البنك الإسلامي الأردني

الإدارة العامة

DISCLOSURE - JOIB - 9/2/2011

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السادة هيئة الأوراق المالية المحترمين ،،
دائرة الإفصاح
عمان – الاردن

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني

يسرنا أن نرفق لكم في طيء نسخة من تصنيف أل **Capital Intelligene** إصدار تشرين ثاني ٢٠١٠، والذي يعلن عن حصول مصرفنا على تصنيف **-BBB** .

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة
نائب رئيس مجلس الإدارة
المدير العام

هيئة الأوراق المالية
الدائرة الإدارية
٩ شباط ٢٠١١
١٦٢٤٥

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البورصة
٢/٩

12

شركة مساهمة عامة محدودة
(سجل الشركة رقم ١٢٤)
عضو مجموعة البركة المصرفية
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B698

Bank Rating Report

Jordan Islamic Bank

Jordan

November 2010

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The information sources used to prepare the credit ratings are the rated entity and public information. Capital Intelligence had access to the accounts and other relevant internal documents of the issuer for the purpose of the rating and considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. Capital Intelligence 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 February 1995. The ratings were last updated in November 2009

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 can be found at www.ciratings.com

Ref: JO01009BNK00-1/11-10

JORDAN ISLAMIC BANK

Amman, Jordan
November 2010

RATINGS

	Current	Last Changed From	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)	2009 USD	2009 JOD	2008 JOD	2007 JOD
Total Assets	3,075	2,183	1,848	1,598
Net Financing	1,530	1,086	954	755
Total Deposits*	2,716	1,929	1,590	1,381
Total Capital	273	194	189	157
Gross Income	113	80	90	64
Net Profit	39	28	35	23
Exchange Rate: USD/JOD		*0.7100*	*0.7092*	*0.7090*

**Customer + Interbank*

%	2009	2008	2007
NPF / Gross Financing	4.02	3.75	4.24
FLR / NPF*	46.76	41.29	35.95
Capital Adequacy Ratio	14.47	13.73	15.69
Net Financing / Stable Funds	52.60	55.43	50.47
Liquid Asset Ratio	40.19	37.30	40.26
Profit Sharing Differential	6.00	7.59	6.52
Cost / Income	38.90	33.36	34.70
ROAA	1.38	2.04	1.50

**Not including investment risk fund*

RATINGS DRIVERS

Supporting the Ratings

- Strong liquidity, as is the case with the conventional Jordanian banks
- Dominant share of Islamic banking assets and customer deposits
- Comfortable capital adequacy

Constraining the Ratings

- Problem financings have increased, reflecting Jordan's economic slowdown
- Profitability is on a downward trend
- The challenging operating environment has heightened credit risks

RATING RATIONALE

Jordan Islamic Bank (JIB) continues to control the lion's share of Islamic banking assets, deposits and capital within the Jordanian banking sector despite the entry of a number of GCC-based Islamic institutions in recent years. The visibly slower economic growth in Jordan has heightened credit risks in the local market and created a challenging operating environment. Notwithstanding the rise in JIB's problem financings, the quality of the financing portfolio remains satisfactory, as evidenced by the comparatively low ratio of non-performing financing facilities together with the good coverage provided by financing-loss reserves and the investment risk fund. Relatively low-risk Murabaha facilities dominated the financing portfolio. The Bank's liquidity position has consistently been strong, in common with other Jordanian banks, reflecting the significant level of placements with the central bank.

Profitability, however, declined significantly at both the net and operating profit levels, from a record high in the previous year, due to lower net profit sharing and non profit sharing income. These declines stemmed partly from a reduction in investment revenue following a fall in Jordan's stock market indices coupled with lower trading volumes. JIB's performance as measured by the ROAA ratio nonetheless remained satisfactory and was similar to the Jordanian industry average. Capital adequacy continues to be comfortable and was supported by a reasonable rate of profit retention. Capital Intelligence (CI) affirms the Bank's Foreign Currency Long and Short-Term Ratings at 'BB' and 'B' respectively. These ratings are constrained by Jordan's sovereign ratings. Although the Financial Strength Rating (FSR) is maintained at 'BBB-', this rating could be adjusted downward in the event that asset quality and profitability indicators deteriorate to any significant degree. The Support Level of '3' and 'Stable' Outlook are affirmed.

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 57 branches, 12 cash offices and 76 ATMs operate on an online real-time basis. The Bank employed 1,755 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 Bank (Algeria), AlBaraka Bank (Lebanon), Al Baraka (Egypt) and AlBaraka Bank (South Africa). In Syria the operation recently concluded a successful initial public offering.

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 commercial 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 banking system remains sound and has proven resilient to the global financial crisis. The CBJ's prudent banking regulation and supervision, and banks' conservative funding policies have guarded domestic banks from exposure to distressed international banks, structured products, and wholesale financial markets. Moreover, being almost exclusively focused on domestic lending opportunities, the majority of Jordanian banks (aside from Arab Bank plc) carried little regional credit exposures and were insulated from the credit problems seen among some of the Gulf Cooperation Council (GCC) banks. In contrast to a few central banks in the GCC countries, the CBJ did not need to inject liquidity or equity into Jordan's banking system as international financial markets came under severe pressure. Rather the Central Bank of Jordan (CBJ) took pre-emptive steps to maintain confidence and support the domestic interbank money market following the onset of the global credit crisis.

In October 2008, the CBJ announced a full guarantee of all bank deposits until end-2009 (since extended until end-2010). Operations to soak up liquidity were also scaled back and banks' excess reserves increased sharply. In late November 2008, policy interest rates were cut by 50 bps and the reserve requirement by 100 bps. The deeper cuts by the U.S. Federal Reserve, however, resulted in a widening of the interest rate differential against the dollar—to which the Jordanian dinar is pegged. With reserves continuing to build, headline inflation moderating rapidly, economic growth slowing and bank credit decelerating, the CBJ cut rates by a further 50 bps in mid-March 2009 and a further 50bps in mid-December 2009. The reserve requirement was reduced by another 100 bps at end-April 2009.

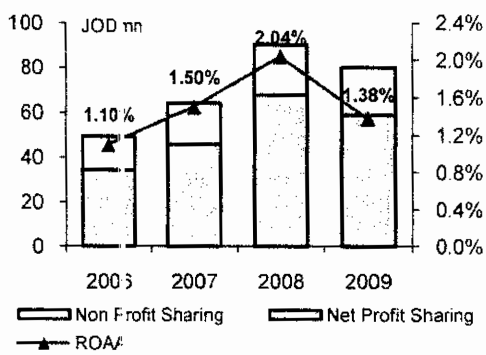
The IMF's recent concluding statement on Jordan in July 2010 noted that the country's real GDP growth fell noticeably to 2⅓ percent in 2009 from 7⅓ percent in 2008 in the aftermath of the global and regional economic downturn. This followed a decade of strong economic growth. Headline inflation declined steadily through 2009 to near zero, in line with lower world commodity prices, although core inflation remained stable at around 3 percent year-on-year (y-o-y). Despite an expected modest rebound in economic growth in 2010 to about 3½ percent, output growth remains well below potential, the IMF added, reflecting slowly-recovering global and regional conditions. Jordan's business cycle is closely linked to the economic recovery in GCC countries.

KEY FINANCIAL ISSUES

FINANCIAL PERFORMANCE

The financial statements of JIB have been prepared in accordance with the financial accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari'a Rules and Principles as determined by the Bank's Shari'a Board. The auditor's opinion is unqualified and disclosure standards in the audited financial statements and notes improved significantly in the year under review. The auditors are Ernst and Young (Jordan) and the local firm of Messrs Ibrahim Alabbassi and Partners.

Breakdown of Income & ROAA



Net and operating profitability declined in 2009. After several years of steady growth in profitability, JIB's net and operating profit both fell as a result of lower net profit sharing and non-profit sharing income. Sustained expansion in the financing portfolio in previous years had significantly contributed to net profit growth. In 2009, the Bank's net profit decreased by 21% to JOD28mn (USD39mn) from JOD35mn a year earlier. This performance produced a lower ROAA ratio of 1.38% compared to a record high 2.04% in 2008 (see adjoining chart).

The majority of banks in Jordan reported a fall in profitability in 2009 largely due to stepped up provisioning in the face of the economic slowdown. The local industry average ROAA declined to 1.2% in 2009. The Bank's return on average equity (ROAE) ratio decreased to 14.6% from 20.3% in 2008 and remained better than the reduced market average of 8%.

Operating performance slipped. Although JIB's total operating costs grew at a very measured pace in 2009, the visible decline in gross income led to a 19% fall in operating profit to JOD49mn (USD69mn). Measured to average total assets, operating profit stood at 2.43% compared to 3.5% in 2008. This measure of operating performance was slightly better than the industry average.

Net profit sharing income contracted. Income from net profit sharing decreased by 13% to JOD59mn (USD83mn), from a record level in 2008, even though the financing book recorded a moderate degree of expansion. This was largely due to a narrowing in the profit sharing differential to 6.00% in 2009 from 7.59% a year earlier. Although JIB's cost of funds rose slightly during 2009, a larger reduction in the profit sharing on average earnings assets contributed to a noticeable contraction in the differential.

Investment revenues slipped by a marginal 1.9% to JOD100mn while depositors' share (i.e. return of unrestricted investment accounts holders) increased by a significant 20.2% to JOD41mn. The Bank's lower investment revenue in 2009 was attributed to a fall in Jordan's stock market indices and low trading volumes. JIB's profit sharing differential nonetheless remained above that of conventional banks' reflecting the significant share of retail facilities (Murabaha) in the financing portfolio. Net profit sharing contributed a steady three-fourths to gross income in 2009.

Most components of non profit sharing income decreased. Fee and commission income retreated by 11% to JOD10.6mn (USD15mn) in 2009 largely due to a halving in brokerage commissions to JOD2.1mn. Most other constituents of fee and commission income recorded positive growth including salary transfer commissions of JOD2.7mn, account management commissions JOD1.2mn and letters of guarantee commissions JOD1.5mn. Commissions from documentary credits slipped to JOD940k reflecting the slowdown in trade finance activity in the country. Fee and commission income remained the largest single contributor to non profit sharing income accounting for 50% of the total (2008: 53%).

Income from trading securities returned to positive territory posting a gain of JOD2.6mn against a loss of JOD2.9mn in 2008. The caption 'other income' nearly halved to JOD6.3mn (USD9mn) in 2009 largely as a result of a significant decline in profits from Muqarada bonds. Credit cards income, included under the item 'other income', grew by 20% to JOD1.6mn.

Due to a decrease in net profit sharing and non profit sharing income JIB's gross income declined by 11% to JOD80mn (USD113mn) or 3.97% of average total assets (2008: 5.25%).

Good operating efficiency. JIB's operating expenses grew at a significantly lower rate of 3% to JOD31mn (USD44mn) in 2009 reflecting tight cost control and to lesser extent lower business volumes. Total staff costs including other administrative expenses grew by a marginal 2.6% to JOD28.5mn. Given the decline in gross income however, JIB's cost to income ratio rose to 38.9% from 33.3% in 2008. This measure of operating efficiency remained favourable and better than the 45% average for the Jordanian banking sector.

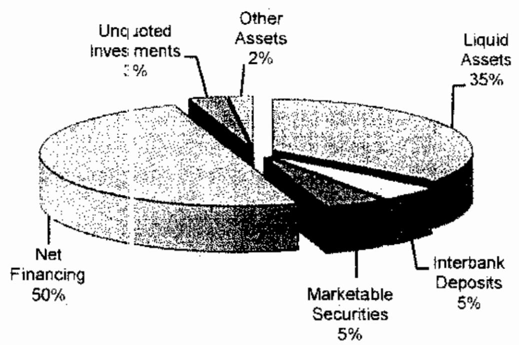
Provisions set aside for financings and investments decreased by 2% to JOD9.9mn in 2009. This charge depleted a slightly larger 20% of operating profit (2008: 17%) due to the reduction in the Bank's operating profit. Going forward it is CI's expectation that JIB's provision charges are likely to increase given the ongoing heightened credit risks and challenging operating environment.

BALANCE SHEET

Asset Quality

Financing expansion reined in due to growing credit risks in the local market. JIB's asset mix shifted slightly in favour of liquid assets at the expense of higher yielding financings and investments at end 2009 reflecting the Bank's cautious stance as Jordan's economy slowed noticeably. The financing portfolio remained the largest asset class as shown in the accompanying chart (50% of the asset base compared to 37% five years earlier). Measured in proportionate terms, JIB's financing book was similar to the sector average. Although financing expansion moderated in 2009, brisk growth in preceding years has culminated in increased credit risk for the Bank. Total assets grew by 18% to JOD2,183mn (USD3.07 billion), ranking JIB fourth largest in terms of assets in the local market.

Asset Composition at end 2009



Murabaha receivables dominate the financing book. The net financing portfolio was composed of principally Murabaha receivables (83%) 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.

Ongoing increased credit risk in the local market. The net financing book reached JOD1,086mn (USD1.53 billion) led by an increase in Murabaha facilities (retail and corporate) and Ijara. Although Jordan's economy continues to record positive growth, albeit at a visibly slower pace, credit risks have risen in the local market and this could push up the Bank's problem financings further over the near term. In terms of remaining maturity as at end 2009, a major part of the financing book was short-term in tenor (less than one year).

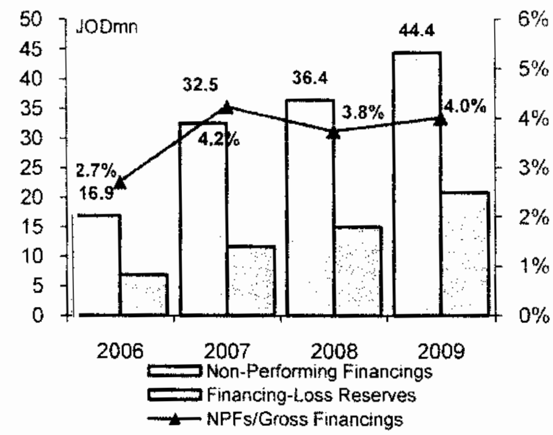
Challenging conditions in the real estate sector. JIB's major business segments measured as a proportion of total assets at end 2009 are as follows: treasury (40%), individuals (25%), commercial enterprises (20%) and investments (15%). Murabaha assets were concentrated in the trade sector but this largely reflected the commerce-based nature of the Jordanian economy. The Bank's total exposure to real estate (including Ijara) remained significant at 20% and is carefully monitored as this segment of economic activity has experienced cash flow problems. 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 construction sector at 20% of total customer deposits; JIB's actual exposure (including investments) was 14% of total customer deposits at end 2009.

Reasonably diversified investment portfolio. Within JIB's total investments of JOD160mn at end 2009 (2008: JOD150mn), large categories were available for sale (AFS) securities composed of mainly unquoted Muqarada (Revenue) bonds (JOD55mn), unquoted investments in real estate (JOD56mn), quoted equities (Jordanian and regional), and investment in affiliates (JOD20mn). Investment in affiliates was stated at fair value and was mainly in listed companies operating in the trade, investment and insurance sectors. Real estate investments are carried at fair value, with a book value (cost) of JOD43.4mn at end 2009 (2008: JOD36.5mn). The Bank's total investments (including marketable securities) formed a relatively low 7.5% of total assets at end 2009. The investment portfolio includes the Bank's portion of the funds under management which are, in turn, invested in real estate, securities, commercial Murabaha and leasing transactions.

JIB's total assets under management declined further to JOD288.4mn (USD406mn) at end 2009. These accounts are reported off-balance sheet and were in the form of mainly Muqarada bonds and comprised investment in real estate, stocks, Murabaha financing and leasing.

Non-performing financings increased. JIB's non-performing financings (NPFs), calculated according to the classification criteria of the Central Bank of Jordan (90 days past due), grew by 22% to JOD44mn (USD63mn) at end 2009. The majority of new NPFs originated in mainly the trade sector and reflected the challenging conditions in the local economy. By contrast in the previous year NPFs rose 12%.

NPFs and Reserves

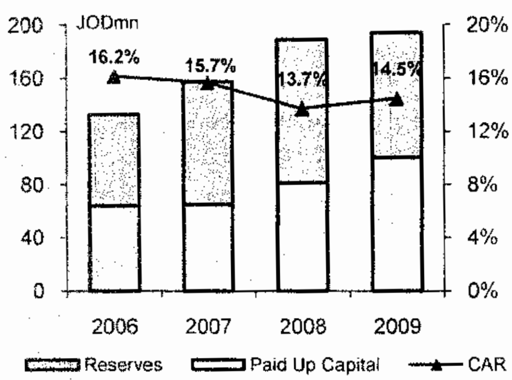


Measured as a percentage of gross financings, NPFs formed a moderately higher 4.02% of gross loans (2008: 3.75%). Around one-half of problem accounts were in the bad category and the remainder was split between the doubtful and substandard categories.

Good coverage of NPF. The investment risk fund totalling JOD20.7mn (USD29mn) as at end 2009, (classified under the caption 'other liabilities' on appended balance sheet) comprises accumulated risk provisions created out of realised net investment income. When this balance is taken together with financing-loss reserves of JOD20.8mn (USD29mn), the reserve coverage ratio for total NPFs and investments stood at a comfortable 93% at end 2009 (2008: 104%). Write-offs against the fund require the approval of the Shari'a Supervisory Board.

Capital Adequacy

Capital Composition & Adequacy



Capital adequacy remained comfortably above the regulatory requirement. JIB's capital adequacy ratio, calculated to Basel II standards, rose slightly to 14.47% at end 2009 from 13.73% a year earlier (see adjoining chart) as the rate of growth in regulatory capital outpaced that of risk weighted assets. The latter rose by 5% to JOD1,208mn while the former increased by 11% to JOD175mn.

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

Paid up capital increased. A majority of banks in Jordan have steadily increased their paid-up capital over the recent past in anticipation of a hike in CBJ's minimum paid up capital requirement to JOD100mn. JIB increased its paid up capital by JOD18.75mn (USD26mn) for a third year in a row through capitalising reserves (bonus share issue). Total paid up capital thus reached JOD100mn (USD141mn) at end 2009. Reduced net profit in 2009 in combination with a higher dividend payout however produced a measured 2.6% increase in the Bank's total capital to JOD194mn (USD273mn).

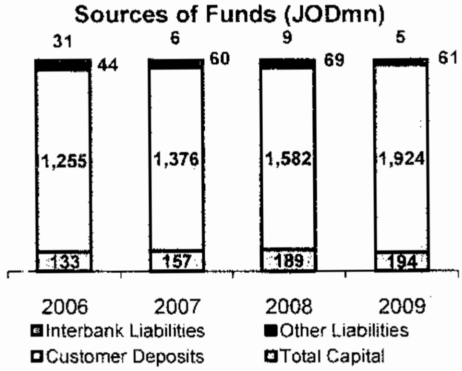
Although the balance sheet was satisfactorily capitalised at end 2009, going forward JIB could find its current asset growth rate constrained by the level of capital adequacy (Basel II standards). It is likely that the Bank may have to raise new capital to sustain the current pace of expansion and remain comfortably capitalised.

Rate of internal capital generation slipped. JIB's rate of internal capital generation fell to 8% in 2009 from 14% in the previous year due to lower profitability together with the increase in cash dividends. The Bank paid JOD12mn in cash dividends to shareholders equating to a 43% dividend payout ratio. (2008: 22%). JIB's policy of transferring a considerable share of net profit to reserves has served to reinforce capital adequacy over the years.

Funding and Liquidity

Customer deposits are the largest source of funding. In common with the other Jordanian banks, JIB's liquidity rests on a sizeable pool of stable customer deposits. The Bank's good deposit mobilising capability is aided by a large nationwide branch network and growing domestic demand for Islamic banking services. Despite keen competition from new entrants into the local market, JIB's total customer liabilities grew further by 21.6% (2008: 15%) to JOD1,923mn (USD2,709mn) in 2009 and funded a substantial 88% of the balance sheet (see adjoining chart).

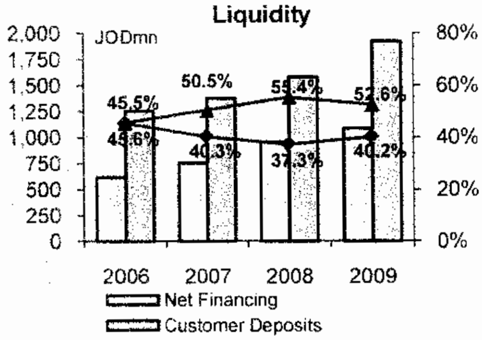
Sources of Funds (JODmn)



Unrestricted investment accounts (URIA) dominated the customer deposit base. JIB's unrestricted investment accounts grew by 26% to JOD1,255mn (USD1.8 billion) in 2009 and remained the largest component of the customer deposit base contributing two-thirds to the total. The relatively cheap current deposits continued to grow steadily and made up 26% of total customer deposits at end 2009 (2008: 28%). There was no undue funding concentration with respect to customer deposits highlighting the retail nature of the client base.

Jordanian banks as a group were not impacted by the global credit crisis underscoring their high levels of liquidity and very little use of interbank or other types of wholesale funding. In contrast to a few central banks in the Gulf Cooperation Council (GCC) countries, the CBJ did not need to inject liquidity or equity into Jordan's banking system as international financial markets came under severe pressure. Rather the CBJ resorted to lowering its key policy rate and reserve requirement to moderate the impact of the crisis on the domestic money market.

Liquidity



Strong liquidity ratios. In common with other Jordanian banks, JIB maintained a high level of liquidity reflecting the comparatively low share of financings in total assets. The Bank's key liquidity ratios improved at end 2009 from an already comfortable level as customer deposits growth outpaced financing expansion. The trend in prior years towards moderately tighter liquidity reversed in 2009 as a result of financing growth decelerating noticeably amid Jordan's slowing economy and weaker customer demand.

The Bank's ratios of net financing to both total customer deposits and stable funds improved to 56% and 53% respectively at end 2009 (from 60% and 55% respectively a year earlier) as shown in the chart above. These ratios were broadly in line with those of the sector averages. JIB's customer deposit base continued to fund the financing portfolio, with customer deposits exceeding net financing by JOD837mn at end 2009 compared with JOD627mn in the preceding year. The trend towards higher liquidity is viewed positively by CI given the heightened levels of credit risk in the Jordanian economy. JIB's liquid asset ratio, similarly, improved to 40% at end 2009 from 37% in the preceding year as surplus funds were channelled into CBJ deposits.

Liquid assets dominated by CBJ placements. The bulk of JIB's liquidity continued to be placed in deposits with the Central Bank at end 2009. CBJ balances accounted for over three-fourths of total liquid asset holdings. A large proportion of these funds are placed in non-remunerative deposits with the central bank in the form of current accounts. Deposits with other banks contributed 13% to total liquid assets at year-end. The majority of bank deposits were placed with prime institutions in Europe, the US and the GCC and the remainder with other Group banks.

The proportion of assets maturing over the short term as at end 2009 declined to 59% from 60% at end 2008 due to expansion in dated Ijara assets. The tenor of total liabilities remained overwhelmingly short term.

CURRENT YEAR UPDATE (H1 2010)

JIB's interim accounts for H1 2010 are designed to present an overview of the Bank's performance for the period. The Bank does not produce notes for the interim financial statements. Net profit (after tax) amounted to JOD15mn (USD21mn) in the first six months of 2010 compared to JOD21mn in the same period in 2009, representing a 29% decline. The Bank's net profit sharing income recorded a slight decrease during the period while non-profit sharing income declined by 41% mainly due to a significant fall in other income (Muqarada gains). Most recurring income items recorded only a modest decrease despite the economic slowdown. JIB's annualised ROAA stood at 1.3% in H1 2010.

The asset base expanded by 7% during the first six months to JOD2.3 billion (USD3.3 billion) while net financing rose by 6% led by an increase in Murabaha. Reflecting the economic slowdown in Jordan, NPFs rose to constitute 5.7% of gross loans. Impairment provisions together with the investment risk fund continued to provide a comfortable 93% coverage for NPFs. The Bank's capital adequacy ratio remained satisfactory at 13.86% (Basel II) at end-June 2010. Liquidity remained strong with key ratios recording a slight improvement.

OUTLOOK

Despite the increased number of GCC-based Islamic banks operating in the domestic Islamic banking sector, JIB continues to control a substantial share of Shari'a compliant financing and deposits in Jordan. This dominant market position is likely to remain uncontested over the foreseeable future enabling the Bank to sustain its business expansion. The projected growth however could be compromised by the need to maintain a sound capital adequacy ratio particularly in current domestic economic conditions. Jordan's operating environment remains challenging due to slower economic growth and heightened credit risks. Although Jordan's rate of economic expansion is forecast to increase modestly in 2011, ongoing credit risks could produce a further increase in NPFs over the near term necessitating stepped up provisioning levels. Net profitability could therefore continue retreating as financing is restrained and higher provisions consume the Bank's operating profit.

JORDAN ISLAMIC BANK

PERFORMANCE RATIOS External Audit	AUD 12/2009	AUD 12/2008	AUD 12/2007	AUD 12/2006
A . SIZE FACTORS				
1 . Total Assets (USD 000)	3,074,737	2,606,205	2,254,010	2,062,920
2 . Total Capital (USD 000)	273,111	266,474	222,004	187,602
B . ASSET QUALITY				
3 . Total Assets Growth Rate (Year on Year %)	18.11	15.66	9.27	8.96
4 . IFFI -Loss Reserve to Gross IFFI (%)	1.88	1.55	1.52	1.10
5 . Non-Performing IFFI to Gross IFFI (%)	4.02	3.75	4.24	2.71
6 . IFFI -Loss Reserve to Non-Performing IFFI (%)	46.76	41.29	35.95	40.46
7 . Unprovided Non-Performing IFFI to Free Capital (%)	16.75	15.28	17.22	11.82
8 . IFFI -Loss Provision Charge on Gross IFFI (%)	0.90	1.05	0.98	0.98
9 . Reserve for Dimin. of Investments to Total Investments (%)				
10 . Related Party Loans to Total Capital (%)				
11 . Total Contingents on Total Assets (%)	5.49	6.04	5.84	5.09
C . CAPITAL ADEQUACY				
12 . CI Risk Asset Ratio (%)	10.36	11.45	12.05	11.96
13 . Estimated BIS Risk Asset Ratio (%)	12.88	13.88	14.26	14.42
14 . Estimated BIS RAR on Tier One Capital (%)	12.88	13.88	14.26	12.68
15 . Actual Risk Asset Ratio to Local Standards (%)	14.47	13.73	15.69	16.17
16 . Internal Capital Generation (%)	8.10	14.47	10.47	13.11
17 . Total Capital Growth Rate (Year on Year %)	2.60	20.07	18.34	56.45
18 . Total Capital to Total Assets (%)	8.88	10.22	9.85	9.09
19 . Total Capital to Gross IFFI (%)	17.52	19.50	20.53	21.27
20 . Free Capital Funds (JOD 000)	141,288	139,785	120,885	100,323
21 . Estimated BIS RAR Shortfall (JOD 000)	0	0	0	0
22 . Risk Weighted Assets on Total Footings (%)	60.95	64.02	60.87	56.17
D . LIQUIDITY				
23 . Net IFFI to Total Deposits (%)	56.32	60.01	54.66	48.09
24 . Net IFFI to Total Customer Deposits (%)	56.47	60.33	54.91	49.27
25 . Net IFFI to Stable Funds (%)	52.60	55.43	50.47	45.62
26 . Customer Deposits to Total Deposits (%)	99.73	99.46	99.55	97.61
27 . Liquid Asset Ratio (%)	40.19	37.30	40.26	45.51
28 . Quasi-Liquid Asset Ratio (%)	41.79	38.89	42.76	47.42
29 . FX Currency Assets to FX Currency Liabilities (%)	105.64	121.41	117.61	
30 . FX Currency IFFI to FX Currency Deposits (%)	50.79	21.01	2.70	
31 . Interbank Assets to Interbank Liabilities (%)	2,043.69	1,319.00	1,659.88	409.00
32 . Net Interbank Assets (JOD 000)	101,033	103,932	96,666	95,129
E . PROFITABILITY				
33 . Return on Average Assets (%)	1.38	2.04	1.50	1.10
34 . Return on Average Equity (%)	14.57	20.29	15.83	14.19
35 . Underlying Profits on Average Assets (%)	2.09	3.02	2.27	1.79
36 . Underlying Profits on Average Equity (%)	22.05	30.08	23.90	22.99
37 . Funding Cost (%)	2.32	2.29	2.21	2.13
38 . Profit Sharing on Average Earning Assets (%)	8.32	9.87	8.74	7.75
39 . Profit Sharing Differential (%)	6.00	7.59	6.52	5.62
40 . Non-Profit Sharing Income to Gross Income (%)	26.28	25.00	28.43	30.21
41 . Operating Expenses to Gross Income (%)	38.90	33.36	34.70	40.38
42 . Operating Profit Growth Rate (%)	-18.82	43.71	42.11	6.65
43 . Operating Profit on Average Assets (%)	2.43	3.50	2.74	2.10
44 . Risk Provisioning Charge to Operating Profit (%)	20.41	16.89	18.01	20.74
45 . Dividend Payout Ratio (%)	43.70	22.20	28.28	0.00
RATES				
Exchange Rate (Units per USD)	0.7100	0.7092	0.7090	0.7090
Inflation Rate (%)	-0.70	14.90	5.40	6.25
Imputed Interest Rate on Free Capital (%) (Discount Rate)	4.75	6.25	7.00	7.50

NOTES:

BALANCE SHEET - ASSETS (JOD 000)

RISK WGHT	External Audit	12/2009 USD 000	AUD 12/2009	AUD 12/2008	AUD 12/2007	AUD 12/2006	Growth (%) 12/2009	12/2008	12/2007	12/2006	Breakdown (%) 12/2009	12/2008	12/2007	12/2006
	LIQUID ASSETS:													
0%	Cash & 7 Day	55,648	39,510	36,467	30,818	26,629	8.34	18.33	15.73	37.80	1.81	1.97	1.93	1.82
0%	Central Bank	1,030,621	731,741	540,565	509,720	513,035	35.37	6.05	-0.65	6.20	33.52	29.25	31.89	35.08
10%	Treasury Bills													
20%	Government Securities													
20%	Other - Interbranch Bal													
	TOTAL LIQUID ASSETS	1,086,269	771,251	577,032	540,538	539,664	33.66	6.75	0.16	7.41	35.33	31.22	33.82	36.90
	DEPOSITS WITH BANKS:													
20%	Short - Up to 1 Year	21,690	15,400	23,626	12,634	61,763	-34.82	87.00	-79.55	-14.26	0.71	1.28	0.79	4.22
20%	Short - Foreign Banks	127,931	90,831	88,832	90,229	64,147	2.25	-1.55	40.66	-31.01	4.16	4.81	5.65	4.39
100%	Non - OECD Medium Term													
	TOTAL DEPOSITS WITH BANKS	149,621	106,231	112,458	102,863	125,915	-5.54	9.33	-18.31	-23.70	4.87	6.08	6.44	8.61
100%	MARKETABLE SECURITIES	49,068	34,838	29,416	39,974	27,953	18.43	-26.41	42.80	-69.89	1.60	1.59	2.50	1.91
	ISL. FIN. FACILITIES & INV.													
20%	Gov't Guaranteed			0	1,136	0		-100.00	-	-		0.00	0.07	0.00
50%	Specified investments													
100%	Social Financing (Qard Al-Hassan)	12,175	8,644	11,194	7,326	5,736	-22.78	52.80	27.72	-5.86	0.40	0.61	0.46	0.39
100%	Mudaraba Murabaha, Musharaka	1,294,189	918,874	811,295	676,411	579,554	13.26	19.94	16.70	20.78	42.09	43.89	42.33	39.63
100%	Ijara	190,072	134,951	110,309	49,306	22,943	22.34	123.72	114.91	206.68	6.18	5.97	3.09	1.57
100%	Non-Performing IFFI	62,599	44,445	36,378	32,499	16,935	22.18	11.94	91.90	-6.15	2.04	1.97	2.03	1.16
100%	IFFI - Loss Reserve	-29,272	-20,783	-15,019	-11,685	-6,852	38.38	28.53	70.53	-24.81	-0.95	-0.81	-0.73	-0.47
	NET ISL. FIN. FACILITIES & INV.	1,529,762	1,086,131	954,157	754,993	618,356	13.83	26.38	22.10	23.08	49.75	51.62	47.24	42.28
100%	UNQUOTED/OTHER INVESTMENTS	176,942	125,629	120,974	115,906	99,451	3.85	4.37	16.55	262.98	5.75	6.54	7.25	6.80
100%	NON-FINANCIAL SUBS & AFFILS.	9,456	6,714	6,505	3,798	9,336	3.21	71.27	-59.32	5.97	0.31	0.35	0.24	0.64
	FINANCIAL SUBS & AFFILIATES	18,486	13,125	14,820	10,567	8,522	-11.44	40.25	24.00	-46.67	0.60	0.80	0.66	0.58
100%	FIXED ASSETS	46,172	32,782	27,879	22,155	14,829	17.59	25.64	49.40	25.81	1.50	1.51	1.39	1.01
100%	OTHER ASSETS	8,961	6,362	5,131	7,341	18,544	23.99	-30.10	-60.41	19.07	0.29	0.28	0.46	1.27
	TOTAL ASSETS	3,074,737	2,183,063	1,848,372	1,598,135	1,462,610	18.11	15.66	9.27	8.96	100.00	100.00	100.00	100.00
	CONTINGENT ACCOUNTS:													
100%	Fin. Gtees/SLCs/Acceptances	116,207	82,507	82,292	58,792	43,379	0.26	39.97	35.53	28.67	68.83	73.70	63.03	58.33
50%	Bid & Performance Bonds													
20%	LCs/Bank & Govt Guarantees	52,630	37,367	29,369	34,486	30,995	27.23	-14.84	11.26	4.24	31.17	26.30	36.97	41.67
10%	Bonding for Banks & Govts													
5%	IR Swaps/Bank & Govt LCs													
	TOTAL CONTINGENT ACCOUNTS	168,837	119,874	111,661	93,278	74,374	7.36	19.71	25.42	17.22	100.00	100.00	100.00	100.00
	TOTAL FOOTINGS	3,243,573	2,302,937	1,960,033	1,691,413	1,536,984	17.49	15.88	10.05	9.33	-	-	-	-
	RISK WEIGHTED ASSETS	1,977,018	1,403,683	1,254,719	1,029,520	863,270	11.87	21.87	19.26	18.00	-	-	-	-

BALANCE SHEET - LIABILITIES (JOD 000)

	USD 000	12/2009	12/2008	12/2007	12/2006	12/2009	12/2008	12/2007	12/2006	12/2009	12/2008	12/2007	12/2006
INTERBANK LIABILITIES:													
Current & 7 Day - Domestic Dep													
Short - Foreign Dep (Demand)	7,321	5,198	8,526	6,197	30,716	-39.03	37.58	-79.87	-35.48	0.24	0.46	0.39	2.10
Other - Foreign Dep (Fixed)													
TOTAL INTERBANK LIABILITIES	7,321	5,198	8,526	6,197	30,716	-39.03	37.58	-79.87	-35.48	0.24	0.46	0.39	2.10
CUSTOMER DEPOSITS:													
Current accounts	709,277	503,587	448,211	381,193	318,725	12.35	17.58	19.60	5.45	23.07	24.25	23.85	21.79
Demand saving accounts	128,992	91,584	73,981	63,799	56,686	23.79	15.96	12.53	<<<<	4.20	4.00	55.16	57.06
Unrestricted Inv. Accounts	1,767,407	1,254,859	992,589	881,455	834,517	26.42	12.61	5.61	<<<<	57.48	53.70	55.16	52.22
Other - Cash Margins	103,376	73,397	66,691	48,599	45,112	10.06	37.23	7.75	261.86	3.36	3.61	3.04	3.08
TOTAL CUSTOMER DEPOSITS	2,709,052	1,923,427	1,581,472	1,375,046	1,255,110	21.62	15.01	9.55	9.59	88.11	85.56	86.04	85.81
OFFICIAL DEPOSITS													
TOTAL DEPOSITS + INTERBANK	2,716,373	1,928,625	1,589,998	1,381,243	1,285,916	21.30	15.11	7.41	5.76	88.34	86.02	86.43	87.92
OTHER LIABILITIES	85,252	60,529	69,385	59,487	43,684	-12.76	16.64	36.14	5.32	2.77	3.75	3.72	2.98
MEDIUM/LONG TERM LIABILITIES													
TIER TWO CAPITAL:													
Asset Revaluation Reserve			0	0	15,033		-	-100.00	-3.72		0.00	0.00	1.03
Hybrid Capital Instruments			0	0	0		-	-	-		0.00	0.00	0.00
Subordinated Term Debt			0	0	0		-	-	-		0.00	0.00	0.00
TOTAL TIER TWO CAPITAL	0	0	0	0	15,033	-	-	-100.00	-3.72	0.00	0.00	0.00	1.03
TIER ONE CAPITAL:													
Paid Up Capital	140,845	100,000	81,250	65,000	64,119	23.08	25.00	1.34	60.35	4.58	4.40	4.07	4.39
Minority Interests	845	600	574	448	0	4.53	28.13	-	-	0.03	0.03	0.03	0.00
Reserves	131,421	93,309	107,165	91,957	53,838	-12.93	16.54	70.80	83.12	4.27	5.80	5.75	3.86
TOTAL TIER ONE CAPITAL	273,111	193,909	188,989	157,405	117,917	2.60	20.07	33.42	69.99	8.88	10.22	9.85	8.07
TOTAL CAPITAL	273,111	193,909	188,989	157,405	133,010	2.60	20.07	18.34	56.45	8.88	10.22	9.85	9.09
TOTAL LIABILITIES AND CAPITAL	3,074,737	2,183,063	1,848,372	1,598,135	1,462,610	18.11	15.66	9.27	8.96	100.00	100.00	100.00	100.00

PROFIT AND LOSS ACCOUNT (JOD 000)

	USD 000	12/2009	12/2008	12/2007	12/2006	Growth (%) 12/2009	12/2008	12/2007	12/2006	% of Average Total Assets 12/2009	12/2008	12/2007	12/2006
Investment Revenues	140,596	99,823	101,750	75,476	61,144	-1.89	34.81	23.36	14.59	4.95	5.90	4.93	4.36
Depositors' Share	-57,500	-40,825	-33,960	-29,534	-26,634	20.21	14.99	10.81	16.36	-2.03	-1.97	-1.93	-1.90
Net Profit Sharing	83,096	58,998	67,790	45,942	34,510	-12.97	47.56	33.05	13.26	2.93	3.93	3.00	2.46
Fees and Commissions	14,868	10,556	11,904	8,401	7,712	-11.32	41.70	7.82	-4.91	0.52	0.69	0.55	0.56
FX Trading Income	2,317	1,645	1,905	1,539	1,217	-13.65	23.78	26.46	35.52	0.08	0.11	0.10	0.09
Dealing Securities Income	3,613	2,565	-2,974	138	36	186.25	-2,255.07	-56.33	78.53	0.13	-0.17	0.01	0.02
Other Investment Income			0	0	0		-	-	100.00		0.00	0.00	0.00
Other Income	8,828	6,268	11,764	8,173	5,619	-46.72	43.94	45.45	4.09	0.31	0.68	0.53	0.40
Non Profit Sharing Income	29,625	21,034	22,599	18,251	14,914	-6.93	23.82	22.13	3.02	1.04	1.31	1.19	1.07
GROSS INCOME	112,721	80,032	90,389	64,193	49,424	-11.46	40.81	29.75	9.96	3.97	5.25	4.19	3.53
Administrative Expenses	40,139	28,499	27,771	20,668	17,916	2.62	34.37	14.91	14.26	1.41	1.61	1.35	1.28
Depreciation	3,275	2,325	1,731	1,435	1,371	34.32	20.63	4.67	1.56	0.12	0.10	0.09	0.10
Other Expenses	437	310	651	175	613	-52.38	272.00	-71.91	152.23	0.02	0.04	0.01	0.04
OPERATING EXPENSES	43,851	31,134	30,153	22,278	19,900	3.25	35.35	11.50	15.24	1.54	1.75	1.46	1.42
OPERATING PROFIT	68,870	48,898	60,236	41,915	29,424	-18.82	43.71	42.11	6.65	2.43	3.50	2.74	2.10
Provisions for Doubtful IFFI	-14,059	-9,982	-10,175	-7,548	-6,118	-1.90	34.80	23.37	-23.61	-0.50	-0.59	-0.49	-0.44
Prov. for Dimin. of Investments													
GROSS PROFIT (or -LOSS)	54,811	38,916	50,061	34,367	23,376	-22.26	45.67	47.02	18.98	1.93	2.91	2.25	1.67
Extraordinary Items			0	0	0		-	-	-		0.00	0.00	0.00
Tax & Equivalent	-15,531	-11,027	-14,920	-11,381	-7,905	-26.09	31.10	43.97	20.52	-0.55	-0.87	-0.74	-0.56
NET PROFIT (or -LOSS)	39,280	27,889	35,141	22,986	15,471	-20.64	52.88	48.57	18.21	1.38	2.04	1.50	1.10
Transfers/Adjustments	-15,221	-10,807	4,117	22,494	33,105	-362.50	-81.70	>>>>	80.77	-0.54	0.24	1.47	2.36
APPROPRIATION:													
Minority Interests	0	0	0	0	0	-	-	-	-	0.00	0.00	0.00	0.00
Bonus Shares Issued	26,408	18,750	16,250	861	24,139	15.38	1,787.34	-96.43	-	0.93	0.94	0.06	1.72
Dividends	17,166	12,188	7,800	6,500	0	56.26	20.00	-	-100.00	0.60	0.45	0.42	0.00
Movement in Reserves	-19,515	-13,856	15,208	38,119	24,437	-191.11	-60.10	55.99	-16.88	-0.69	0.88	2.49	1.74
TOTAL	24,059	17,082	39,258	45,480	48,576	-56.49	-13.68	-6.37	54.70	0.85	2.28	2.97	3.46

JORDAN ISLAMIC BANK

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.