البنك الإسلامي الأردني

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بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٨ كانون الثاني ٢٠١٥
رقم التسلسل: 146
رقم الملف: 11001
الجهة المختصة:

السادة بورصة عمان المحترمين ،،
عمان – الأردن

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني

يسرنا أن نرفق لكم في طيه نسخة من التصنيف الخاص بمصرفنا والصادر عن **Capital Intelligence** إصدار كانون أول ٢٠١٤.

وتفضلوا بقبول فائق الاحترام،،،

محمد علان
نائب المدير العام

ن ت/ن ت

B6157

Bank Rating Report

Jordan Islamic Bank

Jordan

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The information sources used to prepare the credit ratings are the rated entity and public information. CI had access to the published financial statements of the issuer for the purpose of the rating and had access to one or more of the following: the internal accounts; management; and other relevant internal documents of the issuer. CI considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The rating has been disclosed to the rated entity and released with no amendment following that disclosure. Ratings on the issuer were first released in October 1985. The ratings were last updated in December 2013.

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

Ref: JO01013BNK00-1/12-14

JORDAN ISLAMIC BANK

Amman, Jordan
17 December 2014

RATINGS

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

FINANCIAL HIGHLIGHTS

USD (mn) JOD (mn)	H1 2013 USD	H1 2014[1] JOD	2013 JOD	2012 JOD
Total Assets	4,814	3,417	3,282	3,021
Net Financing	3,053	2,167	2,132	2,051
Customer Deposits	4,329	3,074	2,945	2,713
Total Capital	367	261	256	230
Gross Income	100	71	133	118
Net Profit	32	23	45	36
Exchange Rate: USD/JOD		*0.7100*	*0.7100*	*0.7090*

%	H1 2014	2013	2012
NPF / Gross Financing	4.24	4.10	4.04
FLR / NPF	86.46	75.82	62.67
Capital Adequacy Ratio	18.18	18.50	19.56
Net Financing / Customer Deposits	70.52	72.41	75.58
Liquid Asset Ratio	30.29	28.56	24.16
Profit Sharing Margin (CI est.)	*3.55	3.62	3.33
Cost / Income	36.91	38.76	38.01
ROAA	*1.36	1.43	1.23

[1] *Unaudited*
* *Annualised*

RATINGS DRIVERS

Supporting the Ratings

- Sound asset quality underpinned by the improved financing-loss reserve cover for non-performing financings (NPFs) in 2013 and H1 2014, and one of the sector lowest NPF ratios.
- Ample and improving liquidity; strong customer deposit base.
- Good profitability at both operating and net levels, reflecting healthy profit sharing margin and a lean cost base.
- Established business franchise, with major share of Islamic banking assets and customer funds in Jordan.

Constraining the Ratings

- Low ratio of total capital to total assets, well below conventional banks in Jordan.
- Significant borrower concentration, although the largest single loan is guaranteed by the government.
- Low level of non-profit sharing income (NPSI), mitigated by strong net profit sharing (NPS) revenue.
- Challenging domestic operating environment, combined with high geopolitical risk factors (in common with other Jordanian banks).

RATING RATIONALE

Capital Intelligence (CI) affirms the Financial Strength Rating (FSR) of Jordan Islamic Bank ('JIB' or 'the Bank') at 'BBB-' on a 'Stable' Outlook. The FSR is underpinned by the Bank's sound asset quality as a result of the much improved loss-reserve cover for NPFs, ample and improving liquidity, good profitability, and JIB's established Islamic banking franchise. The FSR is constrained by the low total capital to total assets ratio, customer concentration risk, the low share of NPSI to gross income and the challenging operating environment combined with high geopolitical risk factors (as is the case for all Jordanian banks).

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

Jordan Islamic Bank (JIB) continues to control the largest share of Islamic banking assets and deposits in Jordan, despite keen competition, following the entry of a number of other GCC-based Islamic institutions over the past. The ongoing regional instability has elevated credit risk in the local market and created a challenging operating environment for all banks as a group. Although this has translated into higher NPFs for JIB in recent years, as was the case with conventional banks in Jordan, the Bank's NPF ratio remains one of the lowest in the local market. Moreover, loss-reserve coverage for NPFs improved further during 2013 and in the first half of 2014. While impaired financings are for the most part secured, Capital Intelligence (CI) views collateral as being a loss mitigant rather than a direct source of repayment. Therefore, in the absence of cash security or a bank guarantee, a strong preference remains for NPLs to be covered by a high level of provisions.

Having had consistently high levels of liquidity prior to 2012, reflecting the comparatively low share of financings in total assets, JIB's liquidity position changed significantly in that year after the extension of a government guaranteed large medium-term financing to a systemically important public sector entity. Although liquidity tightened and has since remained tighter than the sector average, the Bank's liquidity metrics improved in 2013 and into 2014 and are currently at a very comfortable level. As an Islamic bank, JIB is precluded from investing surplus liquidity in interest earning government securities and T-bills. As a result, while conventional banks have increased their exposure to high-yielding Jordanian government paper over the past, JIB has redeployed surplus liquidity into government guaranteed financings (currently there are no Sukuk instruments in Jordan to invest surplus JOD funds). The Bank's funding is predominantly sourced from customer deposits and these have continued to grow at a steady pace in the first half of this year.

The capital adequacy ratio (CAR) based on Islamic Financial Services Board (IFSB) methodology remained at a comfortable level, underscoring the Bank's high exposure to government guaranteed financings and the CBJ, both of which carry zero risk-weight factors. Nonetheless, JIB's ratio of total capital to total assets remained limited and below the average for the conventional banks in Jordan. As a mitigating factor, the Bank's rate of internal capital generation has been sound in recent years, reflecting its good net profitability, in addition to a moderate dividend payout ratio.

Having seen a rebound in net profit and return on average assets (ROAA) in 2012, JIB's profitability at both the operating and net levels further recovered in 2013 and into H1 2014, on the back of higher net profit sharing income – which surpassed the moderate fall in non-profit sharing income during that period. The higher level of net profit sharing income (and gross income) generated was driven by an expanded financing portfolio, although the growth pace slowed down during H1 2014. At the same time, the Bank's improved and sound operating profitability – as a result of healthy profit sharing margin and a lean cost base – provides adequate absorption capacity for unforeseen provision losses.

PERFORMANCE OUTLOOK

Despite the increasing competition from a number of GCC-based Islamic banks operating in the local market – particularly for financings and to a lesser extent, deposits – JIB continues to command a substantial share of Shari'a-compliant financings and deposits in Jordan. This dominant market position is likely to remain unchallenged for the foreseeable future, supported by the Bank's long track record and nationwide branch network.

Although Jordan's economic growth rate has started to recover, the operating environment remains challenging due to the ongoing effect of regional political instability. This has translated to heightened credit risk in recent years and may produce a further increase in NPFs over the near to medium-term for JIB and all other banks in Jordan. That said, new impaired financings are likely to be limited for JIB, as evidenced by the recent stabilising trend in the market. At the same time, the Bank's improved operating profitability has strengthened its risk absorption capacity. This allows JIB to build the necessary provisions in the event new NPFs manifest. While the Bank's CAR is anticipated to remain satisfactory, the ratio of total capital to total assets, however, is expected to remain below the average for the conventional banks, denoting JIB's comparatively high leverage. Customer deposits are expected to continue growing at the current rate, thereby ensuring that liquidity is maintained at the current comfortable level.

BANK HISTORY AND OWNERSHIP

Jordan Islamic Bank was established in 1978 under a special decree. The Bank has an established position in the Jordanian banking market, although competition has intensified in racent years. JIB is listed on the Amman Stock Exchange and 66% of its capital is held by Bahrain-based Al-Baraka Banking Group (ABG). Four members of JIB's board, including its chairman, are appointed by ABG. The latter, is owned by Jeddah-based Dallah Al-Baraka Group (DBG). DBG reported total consolidated assets and equity of US$22.55 and US$2.03 billion respectively, as of September 2014. JIB's network of 67 branches, fifteen cash offices, and 124 ATMs is among the largest in Jordan.

ABG holds a bank holding company licence issued by the Central Bank of Bahrain. The subsidiaries of ABG include AlBaraka Islamic Bank (Bahrain), (*CI rating report dated June 2014 is available*), Al Baraka (Tunisia), AlBaraka Finance House (Turkey) (*CI rating report dated June 2014 is available*), AlBaraka Algeria, AlBaraka Lebanon, Al Baraka (Egypt), AlBaraka Bank (South Africa), AlBaraka Sudan, AlBaraka Syria, and AlBaraka Pakistan.

Current Business Model

The Bank's business model and strategies are to some extent set by the parent ABG and, therefore, represent a part of the wider ABG business model and strategies. The Bank's principal activities include the provision of financing and investment through Islamic modes of Murabaha (cost plus profit margin), Mudaraba (the Bank shares profits as capital provider), Musharaka (participation investment) and Ijara (lease financing). The liability side of the balance sheet includes demand and joint investment accounts (savings, fixed, and notice accounts) and specified investment accounts (depositors' funds in fiduciary capacity managed without recourse to the Bank). JIB's stated objective is to reach all citizens who wish to deal in products in compliance with the principles of Shari'a.

Principal Business Strategies

On the back of growing domestic demand for Islamic banking services, JIB seeks to further grow its market share of deposits and financings in the local market through sustainable growth in corporate and retail banking. This is expected to be achieved through the following measures:

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

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

Operating Environment

Although economic activity is recovering moderately, it is expected to remain subdued over the near term, largely due to escalating regional uncertainties in Syria and Iraq. Following a decade of robust growth during 2000–09 (averaging about 6½ percent), supported by a favourable external environment, economic activity slowed sharply in 2010-2013 as global economic conditions deteriorated. While the Jordanian economy is among the most open in the Middle East, it has suffered external shocks (like many other countries in the region) from commodity price inflation and fall-out from regional instability (in particular arising from neighbouring Syria). This has resulted in slower economic growth and larger fiscal deficits, although these challenges are partially mitigated by Jordan's close relations with donor countries. These relationships support comparably modest external borrowing needs, though these are rising. While the authorities have implemented an ambitious programme of structural reform to develop the private sector, unemployment remains high (12.6% by end 2013), particularly among the young and graduates. Jordan has seen some social and political unrest but these have been largely peaceful. In response to the public protests, significant constitutional amendments were implemented by the government.

Selected economic and financial Indicators

Indicator	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Estim. 2014	Forec. 2015
Socio-Economic Indicators							
GDP Per Capita, Current USD	3,987	4,326	4,619	4,879	5,174	5,460	5,745
Real GDP-Market Prices,% Change	5.5	2.3	2.6	2.6	2.9	3.5	4.0
Consumer Price Inflation, An.Avg,%	-0.7	5.0	4.4	4.6	5.5	3.0	2.64
Official Unemployment Rate, %	12.9	12.5	12.9	12.2	12.6	12.5	12.5
Public Finances							
Overall Budget Balance, %GDP	-8.9	-5.6	- 6.8	- 8.3	- 5.3	- 4.3	- 4.1
Government Debt, % GDP	57.1	61.1	65.4	77.4	81.1	91.3	93.0
Government Debt, % Revenue	213.7	245.8	247.5	328.1	332.6	343.0	337.1
External Finances							
Gr.Offic. Foreign Reserves, USDbn	11.7	13.1	11.5	6.6	12.0	14.1	14.0
Offic. Reserves, % Gr.Ext.Fin.needs	128.6	133.9	97.4	64.5	95.2	94.9	94.7

Macroeconomic Performance – moderate recovery, but increasing regional uncertainty poses serious downside risks to growth. Real GDP growth has continued its gradual recovery from its 2010 trough, and CI estimates that it will reach 3.5% in 2014, from 2.9% last year. However, growth remains below its long-term potential of 6%, as trade and tourism continue to underperform due to the regional environment, while the government fails to stimulate the economy in view of limited fiscal resources and its significant fiscal-consolidation efforts. Moreover, escalating geopolitical uncertainties, tighter access to credit facilities and sluggish recovery in the country's main trading partners continue to weigh on the country's growth prospects. Economic growth is expected to pick up slightly to 3.5% in 2014 and 4% in 2015. Inflation regained momentum, reflecting the reversal of fuel and food subsidies and averaged 5.5% for 2013. However, easing inflationary pressures towards the end of 2013 and in 2014, as well as regained confidence in the local currency have helped the Central Bank to cut interest rates in order to stimulate the sluggish economy.

Fiscal Performance – budget deficit remains a concern. The central government's budget deficit - including grants - is estimated to narrow to 4.3% of GDP in 2014 from 5.3% in 2013, as the government is trying to impose more fiscal consolidation measures. These reforms were in line with the International Monetary Fund's (IMF) economic adjustment programme, which entitled the government to benefit from USD2 billion Standby Agreement. Despite the enacted reforms, the government budget structure remained weak on account of the government's reliance on volatile foreign grants to bridge its fiscal gap. In 2013, the government is estimated to have received circa JOD800mn grants from the US and GCC states. Without grants, the budget deficit has slightly deteriorated to 9.8% of GDP (2012: 9.7%). The primary budget deficit has improved as well, as it is estimated to have decreased to 3.5% of GDP in 2013, compared to a decade high of 5.6% of GDP in 2012. According to official estimates, the government's primary budget position is expected to post a small surplus in 2016, conditional on the stabilisation of regional political environment and the introduction of tougher spending measures. In the meantime, overall budget deficit including grants is expected to decline to 4.3% of GDP in 2014; however, this outlook hinges on full implementation of the reform agenda, easing geopolitical risk factors, and speedier economic recovery.

Government debt is increasing. Government debt ratios have reversed their downward trend since 2009, owing to the deterioration in the budget position. Gross public debt has reached 81% of GDP in 2013, up from an estimated 77.4% in 2012. This increase takes into consideration the disbursed tranche of the IMF Standby agreement, nearly USD 740mn. Gross government debt is expected to continue its increase in the medium term exceeding 93% of GDP, weighing further on the weak fiscal position.

External Finance – The current account deficit has narrowed on renewed Egyptian natural gas inflows. The current account deficit has narrowed to 10.3% of GDP in 2013 – down from 17.3% in 2012, however, current account deficit is likely to narrow further to 10% in 2014, conditional to the full resumption of natural gas flow from Egypt and easing of regional and global economic pressures.

Foreign reserves were replenished, but are expected to remain under strain. Thanks to the moderate improvement in the balance of payments position during 2013, substantial GCC states deposits in the Central Bank and the external borrowing from the IMF and international markets, a balance of payment crisis was widely averted and consequently foreign reserves buffers were replenished to reach USD 14.4 billion in July 2014. Notwithstanding the above, reserve coverage remained moderate, albeit improving, as CI's preferred measures of international liquidity suggest that foreign exchange reserves covered 185% of the country's gross financing needs in 2013, compared to 140% in 2012.

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

During 2012, the CBJ had to raise the overnight interest rate by 75 bps in total, in order to restore confidence in the JOD and maintain the peg on the exchange rate. Once confidence was restored in 2013, the CBJ started cutting the rate - by 25 bps in August 2013 and by further 25 bps in October - in an attempt to bolster growth in the economy. The CBJ reduced the interest rates by another 75 bps in total during the first nine months of 2014 to further boost economic development. The dollarization rate is now hovering at around a low 20% from a high 32% in 2012. The inflation rate reached 5.5% at end-2013, mainly due to rising energy prices (as a result of the disruption in the relatively cheap gas imports from Egypt), while it is expected to fall to 3% in 2014 and in 2015.

Recent Regulatory Guidelines. The CBJ has recently issued the following guidelines to all regulated financial institutions based in Jordan: (a) Review of Corporate Governance in the Banking sector, including the remuneration of Senior Management and the proper criteria for board appointments (to be implemented in 2015); b) Clear policy on creating 100% provision over five years in relation to the value of foreclosed assets that have not been sold after the interval of 4 years; c) Adoption of enhanced disclosure for treating customers fairly with respect to fees charged and the effective rate. With regard to Basel III implementation, this will be aligned with the Basel Committee's timeline. Jordanian banks are not expected to have any difficulty meeting Basel III conditions.

Jordanian Banking Sector remains very liquid and well capitalised. Strong liquidity remains a key strength in the banking system, mainly due to the large amount of government securities in JOD held by the banks, which can be repoed with the CBJ. In addition, capital adequacy remained strong with the average CAR hovering around 17% in 2013.This is mainly the result of a prudent policy being imposed by the CBJ, which among others stipulates that banks in Jordan must maintain a minimum CAR of 12%, and a minimum leverage ratio of total capital to total assets of 6%.

KEY FINANCIAL ISSUES

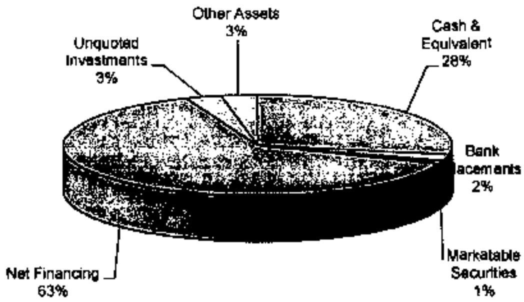
JIB's 2013 consolidated financial statements have been prepared in accordance with the rules and principles of the Islamic Shari'a, as determined by the Bank's Shari'a supervisory board, and in compliance with the accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The consolidated financial statements were audited by both Ernst & Young (Jordan) and the local firm of Ibrahim Al-Abbassi & Co., which jointly issued an unqualified audit opinion. Interim reviewed financial statements for the six months to June 2014 are also used in the following analysis. Disclosure standards in the audited financial statements and notes have significantly improved in recent years.

BALANCE SHEET

Asset Composition and Quality

Asset mix shifted noticeably towards liquid assets in 2013 and H1 2014. Following the rapid expansion in IFFs in 2012, the Bank curtailed financing volumes in 2013 and into H1 2014, by channelling excess liquidity again into Central Bank placements. As a consequence, the composition of assets shifted further towards liquid assets, while the relative exposure to financings continued to slip from its peak in 2012. In this way, JIB maintained its rather cautious risk policy adopted in response to Jordan's ongoing challenging operating environment, where credit risks remain elevated.

Asset Composition at end-June 2014



This reallocation of assets had the effect of decreasing the share of net financing in total assets to 63% (see above chart), compared with 68% at end 2012, although the ratio still remained higher than the sector average of 47% at mid-year . By contrast, the asset profile of Jordanian banks as a group is characterised by a relatively low net loans to total assets ratio (47% at end 2013).

Murabaha receivables dominated the financing book. The net financing portfolio was composed of principally Murabaha receivables, and to a much lesser extent Ijara and Musharaka financing. Murabaha financing represents sale contracts on deferred terms. In this context, JIB arranges a Murabaha transaction by buying a commodity and then selling the same commodity with a profit margin to the beneficiary (Murabeh). The sale price, representing the sum of the cost and profit margin, is repaid by the beneficiary in instalments over the agreed period. In the event of customer default, the Bank has the legal right to foreclose on the collateral. In terms of remaining maturity as at end 2013, about 37% of the financing book was short-term in tenor (less than one year).

Elevated credit risk in the local market. Following a rapid expansion in net financings of 54% in 2012 – driven by Murabaha facilities extended to two strategic public sector entities – growth decelerated sharply during 2013 and into H1 2014. The larger of the two facilities is guaranteed by the Jordanian government. The Bank continues to curtail financings to the private sector as credit risk remains high in the local market due to the regional political instability and challenging macroeconomic conditions. Subdued customer demand in the private sector also contributed to slowing financing growth.

Financing exposure to government and public sector increased further in 2013. While the financing book had been reasonably balanced between commercial, retail and government borrowers at end 2012, the exposure to state and public sector entities advanced further to 33% of gross financings in 2013 and constituted the largest share of financing (see adjacent table). Conversely, the proportion of financings to individuals continued to fall and was about one-half the level seen two years earlier. The moderate real estate exposure comprises mainly Ijara (housing finance).

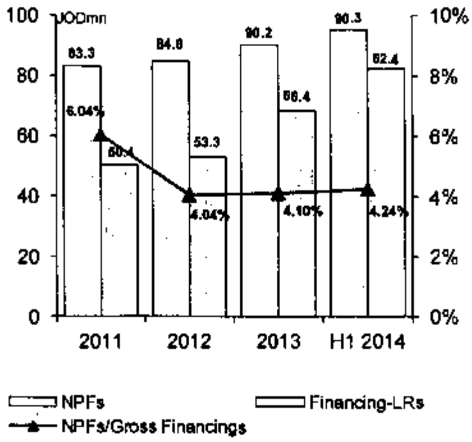
Distribution of Financings by Economic Sector (%)	2011	2012	2013
Government & public sector	2	29	33
Commercial (corporate & SME)	36	26	29
Individuals	43	32	22
Real Estate (mainly housing)	19	13	16
Total	**100**	**100**	**100**

Real estate financing is within prudential limits. The Bank's total exposure to the real estate market was broadly comparable to the local industry average at end 2013. It should be noted that as an Islamic bank, JIB's financings are backed by assets, typically real estate, with the proceeds not necessarily being used for investment in real estate itself. The real estate sector in Jordan continues to attract both domestic, as well as regional investors.

While the commercial real estate sector faces some challenges, consumer demand for housing remains strong, with property prices holding up well, especially in the greater Amman region. The CBJ has set the exposure limit to the real estate sector at 20% of total customer deposits; JIB's actual exposure (including investments) was well below that limit. Lending to individuals (retail) has produced a more granular portfolio, diversifying credit risk and revenue streams.

Large customer concentration. This mainly relates to the large government guaranteed medium-term facility, which had been granted in 2012 (as mentioned above). Exposure to this entity reduced materially at end H1 2014 due to repayments, even though a big part of the amount is due for repayment in 2015. As at end June 2014, the top twenty five customers constituted a significant 39% of gross financings. Excluding the largest government guaranteed facility, the concentration improves markedly to 19%. The other large exposures were well-diversified by economic sector. Commercial activity remains a very important contributor to Jordan's Gross Domestic Product.

NPFs and Financing-Loss Reserves



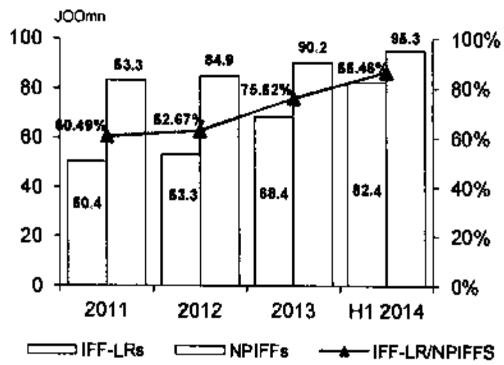
Small uptick in NPFs in 2013 and H1 2014. JIB's NPFs, calculated according to the classification criteria of the CBJ (90 days past due), grew moderately by 6.1% to JOD90mn at end 2013. It is noteworthy that almost a third of the Bank's NPFs are derived from individuals (retail), while another 30% came from corporate entities and 25% from SMEs. The majority of new NPFs mainly originated in the corporate as well as the trade SME sector, while NPFs in the retail sector significantly improved. In the first six months of 2014, growth in NPFs was 5.7%, notwithstanding the challenging economic conditions.

One of the lowest NPF ratios in Jordan. As shown in the chart to the left, NPFs measured as a percentage of gross financings rose slightly to 4.10% at end 2013, from 4.04% a year earlier, but remained below the sector average of around 8%. At end-June 2014, JIB's ratio of NPFs to gross financings increased fractionally to 4.24%, and remained one of the best indicators in the local banking system. The Bank has written off a negligible amount of NPFs in recent years. Write-offs occur after the approval of the Shari'a Supervisory Board. The majority of JIB's classified financings were in the 'loss' category. Most (but not all) banks in Jordan recorded a small improvement in impaired financings in 2013.

Relatively low level of renegotiated financings. In 2013, JIB's restructured IFFs (facilities whose terms such as duration, grace period etc have been altered), fell to JOD8.6mn against JOD12.2mn a year earlier. These facilities made up 0.39% of gross IFFs at end 2013 and remained in the watch list category. Similarly, the amount of rescheduled IFFs (defined as IFFs previously classified as NPIFFs that were reclassified as performing IFFs in watch list) rose moderately to JOD33.6mn (USD48mn) during 2013 from JOD31.9mn in 2012. These accounted for 1.53% of gross IFFs. Taken together, restructured and rescheduled facilities, which the Bank reported as performing, declined slightly to 1.92% of gross IFFs at end 2013 from 2.10% a year earlier. Many banks in Jordan have resorted to restructuring credit facilities as customers' cash flows have come under pressure due to the economic slowdown. That said, JIB's level of renegotiated financings as a percentage of gross credit portfolio was rather low in comparison with many of its peers.

Financing - loss reserve coverage continued to improve in 2013 and H1 2014. JIB's financing loss reserves rose by 28% to JOD68.4mn at end 2013, while cover for NPFs increased noticeably to 76% from 63% a year earlier. Notwithstanding the increase, the coverage remained moderately lower than the sector average of 82%. In H1 2014, JIB transferred a relatively higher proportion of operating profit to provisions, bringing up the IFF loss reserve coverage to a sound 87%. In common with other Jordanian banks, JIB actively uses collateral to mitigate risk. The value of collateral held against NPFs amounted to JOD42mn and covered nearly 47% of all classified financings.

Financing Loss Reserves Coverage



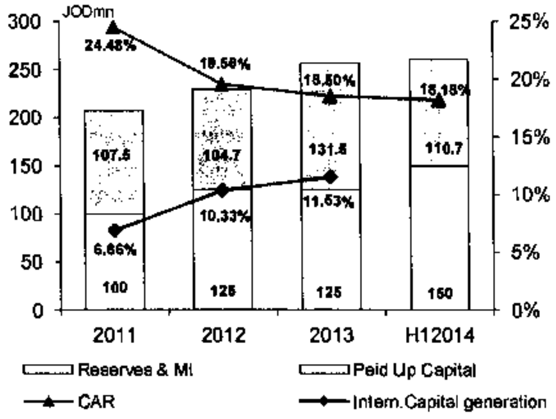
The CBJ has established clear regulations for building provisions against impaired financings. These rules oblige banks to create provisions for each credit risk category (net of the fair value of permissible collateral) as follows: 25% for substandard, 50% for doubtful and 100% for bad. Banks are also required to create a provision of 1.5% for special mention (watch list financings). The regulation stipulates that unsecured financings shall be fully covered by provisions within one year from the classification date. For financings secured by eligible collateral, the regulatory framework obliges all banks to build full (100%) provision coverage within five years from date of classification on an amortising basis (value of deductible collateral amortized over a five year period). On the basis of H1 2014 operating profit, it would require the equivalent of four months operating profit for JIB to fully cover NPFs.

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

Small investment portfolio. The Bank's total investments fell to JOD124mn, and formed a relatively low 4% of total assets at end 2013. Within JIB's total investments, large categories were available-for-sale (AFS) securities composed of mainly unquoted Islamic bank securities and bonds (Sukuk) (JOD19mn) and quoted equities (JOD29mn), as well as investments in real estate (JOD77mn).

Capital Adequacy

Capital Composition & Adequacy



Decline in capital adequacy ratio in 2013. JIB's CAR, calculated to CBJ rules, and based on Islamic Financial Services Board (IFSB) methodology, fell to 18.18% (not including net profit) at end H1 2014, from 18.50% at end-December 2013 (see adjoining chart). The decline in CAR in 2013 was due to the faster rate of growth in total RWAs than in total regulatory capital. It should be noted that CBJ regulations disallow the inclusion of interim net profit in the calculation of H1 CAR. If the Bank had included interim net profit, then the reported CAR would have been circa 20%.

IFSB methodology tends to produce a high CAR. The Bank's apparently high CAR is due to the contention that URIAs are not a liability under IFSB standards, given that in case of loss the Bank is not obliged to return the original amount of funds received from account holders, unless the loss is due to negligence or breach of contract. URIAs are, therefore, viewed as part of regulatory capital. Accordingly, shareholders' equity only absorbs that part of losses which arise as the share of JIB's own funds in lending and investing. That said, despite being a partner in profit and loss sharing with the Bank, URIAs are not treated as shareholders, because they do not enjoy the same ownership rights (voting rights and entitlement to profits in the form of dividends).

Total capital to total assets ratio is significantly below conventional banks. In spite of a high CAR, the Bank's ratio of total capital to total assets remained at a comparatively low 7.6% at end-June 2014, denoting a higher degree of leverage than Jordanian conventional banks. The minimum regulatory leverage ratio is 6%, while the actual average ratio for the CI rated banks in Jordan was close to a sound 14%. While JIB's balance sheet was third largest of the banks, its capital base ranked just seventh. On that basis, and in view of the leverage limits stipulated under the evolving Basel III accord, the Bank may find its future business expansion plans somewhat constrained.

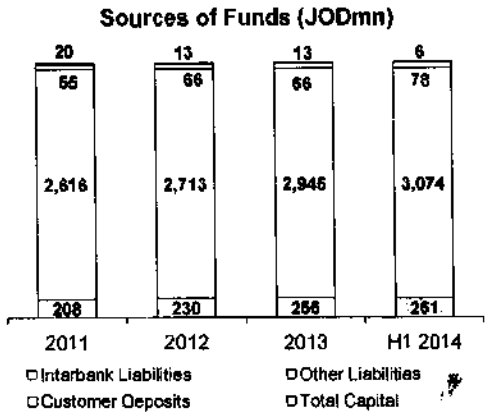
Paid-up capital increased in H1 2014. Banks in Jordan have steadily increased their paid-up capital over the past in anticipation of a hike in CBJ's minimum paid up capital requirement to JOD100mn before the end of 2011. JIB had reached that threshold during 2009. Paid-up capital was increased again in 2012 to JOD125mn (USD176mn) and to JOD150mn during H1 2014, both from existing reserves. JIB's policy of transferring a significant share of net profit to reserves has served to reinforce the capital base over the years.

The capital base expanded by 12% in 2013 and by 2% in the first six months 2014 to JOD261mn (USD367mn) from retained earnings. Free capital used to be impaired to some degree by unprovided NPFs up to 2012. Encouragingly, the ratio of unprovided NPFs to free capital improved considerably to 7% in H1 2014 from 20% in 2012, as loss-reserve cover for NPFs substantially improved.

Improved internal capital generation. JIB's rate of internally generated capital rose to a better than sector average 11.53% in 2013, boosted by improved profitability. In view of the latter, the Bank raised the amount of cash dividends paid to shareholders by 25% to JOD18.75mn, producing an unchanged dividend payout ratio of 41%.

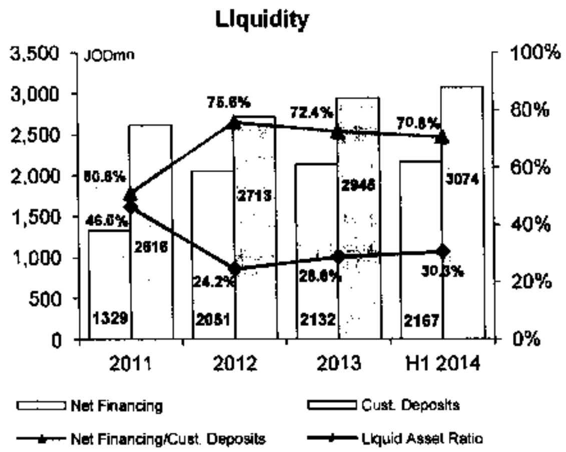
Funding and Liquidity

Customer deposits resumed growth in 2013 and in H1 2014. Although liquidity levels had become considerably tighter at end 2012, they improved during 2013 and into H1 2014, and remained at a very comfortable level. The Bank's liquidity rests on a strong customer deposit base, which until recently had grown quickly and faster than the sector average, despite stiff competition from new entrants. This reflects JIB's effective deposit mobilising capability, aided by a large nationwide branch network. In line with trends in the broader region, the domestic market has seen buoyant demand for Islamic banking products and services.



Having expanded by 4% in 2012, customer deposits growth accelerated to 9% in 2013 and slowed to 4% in H1 2014 driven by retail deposits. The customer deposit base remained sizeable surpassing the JOD3 billion milestone (USD4.3 billion) in H1 2014, as shown in the chart above, and ranked among the largest of the medium sized banks. The customer deposit base continued to fund a substantial 90% of the asset base at end-June 2014. Despite the short tenor of customer liabilities at JIB and in the local market, these funds are viewed as stable, and exhibit a high rollover ratio at maturity.

Unrestricted investment accounts (URIAs) dominated the customer funding base (see *Capital Adequacy*, p.10). In 2013, JIB's URIAs grew by 7% to JOD1,976mn (USD2.8 billion). URIAs continued to make up around two thirds of customer deposit funding, although the comparatively expensive time variety remained the largest component of URIAs (77% at end 2013). While cheap current deposits continued to grow more rapidly than time deposits, they contributed about 23% to the Bank's customer deposit funding at end 2013 (2012: 21%). There was no undue funding concentration with respect to customer deposits, highlighting the predominantly retail nature of the client base. As at end June 2014, the top 20 customer depositors accounted for a low 5% ot total deposits.



Headline liquidity ratios are currently tighter than Jordan's very liquid banking sector, despite the improvement. JIB had maintained consistently high levels of liquidity prior to 2012, reflecting the comparatively low share of financings in total assets. However, that liquidity position changed significantly in 2012 after the extension of a government guaranteed medium-term financing to a systemically important public sector entity.

As at end 2013, the Bank's ratios of net financing to both total customer deposits and stable funds improved to 72% and 68% respectively (from 76% and 71% a year earlier), as customer deposit growth outpaced expansion in financings (see net financings to customer deposits ratio trend in the adjacent chart). While on both these counts JIB's liquidity was still comfortable, it was however tighter than the corresponding averages of 65% and 56% seen in Jordan's very liquid banking system. These liquidity metrics further improved to 70% and 67% at end-June 2014, due to slow growth in financings. JIB's customer deposits exceeded net financings by JOD907mn (USD1,295mn) at end-June 2014, compared to JOD813mn at year end 2013.

Liquid asset holdings rose to a very comfortable level - good net liquid asset ratio. JIB's liquid asset ratio had nearly halved to 24% at end 2012, as surplus funds were redeployed into financings. That trend was reversed during 2013 and in H1 2014, as the liquid asset ratio recovered to 28.6% at end 2013 and to 30.3% at end H1 2014 due to the reallocation of excess liquidity into mainly balances with the CBJ. Although this liquidity indicator remained below the sector average of 43%, it is considered sound in a global context. Importantly, the net liquid asset ratio stood at a comfortable 30.1% at end H1 2014 – highlighting JIB's negligible interbank liabilities in combination with a strong customer deposit base. The ratio was close to the banking sector average of 32%. The improving trend with respect to the ratios of liquid assets and net financing to customer deposits in the last three years are depicted in the above chart. Management advised CI that for regulatory purposes, the CBJ had agreed to treat the government guaranteed financing as part of liquid assets. Given the medium term tenor of the facility, CI has opted to include the asset under the caption 'financing facilities' on the spreads.

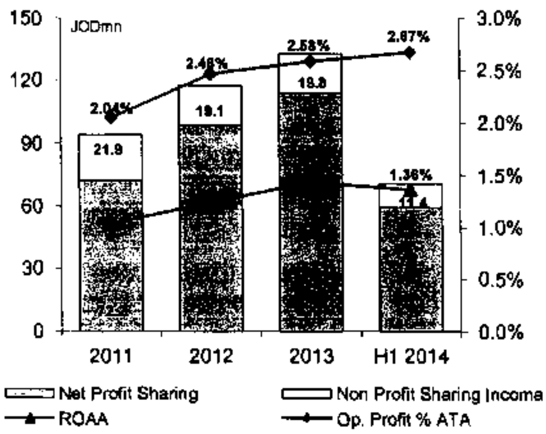
Being an Islamic bank, JIB is prohibited from investing surplus liquidity in interest-earning government securities and T-bills. Thus, while conventional banks have increased their exposure to high-yielding Jordanian government paper over recent years, JIB has, in the absence of Sharia compliant securities, deployed surplus liquidity into government guaranteed financings. Although the Jordanian government has considered issuing Sukuk, currently there are no Sharia compliant instruments in Jordan for Islamic banks to invest excess JOD liquidity. In the event Sukuk issued by the Jordanian government becomes available, then it would provide the Bank with a profitable alternative to investing in cash.

CBJ placements dominated liquid assets. The bulk of JIB's liquidity continued to be invested in deposits held with the Central Bank. These increased further by 36% in 2013 and by around 25% to around JOD900mnmn in H1 2014, as funds were reallocated to liquid assets. CBJ balances made up close to 90% of total liquid asset holdings. A major portion of these monies was placed in non-remunerative current accounts with the Central Bank; 23% comprised mandatory reserves. JIB's deposits with other banks contributed the remaining 10% to total liquid assets at year end. One third of such deposits were held with local banks, while the remaining was placed with prime institutions in Europe, and Asia (excluding the Middle East).

PROFITABILITY

Solid growth in profitability in 2013. JIB's profit at both the operating and net levels recorded healthy increases in absolute terms during the same period. Supported by strong growth in net profit sharing, operating profit increased by 12% to JOD81.3mn, producing an improved operating profit to average total assets ratio (ATA) of 2.58% (2012: 2.46%). This metric compares favourably with the sector average of 2.44%. Similarly, net profit expanded by 24% to JOD45.1mn partly due to lower provisioning. This performance lifted the ROAA to 1.43% – the average for the banking system. Historically, JIB's lower than sector average ROAA (1.23% in 2012 and 1.03% in 2011) was in large part a function of the high level of non-remunerative deposits held at the CBJ.

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



Growth slowed in H1 2014 due to higher provisioning. While operating profit grew by only 2.6% in H1 2014 compared to same period in 2013 due to anaemic growth in net profit sharing, net profit fell by 8% to JOD22.7mn vis-à-vis H1 2013 due to relatively high provision charges.

Banks in Jordan had shown rather improved results for 2013. As had been the case in 2012, the majority of banks showed generally either more positive or stable results in 2013, thanks to improved operating profit, coupled with lower provisioning.

Gross income generation continued to improve to near sector average level. JIB's gross income advanced 13% to JOD133mn in 2013, lifted by significantly higher net profit sharing. Measured to ATA, gross income improved to 4.21% (2012: 3.97%), compared with a better 4.44% for the sector average. In H1 2014, gross income growth was lower at 3.5% (annualised) vs. H1 2013, despite the rebound in non-profit sharing income. Accordingly, the ratio of gross income to ATA remained to a still sound 4.23%.

Net profit sharing (NPS) continued to grow. NPS expanded by 16% in 2013 – albeit at slower pace compared to 2012 following slower growth in the financing portfolio – to reach JOD114mn (USD161mn). The Bank's improved profit margin in 2013 was also a contributing factor. Although the Bank's cost of funds increased in 2013, this was more than offset by a higher profit rate on ATA. As a result, the net profit margin widened to 3.62% in 2013, which was higher than the average for conventional banks in Jordan of 3.22%. In H1 2014, the ratio slightly retreated to a still sound 3.55% while NPS rose slightly by 2% to JOD59.4mn compared to H1 2013, mainly due to the lacklustre growth in the financing portfolio. JIB's good profit spread reflects the significant share of high margin retail facilities in its book and the large proportion of low cost retail deposits, as well as a demonstrated ability to preserve its dominant market share in spite of intense competition.

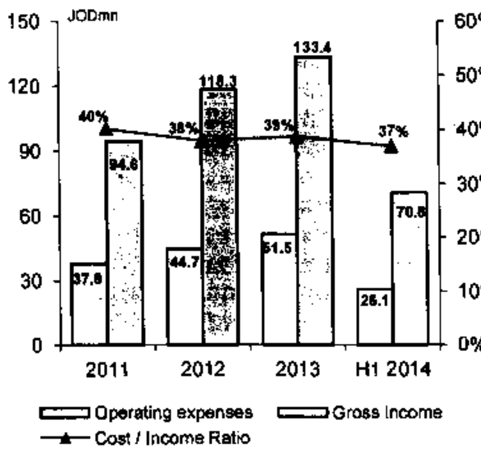
Very modest levels of non-profit sharing income (NPSI). The Bank's NPSI remained noticeably lower than the non-interest income (NII) generated by conventional banks in Jordan. This is partly a reflection of rather low volumes of contingent accounts business (Letters of Credit (LCs) and Letters of Guarantee (LGs)) at JIB, and the consequential limited fee and commission income produced. In H1 2014, non-profit sharing income bounced back by 13% to JOD11.4mn, compared to the same period in 2013, on the back of higher fees and commissions. Notwithstanding this improvement, NPSI contributed a moderate 16% to gross income during H1 2014 (2013:15%), when other local banks were averaging around 28%.

Fee and commission income remained the largest (62%) contributor to NPSI. In 2013, fees and commissions grew by 7% to JOD12mn lifted by fees from guarantees (LGs). In H1 2014, fee and commission income rose by 11% vs. H1 2013.

The category 'other income' on CI's spreads increased by 21% to JOD3mn in H1 2014 compared to the same period in 2013. Credit card commissions were the main item of this category.

Operating efficiency remained good and better than sector average - lean cost base. The Bank's cost income ratio has historically been favourable with no significant fluctuations in the last three years, as depicted in the adjacent chart. JIB's total operating expenses rose materially by 15% to JOD51.5mn in 2013, following a 14.8% hike in payroll costs. Given the lower 12.7% growth in gross income in 2013, JIB's cost to income ratio slightly deteriorated to a still sound 39% from 38% a year earlier. This measure of operating efficiency remained better than the Jordanian banking sector average of 45%. In H1 2014, the ratio improved slightly to 37%. The Banks favourable operating efficiency is attributable more to the favourable cost structure than the revenue generation, as the Bank's cost base measured to ATA has hovered between 1.51% to 1.56% in the last three years, when the banking sector was averaging close to 2% during the same period.

Cost Efficiency



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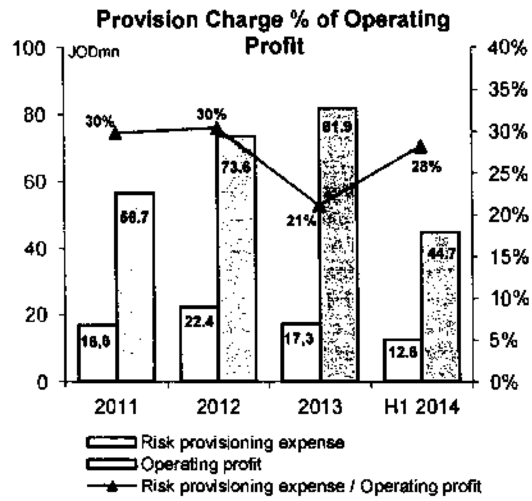

JORDAN ISLAMIC BANK

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PERFORMANCE RATIOS	Audited	UNAUD 06/2014	AUD 12/2013	AUD 12/2012	AUD 12/2011
A . SIZE FACTORS (USD 000)					
1 . Total Assets		4,813,693	4,622,025	4,255,325	4,082,114
2 . Total Capital		367,232	361,207	323,586	292,306
3 . Net Profit		32,003	63,530	51,331	39,892
B . ASSET QUALITY					
4 . Total Assets Growth Rate (YoY%)		4.15	8.62	4.24	11.32
5 . Estimated Non-Peforming IFF Net Accretion Rate (%)		5.74	6.63	2.00	20.22
6 . Non-Performing IFF to Gross IFF (%)		4.24	4.10	4.04	6.04
7 Non-Performing FLR To Total Assets (%)		2.79	2.75	2.61	2.87
8 . IFF-Loss Reserve to Non-Performing IFF (%)		86.46	75.82	62.67	60.49
9 . IFF-Loss Reserve to Gross IFF (%)		3.66	3.11	2.53	3.65
10 . Unprovided Non-Performing IFF to Free Capital (%)		7.20	12.19	20.47	22.93
11 . Effective Financing Coverage Ratio (Times)		2.75	2.74	2.45	2.33
12 . Unprovided Financing To Operating Profit (Months)		3.46	3.22	5.22	7.03
13 . IFF-Loss Provision Charge on Gross IFF (%)*		1.11	0.75	1.03	1.19
14 . Related Party Loans to Total Capital (%)		0.00	3.22	4.62	5.48
15 . Total Contingents To Total Assets (%)		0.00	7.84	7.58	6.82
C . CAPITAL ADEQUACY					
16 Reported Common Equity Tier 1 Ratio To Local Standards (%)					
17 . Reported Tier 1 Ratio To Local Standards (%)		17.72	18.13	19.21	24.41
18 . Reported Total Capital Adequacy Ratio To Local Standards (%)		18.18	18.50	19.56	24.48
19 . Internal Capital Generation (%)*		17.93	11.53	10.33	6.86
20 . Total Capital Growth Rate (YOY %)		1.67	11.63	10.70	6.84
21 . Total Capital To Total Assets (%)		7.63	7.81	7.60	7.16
22 . Total Capital to Gross IFF (%)		11.59	11.65	10.92	15.04
23 . Free Capital (JOD 000)		179,245	178,863	155,027	143,529
24 . Free Capital To Total Capital (%)		68.75	69.74	67.48	69.16
25 . Dividend Payout Ratio (%)		0.00	41.57	41.16	52.96
D . LIQUIDITY					
26 . Stable Funds (JOD 000)		3,252,929	3,123,636	2,868,520	2,759,665
27 . Net IFF To Total Assets (%)		63.42	64.98	67.88	45.87
28 . Net IFF to Total Customer Deposits (%)		70.52	72.41	75.58	50.82
29 . Net IFF to Total Deposits (%)		70.39	72.10	75.23	50.44
30 . Net IFF to Stable Funds (%)		66.63	68.26	71.49	48.18
31 . Net Investments To Total Assets (%)		1.09	1.47	2.79	3.33
32 . Liquid Asset Ratio (%)		30.29	28.56	24.16	46.02
33 . Net Liquid Asset Ratio (%)		30.13	28.17	23.75	45.35
34 . Quasi-Liquid Asset Ratio (%)		31.38	29.44	25.24	47.22
35 . Short-Term Funding Coverage Ratio (%)		19,026.08	7,573.67	6,077.51	7,000.78
36 . FX Currency IFF to FX Currency Deposits (%)			24,925	-5,232	13,713
37 . FX Currency Assets to FX Currency Liabilities (%)			-26,579	-28,723	8,126
38 . Net Interbank Assets (JOD 000)		68,004	60,529	64,009	98,282
E . PROFITABILITY					
39 . Return on Average Assets (%)*		1.36	1.43	1.23	1.03
40 . Operating Profit To Average Assets (%)*		2.67	2.58	2.46	2.04
41 . Gross Income To Average Assets (%)*		4.23	4.21	3.97	3.42
42 . Estimated Funding Cost (%)*		1.41	1.65	1.56	1.36
43 . Profit Sharing on Average Earning Assets (%)*		4.95	5.27	4.89	3.99
44 . Estimated Net Profit Sharing Margin (%)		3.55	3.62	3.33	2.63
45 . Non-Profit Sharing Income to Gross Income (%)		16.16	14.15	16.23	23.28
46 . Operating Expenses To Gross Income (%)		36.91	38.76	38.01	40.34
47 Operating Expenses To Average Assets (%)*		1.56	1.63	1.51	1.38
48 . Operating Profit Growth Rate (YOY %)*		9.94	11.52	29.74	9.82
49 . Risk Provisioning Expense To Operating Profit (%)		28.31	20.43	29.76	29.29
50 . Return on Average Equity (%)*		17.57	18.55	16.67	14.10
RATES					
. Exchange Rate (Units per USD)		0.71	0.71	0.71	0.71
. Inflation Rate (%)					
. Benchmark Interest Rate (USD)					

NOTES:

* Annualised ratios for June 2014.

JORDAN ISLAMIC BANK

BALANCE SHEET - ASSETS (JOD 000) External Audit	06/2014 USD 000	UNAUD 06/2014	AUD 12/2013	AUD 12/2012	AUD 12/2011	Growth (%) 06/2014	Growth (%) 12/2013	Growth (%) 12/2012	Growth (%) 12/2011	Breakdown (%) 06/2014	Breakdown (%) 12/2013	Breakdown (%) 12/2012	Breakdown (%) 12/2011
CASH & EQUIVALENT ASSETS:													
Cash			92,017	68,069	50,026	-100.00	4.46	76.09	13.28		2.80	2.92	1.73
Central Bank	1,354,507	961,700	771,907	565,310	1,165,984	24.59	36.55	-51.52	23.53	28.14	23.52	18.71	40.23
Treasury Bills													
Government Securities													
Reverse Repos													
Other													
TOTAL CASH & EQUIVALENT ASSETS	1,354,507	961,700	863,924	653,399	1,216,010	11.32	32.22	-46.27	23.07	28.14	26.33	21.63	41.96
DEPOSITS WITH BANKS:													
Short - Up to 1 Year	103,720	73,641	73,287	76,555	117,830	0.48	-4.27	-35.03	-13.56	2.15	2.23	2.53	4.07
Medium - Over 1 Year													
TOTAL DEPOSITS WITH BANKS	103,720	73,641	73,287	76,555	117,830	0.48	-4.27	-35.03	-13.58	2.15	2.23	2.53	4.07
TOTAL LIQUID ASSETS	1,458,227	1,035,341	937,211	729,954	1,333,840	10.47	28.39	-45.27	18.63	30.29	28.58	24.18	46.02
OTHER MARKETABLE SECURITIES	52,337	37,159	29,038	32,531	34,672	27.97	-10.74	-6.18	-7.81	1.09	0.88	1.08	1.20
FINANCING AND ADVANCES:													
Short Term	7,975	5,663	6,316	4,683	7,579	-10.34	34.87	-38.21	-1.82	0.17	0.19	0.16	0.26
Medium/Long Term (MLT)	2,622,965	1,862,305	1,849,373	1,826,580	1,149,389	0.70	1.23	58.94	11.25	54.49	56.36	60.47	39.66
Other	537,880	381,895	344,937	272,454	222,922	10.71	25.60	22.22	-6.27	11.17	10.51	9.02	7.69
Leasing and Factoring													
of which : Non-Performing Financing	134,225	95,300	90,171	84,987	83,319	5.69	6.10	2.00	20.22	2.79	2.75	2.81	2.87
GROSS ISLAMIC FINANCING FACILITIES	3,158,821	2,249,863	2,200,626	2,104,017	1,379,890	2.24	4.59	52.48	7.91	65.83	67.06	69.64	47.61
Loan-Loss Reserve	-118,058	-82,400	-68,364	-53,260	-50,403	20.53	28.36	5.67	6.24	-2.41	-2.08	-1.76	-1.74
NET ISLAMIC FINANCING FACILITIES	3,052,765	2,167,463	2,132,262	2,050,757	1,329,487	1.65	3.97	54.25	7.97	63.42	64.98	67.88	45.87
NON-MARKETABLE SECURITIES			19,213	51,568	61,744	-100.00	-62.96	-16.00	-18.59		0.59	1.72	2.13
SUBSIDIARIES & AFFILATES	25,968	18,437	17,041	19,842	19,557	8.19	-14.12	1.46	-15.58	0.54	0.52	0.66	0.67
NET NON-PERFORMING ASSETS (Excluding NPLs)													
FIXED ASSETS	88,807	63,053	60,553	54,877	44,451	4.13	10.34	23.46	14.53	1.84	1.85	1.82	1.53
OTHER ASSETS	135,590	96,269	86,320	81,452	74,550	11.53	5.98	9.26	2.77	2.82	2.83	2.70	2.57
TOTAL ASSETS	4,813,693	3,417,722	3,281,635	3,021,281	2,898,301	4.15	8.62	4.24	11.32	100.00	100.00	100.00	100.00
CONTINGENT ACCOUNTS:													
Financial Guarantees / SLCs / Acceptances			144,803	131,134	130,722	-100.00	10.42	0.32	11.94		4.41	4.34	4.51
Irrevocable Commitments													
Documentary L/Cs			112,634	97,787	67,061	-100.00	15.18	45.82	1.10		3.43	3.24	2.31
Bid / Performance / Retention Bonds													
TOTAL CONTINGENT ACCOUNTS			257,437	228,921	197,783	-100.00	12.48	15.74	8.01		7.84	7.58	6.82

BALANCE SHEET - LIABILITIES (JOD 000) External Audit	06/2014 USD 000	UNAUD 06/2014	AUD 12/2013	AUD 12/2012	AUD 12/2011	Growth (%) 06/2014	Growth (%) 12/2013	Growth (%) 12/2012	Growth (%) 12/2011	Breakdown (%) 06/2014	Breakdown (%) 12/2013	Breakdown (%) 12/2012	Breakdown (%) 12/2011
SHORT-TERM INTERBANK LIABILITIES:													
ST Placements From Banks	7,939	5,637	12,758	12,546	19,548	-55.82	1.69	-35.82	-55.62	0.16	0.39	0.42	0.67
Current Portion of LT Bank Debt													
Repos With Banks													
Interbank Liability To Parent / Related Party													
TOTAL SHORT-TERM INTERBANK LIABILITIES	7,939	5,637	12,758	12,546	19,548	-55.82	1.69	-35.82	-55.82	0.16	0.39	0.42	0.67
CUSTOMER DEPOSITS:													
Demand	1,429,328	1,014,823	781,404	706,094	657,772	29.87	10.35	7.65	17.05	29.69	23.81	23.44	22.70
Savings			157,180	130,917	124,401	-100.06	20.06	5.24	15.60		4.79	4.33	4.29
Time	2,851,449	2,024,529	1,924,242	1,798,231	1,766,135	5.21	7.01	1.82	13.24	59.24	58.64	59.52	60.94
Other- Cash Margins	48,355	34,332	81,947	78,251	67,828	-58.10	7.47	12.42	-9.38	1.00	2.60	2.52	2.34
TOTAL CUSTOMER DEPOSITS	4,329,132	3,073,684	2,944,773	2,713,493	2,616,136	4.38	8.52	3.72	13.71	89.93	89.73	89.81	90.26
OFFICIAL DEPOSITS													
TOTAL DEPOSITS + ST INTERBANK LIABILITIES	4,337,072	3,079,321	2,957,531	2,726,039	2,635,684	4.12	8.49	3.43	12.40	90.10	90.12	90.23	90.94
NON-BANK SHORT-TERM DEBT													
MEDIUM / LONG TERM FUNDING													
SUBORDINATED DEBT													
HYBRID CAPITAL													
OTHER LIABILITIES	109,389	77,666	57,650	65,496	55,080	14.81	3.29	18.91	-14.74	2.27	2.08	2.17	1.96
TOTAL LIABILITIES	4,446,461	3,156,987	3,025,181	2,791,535	2,690,764	4.36	8.37	3.75	11.68	92.37	92.19	92.40	92.84
CAPITAL:													
Paid Up Capital	211,268	150,000	125,000	125,000	100,000	20.00		25.00		4.39	3.81	4.14	3.45
Reserves	154,515	109,706	130,459	103,796	106,875	-15.91	25.69	-2.88	14.19	3.21	3.98	3.44	3.69
Minority Interest	1,449	1,029	998	950	661	3.11	5.05	43.72	2.01	0.03	0.03	0.03	0.02
TOTAL CAPITAL	367,232	260,735	256,457	229,746	207,537	1.67	11.63	10.70	6.64	7.63	7.81	7.60	7.16
TOTAL LIABILITIES + TOTAL CAPITAL	4,813,693	3,417,722	3,281,638	3,021,281	2,898,301	4.15	8.62	4.24	11.32	100.00	100.00	100.00	100.00
REGULATORY CAPITAL													

PROFIT AND LOSS ACCOUNT (JOD 000) External Audit	06/2014 USD 000	UNAUD 06/2014	AUD 41,638	AUD 41,273	AUD 40,908	Growth (%) 06/2014	Growth (%) 12/2013	Growth (%) 12/2012	Growth (%) 12/2011	% of Average Total Assets 06/2014	% of Average Total Assets 12/2013	% of Average Total Assets 12/2012	% of Average Total Assets 12/2011
Profit Sharing	116,672	32,979	168,093	144,811	109,714	-50.04	14.86	31.61	8.81	2.48	5.27	4.89	3.99
Depositors' Profit- Sharing	-33,234	-23,596	-92,130	-48,105	-37,472	-54.74	13.07	23.04	2.57	-0.70	-1.65	-1.58	-1.38
Net Profit-Sharing	83,638	59,383	113,963	96,506	72,242	-47.89	15.89	36.36	12.38	1.77	3.62	3.33	2.63
Net Fees and Commissions	9,497	6,743	11,964	11,209	10,560	-43.64	6.74	5.95	4.39	0.20	0.36	0.38	0.38
FX Trading Income	1,590	1,135	2,044	1,915	1,760	-44.47	6.74	8.81	6.54	0.03	0.06	0.06	0.06
Derivatives Income													
Gain / Loss on Securities	168	119	188	133	3,464	-36.70	41.35	-96.16	546.27	0.00	0.01	0.00	0.13
Other Investment Income													
Gains/Loss on Real Estate Held For Investment													
Share of Profits From Associates	576	409								0.01			
Net Insurance Income													
Other Income	4,282	3,040	4,586	5,826	6,118	-33.71	-21.28	-4.77	5.05	0.09	0.15	0.20	0.22
Total Non-Profit Sharing Income	16,121	11,446	18,782	19,083	21,922	-39.06	-1.58	-12.95	20.80	0.34	0.60	0.64	0.80
GROSS INCOME	99,759	70,829	132,745	117,589	94,164	-46.64	12.89	24.88	14.22	2.11	4.21	3.97	3.42
Operating Expenses	36,825	26,146	51,455	44,700	37,983	-49.19	15.11	17.68	21.40	0.78	1.63	1.51	1.38
OPERATING PROFIT	62,934	44,683	81,289	72,889	56,181	-45.03	11.52	29.74	9.82	1.33	2.58	2.46	2.04
Total Provisioning Expenses	-17,814	-12,648	-16,609	-21,692	-16,457	-23.85	-23.43	31.81	57.30	-0.38	-0.53	-0.73	-0.60
GROSS PROFIT / (LOSS)	45,120	32,035	64,680	51,197	39,724	-50.47	26.34	28.88	-2.39	0.96	2.05	1.73	1.44
Extraordinary Items													
Tax & Equivalent	-13,117	-9,313	-19,574	-14,752	-11,401	-52.42	32.69	29.39	-1.72	-0.28	-0.62	-0.50	-0.41
NET PROFIT (or -LOSS)	32,003	22,722	45,106	36,445	28,323	-49.63	23.76	28.68	-2.85	0.68	1.43	1.23	1.03
Net Changes in Fair Value	386	274	139			97.12				0.01	0.00		
Net FX Translation Gains													
Other	1	1	2			-50.00				0.00	0.00		
COMPREHENSIVE INCOME	32,390	22,997	45,247	36,445	28,323	-49.17	24.15	28.68	-2.65	0.69	1.44	1.23	1.03
Proposed Cash Dividends			18,750	15,000	15,000	-100.00	25.00		25.00		0.59	0.51	0.55

RATIO FORMULAE

A.SIZE FACTORS (KWD 000)	1. TOTAL ASSETS	TOTAL ASSETS
	2. TOTAL CAPITAL	TOTAL CAPITAL
	3. NET PROFIT	NET PROFIT
B.ASSET QUALITY	4. TOTAL ASSETS GROWTH RATE (YOY%)	(CURRENT YEAR TOTAL ASSETS – PREVIOUS YEAR TOTAL ASSETS) X 100 PREVIOUS YEAR TOTAL ASSETS
	5. ESTIMATED NON-PEFORMING LOANS (NPLS) NET ACCRETION RATE (%)	(NON-PERFORMING LOANS + WRITEOFFS- NON-PERFORMING LOANS(PREVIOUS YEAR)) X 100 NON-PERFORMING LOANS(PREVIOUS YEAR)
	6. NPL RATIO (%)	NON-PERFORMING LOANS X 100 GROSS LOANS
	7. NPAS (INCLUDING NPLS) TO TOTAL ASSETS (%)	(NON-PERFORMING ASSETS + NON-PERFORMING LOANS) X 100 TOTAL ASSETS
	8. LOAN-LOSS RESERVE TO NPLS (%)	LOAN-LOSS RESERVE X 100 NON-PERFORMING LOANS
	9. LOAN-LOSS RESERVE TO GROSS LOANS (%)	LOAN-LOSS RESERVE X 100 GROSS LOANS
	10. UNPROVIDED NON-PERFORMING LOANS TO FREE CAPITAL (%)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 100 FREE CAPITAL
	11. EFFECTIVE NPL COVERAGE RATIO (TIMES)	(LOAN-LOSS RESERVE + FREE CAPITAL) NPLs
	12. UNPROVIDED NPLS TO OPERATING PROFIT (MONTHS)	(NON-PERFORMING LOANS - LOAN LOSS RESERVE) X 12 OPERATING PROFIT
	13. LOAN-LOSS PROVISIONING EXPENSE TO GROSS LOANS (%)	PROVISIONS FOR LOANS (SPEC + GEN) X 100 GROSS LOANS
	14. RELATED PARTY EXPOSURE TO TOTAL CAPITAL (%)	RELATED-PARTY EXPOSURE (FUNDED + UNFUNDED) X 100 TOTAL CAPITAL
	15. TOTAL CONTINGENTS TO TOTAL ASSETS (%)	(TOTAL CONTINGENT ACCOUNTS) X 100 TOTAL ASSETS
[illegible]	16. REPORTED COMMON EQUITY TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	17. REPORTED TIER 1 RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	18. REPORTED TOTAL CAPITAL ADEQUACY RATIO TO LOCAL STANDARDS (%)	AS REPORTED ACCORDING TO LOCAL STANDARDS
	19. INTERNAL CAPITAL GENERATION (%)	(COMPREHENSIVE INCOME – PROPOSED CASH DIVIDENDS – EXTRAORDINARY ITEMS) X 100 PREVIOUS YEAR TOTAL CAPITAL
	20. TOTAL CAPITAL GROWTH RATE (YOY %)	(CURRENT YEAR TOTAL CAPITAL – PREVIOUS YEAR TOTAL CAPITAL) X 100 PREVIOUS YEAR TOTAL CAPITAL
	21. TOTAL CAPITAL TO TOTAL ASSETS (%)	TOTAL CAPITAL X 100 TOTAL ASSETS
	22. TOTAL CAPITAL TO GROSS LOANS (%)	TOTAL CAPITAL X 100 GROSS LOANS
	23. FREE CAPITAL (KWD 000)	TOTAL CAPITAL – SUBSIDIARIES AND AFFILIATES – FIXED ASSETS
	24. FREE CAPITAL TO TOTAL CAPITAL (%)	FREE CAPITAL X 100 TOTAL CAPITAL
	25. DIVIDEND PAYOUT RATIO (%)	PROPOSED CASH DIVIDENDS X 100 NET PROFIT

RATIO FORMULAE

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

RATINGS DEFINITIONS

International Issuer Credit Ratings: Foreign Currency and Local Currency

CI's international issuer credit ratings indicate the general creditworthiness of an entity (such as a bank, corporate or sovereign) and the likelihood that it will meet its financial obligations in a timely manner. Foreign currency ratings refer to an entity's ability and willingness to meet its foreign currency denominated financial obligations as they come due. Foreign currency ratings take into account the likelihood of a government imposing restrictions on the conversion of local currency to foreign currency or on the transfer of foreign currency to residents and non-residents.

Local currency ratings are an opinion of an entity's ability and willingness to meet all of its financial obligations on a timely basis, regardless of the currency in which those obligations are denominated and absent transfer and convertibility restrictions. Both foreign currency and local currency ratings are internationally comparable assessments.

Foreign and local currency ratings take into account the economic, financial and country risks that may affect creditworthiness, as well as the likelihood that an entity would receive external support in the event of financial difficulties.

Ratings assigned to banks and corporates are generally not higher than the ratings assigned by CI to the relevant sovereign government. However, it may be possible for an issuer with particular strengths and attributes such as inherent financial strength, geographically diversified cash flow, substantial foreign assets, and guaranteed external support, to be rated above the sovereign.

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

The following rating scale applies to both foreign currency and local currency ratings. Short-term ratings assess the time period up to one year.

Long-Term Issuer Ratings

Investment Grade

AAA The highest credit quality. Exceptional capacity for timely fulfilment of financial obligations and most unlikely to be affected by any foreseeable adversity. Extremely strong financial condition and very positive non-financial factors.

AA Very high credit quality. Very strong capacity for timely fulfilment of financial obligations. Unlikely to have repayment problems over the long term and unquestioned over the short and medium terms. Adverse changes in business, economic and financial conditions are unlikely to affect the institution significantly.

A High credit quality. Strong capacity for timely fulfilment of financial obligations. Possesses many favourable credit characteristics but may be slightly vulnerable to adverse changes in business, economic and financial conditions.

BBB Good credit quality. Satisfactory capacity for timely fulfilment of financial obligations. Acceptable credit characteristics but some vulnerability to adverse changes in business, economic and financial conditions. Medium grade credit characteristics and the lowest investment grade category.

Speculative Grade

BB Speculative credit quality. Capacity for timely fulfilment of financial obligations is vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors do not provide significant safeguard and the possibility of investment risk may develop.

B Significant credit risk. Capacity for timely fulfilment of financial obligations is very vulnerable to adverse changes in internal or external circumstances. Financial and/or non-financial factors provide weak protection; high probability for investment risk exists.

C Substantial credit risk is apparent and the likelihood of default is high. Considerable uncertainty as to the timely repayment of financial obligations. Credit is of poor standing with financial and/or non-financial factors providing little protection.

RS Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Short-Term Issuer Ratings

Investment Grade

A1 Superior credit quality. Highest capacity for timely repayment of short-term financial obligations that is extremely unlikely to be affected by unexpected adversities. Institutions with a particularly strong credit profile have a "+" affixed to the rating.

A2 Very strong capacity for timely repayment but may be affected slightly by unexpected adversities.

A3 Strong capacity for timely repayment that may be affected by unexpected adversities.

Speculative Grade

B Adequate capacity for timely repayment that could be seriously affected by unexpected adversities.

C Inadequate capacity for timely repayment if unexpected adversities are encountered in the short term.

RS Regulatory supervision (this rating is assigned to financial institutions only). The obligor is under the regulatory supervision of the authorities due to its weak financial condition. The likelihood of default is extremely high without continued external support.

SD Selective default. The obligor has failed to service one or more financial obligations but CI believes that the default will be restricted in scope and that the obligor will continue honouring other financial commitments in a timely manner.

D The obligor has defaulted on all, or nearly all, of its financial obligations.

Capital Intelligence appends "+" and "-" signs to foreign and local currency **long term** ratings in the categories from "AA" to "C" to indicate that the strength of a particular rated entity is, respectively, slightly greater or less than that of similarly rated peers.

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

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 ovarall; slight weaknesses in financial or other factors could be remedied fairly easily. May be limited by unstable operating environment.
BB	One or two significant weaknesses in the bank's financial makeup could cause problems. May be characterised by a limited franchise; other factors may not be sufficient to avoid a need for some degree of temporary external support in cases of extraordinary adversity. Unstable operating environment likely.
B	Fundamental weaknesses are present in the bank's financial condition or trends, and other factors are unlikely to provide strong protection from unexpected adversities; in such an event, the need for external support is likely. Bank may be constrained by weak market position and/or volatile operating environment.
C	In a very weak financial condition, either with immediate problems or with limited capacity to withstand adversities. May be operating in a highly volatile operating environment.
D	Extremely weak financial condition and may be in an untenable position.

Capital Intelligence appends "+" and "-" signs to financial strength ratings in the categories from "AA" to "C" to indicate that the strength of a particular institution is, respectively, slightly greater or less than that of similarly rated peers.

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

Support Ratings

CI's support ratings assess the likelihood that, in the event of difficulties, a bank would receive sufficient financial assistance from the government or private owners to enable it to continue meeting its financial obligations in a timely manner. Support ratings complement CI's financial strength ratings which, in effect, indicate the likelihood that a bank will fail due to inherent financial weaknesses and/or an unstable operating environment and therefore may require external support to avoid defaulting on its obligations. Neither financial strength ratings nor support ratings take account of transfer and convertibility risks associated with sovereign events. The overall creditworthiness of an institution and default risk is captured by CI's foreign currency ratings. Foreign currency ratings take into account all factors affecting the likelihood of repayment including inherent financial strength, external support, the operating environment, and sovereign-related risks.

Although subjective, support ratings are based on a thorough assessment of a bank's ownership, market position and importance within the sector and economy, as well as the country's regulatory and supervisory framework and the credit standing of potential supporters.

The following rating scale applies to support ratings.

1. The likelihood of a bank receiving support in the event of difficulties is extremely high. The characteristics of a bank with this support rating may include strong government ownership and/or clear legal guarantees on the part of the state. The bank may also be of such importance to the national economy that state intervention is virtually assured. The ability and willingness of potential supporters to provide sufficient and timely support is extremely strong.

2. The likelihood of support is very high. The ability and willingness of potential supporters to provide sufficient and timely support is very strong.

3. The likelihood of support is high. The ability and willingness of potential supporters to provide sufficient and timely support is strong.

4. The likelihood of support is moderate. There is some uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

5. The likelihood of support is low. There is considerable uncertainty about the ability and willingness of potential supporters to provide sufficient and timely assistance.

ATTRIBUTES AND LIMITATIONS OF CREDIT RATINGS

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

- CI's credit ratings are statements of opinion and not statements of fact. They are an independent opinion of the creditworthiness of an entity or obligor either in general (an issuer rating) or with regard to a specific financial obligation (an issue rating).
- CI's credit ratings are intended to provide a relative ranking of credit risk among rated entities and obligations based on fundamental credit analysis and expressed in rating symbols from 'AAA' to 'D'. Reflecting the limited number of gradations, entities or obligations with the same rating may not be of exactly the same credit quality, but they will share substantially similar credit risk characteristics.
- CI's credit ratings are assigned by, and all subsequent rating actions (including upgrades, downgrades and changes in outlook) determined by, rating committees and never by an individual analyst.
- CI's credit ratings indicate the likelihood of default, but they do not indicate a specific probability of default over any given time period.
- CI may initiate credit ratings on issuers without the request of the issuer provided there is adequate public information available to form a credible opinion of the issuer's creditworthiness.
- CI does not audit or verify the accuracy of information obtained from issuers as part of the rating process and may, in some cases, rely on unaudited financial data.
- A credit rating may, at any time, be raised, lowered, placed under review, suspended or withdrawn in accordance with CI's policies and procedures.
- CI may assign private 'shadow' sovereign ratings – internal assessments of sovereign risk that are not intended for publication and are used as an input into other rating assessments. Shadow sovereign ratings may constrain or cap the ratings of other rated issuers within a country. Shadow sovereign ratings may be based on a lower level of information or less detailed analysis compared to public sovereign ratings and, although monitored, may be reviewed less frequently than every six months. They do not represent a full rating opinion.

CI's credit ratings may be used as an analytical input into, but are not a substitute for, investors' own risk management. Investors in particular should be aware that:

- CI's credit ratings focus on one aspect of investment risk – credit (or repayment) risk – and do not explicitly capture loss severity or recovery prospects.
- CI's ratings are not recommendations to purchase, sell, or hold stocks or shares in an institution or particular security.
- CI's ratings do not assess or indicate the likelihood of changes in the market price of rated instruments due to market-related factors such as changes in interest rates or liquidity.
- CI's ratings do not provide an opinion of the liquidity in the market of an issuer's securities.