البنك الإسلامي الأردني

الإدارة العامة

الرقم : م.م ١١٩/تعاميم ١٣٣-٦/٢٠١٧/ 47139

التاريخ : ٢٠١٧/١٢/١٩ م

الموافق : ٠١ / ربيع الثاني / ١٤٣٩هـ

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٩ كانون الأول ٢٠١٧
الرقم المتسلسل: ٥٨٤٦
رقم الملف: ١١٢٨
الجهة المختصة: الإفصاح

السادة بورصة عمان المحترمين ،،
عمان – الأردن

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني للبنك الإسلامي الأردني من Capital Intelligence (CI)

بالإشارة إلى الموضوع أعلاه ، يسرنا أن نرفق لكم طيه نسخة من التصنيف الائتماني الخاص بمصرفنا والصادر عن Capital Intelligence (CI) إصدار كانون أول ٢٠١٧.

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة
الرئيس التنفيذي / المدير العام

المرفقات: نسخة من تصنيف CI

MN / R B

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

هاتف : ٥٦٧٧٣٧٧ ٦ ٩٦٢+
فاكس : ٥٦٦٦٣٢٦ ٦ ٩٦٢+
٥٦٨٤٧٥٥ ٦ ٩٦٢+

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Credit Rating Announcement

Ref: JO01016CRA00-1

14th December 2017

Jordan Islamic Bank's Ratings Affirmed

Capital Intelligence Ratings (CI Ratings or CI), the international credit rating agency, announced today that it has affirmed Jordan Islamic Bank's (JIB) Long- and Short-Term Foreign Currency Ratings (FCRs) at 'BB-' and 'B', respectively, with a 'Negative' Outlook. The 'Negative' Outlook on the FCRs for JIB (and all other Jordanian banks) was assigned in June 2017, following a revision of the Outlook for Jordan's sovereign rating. Although JIB has adeptly managed its balance sheet in the face of continued elevated credit and geopolitical risks, CI Ratings notes that in common with other Jordanian banks, its ratings are increasingly pressured by heightened sovereign risk factors, as well as the challenging operating environment. The Bank's Long-Term FCR remained constrained by the ratings assigned to the sovereign ('BB-'/'B'/'Negative), 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). As such, the ratings for JIB and all other Jordanian banks could be lowered if Jordan's FCRs are lowered. The Support Rating remains at '3' in view of the demonstrated shareholder support from the parent, Al-Baraka Banking Group (ABG), as well as the high likelihood of support from the CBJ.

JIB's Financial Strength Rating (FSR) is maintained at 'BBB-', with a 'Negative' Outlook, supported by the Bank's satisfactory financing asset quality as demonstrated by almost full financing-loss reserve (FLR) cover for non-performing financings (NPFs), coupled with a still low NPF ratio and renegotiated financings, high liquidity underpinned by a diversified customer deposit base, and good profitability at both the operating and net levels. JIB's established Islamic banking franchise in Jordan and high market share of Islamic banking assets and customer deposits is also a supporting factor. The FSR is constrained by the low total capital to total assets ratio, large government guaranteed single borrower concentration risk, the low share of non-profit sharing income (NPSI) to gross income, and the difficult operating environment due to ongoing high geopolitical risks in the region.

JIB continues to control the lion's share of Islamic banking assets and customer deposits in Jordan, despite keen competition over the past years. The Bank exhibits still satisfactory financing asset quality metrics evidencing effective risk management practices. Despite an increase in NPFs in H1 2017 as a result of classifying two exposures as non-performing, JIB continued to boast one of the lowest NPF ratios in Jordan, while FLR cover stayed close to 100% despite a decline. In 2016 the NPF net accretion rate was negative due to higher recoveries. The net financing portfolio, however, continues to exhibit high – albeit reduced – concentration by borrower, mainly due to a government guaranteed medium-term facility extended to a systemically important government related entity (GRE) five years ago. Although exposure to this GRE decreased considerably in recent periods due to amortisations, the concentration remained material.

The capital adequacy ratio (CAR), calculated based on CBJ regulations and in line with the Islamic Financial Services Board (IFSB) methodology, was maintained at a very comfortable level at end June 2017, underscoring the Bank's high exposure to government guaranteed financings and still large balances with CBJ – both of which carry zero risk-weight factors. It has to be noted, however, that JIB's seemingly high CAR is largely a result of the substantial share of Unrestricted Investment Accounts (URIAs) in the customer deposit base. In accordance with CBJ instrucions and IFSB standards, the share of yielding assets financed by URIAs bears part of the risk weight factor in the calculation of total risk weighted assets because the credit risk is shared by the Bank and URIAs according to their contribution to profit/loss. However, leaving aside the effect of URIAs on regulatory capital adequacy, JIB's capitalisation as measured by the ratio of total capital to total assets remained moderate, and below the average for conventional banks in Jordan. Nonetheless, JIB'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.

The Bank's liquidity remained strong in 2016, with key funding and liquidity metrics improving as customer deposits expansion surpassed the growth in Islamic financing facilities. JIB's funding is sourced predominantly from retail deposits which, in turn, bestow granularity and restrict concentrations in the customer deposit base. At the same time, usage of interbank or term funding was negligible. In H1 2017 key liquidity metrics were broadly unchanged as customer deposits and financing facilities both expanded at a measured pace. Being an Islamic bank, JIB is precluded from investing surplus

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liquidity in interest earning government securities and T-bills. Thus, while conventional banks continue to deploy their surplus JOD liquidity into high-yielding Jordanian government paper, JIB had until recently channelled excess liquidity into government-guaranteed financings due to limited availability of government Sukuk instruments in Jordan. As a result, JIB's headline liquidity metrics are tighter than those seen in the liquid Jordanian banking system, although they remain sound in a global context. The Kingdom of Jordan's relatively recent Sukuk issue (in May 2016), and JIB's subsequent subscription to a significant share of that Sukuk, paves the way for a profitable option to invest surplus liquidity compared to the zero-reward balances at CBJ.

Operating profitability improved to one of the best in the sector in 2016, benefiting from a growing level of net profit sharing (NPS) income together with a healthy NPS margin, and effective cost control. The strong NPS revenue together with cost containment more than offset the Bank's lower than sector average NPSI, with the latter being a function of rather low volumes of contingent accounts business (mostly trade related). In H1 2017, despite a slight decrease (annualised) in operating profit due to a decline in NPS, operating profitability remained above the sector average and sound in global terms, providing a good cushion for absorbing risk charges. Profitability at the net level, as measured by the return on average assets, improved in 2016 to a level well above the sector average, despite a higher provision charge, while in H1 2017 it decreased slightly (annualised), due to a decline in NPS.

Established in 1978 under a special decree, JIB is the oldest Islamic bank in Jordan. The Bank is listed on the Amman Stock Exchange and 66% of its capital is held by ABG. The latter is, in turn, owned by Saudi Arabia based Dallah Al-Baraka Group, a large diversified business conglomerate founded in 1969 by Sheikh Saleh Abdullah Kamel. JIB undertakes financing and investment through Islamic modes of Murabaha (cost plus profit margin), Mudaraba (the Bank shares profits as capital provider), Musharaka (participation investment), and Ijara (lease financing). The Bank operates a network of 74 branches, 26 cash offices, and 190 ATMs in Jordan. At end-June 2017 the Bank had total assets of JOD4.1 billion (USD5.84 billion) and total capital of JOD347mn (USD488mn).

CREDIT RATINGS

Foreign Currency		Financial Strength	Support	Outlook	
LT	ST			FC	FSR
BB-	B	BBB-	3	Negative	Negative

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The information sources used to prepare the credit ratings are the rated entity and public information. 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 February 1995. The ratings were last updated in June 2017.

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. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at http://cerep.esma.europa.eu