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السادة بورصة عمان المحترمين ،،
عمان - الأردن

السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني للبنك الإسلامي الأردني من شركة التصنيف ستاندرد آند بورز (S&P)

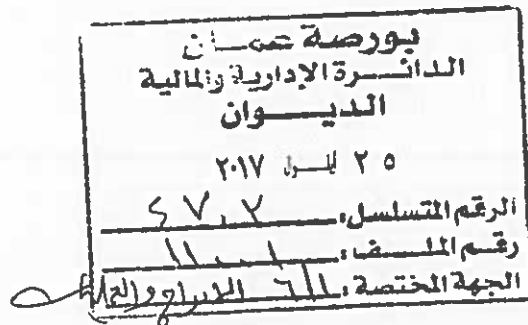
بالإشارة الى الموضوع أعلاه ، يسرنا أن نرفق لكم طيه نسخة من التصنيف الائتماني الخاص بمصرفنا والصادر عن شركة التصنيف ستاندرد آند بورز إصدار أيلول 2017.

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة
الرئيس التنفيذي / المدير العام

المرفقات: نسخة من تصنيف S&P

MY/RB



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Research Update:

Jordan Islamic Bank 'BB-/B' Ratings Affirmed On Business Resilience; Outlook Remains Negative

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Overview

- Jordan Islamic Bank (JIB) has shown good business resiliency to the current adverse economic conditions in Jordan through prudent risk management and sound earnings capacity.
- JIB's capitalization has improved to an adequate level, sustained by large cash balances at the central bank that carry zero risk weights according to our revised risk-adjusted capital methodology.
- We are therefore affirming our 'BB-/B' ratings on JIB.
- The negative outlook mirrors our outlook on the ratings on Jordan (BB-/Negative/B). Our ratings on JIB are closely tied to the sovereign ratings, since we consider that the adverse economic environment in the country could hinder JIB's operations and expose the bank to increased instability.

Rating Action

On Sept. 20, 2017, S&P Global Ratings affirmed its 'BB-' long-term and 'B' short-term counterparty credit ratings on Jordan-based Jordan Islamic Bank (JIB). The outlook remains negative.

Rationale

Our affirmation balances JIB's leading position as the largest Islamic financial institution in Jordan, its good business resiliency, and sound earnings capacity, against high geographic concentration in Jordan and related credit risk, notably exposure to the government and public sector entities, due to the fragile domestic economy.

JIB has a long track record and a well-established position as the largest domestic Islamic bank, with market shares in financing and deposits of about 11%-13% as of Dec. 31, 2016. On the downside, revenue diversification is limited: JIB derives 99% of its revenues from Jordan. We note that loan growth has slowed significantly in 2016 and 2017, but this is largely due to reduced exposure to a large domestic government-related entity. JIB's financing to public sector entities significantly declined to 1.67x total adjusted capital as of Dec. 31, 2016 (or 22% of the financing base), from a relatively high 2x over 2012-2015.

We anticipate that our projected risk-adjusted capital (RAC) ratio before diversification will now stand above 7% over the period to year-end 2018,

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compared with 6.1% in 2016. We have therefore revised upward our assessment of capital and earnings to adequate from moderate. In line with our revised 2017 RAC framework, the bank's significant cash exposure now carries a 0% risk weight, instead of being indexed to the sovereign's risk-weighting. As of December 2016, the bank's cash balance at the central bank of Jordan reached more than Jordanian dinar (JOD) 1 billion (\$1.41 billion), almost one-quarter of the bank's total balance sheet. Our adequate assessment remains a neutral rating factor for a bank with a 'bb' anchor. Our projections exclude any material capital strengthening, although JIB's parent, Al Baraka Banking Group B.S.C. (ABG; BB+/Negative/B), raised a \$400 million tier 1 sukuk and could potentially inject some of the proceeds into JIB if needed, in the form of tier 2 instruments, which would count as regulatory capital.

Despite economic headwinds in Jordan, JIB has displayed favorable and steady profitability metrics compared with peers over the past five years. The net profit margin has remained around 5% and return on equity above 16% over that period. We believe that this is largely due to profitable financing in the public sector and the bank's capacity to maintain a low cost base. JIB's operating expenses to operating income has averaged 38% over 2015-2016.

We consider that the challenges faced by Jordan weigh adversely on JIB's risk profile, considering the bank's material exposure to Jordan's government and public sector (JIB's single-name public-sector exposure represents roughly one-fifth of its total financing operations, while it also has significant central bank placements). We also expect the adverse economic and political conditions in Jordan to continue testing asset quality metrics in JIB's private-sector financing portfolio. The bank entered the current economic turbulence well-positioned. Its financing book to the private sector has historically shown good granularity, its business positioning enabled it to cherry pick customers and it had a consistent record of better asset quality metrics than domestic peers. Standing at 3.2% on Dec. 31, 2016, the bank's nonperforming assets-to-total financing ratio is at its lowest since 2008. In the coming years, we expect a slight deterioration of this ratio as geopolitical tensions are likely to persist, causing trade disruptions with neighboring countries, such as the trade route closure with Iraq.

Funding rests on JIB's ample core and granular customer deposits, representing 99.8% of the total funding base, coupled with a strong stable funding ratio, which has remained above 100% for the last 10 years. The bank's liquidity position also remains well within adequate levels, given the still abundant cash balances held at the central bank. Investment opportunities are limited, given the very small sukuk issuances of Jordan's sovereign and public entities, coupled with regulatory limits on foreign investments (maximum of 10% of total investments as per the central bank's regulation). We don't expect significant additional sukuk issuance in 2018 that would ease the bank's liquidity management. Excess liquidity will continue to be mainly channeled into government-guaranteed financing or placement at the central bank. This last investment option hampers the bank's profitability because of the zero-reward central bank placement.

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We assess JIB's stand-alone credit profile (SACP) at 'bb-'. The likelihood of extraordinary government support or parent support from Al Baraka Banking Group currently has no impact on the ratings on the bank, as the bank's SACP is at the same level as the sovereign ratings and the long-term rating on JIB is capped by the sovereign long-term rating.

Outlook

The negative outlook mirrors our outlook on the ratings on Jordan. Our ratings on JIB are closely tied to the sovereign rating, given JIB's sizable exposure to the government and public sector, its sole focus on its domestic market, and financing bias toward real estate and government-related entities. Economic conditions in Jordan have deteriorated due to the difficult external environment that the country is facing, which, in our view, is dragging on growth prospects and complicating structural fiscal consolidation efforts. Over the next three years through 2020, we anticipate that growth prospects will be dampened by regional tensions, the wars in Syria and Iraq, continuing (albeit slowing) refugee inflows, and muted private remittance inflows from the Gulf countries, based on our assumption of largely flat oil prices. We consider that this adverse economic environment in Jordan could hinder JIB's operations and expose the bank to further instability.

A downgrade of the sovereign would trigger a similar rating action on JIB. A downgrade could also be triggered by a weakening of JIB's SACP by two notches, given that a weakening of the SACP by one notch would be offset by JIB's moderately strategic status to Al Baraka Banking Group. A weakening of the SACP by two notches could come from a simultaneous decline in capitalization and asset quality, owing to further deterioration in the domestic economic environment. However, we do not believe that this is likely in the next 12 months.

We would revise the outlook on JIB to stable if we revised the outlook on Jordan to stable, barring any other change.

Ratings Score Snapshot

Issuer Credit Rating	To BB-/Negative/B	From BB-/Negative/B
SACP	bb-	bb-
Anchor	bb	bb
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Moderate (0)
Risk Position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Average and Adequate (0)	Average and Adequate (0)

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Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

Related Criteria

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Research Update: Jordan 'BB-/B' Ratings Affirmed; Outlook Remains Negative , April 21, 2017
- Banking Industry Country Risk Assessment: Jordan, May 18, 2017

Ratings List

Ratings Affirmed

Jordan Islamic Bank	
Counterparty Credit Rating	BB-/Negative/B

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global

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Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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