بسم الله الرحمن الرحيم

وبه نستعين

JORDAN ISLAMIC BANK

FOR
FINANCE AND INVESTMENT

(C.R.No. : 124)

Head Office

البنك الإسلامي الأردني

للتمويل والاستثمار

شركة مساهمة عامة محدودة

(سجل الشركات رقم ١٢٤)

الإدارة العامة

DISCLOSURE - JOIB - 16/4/2008

- ١٩٨١٢ الرقم : ١١٩/capi/

التاريخ : ٢٠٠٨/٤/١٥

السادة هيئة الأوراق المالية المحترمين ،،

دائرة الإفصاح

عمان – الاردن

٢٥٨٩ ٠٨ ٠٤ ١٦ ١٠ ٢٢

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني

يسرنا أن نرفق لكم في طيه نسخة من تصنيف أل **FitchBanking** إصدار ٢٦ آذار ٢٠٠٨ ، والذي يعلن عن حصول مصرفنا على تصنيف -BB .

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة

نائب رئيس مجلس الإدارة

المدير العام

(12)

هيئة الأوراق المالية
الدائرة الإدارية
الديوان
١٦ نيسان ٢٠٠٨
الرقم المتسلسل
رقم الملف
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ص.ب: ٩٢٦٢٢٥ – عمان ١١١٩٠ الأردن
العنوان البرقي: إسلامبنك / عمان

Jordan
Credit Analysis

Jordan Islamic Bank for Finance and Investment

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	BB-
Short-Term IDR	B
Individual	C/D
Support	3
Support Rating Floor	BB-

Outlook

Foreign Long-Term IDR	Stable

Financial Data

Jordan Islamic Bank for Finance and Investment

	31 Dec 07	31 Dec 06
Total assets (USDm)	2,249	2,063
Total assets (JODm)	1,602	1,463
Equity (JODm)	134	115
Operating profit (JODm)	34.6	24
Published net income (JODm)	23	15.5
Comprehensive income (JODm)	23	17.2
Operating ROAA (%)	2.26	1.71
Operating ROAE (%)	27.81	25.99
Internal capital generation (%)	18.49	18.62
Tier 1 ratio (%)	14.38	14.88

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Rating Rationale

- The Issuer Default and Individual Ratings of Jordan Islamic Bank (JIB) reflect its strong franchise in Islamic banking in Jordan, good profitability and strong funding base. They also reflect fairly basic risk management systems, the risks associated with rapid loan growth and reliance on a small and undiversified economy.
- As the leading Islamic bank in the sector, JIB is benefiting from the rapid growth in Islamic finance in Jordan, as well as the improving economic conditions. Competition in Islamic banking in Jordan is currently limited; JIB is one of only two Islamic banks operating in the country and the Central Bank of Jordan (CBJ) prohibits conventional banks from operating under Islamic windows. This should enable JIB to earn good returns, although the risk of new entrants into the market remains.
- JIB's operating profit increased 44% yoy in 2007, driven by strong growth in *Murabaha* (purchase and resale) transactions and rising investment revenues. Investment revenues represent a large proportion of total revenues (around 40% in FY07) and although they benefit profitability, they could prove volatile in the medium term. The bank's cost/income ratio decreased to 35% in FY07 (FY06: 40%) and compares well with the peer group.
- JIB's asset quality indicators deteriorated in 2007. The impaired loans to gross loans ratio increased to 4.3% at end-2007 (end-2006: 2.8%), as impaired loans increased 92% yoy. Reserve coverage was adequate at 98% at end-2007.
- Market risk arises from the bank's equity portfolio. Other than USD/JOD foreign currency positions, perceived as low-risk given the long-standing stable peg between the two currencies, mismatches are small.
- Funding is a strength of JIB, reflecting the bank's strong franchise, with the bulk of JIB's funding coming from its sizeable customer deposit base. Liquidity is good, with a large proportion of assets (32% at end-2007) placed with the Central Bank of Jordan. Capitalisation is no more than adequate.

Support

- In the first instance, JIB would look to its majority shareholder Al-Baraka Banking Group (ABG) for support in case of need. In addition, in Fitch Ratings' opinion there is a moderate probability of JIB being supported by the Jordanian authorities.

Key Rating Drivers

- JIB's Long-term IDR has a Stable Outlook. The IDRs are unlikely to change unless Fitch's view on the sovereign changes. Individual rating upside is unlikely at present, but would depend on continued growth in the bank's franchise, a reduced reliance on investment revenues and stronger risk management systems. Downside risk could arise from a sharp deterioration in the Jordanian economy, resulting in a significant decline in JIB's profitability or asset quality.

Profile

JIB is the fifth-largest bank in Jordan by total assets and provides a broad range of retail and corporate financial services in accordance with *Shari'ah* principles.

- Largest Islamic Bank in Jordan and fifth-largest overall
- Majority-owned by Bahrain-based, Al-Baraka Banking Group

Profile

JIB was established in 1978, under a special decree, and was the first Islamic bank to be established in Jordan. The bank has built a strong franchise since its establishment. Over the past 10 years it has steadily grown its business, increasing assets by an average annual growth rate of 12%, deposits by 10%, and shareholders' equity by 12%. At end-2007 JIB was the fifth-largest bank in Jordan by total assets and had market shares of 7.2% of system assets and 10.6% of deposits.

The main shareholders are Bahrain-based; Al-Baraka Banking Group (ABG) with a 57% stake and Kuwait-based Global Investment House (rated 'BBB') with a 12% stake. The remaining shares are widely held. ABG was incorporated in Bahrain in June 2002 and is 30% owned by Dallah Albaraka Holding Co. (DAH), 25% by Sheikh Saleh Abdullah Kamel, a prominent Saudi businessman, 21% by Altawfeek Company for Investment Funds, 10% by Emirates Bank International (rated 'AA-') and 7% by Sheikh Abdulla AlRajhi. The remainder is widely held as ABG was listed on the Bahraini Stock Exchange and the Dubai International Financial Exchange in 2006. Altawfeek and Dallah Albaraka are majority-owned by Sheikh Saleh Abdullah Kamel.

ABG offers retail, corporate and investment banking and treasury services in accordance with Shari'ah principles. The group has a wide geographical presence in the form of subsidiary banking units in ten countries, which in turn provide their services through more than 230 branches. At end-2006, ABG had total assets of USD7.6bn and equity of USD0.9bn.

In July 2007, Riyadh-based Saudi Investment Bank (SAIB, rated 'A-'/Negative Outlook), announced the acquisition of a 50% stake in ABG from DAH via a share swap. Under the deal, SAIB will acquire 50% of ABG and in return DAH will take a stake in SAIB. The transaction is subject to both shareholder and regulatory approval.

The board of JIB comprises one executive director and eight non-executive directors, of whom three represent ABG. At end-2007 JIB had a network of 56 branches, nine smaller banking offices and a brokerage office at the Amman Stock Exchange, served by total staff of 1,611. Its 66 ATMs are linked through the Jordan national payment network to the 472 machines maintained by the other Jordanian banks and to the worldwide Visa International network.

As an Islamic bank, all of JIB's contracts, operations and transactions are carried out in accordance with *Shari'ah* principles, which forbid the payment or receipt of interest. The *Shari'ah* supervisory board is responsible for ensuring that JIB's businesses conform to *Shari'ah* principles.

JIB offers a wide range of *Shari'ah*-compliant retail and corporate banking products including *Murabaha* (purchase and resale), *Musharaka* (equity participations), *Mudaraba* (profit-sharing agreements), *Ijarah* (leasing) and *Istisna* (construction finance) contracts, as well as investments in *Sukuk* (Islamic bonds) and property, in the latter case via land purchases and subsequent property development for on-sale or lease to its customers.

JIB is one of two Islamic banks operating in Jordan. The other, Islamic International Arab Bank (IIAB), is a wholly-owned subsidiary of Arab Bank (rated 'A-'), the largest bank in Jordan. However, IIAB's market share is limited, at around 2% of system assets at end-2006. Islamic banks in Jordan are regulated under the Banking Law (2000), which applies to all banks operating in Jordan, although it contains a separate section which specifically addresses the regulation of Islamic Banks. Under this law, banks in Jordan are restricted from operating Islamic windows. Given the limited number of Islamic banks in the market and the restriction on Islamic windows, JIB is well positioned to benefit from growth in Islamic finance.

Strategy

JIB's strategy is to grow its business, in line with *Shari'ah* principles, to improve returns for shareholders, depositors and employees. It aims to increase its market share through developing new products and expanding its branch network, adding a further 10 branches by end-2012. The bank will focus on growing *Ijarah* transactions and improving returns on its investment portfolio. It aims to target a ROE of around 18%. JIB is currently working with the CBJ to develop a *Sukuk* market in Jordan and is seeking to issue tradable *Sukuk* on the Amman Stock Exchange.

Presentation of Accounts

Fitch's analysis is based on audited 2006 financial statements and un-audited 2007 financial statements, which have been prepared in accordance with the accounting standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and according to CBJ regulations. The 2006 financial statements were audited by the local affiliate of Ernst and Young.

- Improving profitability and cost efficiency
- Reliance on investment revenues, which may prove volatile

Performance

Due to Jordan's location, its economy has often been negatively affected by regional political instability, in particular by events in the Palestinian Territories and Iraq. However, following the reopening of the Iraqi market and trade liberalisation, the economic situation has improved. Real GDP expanded by 6% in 2007 and is forecast to increase by 6% in 2008. Inflation is forecast to fall from 5% in 2007 to 4.5% in 2008. However, the unemployment rate remains high at around 14%.

Table 1 compares JIB's performance with two major conventional Jordanian banks. The bank's operating ROAA has improved significantly since 2005, but still lags behind the peer group. Operating ROAE is comparable to competitors', although to some extent this reflects the smaller equity base. Nevertheless, Fitch regards profitability as good. Capitalisation is comparable to that of JKB and BOJ, however, Fitch believes capital ratios are only just adequate, given the potentially volatile operating environment. JIB's cost/income ratio improved to 35% in 2007 which compares well with the peer group.

Table 1: Performance Indicators

	JIB[a]			JKB[a]		BOJ[a]	
	2007	2006	2005	2006	2005	2006	2005
Total assets (JODm)	1,602	1,463	1,342	1,650	1,408	1,376	1,186
Equity (JODm)	133.5	115.3	69.4	195.8	108.4	140.4	121.6
Net income (JODm)	23.0	15.5	13.1	40.1	27.9	25.6	23.2
Net interest margin (%)	4.23	2.76	2.35	4.10	3.45	5.15	4.78
Cost/income (%)	35.14	39.84	39.08	33.4	33.5	44.80	43.15
Operating ROAA (%)	2.26	1.71	1.62	3.66	3.43	2.80	2.91
Operating ROAE (%)	27.81	25.99	31.19	36.8	40.2	27.40	30.92
Tier 1 ratio (%)	14.38	14.88	10.90	14.78	12.37	14.43	14.80

[a] Jordan Islamic Bank, Jordan Kuwait Bank and Bank of Jordan
Source: Banks Annual Reports and Fitch analysis

Revenues

Income from Islamic transactions (line 1 in *Income Statement Analysis*) comprises income from financing activities (the Islamic equivalent of interest income) and income from investment activities. Such revenues increased by 43% to JOD49.2m in FY07 reflecting higher margins and volumes. Overall the bank's margins improved in FY06 and FY07 to 2.8% and 4.2% respectively from 2.4% in FY05, as a result of higher interest rates and a gradual shift of asset mix towards higher-yielding products. Income from Islamic financing was mainly boosted by strong growth in *Murabaha* contracts and *Musharaka* and *Ijarah* contracts to a lesser extent.

investment income increased 32% to JOD25m (see Table 2), driven by higher income on available-for-sale investments and an increase in revenues from deposits with financial institutions. This source of income, although benefiting immediate profitability, could prove volatile in the medium term. Profit distribution, the Islamic equivalent of deposit interest based on the performance of underlying assets, increased in FY06 and FY07, in line with deposit growth and the increase in interest rates.

Table 2: Revenues

	2007	2006	2005
Income from financing activities	53.7	44.2	36.3
Investment revenues	25.0	17.0	12.4
Less funding expense	29.5	26.7	22.9
Net finance revenue	49.2	34.5	25.8
Fee income	8.4	7.6	8.2
Real estate revenues	1.7	1.5	0.8
Revenues from subsidiaries	1.3	0.8	1.4
Disposal of AFS investments	-	2.0	6.4
Forex revenues	1.5	1.2	0.9
Other operating revenue	2.1	1.6	1.5
Total operating revenue	**64.2**	**49.4**	**45.0**

Source: Jordan Islamic Bank

Fee and commission income fell in FY06, reflecting a fall in brokerage fees, although recovered in FY07 as a result of an increase in trade finance and transfer fees. Income diversification is limited to the extent that non-interest income represented only 7% of total revenues in FY07.

Expenses

The bank's cost/income ratio decreased to 35% in FY07 (FY06: 40%) as revenue growth offset rising costs. In absolute terms, costs increased 14% in FY07, in line with asset growth, and principally reflected an increase in personnel expenses.

The Loan Impairment Charge was 1.1% of gross Islamic financing in 2007 (2006: 1.1%). Asset quality has been supported by the relatively healthy domestic credit environment, but impairment charges would increase should there be a downturn in the economy. The strong loan growth seen during 2006 and 2007 creates the risk of further impairment charges as loans season.

Prospects

As the leading Islamic bank in Jordan, JIB is well positioned to benefit from the rapid growth in Islamic finance in the country as well as the improving operating conditions. Although it has to compete with IIAB, competition from 'conventional' banks is limited as they are prohibited from opening Islamic windows. Any threat would come from new entrants into the market, however, this threat would be limited in the short- to medium term, given JIB's scale and longer track record. Fitch expects JIB to continue to perform well while the operating environment remains favourable.

Risk Management

- Risk management systems are fairly basic
- Asset quality indicators weakened in 2007

The Jordanian banking sector is regulated by the CBJ, which has progressively tightened prudential regulations to bring them into line with international standards. JIB is exposed to credit risk from its domestic corporate and retail lending activities. Exposure to market risk arises from the bank's portfolio of equities.

JIB has a cautious attitude to risk and a selective approach to clients and this is reflected in the bank's below-sector-average asset quality indicators, although recent rapid growth may alter the bank's risk profile in the future, if it is not well-managed. Risk management is controlled by committee and is largely centralised. JIB has a risk management division responsible for credit policy, setting underwriting standards, monitoring the credit portfolio and providing a review of all major counterparty and sectoral risks.

Investment Risk Fund, similar to a loan loss reserve in a conventional bank. This fund is used to cover any shortfalls/losses in the financing portfolio which would otherwise reduce the amounts paid to unrestricted profit-sharing investment depositors. Transfers to the fund are made by deducting 10% of net investment income annually.

Other Earning Assets

These accounted for 15% of total assets at end-2007 and included assets held as available-for-sale (AFS) (6.8%), trading assets (0.02%), held-to-maturity assets (HTM) (0.4%), investments in affiliates and subsidiaries (1.4%), investments in leases (3.1%), investments in real estate (2.8%) and investment accounts with banks and financial institutions (0.5%).

The AFS portfolio includes *Muqarada* bonds (48%), company shares (42%), investments in Islamic banks (8%) and investment funds (2%). *Muqarada* bonds are bonds issued by the bank and subscribed to by the public. The bonds are managed according to *Mudaraba* principles, whereby the investor provides capital to the bank (the *Mudareb*) in order to undertake investment activity, for which the bank earns a share of the profits. The assets invested in range from real estate and shares to *Murabaha* and *Ijarah* transactions. Company shares are largely listed and consist of shares traded on the Amman Stock Exchange. Investments in Islamic banks are investment funds (largely oil sector funds) managed by the Islamic Development Bank. All other investment funds (the entire HTM portfolio consists of investment funds) are managed by affiliates of ABG and consist of investments in real estate, telecommunications, commodities and leasing. Trading assets consist entirely of company shares. All investments in subsidiaries and affiliates are held at fair value and include stakes in commercial, real estate and insurance companies. Investment accounts held with banks and financial institutions are accounts with foreign banks and all mature within one year.

Market Risk

As an Islamic bank, where interest payments are prohibited, JIB's balance sheet is in theory not sensitive to interest-rate movements. However, in practice it has to generate returns for investors that are consistent with those obtained in "conventional" markets. Consequently, any maturity mismatches incur equivalent price sensitivity.

Equity price risk arises from the bank's investments in company shares (2.3% of total assets or 28.7% of equity at end-2006). Other than USD/JOD positions (17% of equity at end-2006), perceived as low-risk given the long-standing stable peg between the two currencies, foreign currency mismatches are small. There are limited opportunities for an Islamic bank in the use of derivatives to manage market risk.

Operational Risk

JIB started to apply the basic indicator approach to operational risk in 2008, according to CBJ guidelines and will move to the standardised approach by 2012 (please confirm). Fitch considers JIB's procedures for assessing and managing operational risk to be fairly basic.

Funding and Capital

- Funding is a strength, with a large and widely-spread customer deposit base
- Good liquidity
- Capitalisation is no more than adequate

Funding

JIB is funded largely by demand deposit facilities, which are similar to conventional current accounts and non-interest bearing (28% of non-equity funding), and unrestricted profit-sharing investment deposits (64% of non-equity funding). These are the Islamic equivalent of term deposits and they tend to be fairly stable, as customer loyalty tends to be high at Islamic banks. They receive a distribution from the bank, which is roughly equivalent to that earned in a conventional bank for the same deposits.

Credit Risk

Established approval and monitoring policies exist and several credit committees are in place, with approval levels depending upon the exposure level. The bank does not use a risk grading system, although is currently seeking to implement one in conjunction with ABG. For the retail portfolio, the bank does not use credit scoring but has set out criteria-based guidelines for each retail product.

Table 3: Financing Portfolio Breakdown

(%)	2006	2005
Agriculture	1	1
Manufacturing	8	10
Construction	35	31
Trade	28	29
Transportation	22	20
Services	0	1
Real estate	2	2
Vehicles financing	3	3
Consumer products financing	1	2
Others	0	1
Total	**100.0**	**100.0**

Source: Jordan Islamic Bank

JIB's net *Murabaha* portfolio grew by a strong 21% in 2007 (2006: 21%) to represent 43% of total assets. The bank has a small *Musharaka* portfolio (less than 1% of total assets) which has shown limited growth since the early-2000s. High industry and obligor concentrations are not unusual for Jordanian banks, as they operate in a small and undiversified economy. Table 3 shows the breakdown of the *Murabaha* and *Musharaka* portfolios by the type of activity/good financed. JIB has high exposure to the construction, trade and transportation sectors. At end-2006 JIB's 10 largest exposures represented 63% of equity and the 20 largest exposures represented 94% of equity. Concentrations compare favourably to the peer group and the risk is partly mitigated by the nature of the transactions. JIB's activity is essentially domestic (90% of FYE06 total exposures) or Middle East related (5% of exposures at the same date). Individual exposures are limited by the central bank to 25% of equity.

Retail lending represented a high 55% of the loan portfolio at end-2006 and grew by a rapid 23% yoy. Although the bank benefits from higher margins here, the retail sector in Jordan is as yet untested in a downturn. However, the risk is mitigated as most retail lending is salary assigned. Corporate lending represents 45% of the loan portfolio and grew at 23% yoy in 2006. Around half of total loans were granted against real estate collateral. Related-party lending represented 3.5% of total lending at end-2006 and was to affiliate and subsidiary companies.

Contingent liabilities (mainly guarantees and letters of credit) grew 6% yoy to JOD92.3m at end-2006, equivalent to 6.3% of on-balance-sheet assets.

Loan Loss Experience and Reserves

JIB follows the loan loss reserve regulations drawn up by the CBJ, which has phased in increasingly conservative provision guidelines. These regulations classify non-performing loans (NPLs) into substandard, doubtful and bad, with provisions varying according to expected recovery.

JIB's level of non-performing loans amounted to JOD32.5m at end 2007, an increase of 92% on end-2006. As a result, the NPL ratio increased to 4.3% (end 2006: 2.8%). The rise reflects an increase in impaired loans in the real estate sector, delays in receiving payments on government related financing and tighter regulations imposed by the CBJ. Impaired loans may increase further, reflecting recent loan growth. Total reserve coverage was adequate, at 98% at end-2007 (end-2006: 166%). The total reserve coverage ratio is calculated using the bank's

Table 4: Asset Quality

(JODm)	FY07	FY06	FY05	FY04
Gross loans	764.71	616.04	502.87	424.05
NPLs	32.50	16.94	18.04	14.87
Specific Reserve Coverage (%)	36	40	50	54
Total Reserve Coverage (%)	98	166	157	161
NPLs/gross loans (%)	4.25	2.75	3.59	3.51

Source: Jordan Islamic Bank

Balance Sheet Analysis

JORDAN ISLAMIC BANK FOR FINANCE AND INVESTMENT

	31 Dec 2007				31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Year End USDm Original	Year End JODm Original	As % of Assets Original	Average JODm Original	Year End JODm Original	As % of Assets Original	Year End JODm Original	As % of Assets Original	Year End JODm Original	As % of Assets Original
A. ISLAMIC FINANCING										
1. Private	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Corporate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Government	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Other	n.a.	n.a.	-	n.a.	606.0	41.43	493.5	36.76	334.3	29.84
5. Impairment Reserves (deducted from above)	n.a.	n.a.		n.a.	6.9	0.47	9.1	0.68	24.0	2.14
6. Impairment Reserves (memo)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Less Islamic Financing from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL A	**1,044.6**	**744.1**	**46.44**	**671.6**	**599.1**	**40.96**	**484.4**	36.08	310.9	**27.75**
B. OTHER EARNING ASSETS										
1. Balances with Financial Institutions	144.3	102.8	6.42	114.4	126.0	8.61	165.0	12.29	115.0	10.26
2. Government Securities	n.a.	n.a.		n.a.	n.a.		n.a.	-	n.a.	-
3. Trading Assets	0.4	0.3	0.02	0.4	0.5	0.03	0.0	0.00	n.a.	-
4. Derivatives	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Other Securities and Investments	223.2	159.0	9.92	133.5	107.9	7.38	90.6	6.75	177.1	15.81
6. Equity Investments	32.3	23.0	1.44	36.7	50.4	3.45	66.5	4.95	28.2	2.52
7. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL B	**400.3**	**285.1**	**17.79**	**285.0**	**284.8**	**19.47**	**322.1**	**23.99**	**320.3**	**28.59**
C. TOTAL EARNING ASSETS (A+B)	**1,444.9**	**1,029.2**	**64.24**	**956.6**	**883.9**	**60.43**	**806.5**	**60.08**	**630.6**	**56.28**
D. TANGIBLE FIXED ASSETS	**22.2**	**15.8**	**0.99**	**15.3**	**14.8**	**1.01**	**11.8**	**0.88**	**12.4**	**1.11**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	758.8	540.5	33.73	540.1	539.7	36.90	502.4	37.43	459.1	40.98
2. Other	23.4	16.7	1.04	20.5	24.2	1.65	21.7	1.62	18.3	1.63
F. TOTAL ASSETS	**2,249.3**	**1,602.2**	**100.00**	**1,532.4**	**1,462.6**	**100.00**	**1,342.4**	**100.00**	**1,120.4**	**100.00**
G. DEPOSITS & SHORT-TERM FUNDING										
1. Due to Customers - Current	1,902.6	1,355.2	84.58	1,296.0	1,236.7	84.55	1,155.6	86.08	1,020.6	91.09
2. Due to Customers - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.		n.a.	-
3. Due to Customers - Term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Due to Financial Institutions	8.7	6.2	0.39	18.5	30.8	2.11	47.7	3.55	4.1	0.37
5. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL G	**1,916.9**	**1,365.4**	**85.22**	**1,316.5**	**1,267.5**	**86.66**	**1,203.3**	**89.64**	**1,024.7**	**91.46**
H. OTHER LIABILITIES										
1. Derivatives	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	
TOTAL H	**n.a.**	n.a.	-	**n.a.**	**n.a.**	-	n.a.	-	**n.a.**	-
I. OTHER FUNDING										
1. Long-term Borrowing	n.a.	n.a.	-	n.a.	n.a.		n.a.	-	n.a.	-
2. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.		n.a.	-
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.		n.a.	-	n.a.	-
TOTAL I	n.a.	**n.a.**	-	**n.a.**	**n.a.**	-	**n.a.**	-	n.a.	-
J. OTHER NON-REMUNERATIVE LIABILITIES	145.0	**103.3**	6.45	**91.6**	**79.9**	**5.46**	**69.7**	5.19	37.5	3.35
K. HYBRID CAPITAL										
1. Non cumulative Hybrid Capital	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	
2. Other Hybrid	n.a.	n.a.	-	n.a.	n.a.	-	n.a.		n.a.	-
L. TOTAL LIABILITIES	**2,061.9**	**1,468.7**	**91.67**	**1,408.0**	**1,347.3**	92.12	1,273.0	**94.83**	**1,062.2**	**94.81**
M. EQUITY										
1. Common Equity	184.9	131.7	8.22	122.6	113.5	7.76	69.3	5.16	58.2	5.19
2. Minority Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Revaluation Reserves	2.5	1.8	0.11	1.8	1.8	0.12	0.1	0.01	0.0	0.00
TOTAL M	**187.4**	**133.5**	**8.33**	**124.4**	**115.3**	**7.88**	**69.4**	**5.17**	**58.2**	**5.19**
MEMO: CORE CAPITAL	**184.9**	**131.7**	**8.22**	122.6	**113.5**	**7.76**	**69.3**	**5.16**	**58.2**	**5.19**
MEMO: ELIGIBLE CAPITAL	**n.a.**	**n.a.**	-	n.a.	**n.a.**	-	**n.a.**	-	n.a.	-
N. TOTAL LIABILITIES & EQUITY	**2,249.3**	**1,602.2**	**100.00**	**1,532.4**	**1,462.6**	**100.00**	**1,342.4**	100.00	**1,120.4**	**100.00**
Exchange Rate		USD1 = JOD 0.7123			USD1 = JOD 0.7090		USD1 = JOD 0.7090		USD1 = JOD 0.7090	

JIB has a fragmented depositor base. The bank estimates that it controls a 40% market share of all deposits under JOD10,000 in Jordan. As a result the bank has fairly low concentration in its funding, with the top 20 depositors accounting for less than 5% of total deposits at end-2006.

Liquidity

The prohibition of the receipt or payment of interest under *shari'ah* restricts JIB's ability to manage liquidity in a conventional manner (use of government or other fixed-income securities and the interbank market). JIB manages liquidity by placing surplus JOD deposits with local banks for which the bank receives USD. The USD proceeds are then invested (short-term) with banks. The bank also places a large proportion of assets (35% at end-2006) with the CBJ. These placements are *Shari'ah* compliant and do not earn interest. This results in good liquidity, with liquid assets equating to 44% of deposits and short-term funding at end-2006.

Capital

JIB has adequate capital, with Tier 1 and Total capital ratios of 14.4% and 15.7% respectively, at end-2007 (end-2006: 14.9% and 16.2%). The bank aims to have a minimum capital ratio of around 12%. Capital ratios improved in 2006 following a share issue and the retention of earnings, but have since declined due to growth in risk-weighted assets. The CBJ has implemented Basel II from the beginning of 2008, with JIB adopting the standardised approach for credit risk and the basic indicator approach for operational risk. The bank estimates that its end-2006 total capital ratio of 16.2% as per Basel I would have risen to around 22% as per Basel II. JIB proposed a dividend of JOD6.5m in 2007, in respect of 2006 net income.

Income Statement Analysis

JORDAN ISLAMIC BANK FOR FINANCE AND INVESTMENT

	31 Dec 2007		31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Income Expenses JODm Original	As % of Total AV Earning Assets Original	Income Expenses JODm Original	As % of Total AV Earning Assets Original	Income Expenses JODm Original	As % of Total AV Earning Assets Original	Income Expenses JODm Original	As % of Total AV Earning Assets Original
1. Income from Islamic transactions	78.7	8.23	61.2	7.24	49.7	6.78	38.1	-
2. Funding Expense	29.5	3.08	26.7	3.16	22.9	3.15	21.5	-
3. NET INCOME FROM ISLAMIC FINANCING	**49.2**	**5.14**	**34.5**	**4.08**	**25.8**	**3.59**	**16.6**	-
4. Net Fees & Commissions	8.4	0.88	7.8	0.92	8.2	1.14	5.4	-
5. Net Insurance Revenue	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Operating Income	6.6	0.69	7.2	0.85	10.9	1.52	2.0	-
7. Personnel Expenses	13.6	1.42	11.5	1.36	10.3	1.43	9.4	-
8. Other Operating Expenses	8.5	0.89	7.9	0.93	6.7	0.93	6.3	-
9. PRE-IMPAIRMENT OPERATING PROFIT	**42.1**	**4.40**	**30.1**	**3.56**	**27.9**	**3.88**	**8.3**	-
10. Impairment Charge for Islamic Financing	7.5	0.78	6.1	0.72	8.0	1.11	3.6	-
11. Other Impairment and Provisions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. OPERATING PROFIT	**34.6**	**3.62**	**24.0**	**2.84**	**19.9**	**2.77**	**4.7**	-
13. Other Income and Expenses	-0.2	0.02	-0.6	-0.07	-0.2	-0.03	-0.1	-
14. PUBLISHED PRE-TAX PROFIT	**34.4**	**3.60**	**23.4**	**2.77**	**19.7**	**2.74**	**4.6**	-
15. Taxes	11.4	1.19	7.9	0.93	6.6	0.92	1.3	-
16. Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
17. Change in Value of AFS Investments	0.0	0.00	1.7	0.20	0.1	0.01	0.0	-
18. Currency Translation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**23.0**	**2.40**	**17.2**	**2.04**	**13.2**	**1.84**	**3.3**	-
21. Total Gains/(Losses) not in Published Net Income	0.0	0.00	1.7	0.20	0.1	0.01	0.0	-
22. IFRS Dividends included in Fitch Funding Expense	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**23.0**	**2.40**	**16.5**	**1.63**	**13.1**	**1.82**	**3.3**	-

Ratio Analysis

JORDAN ISLAMIC BANK FOR FINANCE AND INVESTMENT

		31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
		Year End	Year End	Year End	Year End
		JODm	JODm	JODm	JODm
		Original	Original	Original	Original
I. PERFORMANCE					
1. Net Income from Islamic Financing/Earning Assets (av.)	%	5.14	4.08	3.59	n.a.
2. Income from Islamic Financing/Islamic Financing (av.)	%	7.77	7.79	8.06	n.a.
3. Funding Expense/Deposits & Short-term Funding+Other Funding (av.)	%	2.24	2.16	2.06	n.a.
4. Costs/Average Assets	%	1.44	1.39	1.30	n.a.
5. Costs/Income	%	35.14	38.84	39.08	65.42
6. Pre-Impairment Operating ROAA	%	2.75	2.15	2.27	n.a.
7. Operating ROAA	%	2.26	1.71	1.62	n.a.
8. Pre-Impairment Operating ROAE	%	33.64	37.59	43.73	n.a.
8. Operating ROAE	%	27.81	25.99	31.19	n.a.
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	16.49	18.62	20.69	n.a.
2. Core Capital/Total Assets	%	8.22	7.76	5.16	5.19
3. Eligible Capital/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
5. Tier 1 Regulatory Capital Ratio	%	14.38	14.88	10.80	11.15
6. Total Regulatory Capital Ratio	%	15.65	16.17	12.10	12.37
7. Free Capital/Equity	%	37.83	40.04	7.78	5.09
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Short-term Funding	%	39.59	43.81	46.66	37.06
2. Islamic Financing/Deposits	%	54.75	48.44	41.92	30.40
IV. ASSET QUALITY					
1. Impairment Charges for Islamic Financing/Islamic Financing Gross (av.)	%	1.12	1.11	1.93	n.a.
2. Total Impairment Charges/Pre-Impairment Operating Profit	%	17.81	20.27	28.87	43.37
3. Impairment Reserves/Impaired Islamic Financing Gross	%	n.a.	n.a.	n.a.	n.a.
4. Individual Impairment for Islamic Financing/Impaired Islamic Financing G	%	n.a.	n.a.	n.a.	n.a.
5. Impaired Islamic Financing Gross/Islamic Financing Gross	%	n.a.	n.a.	n.a.	n.a.
6. Impaired Islamic Financing Net/Eligible Capital	%	n.a.	n.a.	n.a.	n.a.
7. Net Charge-offs/Islamic Financing Gross (av.)	%	n.a.	n.a.	n.a.	n.a.