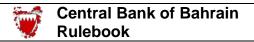
Appendix CA-6

Supervisory Slotting Criteria For Diminishing Musharakah in Real Estate

| Financial Strength | Strong | Good | Satisfactory | Weak |
|--------------------|--|---|--|---|
| Market Conditions | The supply and demand for the business venture's type and location are currently in equilibrium. The number of competitive properties coming to market is equal or lower than forecasted demand. | The supply and demand for the business venture's type and location are currently in equilibrium. The number of competitive properties coming to market is roughly equal to forecasted demand. | Market conditions are roughly in equilibrium. Competitive properties are coming on the market and others are in the planning stages. The business venture's design and capabilities may not be state of the art compared to new project/business ventures. | Market conditions are weak. It is uncertain when conditions will improve and return to equilibrium. The business venture is losing tenants at Ijarah/lease expiration. New Ijarah/lease terms are less favourable compared to those expiring. |
| Stress Analysis | The property's resources, contingencies and liability structure allow it to meet its financial obligations during a period of severe financial stress. | The property can meet its financial obligations under a sustained period of financial stress. The property is likely to default only under severe economic conditions. | During an economic downturn, the property would suffer a decline in revenue that would limit its ability to fund capital expenditures and significantly increase the risk of default. | The property's financial condition is strained and is likely to default unless conditions improve in the near term. |

| Cash-flow predictability | Strong | Good | Satisfactory | Weak |
|---------------------------|----------------------|----------------------|---------------------|-------------------------------------|
| (a) For complete and | The property's | Most of the | Most of the | The property's leases are of |
| stabilised property | leases are long- | property's | property's leases | various terms with tenants that |
| | term with | leases are long- | are medium rather | range in creditworthiness. The |
| | creditworthy | term, with tenants | than long-term | property experiences a |
| | tenants and their | that range in | with tenants that | very high level of tenant |
| | maturity dates are | creditworthiness. | range in | turnover upon lease expiration. Its |
| | scattered. The | The | creditworthiness. | vacancy rate is high. Significant |
| | property has a | property | The property | expenses are incurred |
| | track record of | experiences a | experiences a | preparing space for new |
| | tenant retention | normal level of | moderate level of | tenants. |
| | upon lease | tenant | tenant turnover | |
| | expiration. Its | turnover upon | upon lease | |
| | vacancy rate is | lease | expiration. Its | |
| | low. | expiration. Its | vacancy rate is | |
| | Expenses (such as | vacancy rate is | moderate. | |
| | maintenance, | low. Expenses are | Expenses are | |
| | insurance, security, | predictable. | relatively | |
| | and property | | predictable but | |
| | taxes) are | | vary in relation to | |
| | predictable. | | revenue. | |
| b) For complete but not | Leasing activity | Leasing activity | Most leasing | Market rents do not meet |
| stabilised property | meets or exceeds | meets or exceeds | activity is within | expectations. Despite achieving |
| | projection. The | projections. The | projections; | target occupancy rate, cash flow |
| | business venture | project should | however, | coverage is |
| | should achieve | achieve | stabilisation will | tight due to disappointing |
| | stabilisation in the | stabilisation in the | not occur for | revenue. |
| | near future. | near future. | some time. | |
| | | | | |
| c) For construction phase | The property is | The property is | Leasing activity is | The property is |
| | entirely pre-leased | entirely pre-leased | within | deteriorating due to cost |
| | through the tenor | or pre-sold to a | projections but the | overruns, market |
| | of the contract or | creditworthy | building may not | deterioration, tenant |
| | pre-sold to an | tenant or investor. | be pre-leased. The | cancellations or other |
| | investment grade | | bank may | factors. There may be a |
| | tenant or buyer. | | be the permanent | dispute with the party |
| | | | investor. | providing the permanent |
| | | | | financing. |
| | | | | |
| Asset Characteristics | 1 | | l | |
| Location | Property is located | Property is located | The property | The property's location, |
| | in highly desirable | in desirable | location lacks a | configuration, design and |
| | location that is | location that is | competitive | maintenance have |
| | convenient to | convenient to | advantage. | contributed to the |
| | services that | services that | | property's difficulties. |
| | tenants desire. | tenants desire. | | |
| Design and condition | Property is | Property is | Property is | Weaknesses exist in the |
| | favoured due to its | appropriate in | adequate in | property's configuration, |
| | design, | terms of its design, | terms of its | design or maintenance. |
| | configuration, and | configuration and | configuration, | |
| | maintenance, and | maintenance. The | design and | |
| | is highly | property's design | maintenance. | |
| | competitive with | and capabilities are | | |
| | new properties. | competitive with | | |
| | | new properties. | | |



| | Strong | Good | Satisfactory | Weak |
|---|--|--|--|---|
| Property is under construction | Construction budget is conservative and technical hazards are limited. Contractors are highly qualified. | Construction budget is conservative and technical hazards are limited. Contractors are highly qualified. | Construction budget is adequate and Contractors are ordinarily qualified. | Business venture is over budget or unrealistic given its technical hazards. Contractors may be under qualified. |
| Strength of Musharakah 1 | partner(s) | | | |
| Financial capacity and willingness to support the property. | The partner has substantial resources and limited direct and contingent liabilities. | The partner's financial condition allows it to support the property in the event of a cash flow shortfall. | The partner is average to below average in financial resources. | The partner lacks capacity or willingness to support the property. |
| Reputation and track record with similar properties. | Experienced management and high partner's quality. Strong reputation and lengthy and successful record with similar properties | Appropriate management and partner's quality. The partner or management has a successful record with similar properties | Moderate management and sponsors' quality. Management or sponsor track record does not raise serious concerns | Ineffective management and substandard partners' quality. Management and partner difficulties have contributed to difficulties in managing properties in the past |
| Relationships with relevant real estate actors | Strong relationships with leading actors such as leasing agents | Proven relationships with leading actors such as leasing agents | Adequate relationships with leasing agents and other parties providing important real estate services | Poor relationships with leasing agents and/or other parties providing important real estate services |

| Divestment and Liquidation | Strong | Good | Satisfactory | Weak |
|---|--|--|--|--|
| Legal infrastructure | Legally enforceable to sell / liquidate the property | Legally enforceable to sell / liquidate the property | Legally enforceable to sell / liquidate the property | Ability to sell / liquidate the property is constrained and time consuming |
| Quality of the <i>Takaful</i> or insurance coverage | Appropriate | Appropriate | Appropriate | Substandard |