البنك الإسلامي الأردني

الإدارة العامة

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DISCLOSURE - JOIB - 13/10/2010

السادة هيئة الأوراق المالية المحترمين ،،

دائرة الإفصاح

عمان – الأردن

السلام عليكم ورحمة الله وبركاته،،

**<u>الموضوع: التصنيف الائتماني</u>**

يسرنا أن نرفق لكم في طيه نسخة من تصنيف **Standard & Poor's** إصدار آب ٢٠١٠ ، والذي يعلن عن حصول مصرفنا على تصنيف BB/Stable/B .

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة

نائب رئيس مجلس الإدارة

المدير العام

هيئة الأوراق المالية

الدائرة الإدارية

الديوان

١٣ تشرين أول ٢٠١٠

الرقم المتسلسل ١٨٨٩٧

رقم الملف

الجهة المختصة

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١٢

البورصة

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# Jordan Islamic Bank

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# Jordan Islamic Bank

## Major Rating Factors

**Counterparty Credit Rating**

BB/Stable/B

**Strengths:**

- Leading position as the largest Islamic lender in Jordan, and third-largest domestic bank.
- Satisfactory funding and liquidity profile, supported by a strong retail franchise.
- Resilient asset quality and profitability performance through the economic downturn.

**Weaknesses:**

- Credit risks related to operating solely in a country that we believe bears high economic risk.
- Sustained pressure on asset quality and related cost of risk in a context of just adequate provisioning.
- Capitalization not commensurate with an investment-grade rating.

## Rationale

The ratings on Jordan Islamic Bank (JIB) are primarily constrained by the fact that the bank operates in the Hashemite Kingdom of Jordan (foreign currency BB/Stable/B, local currency BBB-/Stable/A-3), which in Standard & Poor's Ratings Services' view creates high credit risk. JIB features a strong regulatory capital adequacy ratio (CAR) under Basel II as per the domestic regulator's guidelines. That said, JIB's risk-adjusted capital (RAC) ratio under our methodology is below that of the average for international peers, and constitutes a weakness in our opinion. Mitigating these factors are JIB's overall resilience; satisfactory funding and liquidity profile, which we believe is supported by its strong retail franchise; and leading commercial position in the Islamic banking market in Jordan.

JIB is 66%-owned by Bahrain-based Al Baraka Banking Group B.S.C. (ABG, BBB-/Stable/A-3). Under our group methodology, we classify JIB as a strategically important subsidiary for its parent. JIB is ABG's second-largest subsidiary and one of only a few holding a sizable domestic presence. It contributed about 23% of total group assets and profits at year-end 2009. We consider JIB, which is Jordan's third-largest bank and the leader in the Islamic banking segment, to be of high systemic importance in the Jordanian banking sector. We classify the authorities as supportive toward the banking system. The long-term rating on JIB is therefore one notch above its stand-alone credit profile (SACP), reflecting our expectation of extraordinary parent support in case of need.

JIB, which held total assets of $3.2 billion on March 31, 2010, purely focuses on its domestic market, where the bulk of its assets are located. The bank benefits from a long track record of sound entrenchment in both the corporate and retail segments. Most of its financing tracks Jordan's main economic sectors. Construction, consumer finance, and trade, for example, comprised about one-third, one-fifth, and one-third of total financing respectively. JIB's strategy emphasizes sustained growth and further enhancement of its systems and integration within the group, in our view. Although we acknowledge the bank's good track record in terms of asset quality, we remain cautious about the risks related to its rapid growth in a country that in our view carries high economic risk.

JIB funds its financing activity exclusively through Sharia-compliant financial instruments. Despite their short-term nature that could prove less stable than expected in the event of major financial stress, we consider JIB's funding to be a strength for the ratings. We further note that the bank's very high liquidity should enable it to mitigate mild shocks. In addition, we acknowledge the stability and sound growth in the bank's deposit base, although it has lagged behind financing growth in recent years.

We think that JIB's asset quality is resilient and compares favorably with that of most domestic peers. However, we envisage that sustained pressure on asset quality stemming from a still-fragile economic environment may trigger higher cost of risk. We believe profitability will stabilize around current levels because of tightening margins and fee generation.

JIB's capitalization is in line with its current SACP. Based on data on Dec. 31, 2009, our estimated risk-adjusted capital (RAC) ratio stood at about 5.0%, after adjustments, which is lower than the estimated average of 6.7% for international peers. JIB's total regulatory capital adequacy ratio under Basel II stood at a high 14.5% on the same date. The difference between our estimated RAC ratio and the domestic regulatory measure mainly stems from the higher risk weights we apply across main asset classes. It also takes into account geographic concentration, because the bulk of the bank's assets are in Jordan, which sits in Group 8 of our Banking Industry Country Risk Assessments (BICRA) rankings (the scale ranges from Group 1, which denotes the lowest risk, to Group 10, which denotes the highest risk).

## Outlook

The stable outlook reflects our expectation that JIB's business and financial profile will remain relatively unchanged over the medium term. We would take a negative view of any deterioration in the bank's financial profile, which could stem from JIB's sustained growth objectives in a still uncertain operating environment. We could also align the ratings with the bank's SACP if we were to revise downward the potential for extraordinary parent support. A positive rating action appears unlikely in the foreseeable future. It would require an upgrade of the sovereign foreign currency rating as well as a substantial improvement in the bank's financial profile, especially its capitalization.

## Profile: A Leading Player And Largest Islamic Commercial Bank In Jordan

JIB is a Sharia-compliant bank, established in 1978, operating solely in Jordan. With total consolidated assets of $3.2 billion on March 31, 2010, JIB is the third-largest domestic lender, but the largest-by-far domestic Islamic bank. With a market share of about 10% in deposits and financing on the same date, we consider JIB to be of high systemic importance to Jordan. JIB is among the handful of ABG's subsidiaries that holds a leading presence in its home market. Domestic competition in the Islamic banking field is limited in Jordan. The handful of competitors is mostly new entrants that will require time to gain size against an entrenched player like JIB, in our view. JIB's market position is a strength for the ratings. Its domestic business is strong across its main segments of activity--Islamic retail and corporate banking, as well as brokerage services. JIB collects funds through current accounts and profit-sharing investment accounts (PSIAs).

## Support And Ownership: Strategically Important To ABG

Under our group methodology, we classify JIB as a strategically important subsidiary for its parent, ABG. The long-term rating on JIB is therefore one notch above its SACP to reflect our expectation of the likelihood that ABG would provide extraordinary parent support to JIB in case of need. Standard & Poor's considers that JIB's shareholding structure and close relationship with its parent mean that support, if needed, would be likely, especially due to JIB's leading domestic market position and importance within ABG group. We consider JIB to be of high systemic importance in the Jordanian banking sector. We classify the local authorities as supportive toward their banking system and consequently do not factor in potential extraordinary government support into the ratings on private sector banks.

Listed on Jordan's stock exchange, JIB is 66%-owned by Bahrain-based ABG. The remaining shares are held by a mix of public institutions, financial investors, and the public. JIB is ABG's second-largest subsidiary, one of only a few that holds a sizable domestic presence. JIB comprised about 23% of total group assets and profits at year-end 2009, and is set to continue playing an important role in ABG's growth. ABG monitors JIB through its board of directors and its chairmanship--holding four seats out of 11, in practice exercising a controlling position, in addition to its ongoing efforts to integrate JIB into the group structure. JIB's CEO holds one seat on the board.

## Strategy: Sustained High Growth Is On The Agenda

We remain cautious about JIB's planned fast-paced growth because we believe Jordan carries high economic risk. In accordance with ABG's defined objectives, JIB has indicated it is committed to further expanding its corporate banking franchise and broadening its retail offerings. JIB is also focusing on upgrading its system infrastructure and continuing to implement group standards and policies to maintain risk-monitoring standards at an even pace with growth. JIB is seeking to protect profitability metrics, which we deem a difficult task owing to the possibility of a further rise in the bank's cost of risk, its depressed fee income potential, and pressured margins in an economy sensitive to the global economic downturn. We nevertheless believe that JIB should prove relatively resilient and not number among the domestic players worst affected by the economic downturn.

## Risk Profile And Management: High Credit Risk

We consider that credit risk dominates JIB's risk profile. At the same time, we acknowledge JIB's track record in resilient asset quality, and the potential benefit from completion of unification and centralization of group risk management policies. JIB's funding profile is a strength, we believe, but remains exposed to the maturity mismatches incurred through reliance on PSIAs. The group's liquidity profile is satisfactory, in our opinion, while market risks are limited.

### Enterprise risk management: room for improvement

JIB's enterprise risk management has room for improvement compared with regional peers', in our view. JIB is strengthening practices with the ABG group, supported by JIB's strong managerial commitment and adequate corporate governance framework. In line with ABG's objectives, increasing sophistication of monitoring tools, upgrading of information technology platforms, and further standardizing of procedures and policies under ABG's unified risk structure framework are underway. Implementing stronger and more up-to-date risk controls will take time and track record building, however. ABG sets all country, government, and bank limits.

### Credit risk: resilient asset quality but high economic risk in Jordan

The bulk of JIB's financing activity is domestic, which we believe entails substantial risk, in part owing to recent fast growth. Given our assessment of high risk in Jordan, we classify the banking system in Group 8 on our BICRA scale. That said, we note that the high granularity in JIB's loan book offsets JIB's credit exposure somewhat, with the 20-largest borrowers making up about 13% and 0.7x of the total gross financing book and our measure of adjusted total equity, respectively, at year-end 2009. Positively, these measures are fairly low, and we further note that financing leverage--despite a pick-up over 2006-2009--remains below that of regional peers.

JIB's financing breakdown by sector closely resembles the country's economic activities, with construction, consumer finance (including residential mortgages), and trade making up, respectively, about one-third, one-fifth, and one-third of total activity as of year-end 2009. Because the relatively undiversified domestic economy is vulnerable to global and regional credit cycles, our main concern is that the domestic slowdown, coupled with the weakening of borrowers' ability to repay, may affect the bank, albeit with a time lag. The quality of JIB's financing has nevertheless shown resilience so far. JIB's ratio of nonperforming facilities-to-total financing has consistently been lower than that of the domestic banking system average, and ranked second best in 2009, standing at 4.4% against a market average of about 8%-9%. We assessed the bank's provisioning level--53.8% at March 31 2010 (or about 95% taking into account its Investment Risk Fund, see accounting section below)--as just adequate. We anticipate that further pressure on financing quality is likely in coming quarters owing to the sustained adverse economic conditions. We nevertheless consider that any ensuing deterioration in financing quality at JIB will likely be less than that for most domestic peers.

### Funding and liquidity risk: satisfactory, albeit imbalanced, with a high proportion of liquid assets

We view JIB's funding and liquidity profile as a strength for the ratings. Customer deposits have consistently almost fully met JIB's facilities at least since 2005, and were split between current accounts (about 30%) and unrestricted PSIAs (about 70%) as of Dec. 31, 2009.

As for most Islamic banks, JIB's PSIAs have short-term durations and are generally recycled into asset classes with longer maturities since they are considered stable. If PSIAs prove less stable than expected, we believe that JIB's liquidity cushion is sound, with cash and money market instruments (excluding mandatory reserves) making up about one-third of total assets at year-end 2009. Such high liquidity is partly explained by the lack of available Sharia-compliant instruments in which Islamic banks in Jordan can invest.

Furthermore, returns on PSIAs depend on profitability. If returns are significantly lower than market rates, this may adversely affect the stickiness of banks' deposit bases. We consider this risk as partially mitigated at JIB by the granularity in its deposit base. The top 20 (non bank) depositors made up about 4% of total deposits as of Dec. 31, 2009.

We also note that ABG units place funds among themselves, which illustrates the close cooperation and benefits of operating in a wider group in case of need. We expect JIB to maintain its current funding profile and continue enlarging its deposit base potentially faster than its financing book. This will likely fuel sustained pressure on net margins.

**Table 1**

**Jordan Islamic Bank Asset Quality, Funding, And Liquidity Ratios**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| (%) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Gross nonperforming assets/customer financings plus other real estate owned | 4.4 | 4.4 | 3.9 | 4.9 | 2.8 |
| Net nonperforming assets/customer financings plus other real estate owned | 2.1 | 2.4 | 1.9 | 2.6 | 1.7 |
| Loss reserves on customer financings/gross nonperforming assets | 53.8 | 47.9 | 52.6 | 40.3 | 40.4 |

**Table 1**

| Jordan Islamic Bank Asset Quality, Funding, And Liquidity Ratios (cont.) | | | | | |
|---|---|---|---|---|---|
| Loss reserves on customer financings/customer financings | 2.4 | 2.1 | 2.0 | 1.7 | 1.1 |
| New loss provisions on customer financings/average customer financings | (0.1) | (0.2) | 0.5 | 0.1 | 0.1 |
| Customer deposits/funding base | 99.7 | 99.7 | 99.5 | 99.6 | 97.6 |
| Total financings/customer deposits | 57.4 | 56.9 | 60.7 | 55.3 | 46.7 |
| Total customer financings/customer deposits plus long-term funds | 51.8 | 51.0 | 53.4 | 48.9 | 43.4 |
| Customer financings (net)/assets (adjusted) | 49.5 | 49.1 | 51.0 | 46.9 | 41.4 |

*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

### Market risk: primarily stemming from margin risk

Overall, we see JIB's market risk as limited. We understand JIB's treasury is conservatively managing the bank's liquidity, and the bank's sharia-compliant nature restricts its investment-eligible asset classes. Risks are mostly circumscribed to the margin risk between funds collected and lent, owing to their different terms and pricing structures. The majority of lending is in the form of fixed-rate Murabaha contracts, while PSIAs naturally carry variable yields, because they are regularly adjusted to track market rates on conventional returns. Although this risk is not yet assessed at JIB, ABG is currently taking steps to evaluate it group-wide. Equity holdings remain limited and mostly comprise domestic investments. JIB does not carry significant on-balance-sheet foreign exchange exposure. Foreign currency lending is mostly in US$ to the local market; The local currency is pegged to the US$. The Central Bank controls this lending and requires borrowers to have cash flows in the same currency. In our view, the domestic regulator's guidelines and requirements are quite conservative and in line with best practices in emerging markets.

## Accounting: Reporting Under AAOIFI And IFRS

JIB financial statements for 2009 were prepared in accordance with Auditing Standards for Islamic Financial Institutions issued by the Bahrain-based Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), and International Financial Reporting Standards (IFRS). Ernst & Young audited JIB's consolidated accounts, which are unqualified, and currently audits most of ABG's subsidiaries. Disclosure and transparency provided in the financial statements are satisfactory, in our opinion, and above average versus regional practices for Islamic banks.

### "Investment Risk Fund"

In accordance with provisions pertaining to Islamic banks under Jordanian banking law, JIB must maintain an Investment Risk Fund (IRF) by setting aside 10% annually from revenues (minus minor deductions) of operations financed through PSIAs. The IRF can be used to cover any potential loss from these operations. Although not a credit reserve per se, we consider the charge corresponding to the IRF as part of JIB's credit provisioning.

## Profitability: Resilient, But Still Below Adequate Levels

Jib's profitability had gradually improved until the global economic downturn in 2008, benefiting from higher business volumes in a high margin rate environment. Although the bank's performance has shown some resilience, sizable cash and lower-yielding bank placements are penalizing profitability. Our computation of return on assets shows the bank's performance hovered in the 1.0%-1.5% range over 2004-2009, except in 2008--an exceptional year in terms of fees--when it touched the 2.0% mark. This performance is in the highest bracket for domestic peers, however. Like for other Jordanian banks, JIB's future profitability will be closely correlated to the domestic economy's performance and rate trends. We expect JIB's profitability to be shaped by:

- Sustained pressure on net profit margins--which remain sound by international standards--over the coming quarters. This is especially because JIB's cost of funding tends to be among the highest in the market, and deposit growth only started to catch up with that of financing in 2007;
- Potentially higher provisioning owing to recent fast growth in financing and pressure on JIB's asset quality during the downturn;
- A lower contribution from fee-based income, notably from the bank's off-balance-sheet activity, and from the brokerage side, owing to the domestic stock market's limited transaction volumes; and
- A broadly stable cost-to-income ratio, thanks to good cost control and despite further branch network expansion.

**Table 2**

**Jordan Islamic Bank Profitability Ratios**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2010*** | **2009** | **2008** | **2007** | **2006** |
| Net intermediation income/average earning assets | 3.3 | 2.5 | 2.6 | 2.9 | 1.4 |
| Net intermediation income/revenues | 65.5 | 48.1 | 34.6 | 49.0 | 27.0 |
| Fee income/revenues | 15.2 | 20.4 | 24.6 | 25.7 | 27.2 |
| Market-sensitive income/revenues | 5.9 | 19.4 | 34.2 | 16.6 | 40.2 |
| Nonintermediation income/revenues | 34.5 | 51.9 | 65.4 | 51.0 | 73.0 |
| Personnel expense/revenues | 26.6 | 27.1 | 19.9 | 23.9 | 26.5 |
| Nonintermediation expenses/revenues | 44.9 | 45.4 | 35.3 | 38.9 | 44.6 |
| Net operating income before provision/revenues | 55.1 | 54.6 | 64.7 | 61.1 | 55.4 |
| New loss provisions on financings/revenues | (1.7) | (2.7) | 4.7 | 0.7 | 1.4 |
| Net operating income before loss provisions on financings/loss provisions on customer financings | (3,335.1) | (2,025.1) | 1,381.1 | 8,421.1 | 3,840.0 |
| Net operating income after loss provisions on customer financings/revenues | 56.8 | 57.3 | 60.0 | 60.4 | 53.9 |
| Pretax profit/revenues | 56.8 | 57.3 | 60.0 | 60.4 | 53.9 |
| Tax/pretax profit | 28.9 | 28.3 | 29.6 | 33.1 | 33.8 |
| Core earnings/revenues | 40.3 | 41.1 | 42.1 | 40.4 | 35.7 |
| Core earnings/average adjusted assets | 1.3 | 1.4 | 2.0 | 1.5 | 1.1 |
| Nonintermediation expenses/average adjusted assets | 1.4 | 1.5 | 1.7 | 1.4 | 1.4 |
| Core earnings/average risk-weighted assets | 2.3 | 2.4 | 3.5 | 3.0 | 2.3 |
| Core earnings/average adjusted common equity | 13.9 | 14.4 | 20.7 | 16.0 | 13.9 |
| Pretax profit/average common equity (%) | 18.2 | 17.9 | 25.4 | 20.6 | 18.1 |

*Data as of March 31.
N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

## Capital: Rapid Growth In Risk Assets Is Weighing On Capitalization

JIB's capitalization is in line with its current SACP. Based on data on Dec. 31, 2009, our estimated risk-adjusted capital (RAC) ratio stood at about 5.0%, after adjustments, which is lower than the estimated average of 6.7% for the world's top 45 international banks. JIB's total regulatory capital adequacy ratio under Basel II stood at a high

14.5% on the same date. The difference between our estimated RAC ratio and the domestic regulatory measure mainly stems from the higher risk weights we apply across asset classes. It also takes into account geographic concentration, because the bulk of the bank's assets are in Jordan, which sits in Group 8 on our BICRA scale.

JIB's dividend payouts have not exceeded regional standards in the past few years. Still, we note that capitalization metrics under our methodology stand to weaken over the medium term, owing to the constraints on JIB's profitability and expected high growth in its risk assets. We do not rule out that JIB may move to further strengthen capitalization in the medium term.

**Table 3**

**Jordan Islamic Bank Risk-Adjusted Capital Data**

| (Mil. JOD) | Exposure* | Standard & Poor's RWA | Average Standard & Poor's RW (%) |
|---|---|---|---|
| **Credit risk** | | | |
| Government and central banks | 776 | 605 | 78 |
| Institutions | 213 | 95 | 45 |
| Corporate | 626 | 1,055 | 169 |
| Retail | 494 | 551 | 112 |
| Of which mortgage | 156 | 104 | 67 |
| Securitization | 0 | 0 | 0 |
| Other assets | 101 | 152 | 150 |
| Total credit risk | 2,210 | 2,457 | 111 |
| **Market risk** | | | |
| Equity in the banking book¶ | 60 | 383 | 638 |
| Trading book market risk | -- | 0 | -- |
| Total market risk | -- | 383 | -- |
| **Insurance risk** | | | |
| Total insurance risk | -- | 97 | -- |
| **Operational risk** | | | |
| Total operational risk | -- | 156 | -- |
| **(Mil. JOD)** | | **Standard & Poor's RWA** | **% of Standard & Poor's RWA** |
| **Diversification adjustments** | | | |
| RWA before diversification | | 3,093 | 100 |
| Total adjustments to RWA | | 1,030 | 33 |
| RWA after diversification | | 4,123 | 133 |
| **(Mil. JOD)** | | **Total adjusted capital** | **Standard & Poor's RAC ratio (%)** |
| **Capital ratio** | | | |
| Capital ratio before adjustments | | 202 | 6.5 |
| Capital ratio after adjustments§ | | 202 | 4.9 |

*Exposure at default. ¶Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. JOD--Jordanian dinar. Sources: Company data as of Dec. 31, 2009, Standard & Poor's.

Table 4

**Jordan Islamic Bank Capital Ratios**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| (%) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Adjusted common equity/risk assets (%) | 15.4 | 16.7 | 16.2 | 18.1 | 19.0 |
| Tier 1 capital ratio | 12.9 | 13.3 | 13.7 | 15.7 | 16.2 |
| Adjusted total equity/adjusted assets | 9.1 | 8.6 | 9.3 | 9.6 | 9.2 |
| Adjusted total equity/managed assets | 9.1 | 8.6 | 9.3 | 9.6 | 9.2 |
| Adjusted total equity plus loss reserves on Customer financings (specific)/customer financings (gross) | 20.3 | 19.4 | 19.9 | 21.8 | 23.2 |

*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 5

**Jordan Islamic Bank Summary Balance Sheet**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| (Mil. JOD) | 2010* | 2009 | 2008 | 2007 | 2006 |
| **Assets** | | | | | |
| Cash and money market instruments | 899.1 | 877.5 | 889.5 | 643.4 | 665.6 |
| Securities | 183.8 | 174.9 | 165.8 | 161.9 | 140.9 |
| Trading securities (marked to market) | 0.0 | 0.0 | 0.0 | 0.3 | 0.5 |
| Nontrading securities | 183.8 | 174.9 | 165.8 | 161.6 | 140.4 |
| Customer financings (gross) | 1,145.6 | 1,094.9 | 961.7 | 762.1 | 611.7 |
| Loss reserves on customer financings | 27.3 | 23.3 | 19.6 | 13.1 | 6.9 |
| Customer financings (net) | 1,118.3 | 1,071.7 | 942.1 | 749.0 | 604.9 |
| Earning assets | 1,435.6 | 1,376.1 | 1,240.0 | 1,026.8 | 878.6 |
| Equity participations (nonfinancial) | 15.6 | 6.7 | 3.2 | 14.4 | 17.9 |
| Investments in unconsolidated subsidiaries (financial companies) | N/A | 13.1 | 14.8 | N/A | N/A |
| Intangibles (nonservicing) | 0.1 | 0.1 | 0.4 | 0.6 | 0.0 |
| Fixed assets | 33.4 | 32.7 | 27.5 | 21.5 | 14.8 |
| All other assets | 7.0 | 6.4 | 5.1 | 7.3 | 18.5 |
| Total assets | 2,257.1 | 2,183.1 | 1,848.4 | 1,598.1 | 1,462.6 |
| Intangibles (nonservicing) | 0.1 | 0.1 | 0.4 | 0.6 | 0.0 |
| Minus insurance statutory funds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted assets | 2,257.1 | 2,183.0 | 1,848.0 | 1,597.5 | 1,462.6 |
| **Liabilities** | | | | | |
| Total deposits | 2,002.7 | 1,930.2 | 1,592.1 | 1,384.4 | 1,285.9 |
| Noncore deposits | 6.3 | 5.2 | 8.5 | 6.2 | 30.8 |
| Core/customer deposits | 1,996.5 | 1,925.0 | 1,583.6 | 1,378.2 | 1,255.1 |
| Acceptances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 37.9 | 32.4 | 39.8 | 34.5 | 22.4 |
| Total liabilities | 2,040.6 | 1,962.6 | 1,632.0 | 1,418.9 | 1,308.3 |
| Total equity | 216.6 | 220.5 | 216.4 | 179.2 | 154.3 |
| Minority interest-equity | 0.6 | 0.6 | 0.6 | 0.4 | N/A |
| Common shareholders' equity (reported) | 216.0 | 219.9 | 215.8 | 178.7 | 154.3 |

**Table 5**

| Jordan Islamic Bank Summary Balance Sheet (cont.) | | | | | |
|---|---|---|---|---|---|
| Share capital and surplus | 100.0 | 100.0 | 81.3 | 80.0 | 78.3 |
| Revaluation reserve | 11.4 | 18.6 | 29.4 | 25.3 | 19.5 |
| Retained profits | 45.7 | 38.7 | 39.7 | 23.8 | 14.2 |
| Total liabilities and equity | 2,257.1 | 2,183.0 | 1,848.4 | 1,598.1 | 1,462.6 |

*Data as of March 31.

JOD--Jordanian dinar. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 6**

**Jordan Islamic Bank Equity Reconciliation Table**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| (Mil. JOD) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Common shareholders' equity (reported) | 216.0 | 219.9 | 215.8 | 178.7 | 154.3 |
| Plus minority interest (equity) | 0.6 | 0.6 | 0.6 | 0.4 | 0.0 |
| Minus dividends (not yet distributed) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus revaluation reserves | (11.4) | (18.6) | (29.4) | (25.3) | (19.5) |
| Minus nonservicing intangibles | (0.1) | (0.1) | (0.4) | (0.6) | (0.0) |
| Minus interest-only strips (net) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus tax loss carryforwards | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus postretirement benefit adjustment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus other adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted common equity | 205.2 | 201.8 | 186.6 | 153.3 | 134.8 |
| Plus admissible preferred and hybrids | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus general reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus unrealized gains | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus equity in unconsolidated subsidiaries | 0.0 | (13.1) | (14.8) | 0.0 | 0.0 |
| Minus capital of insurance subsidiaries | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus adjustment for securitized assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted total equity | 205.2 | 188.7 | 171.8 | 153.3 | 134.8 |

*Data as of March 31.

JOD-Jordanian dinar. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 7**

**Jordan Islamic Bank Profit And Loss**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| (Mil. JOD) | 2010* | 2009 | 2008 | 2007 | 2006 |
| Net intermerdiation income | 11.5 | 32.7 | 28.9 | 27.9 | 11.7 |
| Intermerdiation income | 22.3 | 83.8 | 73.6 | 65.0 | 44.5 |
| Intermerdiation expense | 10.9 | 51.1 | 44.7 | 37.1 | 32.8 |
| Operating nonintermerdiation income | 6.0 | 35.2 | 54.6 | 29.0 | 31.6 |
| Fees and commissions | 2.7 | 13.9 | 20.5 | 14.6 | 11.8 |
| Trading gains | 0.8 | 2.1 | 2.4 | 1.7 | 6.5 |
| Other market-sensitive income | N/A | N/A | 0.3 | 0.6 | 2.1 |
| Equity in earnings of unconsolidated subsidiaries | 0.8 | 1.9 | 1.1 | 1.3 | 0.8 |

**Table 7**

| Jordan Islamic Bank Profit And Loss (cont.) | | | | | |
|---|---|---|---|---|---|
| Other nonintermerdiation income | 1.6 | 6.3 | 4.4 | 3.7 | 1.6 |
| Operating revenues | 17.5 | 67.9 | 83.5 | 56.9 | 43.4 |
| Nonintermerdiation expenses | 7.9 | 30.8 | 29.5 | 22.1 | 19.4 |
| Personnel expenses | 4.6 | 18.4 | 16.6 | 13.6 | 11.5 |
| Other general and administrative expense | 2.5 | 10.1 | 11.2 | 7.1 | 6.5 |
| Net operating income before loss provisions | 9.6 | 37.1 | 54.0 | 34.8 | 24.0 |
| Credit loss provisions (net new) | (0.3) | (1.8) | 3.9 | 0.4 | 0.6 |
| Net operating income after loss provisions | 9.9 | 38.9 | 50.1 | 34.4 | 23.4 |
| Pretax profit | 9.9 | 38.9 | 50.1 | 34.4 | 23.4 |
| Tax expense/credit | 2.9 | 11.0 | 14.9 | 11.4 | 7.9 |
| Net income (before minority interest) | 7.1 | 27.9 | 35.1 | 23.0 | 15.5 |
| Net income before extraordinaries | 7.1 | 27.9 | 35.1 | 23.0 | 15.5 |
| Net income after extraordinaries | 7.1 | 27.9 | 35.1 | 23.0 | 15.5 |

*Data as of March 31.

JOD-Jordanian dinar. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 8**

| Jordan Islamic Bank Core Earnings Reconciliation Table | | | | | |
|---|---|---|---|---|---|
| | | --Year-ended Dec. 31-- | | | |
| **(Mil. JOD)** | **2010*** | **2009** | **2008** | **2007** | **2006** |
| Net income (before minority interest) | 7.1 | 27.9 | 35.1 | 23.0 | 15.5 |
| Minus nonrecurring/special income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus nonrecurring/special expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus or minus tax impact of adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus amortization/impairment of goodwill/intangibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minus preferred dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Plus or minus other earnings adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Core earnings | 7.1 | 27.9 | 35.1 | 23.0 | 15.5 |

*Data as of March 31.

JOD-Jordanian dinar. N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

| Ratings Detail (As Of August 30, 2010)* | |
|---|---|
| **Jordan Islamic Bank** | |
| Counterparty Credit Rating | BB/Stable/B |
| **Counterparty Credit Ratings History** | |
| 19-Jul-2010 | BB/Stable/B |
| **Sovereign Rating** | |
| Jordan (Hashemite Kingdom of) | |
| *Foreign Currency* | BB/Stable/B |
| *Local Currency* | BBB-/Stable/A-3 |
| **Related Entities** | |
| **Al Baraka Banking Group B.S.C.** | |
| Issuer Credit Rating | BBB-/Stable/A-3 |

| Ratings Detail (As Of August 30, 2010)* (cont.) | |
|---|---|
| Certificate Of Deposit | BBB-/A-3 |
| **Albaraka Turk Katilim Bankasi AS** | |
| Issuer Credit Rating | BB/Stable/B |
| *Turkish National Scale* | trAA-/--/trA-1 |
| Certificate Of Deposit | BB/B |

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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