البنك الإسلامي الأردني
الإدارة العامة

الرقم : /CI2016/١١٩ 45604
التاريخ :٢٠١٦/١٢/٢٦

للافصاح
* بورصة عمان

السادة هيئة الأوراق المالية المحترمين
عمان – الأردن

١٢/٢٨

السلام عليكم ورحمة الله وبركاته،،،

الموضوع: التصنيف الائتماني *Capital Intelligence*

بالإشارة إلى الموضوع أعلاه ، يسرنا أن نرفق لكم في طيه نسخة من التصنيف الإئتماني الخاص بمصرفنا والصادر عن *Capital Intelligence* إصدار كانون أول ٢٠١٦.

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة
الرئيس التنفيذي / المدير العام

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٢٨ كانون الأول ٢٠١٦
الرقم المتسلسل ١٦١٩٣
الجهة المختصة ...

ري/ري

شركة مساهمة عامة محدودة
(سجل الشركة رقم ١٢٤)
عضو مجموعة البركة المصرفية
هاتف : ٥٦٧٧٣٧٧ ٦ ٩٦٢+
فاكس : ٥٦٦٦٣٢٦ ٦ ٩٦٢+
٥٦٨٤٧٥٥ ٦ ٩٦٢+
ص.ب : ٩٢٦٢٢٥ عمان ١١١٩٠ الأردن
Email:jib@islamicbank.com.jo
www.jordanislamicbank.com

Capi.

Bank Rating Report

Jordan Islamic Bank

Jordan

Ref: JO01015BNK00-1/12-16

JORDAN ISLAMIC BANK

Amman, Jordan
16 December 2016

RATINGS

	Current	Last Changed From	Date
Sovereign			
Long-Term:	BB-	BB	Dec 13
Short-Term:	B	-	-
Outlook	Stable	Negative	Dec 13
Foreign Currency			
Long-Term:	BB-	BB	Dec 13
Short-Term:	B	-	-
Financial Strength	BBB-	-	-
Support	3	-	-
Outlook			
Foreign Currency	Stable	Negative	Dec 13
Financial Strength	Stable	-	-

FINANCIAL HIGHLIGHTS

USD (mn) JOD (mn)	H1 2016 USD	H1 2016[1] JOD	2015 JOD	2014 JOD
Total Assets	5,552	3,942	3,799	3,555
Net Financing	3,772	2,678	2,594	2,219
Customer Deposits	4,954	3,517	3,382	3,176
Total Capital	446	317	311	282
Gross Income	119	85	152	141
Net Profit	39	28	49	45
Exchange Rate: USD/JOD		*0.7100*	*0.7100*	*0.7100*

%	H1 2016	2015	2014
NPF / Gross Financing	3.39	3.50	3.79
FLR / NPF	114.07	106.91	104.13
Capital Adequacy Ratio	20.11	21.11	20.95
Net Financing / Customer Deposits	76.13	76.69	69.86
Liquid Asset Ratio	24.66	24.89	31.08
Profit Sharing Margin (CI est.)	*3.75	3.52	3.47
Cost / Income	38.17	38.95	36.97
ROAA	*1.44	1.33	1.32

[1] Unaudited
** Annualised*

RATINGS DRIVERS

Supporting the Ratings

- Good financing quality underpinned by full financing-loss reserve (FLR) cover for non-performing financings (NPFs), and one of the peer group[1] lowest NPF ratios. Low renegotiated financings.
- Ample liquidity; growing and highly granular customer deposit base.
- Good and improved profitability, reflecting healthy profit sharing margin and a lean cost base.
- Established business franchise, with major share of Islamic banking assets and customer funds in Jordan.

Constraining the Ratings

- Low ratio of total capital to total assets, well below conventional banks in Jordan.
- Single large borrower concentration, although this credit is guaranteed by the government.
- Low level of non-profit sharing income (NPSI), but more than offset by strong net profit sharing (NPS) revenue.
- Challenging operating environment, coupled with high credit and geopolitical risks.

RATING RATIONALE

Capital Intelligence Ratings (CI Ratings or CI) affirms the Financial Strength Rating (FSR) of Jordan Islamic Bank (JIB) at 'BBB-', with a 'Stable' Outlook. The rating is supported by the Bank's good and improved financing asset quality as demonstrated by the more than full and increased FLR cover for NPFs, coupled with a still low NPF ratio and renegotiated financings, high liquidity (underpinned by a diversified customer deposit base), and good profitability at both the operating and net levels. The Bank's established Islamic banking franchise in Jordan and high market share of Islamic banking assets and customer deposits is also a supporting factor. The FSR is constrained by the low total capital to total assets ratio, single large borrower concentration risk, the low share of NPSI to gross

1 See Appendix for definition of peer group, which consists of eleven deposit taking banks.

Capital Intelligence Ratings Ltd
Oasis Complex, Block E, Gladstone Street
PO Box 53585
3303 Limassol
Cyprus

Telephone: +357 2534 2300
Facsimile: +357 2581 7750

E-mail: capital@ciratings.com
Web site: http://www.ciratings.com

CONTACT

Primary Analyst
George Panayides
Senior Credit Analyst
Tel: +357 2534 2300
E-mail: george.panayides@ciratings.com

Secondary Analyst & Rating Committee Chairman
Morris Helal
Senior Credit Analyst
E-mail: morris.helal@ciratings.com

The information sources used to prepare the credit ratings are the rated entity and public information. CI considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

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 December 2015.

The principal methodology used in determining the ratings is Bank Rating Methodology. The methodology, the meaning of each rating category, the time horizon of rating outlooks and the definition of default, as well as information on the attributes and limitations of CI's ratings, can be found at www.ciratings.com. CI's policy on unsolicited ratings including an explanation of the colour coding of credit rating symbols can be found at the same location. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at http://cerep.esma.europa.eu.

income, and the challenging operating environment, reflecting high credit and geopolitical risk factors (as is the case for all Jordanian banks).

CI also affirms JIB's Long- and Short-Term Foreign Currency Ratings (FCRs) at 'BB-' and 'B', respectively, with a 'Stable' Outlook. The FCRs are constrained by the ratings assigned to the sovereign ('BB-'/'B'/'Stable'), reflecting JIB's base of operations in Jordan and its exposure to the Jordanian sovereign in the form of balances at the Central Bank of Jordan (CBJ), as well as high exposure to a state-controlled entity. Accordingly, the Bank's FCRs remain highly correlated with the sovereign's creditworthiness. The downgrade of the sovereign or any improvement in Jordan's creditworthiness would have a corresponding effect on the Bank's FCRs. The Support Rating remains at '3' in view of the demonstrated support from the parent, Al-Baraka Banking Group (ABG), as well as the high likelihood of support from CBJ in case of need.

JIB continues to control the majority of Islamic banking assets and customer deposits in Jordan, despite keen competition following the entry of a number of other GCC-based Islamic institutions over the past years. The ongoing regional instability, however, has elevated credit risk in the economy and created a challenging operating environment for all Jordanian banks as a group. Although this has translated into moderately higher NPFs and lower FLR cover for many conventional banks in Jordan, the Bank's NPF ratio remains one of the lowest in the local market, evidencing effective risk management practices. The Bank's FLR continued to more than fully cover NPFs in 2015, with a further increase seen in H1 2016. The net financing portfolio, however, continues to exhibit high concentration by borrower, mainly related to a government guaranteed medium-term facility to a systemically important government related entity (GRE) granted in 2012. Exposure to this GRE increased considerably at end 2015 due to added financing, before declining to some extent at end June 2016, with a big part due for repayment in 2017.

The capital adequacy ratio (CAR), calculated based on CBJ regulation and in line with the Islamic Financial Services Board (IFSB) methodology, was maintained at a very comfortable level at end June 2016, underscoring the Bank's high exposure to government guaranteed financings and still large balances with CBJ – both of which carry zero risk-weight factors. It has to be noted, however, that JIB's seemingly high CAR is largely due to the substantial share of Unrestricted Investment Accounts (URIAs) in the customer deposit base. URIAs are viewed as being part of regulatory capital under IFSB standards given their loss-absorbing characteristics. JIB's ratio of total capital to total assets remained moderate, however, and below the average for conventional banks in Jordan. Nonetheless, JIB's rate of internal capital generation has been sound in recent years, reflecting its good net profitability in addition to a moderate dividend payout ratio.

JIB's funding is predominantly sourced from retail deposits which, in turn, bestow granularity and low concentrations in the customer deposit base. Although customer deposits continued to grow during 2015, liquidity tightened somewhat due to accelerated growth in financings. In H1 2016, key liquidity metrics were broadly unchanged as customer deposits and Islamic financing facilities expanded at a similar pace. Being an Islamic bank, JIB is precluded from investing surplus liquidity in interest earning government securities and T-bills. Accordingly, while conventional banks have deployed their surplus JOD liquidity into high-yielding Jordanian government paper over the recent years, JIB has channelled excess liquidity into government-guaranteed financings in the absence of Sukuk instruments in Jordan. As a result, JIB's headline liquidity metrics are tighter than those seen in the liquid Jordanian banking system, although they remain sound in a global context. Nonetheless, the Kingdom of Jordan's recent Sukuk issue in May 2016, and JIB's subsequent subscription to a significant share of that Sukuk, lays the ground for a profitable alternative to invest surplus liquidity compared to the zero-reward balances at CBJ. Further Sukuk issuances by the government appear to be in the pipeline. Such instruments are also likely to improve JIB's day-to-day liquidity management.

Profitability at the net level, as measured by the return on average assets, remained good in 2015, while in H1 2016 it improved (annualized) to a level significantly above the sector average, despite a higher provision charge. At the operating level, JIB's profitability continues to benefit from a high and growing level of net profit sharing (NPS) income, reflecting a healthy NPS margin. Effective cost control continues to underpin the Bank's sound operating profitability. Although the level of NPSI remained lower than the sector average – partly a function of rather low volumes of contingent accounts business – this was more than offset by strong NPS revenue.

PERFORMANCE OUTLOOK

Jordan's economy is anticipated to grow at a measured rate in 2016 and into 2017, as the operating environment remains challenging due to the ongoing effect of regional political instability. This has translated to heightened credit risk in recent years and may produce a higher NPFs accretion rate over the near to medium-term for JIB as well as other local banks. That said, new impaired financings are likely to be limited for JIB, as evidenced by its good risk management practices and the recent stabilising trend in the market. At the same time, operating profitability points to sound risk absorption capacity, allowing JIB to set aside any necessary provisions should NPFs resume growth. While the Bank's CAR is anticipated to remain high, the ratio of total capital to total assets will more than likely remain below the average for the conventional banks and provide a limited cushion in case of unexpected losses. Customer deposits – and net financings – are expected to continue growing at the current rate, thereby ensuring that liquidity is maintained at the current comfortable level. Despite the keen competition from local and GCC-based Islamic banks, JIB's dominant market position is unlikely to be challenged in the near future given its long track record combined with a growing nationwide branch network.

BANK HISTORY AND OWNERSHIP

Jordan Islamic Bank 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). DBG reported total consolidated assets and equity of USD24.62 and USD2.10 billion respectively, as of December 2015. JIB's network of 73 branches, 20 cash offices, and 170 ATMs is among the largest in Jordan.

ABG holds a bank holding company licence issued by the Central Bank of Bahrain. The subsidiaries of ABG include AlBaraka Islamic Bank (Bahrain), [CI rating report dated June 2016 is available], Al Baraka (Tunisia), Al Baraka Turk Katilim Bankasi (Turkey) [CI rating report dated January 2016 is available], AlBaraka Algeria, AlBaraka Lebanon, Al Baraka (Egypt), AlBaraka Bank (South Africa), AlBaraka Sudan, AlBaraka Syria, and AlBaraka Pakistan.

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. The Bank's principal activities include the provision of 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). The liability side of the balance sheet includes 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's stated objective is to reach all citizens who wish to deal in products, in compliance with the principles of 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. This is expected to be achieved through the following measures:

- Expand financing to individuals and SMEs.
- Continue the financing of government needs through direct finance or in the course of subscription to Islamic instruments tradable in the Stock Exchange.
- Issue / participate in Islamic Sukuk.
- Introduce new financing products after obtaining Sharia (legal) approval.
- Expand the Bank's network by opening three new branches and seven offices, and installing and operating new ATMs.
- Utilise cross selling opportunities within the Al-Baraka Banking Group.

To continue supporting its expansion strategy, further investment is being made towards improving delivery channels, particularly through an increase in the number of branches and ATMs. While competition has intensified due to the increased number of GCC-based Islamic banks operating in the local market, JIB is well placed to safeguard its dominant market share.

OPERATING ENVIRONMENT

The Economy

Although economic activity is recovering moderately mainly due to low commodity-import prices, it is expected to remain relatively subdued over the near term, largely due to high geopolitical risk factors. Following a decade of robust growth during 2000–09 (averaging about 6.5%), supported by a favourable external environment, economic activity slowed sharply in 2010 and 2011 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 (in particular arising from neighbouring Syria). 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 programme of structural reform to develop the private sector, unemployment remains high (14.6% in Q1 2016), 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, significant constitutional amendments were implemented by the government.

Selected Economic and Financial Indicators

Indicator	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	[illegible] 2016
Socio-Economic Indicators								
GDP Per Capita, Current USD	3,987	4,326	4,619	4,850	5,152	5,375	5,513	5,705
Real GDP-Market Prices,% Change	5.5	2.3	2.6	2.7	2.8	3.1	2.4	3.2
Consumer Price Inflation, An. Avg.%	-0.7	5.0	4.4	4.6	4.8	2.9	-0.9	0.2
Official Unemployment Rate, %	12.9	12.5	12.9	12.2	12.6	11.9	13.1	13.0
Public Finances								
Overall Budget Balance, %GDP	-8.9	-5.6	- 6.8	- 8.3	- 5.5	- 2.3	-3.5	-3.2
Gross Government Debt, % GDP	57.1	61.1	65.4	77.4	86.7	89.1	93.4	90.4
Government Debt, % Revenue	213.7	245.8	247.5	336.6	359.0	311.7	331.1	336.1
External Finances								
Gr. Offic. Foreign Reserves, USDbn	11.7	13.1	11.5	6.6	12.0	14.1	14.2	13.6
Offic. Reserves, % Gr.Ext.Fin.needs	128.6	133.9	97.4	64.5	95.2	100.5	99.1	80.6

Macroeconomic Performance – moderate recovery, but increasing regional uncertainty poses serious downside risks to growth. Real GDP growth has continued its slow growth from its 2010 trough, expanding by 2.4% in 2015, down from 3.1% a year earlier. Growth remains below its long-term potential of 6.1%, as construction and tourism continue to perform poorly while the government fails to stimulate the economy in view of limited fiscal resources and its significant fiscal-consolidation efforts. Moreover, escalating geopolitical uncertainties, low growth in private credit facilities and the cut of the main trade routes for Jordan through Syria and Iraq continue to weigh on the country's growth prospects. Consumer prices declined by 0.9% in 2015 compared to a 2.9% growth in 2014. Moreover, easing inflationary pressures towards the end of 2015 and regained confidence in the local currency have helped the CBJ to cut the overnight deposit window rate by 100 bps in February and 25 bps in July 2015 in order to stimulate the sluggish economy.

Fiscal Performance – budget deficit increased to 3.5% in 2015. The central government's budget deficit - including grants - has increased to 3.5% of GDP in 2015 from 2.3% in 2014, despite substantial corrective measures taken by the government to rein in public spending, such as the full removal of food and oil subsidies. Other measures include the improvement of revenue mobilisation through income tax and mining tax reforms. These reforms were in line with the International Monetary Fund's (IMF) economic adjustment programme, which entitled the government to benefit from a USD2 billion Standby Agreement. Despite the enacted reforms, the government budget structure remained weak on account of the government's reliance on volatile foreign grants to bridge its fiscal gap. In 2015, the government is estimated to have received circa (ca.) JOD1.32 billion grants from the US and GCC states. Without grants, the budget deficit would decrease to 6.8% of GDP (2014: 7.2%). The primary budget position has, however, improved remaining in a small surplus in 2015. According to official estimates, the government's primary budget position is expected to continue posting surpluses, conditional on the stabilisation of regional political environment and the introduction of tougher spending measures. In the meantime, overall budget deficit including grants is expected to decline to 1.7% of GDP in 2017; however, this outlook hinges on full implementation of the reform agenda, easing geopolitical risk factors, and speedier economic recovery.

A new agreement for a three-year Extended Fund Facility (EFF) was reached in June 2016. The proposed access to IMF credit under the arrangement was decided on 24 August 2016 for an amount equivalent to USD723mn. The approval of the EFF is expected to help catalyse loans and grants from multilateral and bilateral sources during the program period, in support of the Jordan Compact, agreed in the London Conference on February 2016, where donors pledged considerable financial support for Jordan to address the impact of Syrian refugees. Jordan completed a three-year Stand-By Arrangement with the IMF in the amount of about US$2 billion in August 2015.

Government debt remains high. Government debt ratios have followed an upward trend since 2009, owing to the deterioration in the budget position. Gross public debt reached 93.4% of GDP in 2015, up from 89.1% in 2014.

External Finance – higher current account deficit. The current account deficit has widened to 9.0% of GDP in 2015 (up from 7.3% in 2014) although it is likely to decline in the medium term, if international oil prices remain low.

Foreign reserves were replenished, but are expected to remain under some strain. Thanks to the moderate improvement in the balance of payments position during 2015 and the external borrowing from the IMF and international markets, foreign reserves buffers were replenished. Despite the above, reserve coverage remained moderate, as CI's preferred measures of international liquidity suggest that foreign exchange reserves covered 99.1% of the country's gross financing needs in 2015, compared to 100.5% in 2014.

The Banking System

Prudent Regulatory Environment – corrective measures have been taken to maintain confidence after the 2008 global crisis. 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 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 had taken 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 had announced a full guarantee of all bank deposits 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.

Recent Regulatory Guidelines: The CBJ recently issued guidelines to all regulated financial institutions based in Jordan with respect to the following: (a) Expected loss model under IFRS 9, which will be implemented as from 2018; and b) the identification of important and systemic banks for the purposes of introducing additional capital buffers under Common Equity Tier 1. With regard to Basel III implementation, this will be aligned with the Basel Committee's timeline.

Jordanian Banking Sector remains very liquid, well capitalised and adequately profitable. The high level of liquidity seen in the banking system is a strength, mainly due to the large amount of government securities in JOD held by the banks, which can be repo'd with CBJ. In addition, capital adequacy remained solid with the average CAR hovering around 17% in 2015.This is mainly the result of a prudent policy being imposed by CBJ, which among others stipulates that banks in Jordan must maintain a minimum CAR of 12%, and a minimum leverage ratio of total capital to total assets of 6%. Capital adequacy for the sector has been maintained at this level also thanks to a combination of adequate internal capital generation and sound profitability – the latter mainly the result of healthy NIM and sound cost containment. Concurrently, risk charges have diminished from the highs of 2011-2012, due to lower net NPL accretion rates, while the sector average LLR coverage including interest in suspense (IIS) has reached a sound level of around 86% (75% excluding IIS).

Establishment of Central Credit Bureau in 2016. Jordan's first credit bureau for all retail customers became operational in H1 2016. A total of 15 banks have signed service agreements with CRIF Jordan thus far, while another 3-4 banks will follow soon. The credit bureau is expected to support and enhance risk management practices at banks and ultimately have a positive impact on asset quality.

KEY FINANCIAL ISSUES

JIB's 2015 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 the local firm of Ibrahim Al-Abbassi & Co., which issued an unqualified audit opinion. Interim reviewed (but not audited) financial statements for the six months to June 2016 are also used in the following analysis. Disclosure standards in the audited financial statements and notes have significantly improved in recent years.

BALANCE SHEET

Asset Composition and Quality

Asset mix shifted towards Islamic financing facilities (IFFs) in 2015. As indicated in the adjacent table, apart from the moderately larger share of IFFs in total assets (68%), JIB's asset composition was relatively stable over the last three years and into H1 2016. The increased proportion of IFFs was driven by significant expansion in Murabaha financing volumes to government and public sector entities. At the same time, the share of liquid asset holdings in total declined at end 2015 though to a still high 25%.

Asset Composition (%)	H1 2016	2015	2014	2013
Cash & Central Bank	23.19	23.48	29.36	26.33
Bank Deposits	1.47	1.42	1.72	2.23
Subtotal (Liquid Assets)	24.66	24.90	31.08	28.56
Net IFFs	67.93	68.28	62.43	64.98
Other Securities	2.15	1.41	1.08	1.47
Real estate investments	2.83	2.84	2.61	2.34
Fixed Assets & other	2.43	2.57	2.8	2.65
Total	100%	100%	100%	100%
% Δ in Total Assets	3.77%	6.87%	(8.32%)	[illegible]
% Δ in Net IFFs	3.24%	16.89%	4.07%	[illegible]

In H1 2016, the IIF book (net) continued growing, although at a slower pace of 3.2% compared to the rapid growth seen for the whole year 2015 (16.6%). This reallocation of assets also produced the highest proportion of net financing in total assets seen among Jordanian banks, and remained well above the average in a banking system characterised by a relatively low net loans to total assets ratio (48% at end 2015).

Murabaha receivables dominated the financing book. The net financing portfolio was composed of principally Murabaha receivables, and to a much lesser extent Ijara 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 2015, about 40% (2014: 39%) of the financing book was short-term in tenor (less than one year).

Ongoing high credit risk in the local market. The Bank continues to limit financings to the private sector as credit risk remains high in the local economy due to the regional political instability and challenging macroeconomic conditions. The reduced rate of growth in net financings in H1 2016 was partly the result of repayments by the aforementioned government entity. Subdued customer demand in the private sector also contributed to slowing financing growth. The Bank's largest facility to a GRE is guaranteed by the Jordanian government.

Moderately diversified financing book with relatively high exposure to government and public sector. In 2015, total exposure to government and public sector borrowers increased to ca. JOD746mn or 36% of total financings, mainly reflecting extended financing granted to the same systemically important government related entity. At the same time financings to individuals edged lower making up 26% of total IFFs (see table), although they increased in money terms by 11%. The moderate real estate exposure comprises mainly housing finance. In H1 2016, financing to state-controlled entities decreased to JOD685mn close to a third of the IFF book, due to amortisations.

Distribution of Financings by Economic Sector (%)	2014	2015	[illegible]
Government & public sector	28	36	32
Commercial (corporate & SME)	28	22	22
Individuals (retail)	27	26.	28
Real Estate (mainly housing)	16	14	18
Total	100	100	[illegible]

Real estate financing is within prudential limits. The Bank's total exposure to the real estate market was broadly comparable to the local industry average at end 2015. It should be noted that as 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 in Jordan continues to attract both domestic, as well as regional investors.

While the commercial real estate sector faces some challenges, consumer demand for housing remains sound with property prices holding up well, especially in the greater Amman region. The CBJ has set the exposure limit to the real estate sector at 20% of total customer deposits in local currency; JIB's actual exposure (11% at end June 2016 excluding investments) was well below that limit.

Lending to individuals (retail) has grown to around 28% of net financings at end H1 2016. This development has produced a more granular portfolio, diversifying credit risk and revenue streams.

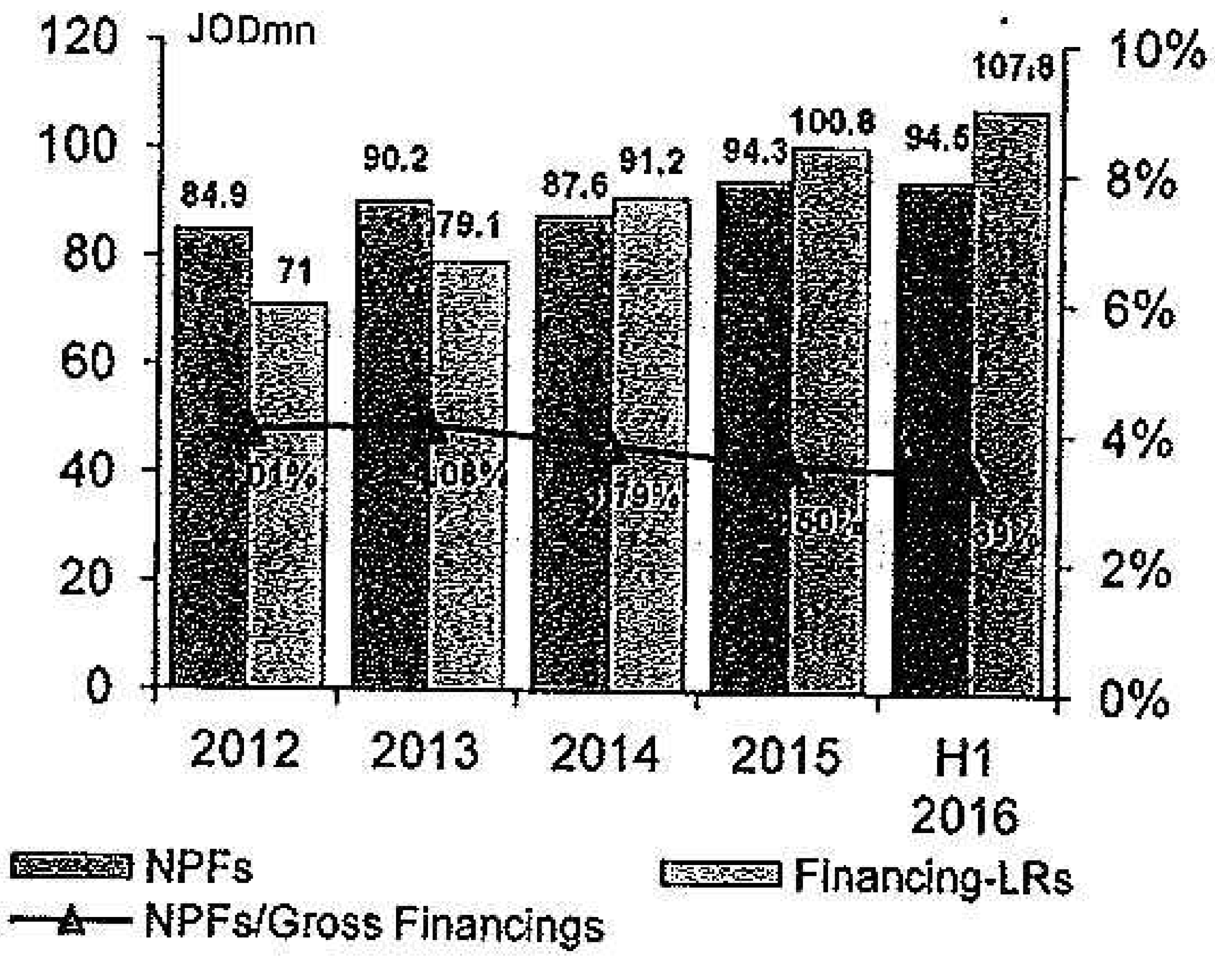
Large customer concentration. This mainly relates to a single government guaranteed medium-term facility granted in 2012 (as mentioned previously). Exposure to this entity increased considerably at end 2015 due to added financing, before declining to some extent at end June 2016, while a big part of the amount is due for repayment in H2 2016 and 2017. Management expects the balance of this facility to drop to an amount equivalent to 15% of gross financings at end 2017. In fact the percentage of this exposure to gross IFFs would likely be lower given the anticipated growth in financings in H2 2016 and during 2017. As at end-June 2016, the top twenty five customers (all of which were performing) constituted a significant 38% of gross financings (June 2015: 39%). Excluding the largest government guaranteed facility, the concentration improves noticeably to 14% (H1 2015:16%). The second largest exposure, whose activities were in the real estate sector, made up a low 1.2% of the gross IFF book (H1 2015: 1.5%). The other large exposures were well-diversified by economic sector. Commercial activity remains a very important contributor to Jordan's Gross Domestic Product.

Small investment portfolio. The Bank's total investments increased to JOD219mn (from JOD184mn at end 2015), and formed a relatively low 5.5% of total assets at end June 2016. Within JIB's total investments, large categories were available-for-sale (AFS) securities composed mainly of quoted equities (JOD42mn) and unquoted Islamic bank securities and bonds (Sukuk) (JOD23mn), financial assets at amortised cost (Jordanian Sovereign Sukuk for the amount of JOD27mn), investment in affiliates (JOD15mn) as well as investments in real estate (JOD111mn).

Small uptick in NPFs in 2015. Following a decline of 3% in 2014 JIB's NPFs, calculated according to the classification criteria of the CBJ (90 days past due), resumed growth by 8% to JOD94mn at end 2015, reflecting the ongoing challenging economic conditions. It is noteworthy that almost a quarter of the Bank's NPFs are derived from individuals (retail), while another 33% came from corporate entities and 25% from SMEs. The majority of new NPFs originated in the SME sector reflecting the challenging trading conditions in the economy, while NPFs in the retail sector considerably improved. In the first six months of 2016, NPFs were broadly flat at JOD94mn, as new classified financings amounting to JOD13mn were offset by collections (JOD7mn) and rescheduling (JOD6mn).

One of the lowest NPF ratios in Jordan. As shown in the adjacent chart, despite the increase in NPFs in 2015, the ratio of NPFs to gross financings fell to 3.50% (2014: 3.79%) due to faster growth in gross financings. The Bank's NPF ratio remained well below the sector average of around 4.9%. At end-June 2016, JIB's ratio of NPFs to gross financings decreased marginally to 3.39%, still one of the best indicators in the local banking system. The majority (87%) of JIB's classified IFFs were in the 'loss' category. Most (but not all) banks in Jordan recorded a small improvement in impaired financings in 2015.

NPFs and Financing-Loss Reserves

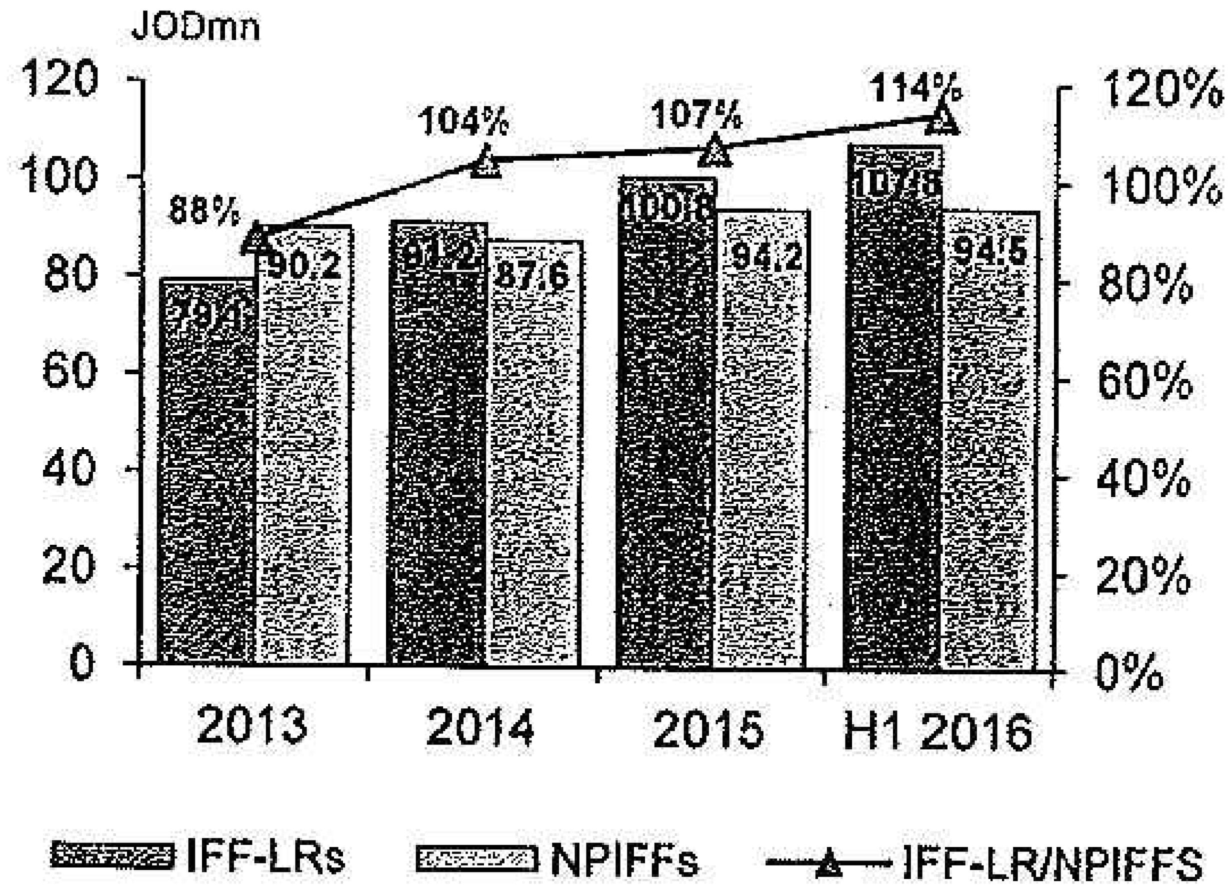


Moderate estimated NPF net accretion rate. The Bank has written off a negligible amount of NPFs in recent years. Write-offs occur after the approval of the Shari'a Supervisory Board. IFFs written-off during 2015 totalled JOD6.5mn and made up a marginal part of gross IFFs, while the estimated NPF net accretion rate increased to 15% (2014: 5%) – although this is calculated from a low base. IFF write-offs were zero in H1 2016, while at 0.23% the net accretion rate was negligible.

Low level of renegotiated financings. In 2015, JIB reported limited restructured IFFs of JOD0.6mn (facilities whose terms such as duration, grace period etc. have been altered), compared to zero a year earlier. Similarly, the amount of rescheduled IFFs (defined as IFFs previously classified as NPFs that were reclassified as performing IFFs in watch list) was down fractionally to JOD24.1mn (USD33.9mn). Taken together, restructured and rescheduled facilities, which the Bank reported as performing, declined further to a very low 0.93% of gross IFFs at end 2015, from 1.09% a year earlier. At end H1 2016, both restructured and rescheduled facilities declined further to a negligible 0.21% of gross IFFs. Many banks in Jordan have resorted to restructuring credit facilities as customers' cash flows have come under pressure due to the economic slowdown. That said, JIB's level of renegotiated financings, as a percentage of gross credit portfolio, was one of the lowest among Jordanian banks.

Financing-loss reserve coverage continued to improve in 2015 and H1 2016. Although the Bank set aside lower provisions in 2015, financing-loss reserves grew by 11% to JOD100.8mn at end 2015. Concurrently, cover for NPFs increased further to 107% from 104% a year earlier, well above the sector average of around 75%. In H1 2016, JIB's IFF loss reserve coverage was further enhanced to 114%, due to stepped-up provisioning. In common with other Jordanian banks, JIB actively uses collateral to mitigate risk. The value of collateral held against NPFs was broadly unchanged at JOD85mn in 2015, and covered 90% of all classified financings.

Financing-Loss Reserves Coverage



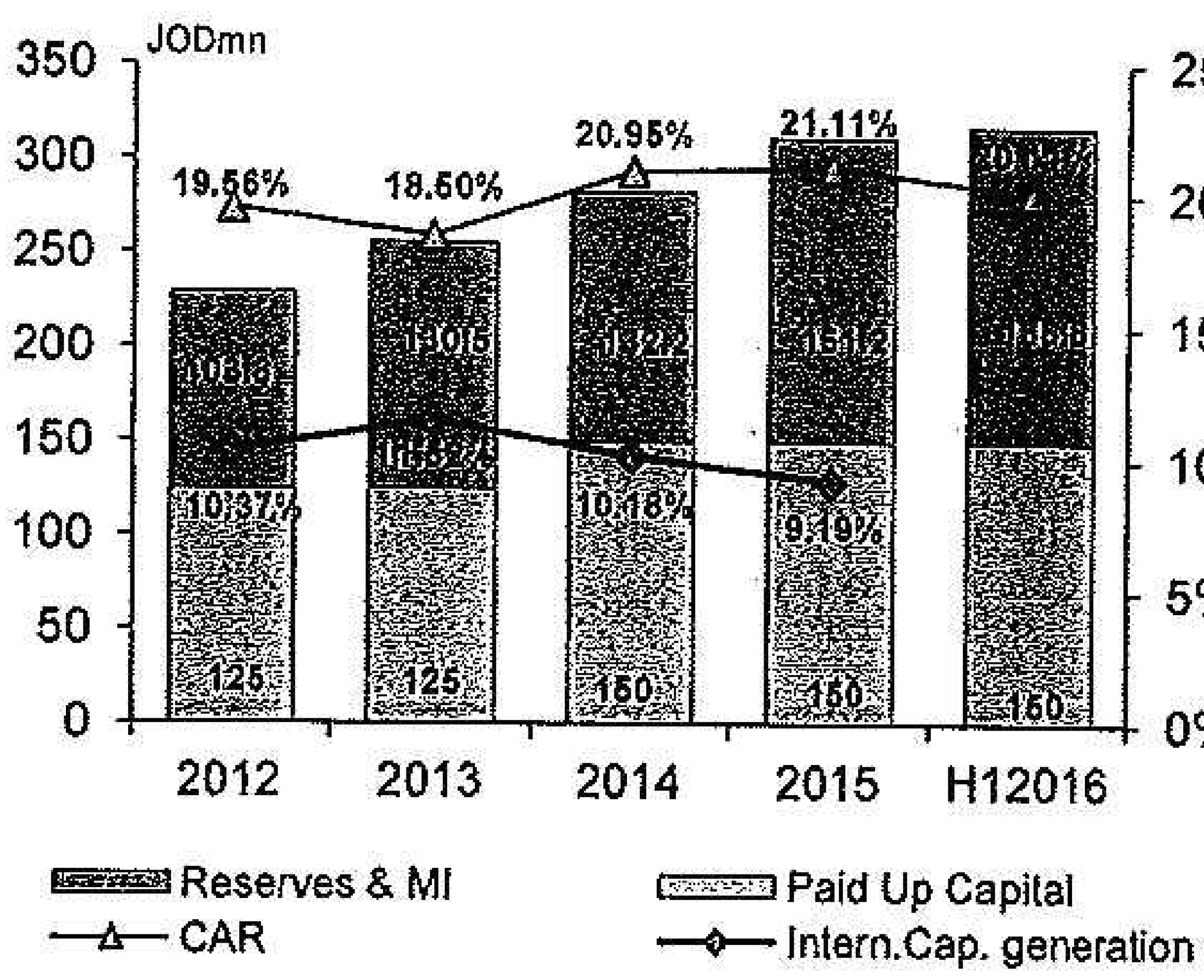
The CBJ has established clear regulations for building provisions against impaired financings. These rules oblige banks to create provisions for each credit risk category (net of the fair value of permissible collateral) as follows: 25% for substandard, 50% for doubtful and 100% for bad. Banks are also required to create a provision of 1.5% for special mention (watch list financings). The regulation stipulates that unsecured financings shall be fully covered by provisions within one year from the classification date. For financings secured by eligible collateral, the regulatory framework obliges all banks to build full (100%) provision coverage within five years from date of classification on an amortised basis (value of deductible collateral amortised over a five year period).

As is the case with other local banks, the Bank makes use of credit risk mitigation by obtaining collateral security and guarantees from borrowers. However, it should be noted that CI views security as being a partial loss mitigant rather than a direct source of repayment, as experience has shown that foreclosing on and then disposing of collateral can be a lengthy and expensive process, and one that can be subject to legal uncertainty. As a result, this is normally undertaken as a last resort since lenders would rather engage in debt restructuring if possible.

Capital Adequacy

CAR increased to 21.11% in 2015 and stayed at a solid level in H1 2016, despite the decline. The Bank's CAR, calculated to CBJ rules, and based on IFSB methodology, fell to a still solid 20.11% (not including net profit) at end H1 2016 from 21.11% at end-December 2015 (see adjoining chart). It should be noted that CBJ regulations disallow the inclusion of interim net profit in the calculation of H1 CAR. If the Bank had included interim net profit, then the reported CAR would have been ca. 22%. During 2015, the CAR had increased by 16 basis points (bps), as risk weighted assets (RWAs) grew by 9.8% to JOD1,381mn, but this was more than compensated by the 10.6% expansion in regulatory capital to JOD292mn.

Capital Composition & Adequacy



IFSB methodology tends to produce a high CAR. The Bank's seemingly high CAR underscores that URIAs are not a liability under IFSB standards, given that in case of loss the Bank is not obliged to return the original amount of funds received from account holders, unless the loss is due to negligence or breach of contract. URIAs are, therefore, viewed as part of regulatory capital. Accordingly, shareholders' equity only absorbs that part of losses which arise as the share of JIB's own funds in lending and investing. That said, 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).

Total capital to total assets ratio is significantly below conventional banks. In spite of a high CAR, the Bank's ratio of total capital to total assets remained at a comparatively low 8.2% at end-June 2016, indicating a higher degree of leverage than Jordanian conventional banks. The minimum regulatory leverage ratio is 6%, while the actual average ratio for the CI rated banks in Jordan was close to a very sound 13%. While JIB's balance sheet was third largest of the banks in CI's peer group of eleven banks, its capital base ranked just sixth in size. On that basis, and in view of the leverage limits stipulated under the evolving Basel III accord, the Bank may find its future business expansion plans somewhat constrained.

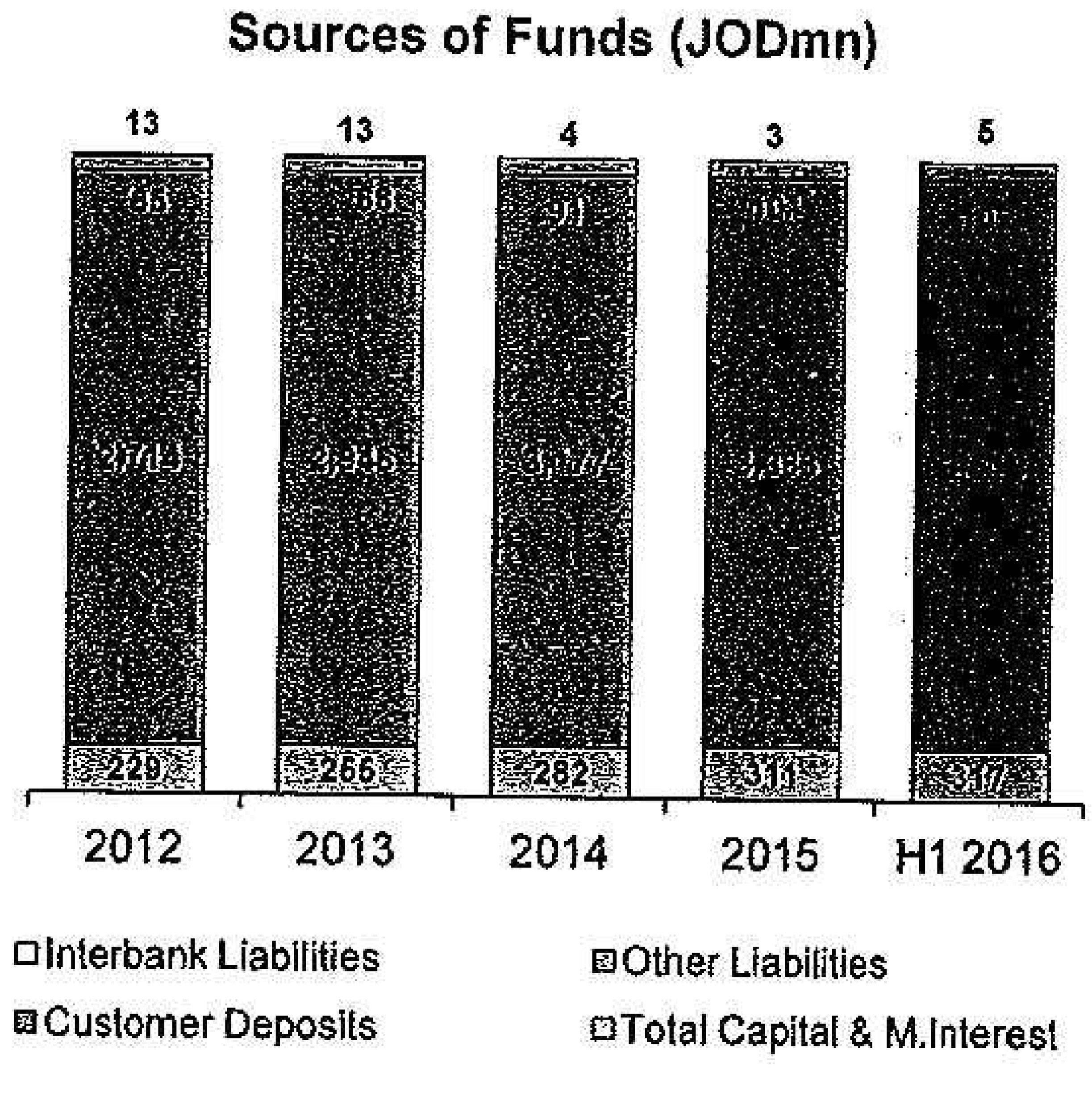
Paid-up capital last increased in 2014 from retained earnings. Banks in Jordan had steadily increased their paid-up capital over the past in anticipation of a hike in CBJ's minimum paid up capital requirement to JOD100mn by end 2011. JIB had reached that threshold during 2009. Paid-up capital was increased again in 2012 to JOD125mn (USD176mn) and to JOD150mn (USD211mn) during 2014, through capitalization of reserves. Notwithstanding a moderately higher dividend payout ratio in 2015, JIB's policy of transferring a significant share of net profit to reserves has served to reinforce the capital base over the years.

The capital base expanded by 10.3% in 2015, and by 1.7% in the first six months 2016 to JOD317mn (USD447mn) after the dividend payment with respect to 2015 net profit.

Sound internal capital generation, despite the small decline. JIB's rate of internally generated capital slipped to 9.19% from 10.18% in 2014, although it stayed well above the sector average of around 4%. It has to be noted that internal capital generation is calculated off a proportionately smaller capital base than other banks in Jordan. Notwithstanding just moderately higher net profit and flat ROAA in 2015, the Bank raised the amount of cash dividends paid to shareholders by 15.4% to JOD22.5mn, producing a slightly higher dividend payout ratio of 46% (2014: 43%).

Funding and Liquidity

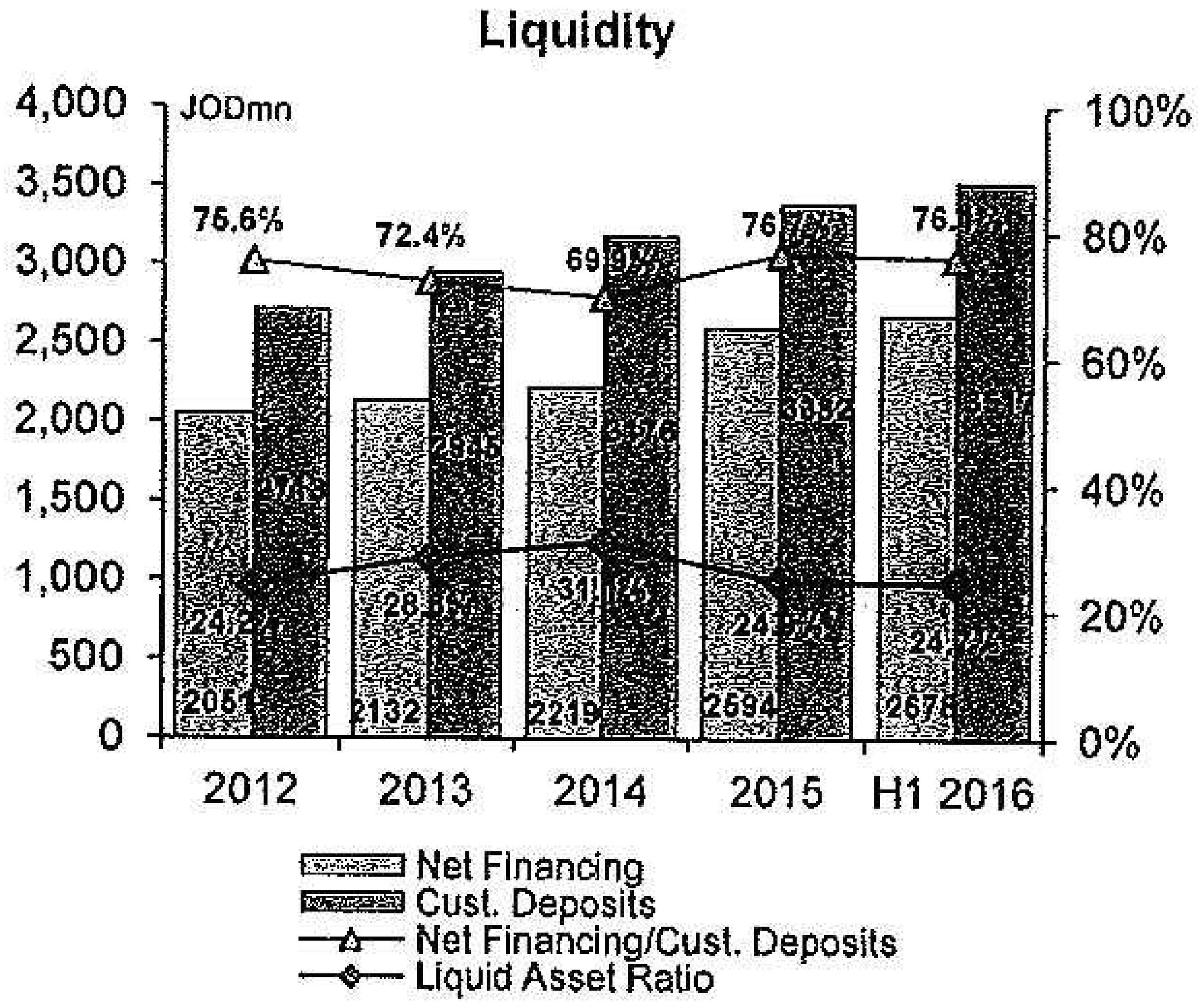
Ongoing sound growth in customer deposits. The Bank's liquidity rests on a strong customer deposit base, which until recently had grown rather briskly and faster than the sector average, despite stiff competition from new entrants. This reflects JIB's effective deposit mobilising capability, aided by a large nationwide branch network along with strong customer demand for Islamic banking. In line with trends in the broader region, the domestic market has seen buoyant demand for Islamic banking products and services.



Having expanded by 7.9% in 2014, customer deposits growth decelerated slightly to 6.5% in 2015 and to 4.0% in H1 2016, as some of URIA customers (on-balance sheet) transferred their balances to Muqarada Bonds (off-balance sheet). Taken together, the growth in the Bank's deposits (on-balance sheet) and Muqarada Bonds (off-balance sheet) in 2015 was around the same level as in 2014. The customer deposit base remained sizeable surpassing JOD3.5 billion at end June 2016, as shown in the chart above, and ranked among the largest of the medium sized banks. The customer deposit base continued to fund a substantial 89% of the asset base at end-June 2016. Despite the short tenor of customer liabilities at JIB and in the local market, these funds are viewed as stable, and exhibit a high rollover ratio at maturity.

URIAs dominated the customer funding base (see *Capital Adequacy*, p.09). In 2015, JIB's URIAs grew by 5% to JOD2,225mn (USD3.1 billion). URIAs continued to make up around two thirds of customer deposit funding, although the comparatively expensive time variety remained the largest component of URIAs (75% at end 2015). While cheap current deposits continued to grow more rapidly than time deposits, they contributed about 26% to the Bank's customer deposit funding at end 2015 (2014: 26%). There was no undue funding concentration with respect to customer deposits, highlighting the predominantly retail nature of the client base. As at end-June 2016, the top 20 customer depositors accounted for a low 5% of total deposits (H1 2015: 4%)

Headline liquidity ratios tightened in 2015 but remained sound in a global context. JIB had maintained consistently high levels of liquidity prior to 2012, reflecting the comparatively low share of financings in total assets. However, that liquidity position changed significantly in 2012 after the extension of a government guaranteed medium-term financing to a systemically important public sector entity.



Following a noticeable improvement in 2013 and 2014, the Bank's ratios of net financing to both total customer deposits and stable funds tightened to 77% and 72%, respectively, at end 2015 (from 70% and 66% a year earlier), as expansion in financings outpaced customer deposit growth (see net financings to customer deposits ratio trend in the adjacent chart). While on both these counts JIB's liquidity was still comfortable, it was tighter than the corresponding averages (66% and 56%) seen in Jordan's very liquid banking system. The Bank's liquidity metrics were broadly unchanged at end-June 2016, due to similar growth rates in financings and customer deposits. JIB's customer deposits exceeded net financings by JOD840mn (USD1,183mn) at end-June 2016, compared to JOD788mn at year end 2015.

Liquid asset holdings maintained at a comfortable level – good net liquid asset ratio. JIB's liquid asset ratio had nearly halved to 24.2% at end 2012, as surplus funds were redeployed into financings. That trend was reversed during 2013 and 2014, as the liquid asset ratio recovered to 28.6% at end 2013 and to 31.1% at end 2014 due to the reallocation of excess liquidity into mainly balances with the CBJ. In 2015, the liquid asset ratio declined to 24.9%, the level seen in 2012. Although this liquidity indicator remained below the sector average of 42%, it is considered sound in a global context. In H1 2016, the ratio remained broadly stable at 24.7%. Importantly, the net liquid asset ratio – although lower than the banking sector average of 33% – stood at a comfortable 24.5% in the same period, highlighting JIB's negligible interbank liabilities, in combination with a strong customer deposit base. The trends with respect to the ratio of liquid assets in the last four years are also depicted in the above chart.

In previous years up to 2015, the CBJ had agreed to treat part of the government guaranteed financing as part of liquid assets for the purposes of calculating the regulatory liquidity ratio. Management advises CI however that this will no longer be permitted going forward as Islamic banks now have more options at their disposal to invest excess liquidity, following the first issuance of Sukuk by the CBJ on behalf of a GRE in May 2016 (see last paragraph of this section below). CI has always included the asset under the caption 'Islamic Financing Facilities' on the spreads.

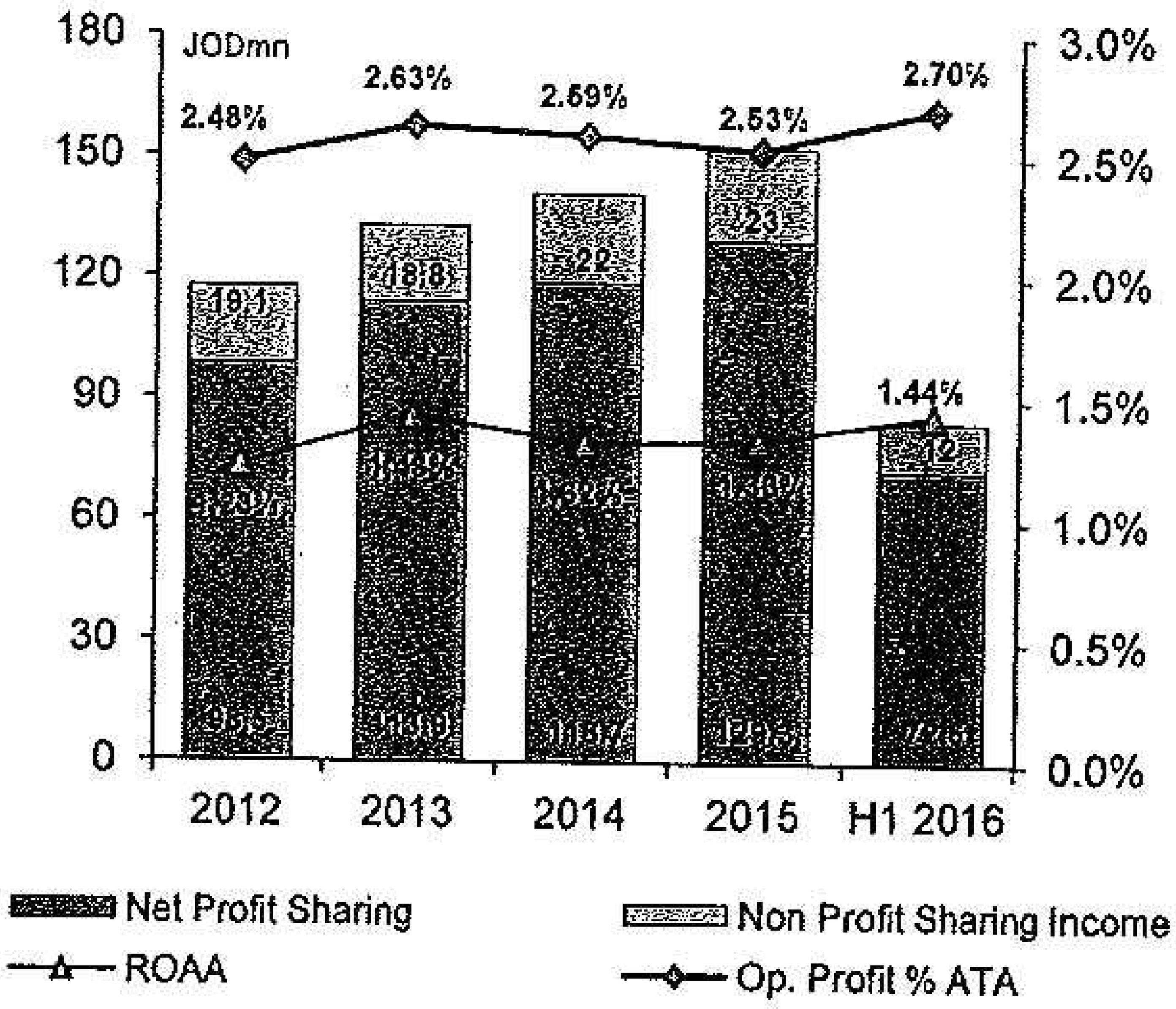
CBJ placements dominated liquid assets in the absence of Islamic instruments... The bulk of JIB's liquidity continued to be invested in deposits held with the Central Bank. These decreased by 15% in 2015, before edging forward by 2.5% to JOD914mn in H1 2016, as funds were channelled to financings. CBJ balances made up around 94% of total liquid asset holdings. A major portion of these monies was placed in non-remunerative current accounts with the Central Bank; 26% comprised mandatory reserves. JIB's deposits with other banks contributed the remaining 6% to total liquid assets at year end or a very low 1.4% of total assets. These deposits were placed with prime institutions in the Middle East (excluding Jordan), US and Europe, with no excessive concentration by source.

..although the first issuance of Sukuk by the CBJ in May 2016, followed by another issuance by the Jordanian government in October 2016, paved the way for a profitable alternative to invest surplus liquidity. Being an Islamic bank, JIB is prohibited from investing surplus liquidity in interest-earning government securities and T-bills. Thus, while conventional banks have increased their exposure to high-yielding Jordanian government paper over the recent past, JIB has, in the absence of Sharia compliant securities, deployed surplus liquidity into government guaranteed financings. This is expected to change as the Jordanian government (through the CBJ) issued a JOD75mn Sukuk for the first time in May 2016 – of which JIB subscribed JOD27mn – followed by another JOD34mn government Sukuk in October 2016, while more issuances are currently on the pipeline.

PROFITABILITY

Good and above sector average profitability at both the operating and net levels. JIB continued to boast very sound profitability metrics in 2015 and into H1 2016. Supported by a sound growth in net profit sharing revenue, operating profit increased by 4.8% to JOD92.9mn, producing a marginally lower, though still good, operating profit to average total assets ratio (ATA) of 2.53% (2014: 2.59%). This metric compares favourably with the sector average of 2.25%. Similarly, JIB's net profit was up by 8.0% to JOD48.7mn thanks to lower provisioning. This performance produced a sound and steady ROAA of 1.33% –12 bps higher than the average for the banking system. Historically, JIB's ROAA had been lower than sector average (1.32% in 2014, 1.23% in 2012 and 1.03% in 2011), in large part due to the high level of non-remunerative deposits held at the CBJ.

Breakdown of Gross Income
Op. Profit % of ATA and ROAA



Growth in net profit accelerated in H1 2016 owing to higher net profit sharing income. Operating profit also grew by a higher 15% in H1 2016 to JOD52.3mn vs. the same period in 2015, while net profit expanded by a sound 12% to JOD27.9mn in comparison with H1 2015, despite higher provision charges. As a result, the JIB's ROAA (annualized) increased to 1.43%, the level seen in 2013.

Banks in Jordan have shown rather improved or stable results for 2015, as had been the case in 2014, thanks to improved operating profit and lower provisioning.

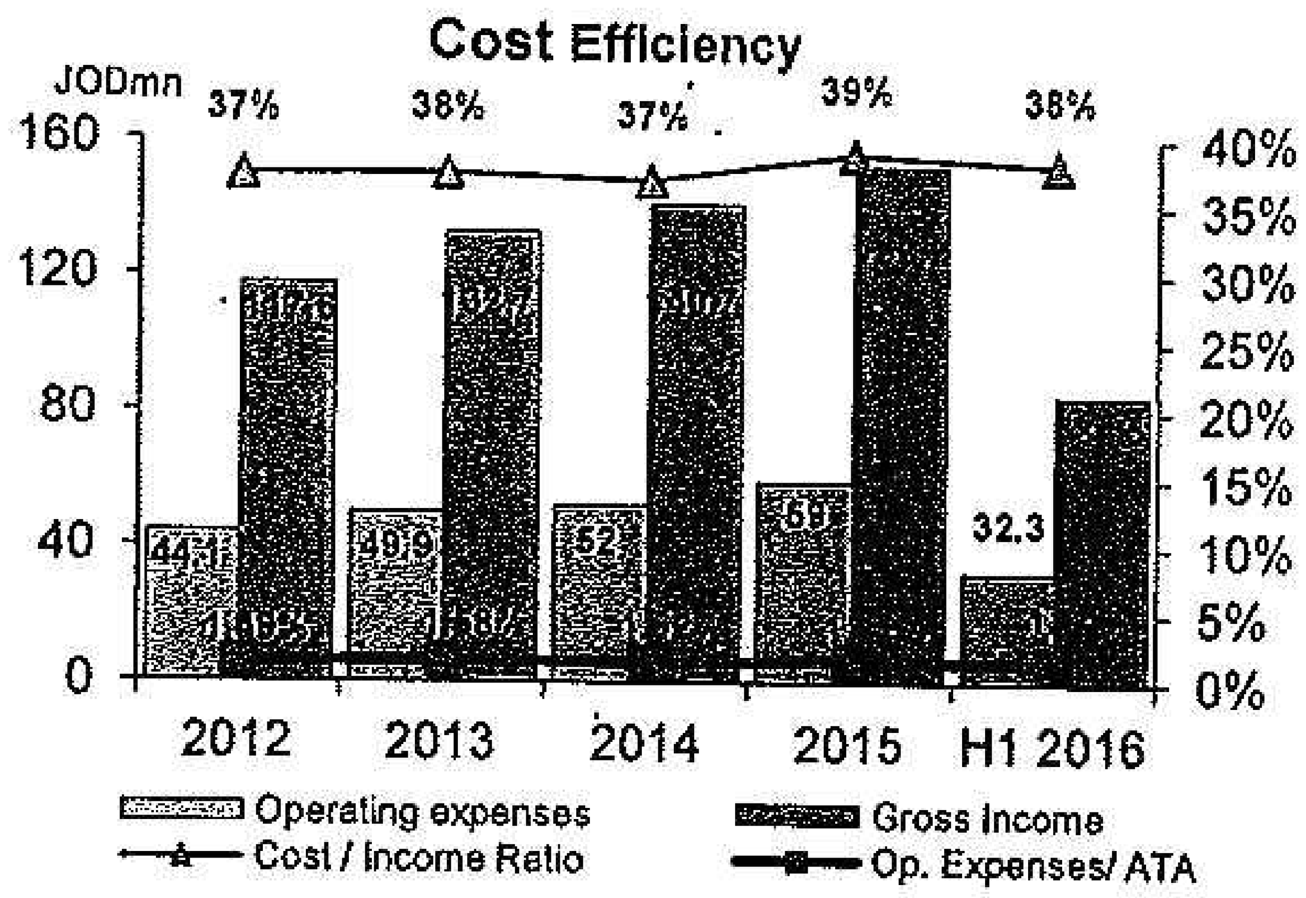
Gross income generation expanded in money terms, as well as in terms of ATA in H1 2016. JIB's gross income advanced 8% to JOD152mn in 2015, lifted by significantly higher NPS revenue. Measured to ATA, however, gross income was up by only 2 bps to 4.14%, compared with a better 4.33% for the sector average. In H1 2016, gross income growth expanded by 13.9% to JOD84.5mn vs. H1 2015, rising to a sound 4.37% in terms of ATA (annualised).

Growth in net profit sharing (NPS) revenue accelerated in 2015 and into H1 2016. NPS revenue expanded by 8.9% in 2015 to reach JOD129mn (USD182mn), due to the twin effect of accelerated growth in IFFs and a fall in low-yield liquid assets. The Bank's slightly higher profit margin, which increased by 5 bps to 3.52% in 2015 was also a contributing factor. Although the Bank's profit sharing on average earning assets fell by 5 bps to 4.82%, this was more than offset by an 8 bps decline in cost of funds to a low 1.31%. In H1 2016, net profit sharing margin increased noticeably to a very sound 3.75% (annualised), while NPS revenue rose soundly by 14% to JOD72.6mn compared to H1 2015, mainly reflecting the 35 bps increase in profit rate on ATA (annualised). By a way of comparison the sector averaged 3.27%. JIB's good profit spread reflects the significant share of high margin retail facilities in its book and the large proportion of low cost retail deposits, as well as a demonstrated ability to safeguard its dominant market share in spite of intense competition.

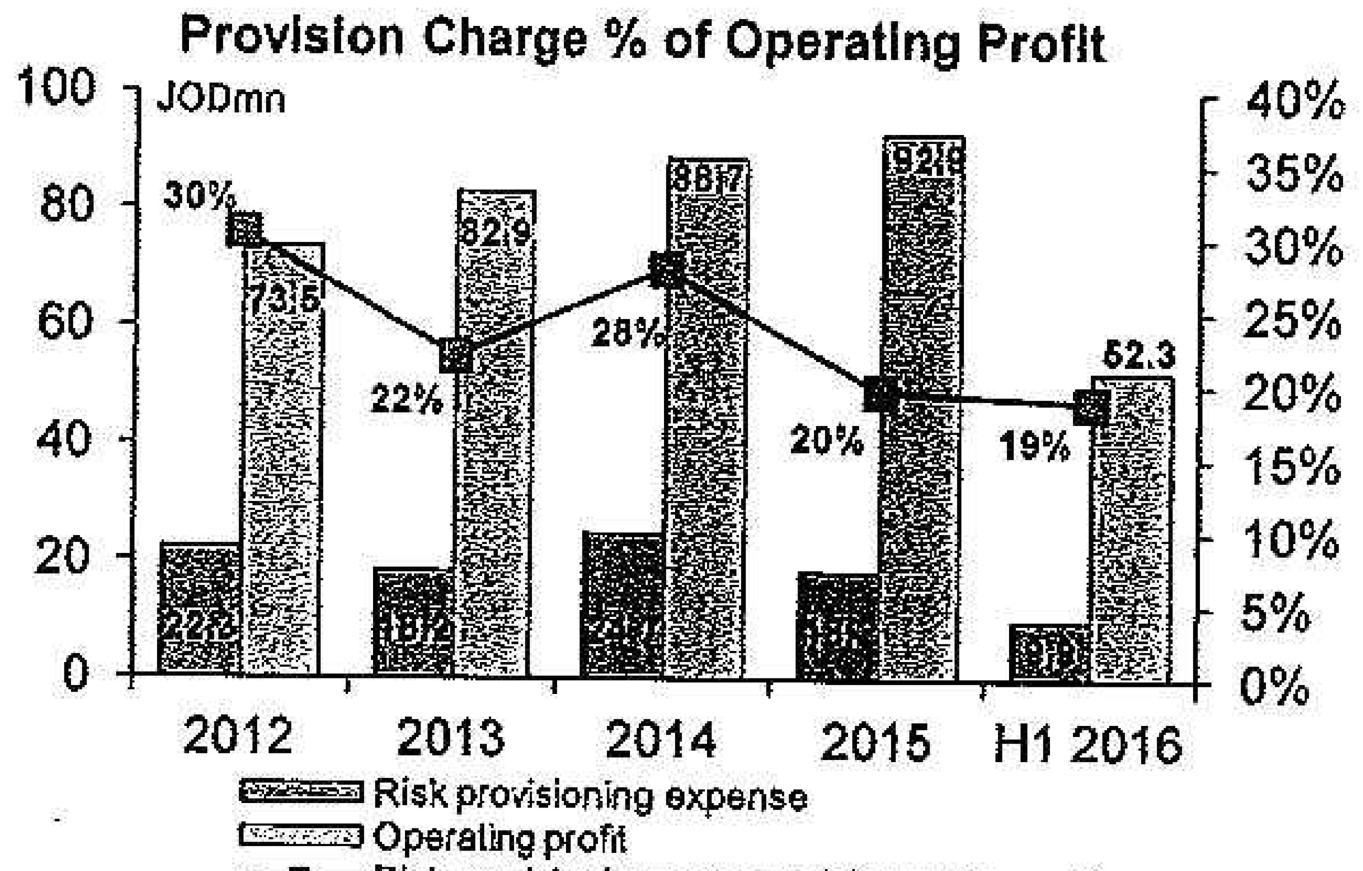
Very moderate levels of NPSI. The Bank's NPSI remained noticeably lower than the non-interest income (NII) generated by conventional banks in Jordan. This is partly a reflection of rather low volumes of contingent accounts business (Letters of Credit [LCs] and Letters of Guarantee [LGs]) at JIB, and the consequential limited fee and commission income generated. On a positive note, in H1 2016, NPSI increased by 12.8% to JOD12mn, compared to the same period in 2015 (albeit from a low base), on account of higher fees and commissions, and 'other income' (mainly credit card commissions). NPSI continued to make up a moderate 14% to gross income during H1 2016 (2015:15%), when other local banks were averaging around 24%.

Fee and commission income remained the largest (63%) contributor to NPSI. In 2015, fees and commissions grew by 10.6% to JOD14.4mn lifted by higher commissions from bounced cheques (JOD2.4mn) and fees from guarantees (LGs) (JOD2.5mn). In H1 2016, fee and commission income rose by 12.6% vs. H1 2015, again from a low base.

Operating efficiency remained good and better than sector average – lean cost base. The Bank's cost-to-income ratio has historically been favourable with no significant fluctuations in the last four years, as depicted in the adjacent chart. JIB's total operating expenses rose by a higher 14% (2014: 4.3%) to JOD59.3mn in 2015, mainly due to a 79% hike in depreciation and amortisation expense, which was in turn, the result of much higher amortisation of intangibles (computer system and software). At the same time, payroll costs (55% of total overheads) were up modestly by 5% to JOD32.5mn. Given the lower growth (8.2%) in gross income in 2015, JIB's cost to income ratio deteriorated to some extent to a still sound 39% from 37% in 2014. This measure of operating efficiency remained better than the Jordanian banking sector average of 48%.



In H1 2016, the ratio improved slightly to 38%. The Banks favourable operating efficiency is attributable more to the favourable cost structure than revenue generation, as the Bank's cost base measured to ATA has hovered between 1.44% and 1.67% over the last four years. By comparison, the banking sector averaged about 2% during the same period.



Good risk absorption capacity. JIB's much improved operating profitability over the last four years has clearly strengthened its provision building capability. Following a significant 50% increase in provisions in 2014, impairment provisions for financings and investments fell by 29% to JOD18mn in 2015, reflecting a still low NPL accretion rate. This, in conjunction with the moderate growth in operating profit, resulted in provisions eroding a lower 20% of operating profit (2014: 28%).

APPENDIX

JORDANIAN BANKS RATED BY CI RATINGS

Rank	Bank name	31/12/2015 Total assets (USDmn)	Market share (%)
1	Arab Bank PLC*	13,030	19.6
2	Housing Bank for Trade & Finance	11,159	16.8
3	Jordan Islamic Bank	5,351	8.0
4	Jordan Kuwait Bank	4,012	6.0
5	Cairo Amman Bank.	3,566	5.4
6	Jordan Ahli Bank	3,514	5.3
7	Capital Bank of Jordan	2,798	4.2
8	Arab Jordan Investment Bank.	2,526	3.8
9	Jordan Commercial Bank	2,095	3.2
10	Bank ABC (Arab Banking Corporation)	1,449	2.2
11	Investbank	1,191	1.8
	Total of eleven banks rated by CI Ratings	**50,691**	**76.3**
	Other local and foreign banks	**15,787**	**23.7**
	Total of all licensed banks in Jordan	**66,478**	**100.0**

Source: CBJ website and 2015 Annual Reports of commercial banks

Note: Ranking and market share are estimates. Figures used in the comparison are consolidated for all of the Jordanian banks above.

* Arab Bank PLC's total consolidated assets were USD36.4 billion at end 2015, of which around USD13 billion in Jordan.

The peer group referred to in this report, unless otherwise stated, consists of the rated 11 deposit banks above. As of 31 December 2015, the Jordanian banking system consisted of 25 deposit banks, including the branches of foreign banks.

Peer group average ratios, unless otherwise stated, are calculated on a simple average basis.

In H1 2016, provision charges increased considerably by 19% to JOD9.9mn (although from relatively a low base) compared to the same period in 2015. However, these consumed only a fractionally higher 19% of operating profit, thanks to a healthy 15% increase (annualised) in operating profit. Despite a further improvement in FLR coverage in H1 2016, CI expects JIB's provision charges to remain at a rather elevated level in view of ongoing credit risks in the market.

JORDAN ISLAMIC BANK

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PERFORMANCE RATIOS Audited	AUD 06/2016	AUD 12/2015	AUD 12/2014	AUD 12/2013
A . SIZE FACTORS (USD 000)				
1 . Total Assets	5,552,334	5,350,692	5,006,675	4,622,025
2 . Total Capital	445,861	438,246	397,480	359,801
3 . Net Profit	39,325	68,623	63,561	63,530
B . ASSET QUALITY				
4 . Total Assets Growth Rate (YoY%)	3.77	6.87	8.32	8.62
5 . Estimated Non-Peforming IFF Net Accretion Rate (%)	0.23	15.07	4.78	6.63
6 . Non-Performing IFF to Gross IFF (%)	3.39	3.50	3.79	4.08
7 Non-Performing FLR To Total Assets (%)	2.40	2.48	2.46	2.75
8 . IFF-Loss Reserve to Non-Performing IFF (%)	114.07	106.91	104.13	87.70
9 . IFF-Loss Reserve to Gross IFF (%)	3.87	3.74	3.95	3.58
10 . Unprovided Non-Performing IFF to Free Capital (%)				6.24
11 . Effective Financing Coverage Ratio (Times)	3.58	3.42	3.24	2.85
12 . Unprovided Financing To Operating Profit (Months)				1.61
13 . IFF-Loss Provision Charge on Gross IFF (%)*	0.71	0.66	1.08	0.75
14 . Related Party Loans to Total Capital (%)	0.00	2.65	3.36	3.27
15 . Total Contingents To Total Assets (%)	0.00	7.64	7.16	7.84
C . CAPITAL ADEQUACY				
16 Reported Common Equity Tier 1 Ratio To Local Standards (%)				
17 . Reported Tier 1 Ratio To Local Standards (%)		20.50	20.41	18.13
18 . Reported Total Capital Adequacy Ratio To Local Standards (%)	20.11	21.11	20.95	18.50
19 . Internal Capital Generation (%)*	17.94	9.19	10.18	11.52
20 . Total Capital Growth Rate (YOY %)	1.74	10.26	10.47	11.65
21 . Total Capital To Total Assets (%)	8.03	8.19	7.94	7.78
22 . Total Capital to Gross IFF (%)	11.36	11.55	12.22	11.55
23 . Free Capital (JOD 000)	230,179	221,750	192,942	177,865
24 . Free Capital To Total Capital (%)	72.71	71.27	68.37	69.63
25 . Dividend Payout Ratio (%)	0.00	46.18	43.21	41.57
D . LIQUIDITY				
26 . Stable Funds (JOD 000)	3,748,770	3,605,118	3,370,407	3,123,636
27 . Net IFF To Total Assets (%)	67.93	68.28	62.42	64.98
28 . Net IFF to Total Customer Deposits (%)	76.11	76.66	69.84	72.38
29 . Net IFF to Total Deposits (%)	75.99	76.59	69.75	72.07
30 . Net IFF to Stable Funds (%)	71.43	71.95	65.84	68.26
31 . Net Investments To Total Assets (%)	2.15	1.41	1.08	1.47
32 . Liquid Asset Ratio (%)	24.66	24.89	31.08	28.56
33 . Net Liquid Asset Ratio (%)	24.52	24.81	30.96	28.17
34 . Quasi-Liquid Asset Ratio (%)	26.23	25.72	31.69	29.44
35 . Short-Term Funding Coverage Ratio (%)	19,100.74	30,770.88	27,317.48	7,573.67
36 . FX Currency IFF to FX Currency Deposits (%)		12,788	17,616	24,925
37 . FX Currency Assets to FX Currency Liabilities (%)		-52,258	10,154	-26,579
38 . Net Interbank Assets (JOD 000)	52,618	50,662	56,982	60,529
E . PROFITABILITY				
39 . Return on Average Assets (%)*	1.44	1.33	1.32	1.43
40 . Operating Profit To Average Assets (%)*	2.70	2.53	2.59	2.63
41 . Gross Income To Average Assets (%)*	4.37	4.14	4.12	4.21
42 . Estimated Funding Cost (%)*	1.35	1.31	1.39	1.65
43 . Profit Sharing on Average Earning Assets (%)*	5.10	4.82	4.87	5.27
44 . Estimated Net Profit Sharing Margin (%)	3.75	3.52	3.47	3.62
45 . Non-Profit Sharing Income to Gross Income (%)	14.14	15.05	15.62	14.15
46 . Operating Expenses To Gross Income (%)	38.17	38.95	36.97	37.56
47 Operating Expenses To Average Assets (%)*	1.67	1.61	1.52	1.58
48 . Operating Profit Growth Rate (YOY %)	-43.74	4.79	6.98	12.71
49 . Risk Provisioning Expense To Operating Profit (%)	18.89	19.63	27.86	21.97
50 . Return on Average Equity (%)*	17.79	16.42	16.79	18.63
RATES				
. Exchange Rate (Units per USD)	0.71	0.71	0.71	0.71
. Inflation Rate (%)				
. Benchmark Interest Rate (USD)				

NOTES:

* Annualised ratios for June 2016.

RDAN ISLAMIC BANK

ANCE SHEET - ASSETS (JOD 000) External Audit	06/2016 USD 000	AUD 06/2016	AUD 12/2015	AUD 12/2014	AUD 12/2013	Growth (%) 06/2016	12/2015	12/2014	12/2013	Breakdown (%) 06/2016	12/2015	12/2014	12/2013
H & EQUIVALENT ASSETS:													
)													
ral Bank			112,724	97,026	92,017	-100.00	16.18	5.44	4.46		2.97	2.73	2.80
sury Bills	1,287,461	914,097	779,162	946,620	771,907	17.32	-17.69	22.63	36.55	23.19	20.51	26.63	23.52
ernment Securities													
rse Repos													
r													
AL CASH & EQUIVALENT ASSETS	1,287,461	914,097	891,886	1,043,646	863,924	2.49	-14.54	20.80	32.22	23.19	23.48	29.36	26.33
OSITS WITH BANKS:													
ort - Up to 1 Year													
um - Over 1 Year	81,734	58,031	53,838	61,106	73,287	7.79	-11.89	-16.62	-4.27	1.47	1.42	1.72	2.23
AL DEPOSITS WITH BANKS	81,734	58,031	53,836	61,106	73,287	7.79	-11.89	-16.62	-4.27	1.47	1.42	1.72	2.23
AL LIQUID ASSETS	1,369,194	972,128	945,724	1,104,752	937,211	2.79	-14.39	17.88	28.39	24.66	24.89	31.08	28.56
ER MARKETABLE SECURITIES	87,035	61,795	31,559	21,821	29,038	95.81	44.63	-24.85	-10.74	1.57	0.83	0.61	0.88
NCING AND ADVANCES:													
: Term	14,061	9,983	6,150	5,683	6,316	62.33	8.22	-10.02	34.87	0.25	0.16	0.16	0.19
um/Long Term (MLT)	3,174,159	2,253,653	2,205,372	1,889,207	1,860,089	2.19	16.74	1.57	0.84	57.17	58.05	53.15	56.68
'	735,225	522,010	483,096	415,316	344,937	8.06	16.32	20.40	26.60	13.24	12.72	11.68	10.51
ng and Factoring													
ich : Non-Performing Financing	133,099	94,500	94,282	87,585	90,171	0.23	7.65	-2.87	6.10	2.40	2.48	2.46	2.75
SS ISLAMIC FINANCING FACILITIES	3,923,445	2,785,846	2,694,618	2,310,206	2,211,342	3.38	16.64	4.47	4.22	70.66	70.93	64.99	67.39
-Loss Reserve	-151,831	-107,800	-100,800	-91,200	-79,080	6.94	10.53	15.33	11.38	-2.73	-2.65	-2.57	-2.41
ISLAMIC FINANCING FACILITIES	3,771,614	2,677,846	2,593,818	2,219,006	2,132,262	3.24	16.89	4.07	3.97	67.93	68.28	62.42	64.98
-MARKETABLE SECURITIES	32,113	22,800	21,944	16,683	19,213	3.90	31.54	-13.17	-62.96	0.58	0.58	0.47	0.59
SIDIARIES & AFFILATES	31,714	22,517	22,771	24,702	17,041	-1.12	-7.82	44.96	-14.12	0.57	0.60	0.69	0.52
NON-PERFORMING ASSETS (Excluding NPLs)													
D ASSETS	89,951	63,865	66,634	64,567	60,553	-4.16	3.20	6.63	10.34	1.62	1.75	1.82	1.85
ER ASSETS	170,713	121,206	116,541	103,208	86,320	4.00	12.92	19.56	5.98	3.07	3.07	2.90	2.63
AL ASSETS	5,552,334	3,942,157	3,798,991	3,554,739	3,281,638	3.77	6.87	8.32	8.62	100.00	100.00	100.00	100.00
TINGENT ACCOUNTS:													
cial Guarantees / SLCs / Acceptances			71,028	59,986	144,803	-100.00	18.41	-58.57	10.42		1.87	1.69	4.41
cable Commitments			122,269	114,335	112,634	-100.00	6.94	1.51	15.18		3.22	3.22	3.43
mentary L/Cs			50,152	41,097		-100.00	22.03				1.32	1.16	
Performance / Retention Bonds			46,737	39,077		-100.00	19.60				1.23	1.10	
L CONTINGENT ACCOUNTS			290,186	254,495	257,437	-100.00	14.02	-1.14	12.46		7.64	7.16	7.84

NCE SHEET - LIABILITIES (JOD 000) External Audit	06/2016 USD 000	AUD 06/2016	AUD 12/2015	AUD 12/2014	AUD 12/2013	Growth (%) 06/2016	12/2015	12/2014	12/2013	Breakdown (%) 06/2016	12/2015	12/2014	12/2013
RT-TERM INTERBANK LIABILITIES:													
acements From Banks	7,624	5,413	3,176	4,124	12,758	70.43	-22.99	-67.68	1.69	0.14	0.08	0.12	0.39
nt Portion of LT Bank Debt													
s With Banks													
ank Liability To Parent / Related Party													
L SHORT-TERM INTERBANK LIABILITIES	7,624	5,413	3,176	4,124	12,758	70.43	-22.99	-67.68	1.69	0.14	0.08	0.12	0.39
OMER DEPOSITS:													
nd	1,669,499	1,185,344	916,368	849,355	781,404	29.35	7.89	8.70	10.35	30.07	24.12	23.89	23.81
gs			670,421	620,191	568,084	-100.00	8.10	9.17	15.15		17.65	17.45	17.31
	3,215,277	2,282,847	1,704,910	1,625,446	1,514,336	33.90	4.89	7.34	5.40	57.91	44.88	45.73	46.15
. Cash Margins	70,986	50,400	91,669	82,473	81,947	-45.02	11.15	0.64	7.47	1.28	2.41	2.32	2.50
L CUSTOMER DEPOSITS	4,955,762	3,518,591	3,383,368	3,177,465	2,945,771	4.00	6.48	7.87	8.52	89.26	89.06	89.39	89.77
IAL DEPOSITS													
L DEPOSITS + ST INTERBANK LIABILITIES	4,963,386	3,524,004	3,386,544	3,181,589	2,958,529	4.06	6.44	7.54	8.49	89.39	89.14	89.50	90.15
BANK SHORT-TERM DEBT													
JM / LONG TERM FUNDING													
RDINATED DEBT													
ID CAPITAL													
R LIABILITIES	143,087	101,592	101,292	90,939	67,650	0.30	11.38	34.43	3.29	2.58	2.67	2.56	2.06
L LIABILITIES	5,106,473	3,625,596	3,487,836	3,272,528	3,026,179	3.95	6.58	8.14	8.37	91.97	91.81	92.06	92.22
TAL:													
p Capital	211,268	150,000	150,000	150,000	125,000			20.00		3.81	3.95	4.22	3.81
ves	234,593	166,561	161,155	132,211	130,459	3.35	21.89	1.34	25.69	4.23	4.24	3.72	3.98
y Interest													
L CAPITAL	445,861	316,561	311,155	282,211	255,459	1.74	10.26	10.47	11.65	8.03	8.19	7.94	7.78
L LIABILITIES + TOTAL CAPITAL	5,552,334	3,942,157	3,798,991	3,554,739	3,281,638	3.77	6.87	8.32	8.62	100.00	100.00	100.00	100.00
LATORY CAPITAL			291,635	263,723	232,077	-100.00	10.58	13.64	10.45		7.68	7.42	7.07

T AND LOSS ACCOUNT (JOD 000) External Audit	06/2016 USD 000	AUD 06/2016	AUD 42,368	AUD 42,003	AUD 41,638	Growth (%) 06/2016	12/2015	12/2014	12/2013	% of Average Total Assets 06/2016	12/2015	12/2014	12/2013
Sharing	139,113	98,770	177,391	166,380	166,093	-44.32	6.62	0.17	14.86	2.55	4.82	4.87	5.27
tors' Profit- Sharing	-36,872	-26,179	-48,078	-47,670	-52,130	-45.55	0.86	-8.56	13.07	-0.68	-1.31	-1.39	-1.65
ofit-Sharing	102,241	72,591	129,313	118,710	113,963	-43.86	8.93	4.17	15.69	1.88	3.52	3.47	3.62
es and Commissions	13,837	9,824	14,440	13,054	11,964	-31.97	10.62	9.11	6.74	0.25	0.39	0.38	0.38
ding Income	1,334	947	2,192	2,191	2,044	-56.80	0.05	7.19	6.74	0.02	0.06	0.06	0.06
ives Income													
Loss on Securities													
nvestment Income	241	171	173	205	188	-1.16	-15.61	9.04	41.35	0.00	0.00	0.01	0.01
Loss on Real Estate Held For Investment													
of Profits From Associates/ Subsidiaries													
urance Income													
ncome	1,427	1,013	6,100	6,525	4,586	-83.39	-6.51	42.28	-21.28	0.03	0.17	0.19	0.15
on-Profit Sharing Income	16,838	11,955	22,905	21,975	18,782	-47.81	4.23	17.00	-1.58	0.31	0.62	0.64	0.60
S INCOME	119,079	84,546	152,218	140,685	132,745	-44.46	8.20	5.98	12.89	2.18	4.14	4.12	4.21
ng Expenses	45,446	32,267	59,292	52,008	49,856	-45.58	14.01	4.32	13.18	0.83	1.61	1.52	1.58
ATING PROFIT	73,632	52,279	92,926	88,677	82,889	-43.74	4.79	6.98	12.71	1.35	2.53	2.59	2.63
rovisioning Expenses	-13,911	-9,877	-18,239	-24,707	-18,209	-45.85	-26.18	35.69	-18.50	-0.26	-0.50	-0.72	-0.58
S PROFIT / (LOSS)	59,721	42,402	74,687	63,970	64,680	-43.23	16.75	-1.10	26.34	1.10	2.03	1.87	2.05
dinary Items													
Equivalent	-20,396	-14,481	-25,965	-18,842	-19,574	-44.23	37.80	-3.74	32.69	-0.37	-0.71	-0.55	-0.62
OFIT (or -LOSS)	39,325	27,921	48,722	45,128	45,106	-42.69	7.96	0.05	23.76	0.72	1.33	1.32	1.43
nges in Fair Value	-18	-13	-278	373		-95.32	-174.53			0.00	-0.01	0.01	
Translation Gains													
EHENSIVE INCOME	39,307	27,908	48,444	45,501	45,106	-42.39	6.47	0.88	23.76	0.72	1.32	1.33	1.43
d Cash Dividends			22,500	19,500	18,750	-100.00	15.38	4.00	25.00		0.61	0.57	0.59

RATIO FORMULAE

D: LIQUIDITY	26. STABLE FUNDS (000)	TOTAL CUSTOMER DEPOSITS + MEDIUM & LONG-TERM FUNDING + SUBORDINATED DEBT + HYBRID CAPITAL + FREE CAPITAL
	27. NET LOANS TO TOTAL ASSETS (%)	NET LOANS X 100 / TOTAL ASSETS
	28. NET LOANS TO TOTAL CUSTOMER DEPOSITS (%)	NET LOANS X 100 / TOTAL CUSTOMER DEPOSITS
	29. NET LOANS TO TOTAL DEPOSITS (%)	NET LOANS X 100 / TOTAL CUST. DEP. + OFFICIAL DEP. + ST PLACEMENTS FROM BANKS + INTERBANK DEP. TO PARENT OR RELATED PARTY
	30. NET LOANS TO STABLE FUNDS (%)	NET LOANS X 100 / STABLE FUNDS
	31. NET INVESTMENTS TO TOTAL ASSETS (%)	(TREAS BILLS & GOV. SEC. + OTHER MKT SEC. + NON-MKT SEC.) X 100 / TOTAL ASSETS
	32. LIQUID ASSET RATIO (%)	TOTAL LIQUID ASSETS X 100 / TOTAL ASSETS
	33. NET LIQUID ASSET RATIO (%)	(TOTAL LIQUID ASSETS – TOTAL ST INTERBANK LIABILITIES - NON-BANK ST DEBT) X 100 / TOTAL ASSETS
	34. QUASI-LIQUID ASSET RATIO (%)	(TOTAL LIQUID ASSETS + OTHER MARKETABLE SECURITIES) X 100 / TOTAL ASSETS
	35. SHORT-TERM FUNDING COVERAGE RATIO (%)	(TOTAL LIQUID ASSETS + OTHER MARKETABLE SECURITIES) X 100 / TOTAL ST INTERBANK LIABILITIES + NON-BANK SHORT-TERM DEBT
	36. NET FX CURRENCY ASSETS (000)	FOREIGN CURRENCY ASSETS – FOREIGN CURRENCY LIABILITIES
	37. FX DEPOSITS LESS FX LOANS (000)	FOREIGN CURRENCY LOANS – FOREIGN CURRENCY DEPOSITS
	38. NET INTERBANK ASSETS (000)	TOTAL DEPOSITS WITH BANKS – TOTAL ST INTERBANK LIABILITIES
E: PROFITABILITY	39. RETURN ON AVERAGE ASSETS (%)	NET PROFIT X 100 / AVERAGE TOTAL ASSETS
	40. OPERATING PROFIT TO AVERAGE ASSETS (%)	OPERATING PROFIT X 100 / AVERAGE TOTAL ASSETS
	41. GROSS INCOME TO AVERAGE ASSETS (%)	GROSS INCOME X 100 / AVERAGE TOTAL ASSETS
	42. ESTIMATED FUNDING COST (%)	INTEREST EXPENSE X 100 / AVERAGE TOTAL ASSETS
	44.ESTIMATED INTEREST ON AVERAGE TOTAL ASSETS	INTEREST INCOME X 100 / AVERAGE TOTAL ASSETS
	44. ESTIMATED NET INTEREST MARGIN (%)	ESTIMATED INTEREST ON AVERAGE TOTAL ASSETS (%) – ESTIMATED FUNDING COST (%)
	45. NON-INTEREST INCOME TO GROSS INCOME (%)	NON-INTEREST INCOME X 100 / GROSS INCOME
	46. OPERATING EXPENSES TO GROSS INCOME (%)	OPERATING EXPENSES X 100 / GROSS INCOME
	47. OPERATING EXPENSES TO AVERAGE ASSETS (%)	OPERATING EXPENSES X 100 / AVERAGE TOTAL ASSETS
	48. OPERATING PROFIT GROWTH RATE (YOY %)	(CURRENT-YEAR OPERATING PROFIT – PREV-YEAR OPERATING PROFIT) X 100 / PREV-YEAR OPERATING PROFIT
	49. RISK PROVISIONING EXPENSE TO OPERATING PROFIT (%)	TOTAL PROVISONING EXPENSES X 100 / OPERATING PROFIT
	50. RETURN ON AVERAGE EQUITY (%)	NET PROFIT X 100 / AVERAGE TOTAL CAPITAL
SPECIFIC RATIOS	. EXCHANGE RATE (UNITS PER USD)	
	. INFLATION RATE (%)	
	. BENCHMARK INTEREST RATE ()	

RATIO FORMULAE

A. SIZE FACTORS (USD 000)	1. TOTAL ASSETS	TOTAL ASSETS
	2. TOTAL CAPITAL	TOTAL CAPITAL
	3. NET PROFIT	NET PROFIT
B. ASSET QUALITY	4. TOTAL ASSETS GROWTH RATE (YOY%)	(CURRENT YEAR TOTAL ASSETS – PREVIOUS YEAR TOTAL ASSETS) X 100 / PREVIOUS YEAR TOTAL ASSETS
	5. ESTIMATED NON-PEFORMING LOANS (NPLS) NET ACCRETION RATE (%)	(NPLs + RECOVERIES OF NPLs NOT WRITTEN-OFF+ WRITEOFFS-NPLs (PREVIOUS YEAR)) X 100 / NON-PERFORMING LOANS(PREVIOUS YEAR)
	6. NPL RATIO (%)	NON-PERFORMING LOANS X 100 / GROSS LOANS
	7. NPAS (INCLUDING NPLS) TO TOTAL ASSETS (%)	(NON-PERFORMING ASSETS + NON-PERFORMING LOANS) X 100 / TOTAL ASSETS
	8. LOAN-LOSS RESERVE TO NPLS (%)	LOAN-LOSS RESERVE X 100 / NON-PERFORMING LOANS
	9. LOAN-LOSS RESERVE TO GROSS LOANS (%)	LOAN-LOSS RESERVE X 100 / GROSS LOANS
	10. UNPROVIDED NON-PERFORMING LOANS TO FREE CAPITAL (%)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 100 / FREE CAPITAL
	11. EFFECTIVE NPL COVERAGE RATIO (TIMES)	(LOAN-LOSS RESERVE + FREE CAPITAL) / NPLs
	12. UNPROVIDED NPLS TO OPERATING PROFIT (MONTHS)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 12 / OPERATING PROFIT
	13. LOAN-LOSS PROVISIONING EXPENSE TO GROSS LOANS (%)	PROVISIONS FOR LOANS (SPEC + GEN) X 100 / GROSS LOANS
	14. RELATED PARTY EXPOSURE TO TOTAL CAPITAL (%)	RELATED-PARTY EXPOSURE (FUNDED + UNFUNDED) X 100 / TOTAL CAPITAL
	15. TOTAL CONTINGENTS TO TOTAL ASSETS (%)	(TOTAL CONTINGENT ACCOUNTS) X 100 / TOTAL ASSETS
C. CAPITAL ADEQUACY	16. REPORTED COMMON EQUITY TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	17. REPORTED TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	18. REPORTED TOTAL CAPITAL ADEQUACY RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	19. INTERNAL CAPITAL GENERATION (%)	(COMPREHENSIVE INCOME – PROPOSED CASH DIVIDENDS – EXTRAORDINARY ITEMS) X 100 / PREVIOUS YEAR TOTAL CAPITAL
	20. TOTAL CAPITAL GROWTH RATE (YOY %)	(CURRENT YEAR TOTAL CAPITAL – PREVIOUS YEAR TOTAL CAPITAL) X 100 / PREVIOUS YEAR TOTAL CAPITAL
	21. TOTAL CAPITAL TO TOTAL ASSETS (%)	TOTAL CAPITAL X 100 / TOTAL ASSETS
	22. TOTAL CAPITAL TO GROSS LOANS (%)	TOTAL CAPITAL X 100 / GROSS LOANS
	23. FREE CAPITAL (000)	TOTAL CAPITAL – SUBSIDIARIES AND AFFILIATES – FIXED ASSETS
	24. FREE CAPITAL TO TOTAL CAPITAL (%)	FREE CAPITAL X 100 / TOTAL CAPITAL
	25. DIVIDEND PAYOUT RATIO (%)	PROPOSED CASH DIVIDENDS X 100 / NET PROFIT

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 (this rating is assigned to financial institutions only). 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 (this rating is assigned to financial institutions only). 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 rated entity is, respectively, slightly greater or less than that of similarly rated peers.

Outlook – expectations of improvement, no change or deterioration in a bank or corporate rating over the 12 months following its publication are denoted Positive, Stable or Negative. The time horizon for a sovereign rating outlook is longer, at 12-24 months.

RATINGS DEFINITIONS

International Issuer Credit Ratings: Foreign Currency and Local Currency

CI's international issuer credit ratings indicate the general creditworthiness of an entity (such as a bank, corporate or sovereign) and the likelihood that it will meet its financial obligations in a timely manner. 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 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 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.

CI may assign either a public rating or an internal 'shadow' rating to the sovereign. Shadow sovereign ratings are not intended for publication and are used to ensure that sovereign risk factors are adequately reflected in the ratings of non-sovereign issuers.

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.

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 nor 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.

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.

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

ATTRIBUTES AND LIMITATIONS OF CREDIT RATINGS

Users of Capital Intelligence's (CI) credit ratings should be aware of the following attributes and limitations of the ratings:

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- CI's credit ratings are intended to provide a relative ranking of credit risk among rated entities and obligations based on fundamental credit analysis and expressed in rating symbols from 'AAA' to 'D'. Reflecting the limited number of gradations, entities or obligations with the same rating may not be of exactly the same credit quality, but they will share substantially similar credit risk characteristics.
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