in money terms to JOD47.4mn (USD67mn) as the Bank stepped up provisioning in 2010, the larger increase in NPFs resulted in coverage falling to a just adequate 68% from 92% in 2009. That said, at current operating profit levels it would require less than two quarters for JIB to cover the shortfall in financing-loss reserves.

Funding and Liquidity

Customer deposits are the largest source of funding. In common with Jordanian conventional banks, JIB's liquidity rests on a sizeable pool of growing stable customer deposits. The Bank's ongoing faster than average growth rate in customer deposits underscores its effective deposit mobilising capability aided by a large nationwide branch network and the increased domestic demand for Islamic banking services. Despite keen competition for deposits (and financings) from new entrants into the local market, JIB's total customer liabilities grew further by 20% (2009: 22%) to JOD2,301mn (USD3.24 billion) in 2010 as shown in the adjacent chart and continued to fund a substantial 88% of the asset base.

Sources of Funds (JODmn)

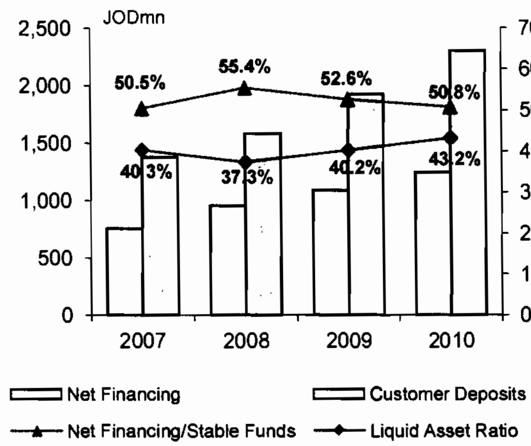


Unrestricted investment accounts (URIAs) dominated the customer funding base. JIB's unrestricted investment accounts grew at a sustained brisk 24% to JOD1,560mn (USD2.2 billion) in 2010. URIAs contributed the bulk (68%) to customer deposit funding, albeit the comparatively expensive time variety were the largest source of URIAs and accounted for three fourths of the total. Cheap current deposits continued to grow steadily and made up nearly one-fourth of the Bank's customer deposit base (2009: 26%). There was no undue funding concentration with respect to customer deposits highlighting the predominantly retail nature of the client base.

Jordanian banks' liquidity as a group was not impacted by the global credit crisis underscoring their high levels of liquidity and very limited reliance on interbank or other types of wholesale funding. Rather than injecting liquidity or equity into the banks as international financial markets came under severe pressure in 2008 - 2009 as some GCC central banks did, the CBJ resorted to lowering its key policy rate and reserve requirement to moderate the impact of the crisis on the domestic money market. Concurrently in October 2008, the CBJ announced a full guarantee of all bank deposits until end-2009 (then extended until end-2010).

Strong liquidity ratios improved further. As is the case with conventional banks in the local market, JIB has consistently maintained a high level of liquidity over the last four years reflecting the comparatively low share of financings in total assets. The Bank's key liquidity ratios at end 2010 improved for a second year in a row, from an already strong level, as expansion in customer deposits outpaced that of net financing. In 2008 and prior years, liquidity had been on a tightening trend but this had reversed in 2009 as a result of a cautious financing policy in the face of Jordan's weaker economic expansion.

Liquidity



The Bank's ratios of net financing to both total customer deposits and stable funds improved to 54% and 51% respectively at end 2010 (from 56% and 53% respectively a year earlier). These ratios were broadly in line with those of the sector averages. JIB's customer deposit base exceeded the net financing portfolio by JOD1,058mn (USD1.49 billion) at end 2010 compared with JOD837mn in the preceding year. The trend towards higher liquidity at JIB and in the banking sector is viewed positively by CI given the heightened level of credit risk in the Jordanian economy and current regional geopolitical risk factors. JIB's liquid asset ratio increased to 43% at end 2010 from 40% in the previous year as surplus funds continued to be deployed into deposits with the central bank. This measure of liquidity was on par with the market average. The trend with respect to the ratios of liquid assets and net financing to stable funds are indicated in the chart above.

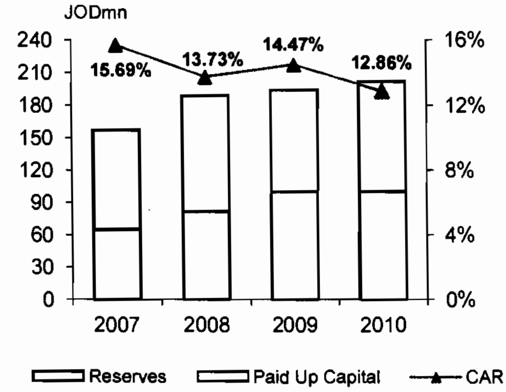
CBJ placements dominated liquid assets. The bulk of JIB's liquidity continued to be in the form of deposits held with the central bank, which increased further by 29% to JOD944mn (USD1.33 billion). CBJ balances accounted for over three-fourths of total liquid asset holdings. A vast proportion (84%) of these funds was placed in non-remunerative current accounts with the central bank; the remainder 16% comprised mandatory reserves. JIB's deposits with other banks contributed 12% to total liquid assets at year-end. The majority of bank deposits were placed with prime institutions in Europe, US and the GCC and to a lesser extent Group banks.

The maturity profile of the Bank's total assets and total liabilities remained largely short term, with the proportion of assets maturing over the near term (12 months) increasing to 66% at end 2010 from 63% a year earlier due to the rise in liquid assets (namely CBJ placements). The share of total liabilities maturing over the short term was 53%. Total short-term assets exceeded total short-term liabilities by JOD442mn (USD623mn) at end 2010 compared to JOD331mn in the previous year. Despite the very short tenor of customer liabilities, this funding source is viewed as stable given that customers normally roll over their deposits on maturity.

Capital Adequacy

Capital adequacy ratio remained satisfactory despite the decline. JIB's capital adequacy ratio (CAR), calculated to Basel II standards, fell slightly to 12.86% at end 2010 from a stronger 14.47% a year earlier (see adjoining chart) as the rate of increase in total risk weighted assets outstripped that of total regulatory capital in 2010. The latter rose by 9% to JOD192mn while total risk weighted assets grew by 24% to JOD1,493mn.

Capital Composition & Adequacy



The CBJ formally adopted the Basel II Accord with effect 1 January 2008. The Bank's risk asset ratio was slightly above the Central Bank's statutory requirement of 12% on the basis of Basel II standards.

JIB also calculates its capital requirements to Islamic Financial Services Board (IFSB) methodology. Under this standard, the Bank's CAR stood at 21.57% at end 2010 (2009: 30%). The higher ratio seen under IFSB is attributed to the contention that URIAs are not a liability, as in case of loss the Bank is not obligated to return the original amount of funds received from account holders unless the loss is due to negligence or breach of contract. Thus, shareholders' equity only absorbs that part of losses which arise as the share of JIB's own funds in lending and investing. Concurrently, despite being a partner in profit and loss sharing with the Bank, URIAs are not treated as shareholders because they do not enjoy the same ownership rights (voting rights and entitlement to profits in the form of dividends).

Paid up capital increased in recent years. Banks in Jordan have steadily increased their paid-up capital over the last four years in anticipation of a hike in CBJ's minimum paid up capital requirement to JOD100mn. JIB had increased its paid up capital by JOD18.75mn (USD26mn) to JOD100mn in 2009; capital was raised for a third year in a row through the capitalisation of reserves (bonus shares). Total capital edged up by 4% to JOD202mn (USD284mn) due to retained profit, and funded nearly 8% of total assets (2009: 9%). Although the balance sheet was satisfactorily capitalised at end 2010, JIB may find future business growth constrained by its declining capital adequacy.

Adequate internal capital generation. JIB's rate of internal capital generation improved marginally to 8.5% in 2010 from 8.1% in the previous year due to a modest increase in net profit together with a small decline in cash dividends. The Bank paid JOD15mn cash dividends to shareholders with respect to 2010 earnings, equating to a 52% dividend payout ratio (2009: 44%). JIB's policy of transferring a considerable share of net profit to reserves has served to reinforce the capital base over the years.

CURRENT YEAR UPDATE (Q1 – Q3 2011)

The interim accounts produced by JIB are designed to present an overview of its performance for the period. The table below highlights JIB's financials for the first nine months of 2011:

JODmn	Q3 2011	2010	Δ%
Total Assets	[illegible]	[illegible]	9
Net Financing	[illegible]	[illegible]	17
NPFs	[illegible]	[illegible]	[illegible]
Customer Deposits	[illegible]	[illegible]	11
Total Capital	203	202	0.5

%	Q3 2011	2010
NPFs / Gross Loans	[illegible]	4.37
FLR / NPF	[illegible]	[illegible]
Capital Adequacy Ratio (IFSB)	[illegible]	[illegible]
Net Financing / Stable Funds	[illegible]	[illegible]
Profit Sharing Differential	5.55	[illegible]
Cost To Income	[illegible]	[illegible]
ROAA	1.03*	1.22

JODmn	9-mo 2011	9-mo 2010	Δ%
Net Profit Sharing	54	47	15
Non Profit Sharing Income	[illegible]	12	25
Gross Income	[illegible]	[illegible]	17
Operating Expenses	[illegible]	[illegible]	22
Operating Profit	41	[illegible]	14
Provision Charges	-12	-8	50
Gross Profit	[illegible]	[illegible]	4
Income Tax	-8	-7	-
Net Profit	21	21	-

** annualised; na – not available*

Profit and Loss

- Net profit sharing grew further on the back of financing expansion.
- Non profit sharing income recovered mainly due to significant investment income. Fee and commission income rose by a marginal 1% and remained the largest contributor to non profit sharing income.

- Total operating expenses rose by a significant 22% due to higher employee expenses from new branches and cost of living adjustments.
- Operating profit improved however, reflecting the increase in gross income.
- Provision charges increased markedly in line with the increase in NPFs.
- Although net profit was on the whole flat, the annualised ROAA slipped to 1.03% due to ongoing growth in total assets.

Balance Sheet

- Total assets growth decelerated in tandem with slowing customer deposits expansion.
- Murabaha facilities continued to drive financing growth.
- NPFs increased, albeit at a slower pace, while financing-loss reserve coverage slipped marginally.
- Liquidity remained strong supported by a growing customer deposit base.
- Capital adequacy remained satisfactory. CAR, calculated to IFSB, stood at 20.75% at end Q3 2011 not including period's net profit.

OUTLOOK

Despite the increased number of GCC-owned Islamic banks operating in the local market, JIB continues to control a substantial share of Shari'a compliant financings and deposits in Jordan. This dominant market position is likely to remain uncontested for the foreseeable future supported by the Bank's long track record and nationwide branch network. That said, the new entrants have heightened competition particularly for financings and to a lesser extent deposits, and this has contributed to margin compression.

Jordan's operating environment remains challenging due to slower economic growth and ongoing elevated credit risk from regional instability. This could translate into a further increase in NPFs over the near term and in turn stepped up provisioning levels. Thus, while operating profit is expected to remain at a satisfactory level, net profit is unlikely to grow noticeably over the next year from the current level. Notwithstanding the downward trend in CAR in recent years due to growth in risk weighted assets, capital adequacy is likely to be maintained at an adequate level.

JORDAN ISLAMIC BANK

JO10

PERFORMANCE RATIOS External Audit	AUD 12/2010	AUD 12/2009	AUD 12/2008	AUD 12/2007
A . SIZE FACTORS				
1 . Total Assets (USD 000)	3,667,161	3,074,737	2,606,205	2,254,010
2 . Total Capital (USD 000)	283,934	273,111	266,474	222,004
B . ASSET QUALITY				
3 . Total Assets Growth Rate (Year on Year %)	19.27	18.11	15.66	9.27
4 . IFFI -Loss Reserve to Gross IFFI (%)	3.68	3.64	3.78	4.05
5 . Non-Performing IFFI to Gross IFFI (%)	5.37	3.94	3.67	4.13
6 . IFFI -Loss Reserve to Non-Performing IFFI (%)	68.45	92.28	102.97	98.00
7 . Unprovided Non-Performing IFFI to Free Capital (%)	14.82	2.43		0.54
8 . IFFI -Loss Provision Charge on Gross IFFI (%)	0.81	0.89	1.03	0.96
9 . Reserve for Dimin. of Investments to Total Investments (%)				
10 . Related Party Loans to Total Capital (%)				
11 . Total Contingents on Total Assets (%)	7.03	5.49	6.04	5.84
C . CAPITAL ADEQUACY				
12 . CI Risk Asset Ratio (%)	9.32	10.36	11.45	12.05
13 . Estimated BIS Risk Asset Ratio (%)	11.85	12.88	13.88	14.26
14 . Estimated BIS RAR on Tier One Capital (%)	11.85	12.88	13.88	14.26
15 . Actual Risk Asset Ratio to Local Standards (%)	12.86	14.47	13.73	15.69
16 . Internal Capital Generation (%)	8.48	8.10	14.47	10.47
17 . Total Capital Growth Rate (Year on Year %)	3.96	2.60	20.07	18.34
18 . Total Capital to Total Assets (%)	7.74	8.88	10.22	9.85
19 . Total Capital to Gross IFFI (%)	15.63	17.20	19.06	20.00
20 . Free Capital Funds (JOD 000)	147,537	141,288	139,785	120,885
21 . Estimated BIS RAR Shortfall (JOD 000)	0	0	0	0
22 . Risk Weighted Assets on Total Footings (%)	58.42	60.95	64.02	60.87
D . LIQUIDITY				
23 . Net IFFI to Total Deposits (%)	52.99	56.32	60.01	54.66
24 . Net IFFI to Total Customer Deposits (%)	54.01	56.47	60.33	54.91
25 . Net IFFI to Stable Funds (%)	50.75	52.60	55.43	50.47
26 . Customer Deposits to Total Deposits (%)	98.12	99.73	99.46	99.55
27 . Liquid Asset Ratio (%)	43.18	40.19	37.30	40.26
28 . Quasi-Liquid Asset Ratio (%)	44.69	41.79	38.89	42.76
29 . FX Currency Assets to FX Currency Liabilities (%)	114.28	105.64	121.41	117.61
30 . FX Currency IFFI to FX Currency Deposits (%)	86.28	50.79	21.01	2.70
31 . Interbank Assets to Interbank Liabilities (%)	309.50	2,043.69	1,319.00	1,659.88
32 . Net Interbank Assets (JOD 000)	92,266	101,033	103,932	96,666
E . PROFITABILITY				
33 . Return on Average Assets (%)	1.22	1.38	2.04	1.50
34 . Return on Average Equity (%)	14.71	14.57	20.29	15.83
35 . Underlying Profits on Average Assets (%)	1.88	2.09	3.02	2.27
36 . Underlying Profits on Average Equity (%)	22.77	22.05	30.08	23.90
37 . Funding Cost (%)	1.71	2.32	2.29	2.21
38 . Profit Sharing on Average Earning Assets (%)	7.39	8.32	9.87	8.74
39 . Profit Sharing Differential (%)	5.68	6.00	7.59	6.52
40 . Non-Profit Sharing Income to Gross Income (%)	22.01	26.28	25.00	28.43
41 . Operating Expenses to Gross Income (%)	37.95	38.90	33.36	34.70
42 . Operating Profit Growth Rate (%)	4.62	-18.82	43.71	42.11
43 . Operating Profit on Average Assets (%)	2.14	2.43	3.50	2.74
44 . Risk Provisioning Charge to Operating Profit (%)	20.45	20.41	16.89	18.01
45 . Dividend Payout Ratio (%)	41.25	43.70	22.20	28.28
RATES				
Exchange Rate (Units per USD)	0.7100	0.7100	0.7092	0.7090
Inflation Rate (%)	5.44	-0.70	14.90	5.40
Imputed Interest Rate on Free Capital (%) (Discount Rate)	4.25	4.75	6.25	7.00

NOTES:

BALANCE SHEET - ASSETS (JOD 000)

RISK WGHT	External Audit	12/2010 USD 000	AUD 12/2010	AUD 12/2009	AUD 12/2008	AUD 12/2007	Growth (%) 12/2010	12/2009	12/2008	12/2007	Breakdown (%) 12/2010	12/2009	12/2008	12/2007
	LIQUID ASSETS:													
0%	Cash & 7 Day	62,199	44,161	39,510	36,467	30,818	11.77	8.34	18.33	15.73	1.70	1.81	1.97	1.93
0%	Central Bank	1,329,445	943,906	731,741	540,565	509,720	28.99	35.37	6.05	-0.65	36.25	33.52	29.25	31.89
10%	Treasury Bills													
20%	Government Securities													
20%	Other - Interbranch Bal.													
	TOTAL LIQUID ASSETS	1,391,644	988,067	771,251	577,032	540,538	28.11	33.66	6.75	0.16	37.95	35.33	31.22	33.82
	DEPOSITS WITH BANKS:													
20%	Short - Up to 1 Year	70,663	50,171	15,400	23,626	12,634	225.79	-34.82	87.00	-79.55	1.93	0.71	1.28	0.79
20%	Short - Foreign Banks	121,320	86,137	90,831	88,832	90,229	-5.17	2.25	-1.55	40.66	3.31	4.16	4.81	5.65
100%	Non - OECD Medium Term													
	TOTAL DEPOSITS WITH BANKS	191,983	136,308	106,231	112,458	102,863	28.31	-5.54	9.33	-18.31	5.24	4.87	6.08	6.44
100%	MARKETABLE SECURITIES	55,059	39,092	34,838	29,416	39,974	12.21	18.43	-26.41	42.80	1.50	1.60	1.59	2.50
	ISL. FIN. FACILITIES & INV.													
20%	Gov't Guaranteed	0	0	0	0	1,136	-	-	-100.00	-	0.00	0.00	0.00	0.07
50%	Specified investments													
100%	Social Financing (Qard Al-Hassan)	10,851	7,704	8,644	11,194	7,326	-10.87	-22.78	52.80	27.72	0.30	0.40	0.61	0.46
100%	Mudaraba, Murebaha, Musharaka	1,471,162	1,044,525	939,107	833,733	696,576	11.23	12.64	19.69	20.18	40.12	43.02	45.11	43.59
100%	Ijara	237,380	168,540	134,951	110,309	49,306	24.89	22.34	123.72	114.91	6.47	6.18	5.97	3.09
100%	Non-Performing IFFI	97,613	69,305	44,445	36,378	32,499	55.93	22.18	11.94	91.90	2.66	2.04	1.97	2.03
100%	IFFI - Loss Reserve	-66,818	-47,441	-41,016	-37,457	-31,850	15.66	9.50	17.60	364.83	-1.82	-1.88	-2.03	-1.99
	NET ISL. FIN. FACILITIES & INV.	1,750,187	1,242,633	1,086,131	954,157	754,993	14.41	13.83	26.38	22.10	47.73	49.75	51.62	47.24
100%	UNQUOTED/OTHER INVESTMENTS	191,173	135,733	125,629	120,974	115,906	8.04	3.85	4.37	16.55	5.21	5.75	6.54	7.25
100%	NON-FINANCIAL SUBS & AFFILS.	9,338	6,630	6,714	6,505	3,798	-1.25	3.21	71.27	-59.32	0.25	0.31	0.35	0.24
	FINANCIAL SUBS & AFFILIATES	12,132	8,614	13,125	14,820	10,567	-34.37	-11.44	40.25	24.00	0.33	0.60	0.80	0.66
100%	FIXED ASSETS	54,665	38,812	32,782	27,879	22,155	18.39	17.59	25.84	49.40	1.49	1.50	1.51	1.39
100%	OTHER ASSETS	10,979	7,795	6,362	5,131	7,341	22.52	23.99	-30.10	-60.41	0.30	0.29	0.28	0.46
	TOTAL ASSETS	3,667,161	2,603,684	2,183,063	1,848,372	1,598,135	19.27	18.11	15.66	9.27	100.00	100.00	100.00	100.00
	CONTINGENT ACCOUNTS:													
100%	Fin. Gtees/SLCs/Acceptances	164,480	116,781	62,507	82,292	58,792	41.54	0.26	39.97	35.53	63.78	68.83	73.70	63.03
50%	Bid & Performance Bonds													
20%	LCs/Bank & Govt Guarantees	93,423	66,330	37,367	29,369	34,486	77.51	27.23	-14.64	11.26	36.22	31.17	26.30	36.97
10%	Bonding for Banks & Govts													
5%	IR Swaps/Bank & Govt LCs													
	TOTAL CONTINGENT ACCOUNTS	257,903	183,111	119,874	111,661	93,278	52.75	7.36	19.71	25.42	100.00	100.00	100.00	100.00
	TOTAL FOOTINGS	3,925,063	2,786,795	2,302,937	1,960,033	1,691,413	21.01	17.49	15.88	10.05	-	-	-	-
	RISK WEIGHTED ASSETS	2,292,963	1,628,004	1,403,683	1,254,719	1,029,520	15.98	11.87	21.87	19.26	-	-	-	-

BALANCE SHEET - LIABILITIES (JOD 000)

	USD 000	12/2010	12/2009	12/2008	12/2007	12/2010	12/2009	12/2008	12/2007	12/2010	12/2009	12/2008	12/2007
INTERBANK LIABILITIES:													
Current & 7 Day - Domestic Dep.													
Short - Foreign Dep (Demand)	62,031	44,042	5,198	8,526	6,197	747.29	-39.03	37.58	-79.87	1.69	0.24	0.46	0.39
Other - Foreign Dep (Fixed)													
TOTAL INTERBANK LIABILITIES	62,031	44,042	5,198	8,526	6,197	747.29	-39.03	37.58	-79.87	1.69	0.24	0.46	0.39
CUSTOMER DEPOSITS:													
Current accounts	791,501	561,966	503,587	448,211	381,193	11.59	12.35	17.58	19.60	21.58	23.07	24.25	23.85
Demand saving accounts	150,272	106,693	91,584	73,961	63,799	16.50	23.79	15.96	<<<<	4.10	4.20	53.70	55.16
Unrestricted Inv. Accounts	2,196,737	1,559,683	1,254,859	992,589	881,455	24.29	26.42	12.61	<<<<	59.90	57.48	53.70	47.69
Other - Cash Margins	102,045	72,452	73,397	66,691	48,599	-1.29	10.06	37.23	7.75	2.78	3.36	3.61	3.04
TOTAL CUSTOMER DEPOSITS	3,240,555	2,300,794	1,923,427	1,581,472	1,375,046	19.62	21.62	15.01	9.55	88.37	88.11	85.56	86.04
OFFICIAL DEPOSITS													
TOTAL DEPOSITS + INTERBANK	3,302,586	2,344,836	1,928,625	1,589,998	1,381,243	21.58	21.30	15.11	7.41	90.06	88.34	86.02	86.43
OTHER LIABILITIES	80,641	57,255	60,529	69,385	59,487	-5.41	-12.76	16.64	36.14	2.20	2.77	3.75	3.72
MEDIUM/LONG TERM LIABILITIES													
TIER TWO CAPITAL:													
Asset Revaluation Reserve	0	0	0	0	0	-	-	-	-100.00	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	-	-	-	-100.00	0.00	0.00	0.00	0.00
TIER ONE CAPITAL:													
Paid Up Capital	140,845	100,000	100,000	81,250	65,000	0.00	23.08	25.00	1.34	3.84	4.58	4.40	4.07
Minority Interests	913	648	600	574	448	8.00	4.53	28.13	-	0.02	0.03	0.03	0.03
Reserves	142,176	100,945	93,309	107,165	91,957	8.18	-12.93	16.54	70.80	3.88	4.27	5.80	5.75
TOTAL TIER ONE CAPITAL	283,934	201,593	193,909	188,989	157,405	3.96	2.60	20.07	33.42	7.74	8.88	10.22	9.85
TOTAL CAPITAL	283,934	201,593	193,909	188,989	157,405	3.96	2.60	20.07	18.34	7.74	8.88	10.22	9.85
TOTAL LIABILITIES AND CAPITAL	3,667,161	2,603,684	2,183,063	1,848,372	1,598,135	19.27	18.11	15.66	9.27	100.00	100.00	100.00	100.00

PROFIT AND LOSS ACCOUNT (JOD 000)

	USD 000	12/2010	12/2009	12/2008	12/2007	Growth (%) 12/2010	12/2009	12/2008	12/2007	% of Average Total Assets 12/2010	12/2009	12/2008	12/2007
Investment Revenues	142,014	100,830	99,823	101,750	75,476	1.01	-1.89	34.81	23.36	4.21	4.95	5.90	4.93
Depositors' Share	-51,455	-36,533	-40,825	-33,960	-29,534	-10.51	20.21	14.99	10.81	-1.53	-2.03	-1.97	-1.93
Net Profit Sharing	90,559	64,297	58,998	67,790	45,942	8.98	-12.97	47.56	33.05	2.69	2.93	3.93	3.00
Fees and Commissions	14,275	10,135	10,556	11,904	8,401	-3.99	-11.32	41.70	7.82	0.42	0.52	0.69	0.55
FX Trading Income	2,327	1,652	1,645	1,905	1,539	0.43	-13.65	23.78	26.46	0.07	0.08	0.11	0.10
Dealing Securities Income	755	536	2,565	-2,974	138	-79.10	186.25	-2,255.07	-56.33	0.02	0.13	-0.17	0.01
Other Investment Income				0	0			-	-			0.00	0.00
Other Income	8,203	5,824	6,268	11,764	8,173	-7.08	-46.72	43.94	45.45	0.24	0.31	0.68	0.53
Non Profit Sharing Income	25,559	18,147	21,034	22,599	18,251	-13.73	-6.93	23.82	22.13	0.76	1.04	1.31	1.19
GROSS INCOME	116,118	82,444	80,032	90,389	64,193	3.01	-11.46	40.81	29.75	3.44	3.97	5.25	4.19
Administrative Expenses	39,885	28,318	28,499	27,771	20,668	-0.64	2.62	34.37	14.91	1.18	1.41	1.61	1.35
Depreciation	4,041	2,869	2,325	1,731	1,435	23.40	34.32	20.63	4.87	0.12	0.12	0.10	0.09
Other Expenses	141	100	310	651	175	-67.74	-52.38	272.00	-71.91	0.00	0.02	0.04	0.01
OPERATING EXPENSES	44,066	31,287	31,134	30,153	22,278	0.49	3.25	35.35	11.50	1.31	1.54	1.75	1.46
OPERATING PROFIT	72,052	51,157	48,898	60,236	41,915	4.62	-18.82	43.71	42.11	2.14	2.43	3.50	2.74
Provisions for Doubtful IFFI	-14,735	-10,462	-9,982	-10,175	-7,548	4.81	-1.90	34.80	23.37	-0.44	-0.50	-0.59	-0.49
Prov. for Dimin. of Investments													
GROSS PROFIT (or -LOSS)	57,317	40,695	38,916	50,061	34,367	4.57	-22.26	45.67	47.02	1.70	1.93	2.91	2.25
Extraordinary Items				0	0				-			0.00	0.00
Tax & Equivalent	-16,339	-11,601	-11,027	-14,920	-11,381	5.21	-26.09	31.10	43.97	-0.48	-0.55	-0.87	-0.74
NET PROFIT (or -LOSS)	40,977	29,094	27,889	35,141	22,986	4.32	-20.84	52.88	48.57	1.22	1.38	2.04	1.50
Transfers/Adjustments	-13,321	-9,458	-10,807	4,117	22,494	12.48	-362.50	>>>>	-64.01	-0.40	-0.54	0.24	1.47
APPROPRIATION:													
Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Bonus Shares Issued	0	0	18,750	16,250	861	-100.00	15.38	1,787.34	-96.43	0.00	0.93	0.94	0.06
Dividends	16,901	12,000	12,188	7,800	6,500	-1.54	56.26	20.00	-	0.50	0.60	0.45	0.42
Movement in Reserves	10,755	7,636	-13,856	15,208	38,119	155.11	-191.11	-60.10	-29.20	0.32	-0.69	0.88	2.49
TOTAL	27,656	19,636	17,082	39,258	45,480	14.95	-56.49	-13.68	-41.68	0.82	0.85	2.28	2.97

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. Rating symbols written in lower case (e.g. aaa/a1) indicate that the issuer has not participated in the rating process and CI has relied on publicly available information and other information sources it considers reliable.

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

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. Rating symbols written in lower case (e.g. aaa/a1) indicate that the issuer has not participated in the rating process and CI has relied on publicly available information and other information sources it considers reliable.

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

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.