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السادة بورصة عمان المحترمين ،،،

السلام عليكم ورحمة الله وبركاته،،،

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

بالإشارة الى الموضوع أعلاه، يسرنا أن نرفق لكم طيه نسخة من خبر التصنيف الائتماني الخاص بمصرفنا والصادر عن وكالة التصنيف ستاندرد آند بورز إصدار حزيران 2022.

وتفضلوا بقبول فائق الاحترام،،،

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المرفقات: نسخة من خبر تصنيف وكالة ستاندرد آند بورز (S&P) إصدار حزيران 2022

Research Update:

Jordan Islamic Bank Outlook Revised To Stable From Negative After Action On Al Baraka Banking Group; Affirmed At 'B+/B'

June 23, 2022

Overview

- On June 17, 2022, S&P Global Ratings lowered its issuer credit rating on Al Baraka Banking Group B.S.C. (ABG) to 'B-/B' from 'B+/B' and assigned a stable outlook. The rating action followed ABG's license change, which we do not think will affect the group's operations and therefore does not impact our view of the group credit profile.
- The stable outlook on ABG suggests that there is now reduced pressure on Jordan Islamic Bank (JIB) ratings.
- We therefore revised our outlook on JIB to stable from negative and affirmed its 'B+/B' long- and short-term issuer credit ratings.
- The stable outlook mirrors our stable outlook on Jordan and on ABG.

Rating Action

On June 23, 2022, S&P Global Ratings revised to stable from negative its outlook on Jordan Islamic Bank (JIB). At the same time, we affirmed our 'B+/B' long- and short-term issuer credit ratings on the bank.

Rationale

The outlook revision on JIB follows the rating action on ABG. ABG has changed its banking license to an investment company license, and, in our view, the parent entity's status as a nonoperating holding company formalizes ABG's structural subordination to its operating subsidiaries. The license change, however, does not affect ABG's group credit profile (GCP), which we continue to assess as 'b+'. We believe that ABG's GCP continues to benefit from the group's strong geographic diversification in relatively uncorrelated markets and a stable capitalization. (See "Al Baraka Banking Group B.S.C. Ratings Lowered To 'B-' Following License Change; Outlook

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Stable," published June 17, 2022, on RatingsDirect.)

Less pressure on ABG's credit profile indicates fewer constraints on JIB's credit quality. We have therefore revised our outlook on JIB to stable from negative. That said, the ratings on JIB remain constrained by our sovereign ratings on Jordan and to some extent are correlated with the GCP of the group. JIB has historically demonstrated strong resilience and stable financial performance against adverse economic conditions in the country, political, and regional instability. We still believe this will continue to be the case, but we do not expect the bank to withstand a hypothetical scenario of sovereign stress, given its high exposure to the country.

JIB's intrinsic creditworthiness remains stronger than ABG's. The bank's stand-alone credit profile (SACP), at 'bb-', continues to factor in JIB's long track record and its well-established position as the largest domestic Islamic bank. The SACP also balances the bank's wide access to sticky and granular customer deposits with its limited funding diversification since most of its funding sources are from Jordan. We also note that at 23% at year-end 2021, JIB's regulatory capital adequacy ratio stood well-above the minimum requirement. Inflationary pressure, together with tightening financing conditions and the gradual receding of support measures, will likely jeopardize borrowers' ability to repay debt. We therefore expect JIB's asset quality metrics will weaken in 2022. That said, in our view, the bank's relatively clean loan book--mostly constituted of state-guaranteed loans and retail loans—as well as its adequate capitalization should provide room to absorb additional asset quality deterioration. We still expect JIB's profitability to stabilize with return on equity near 11% over the next two years. We forecast JIB's risk-adjusted capital ratio to stay close to 7% until 2023, even considering eventual dividend payments with a payout ratio of 50% of net income.

Outlook

The stable outlook on JIB mirrors both that on ABG, its ultimate parent, and that on Jordan (B+/Stable/B).

Downside scenario

We could lower the ratings on JIB over the next 12 months following a similar action on the sovereign. This is because we do not rate financial institutions operating solely in Jordan above the foreign currency sovereign ratings given the direct and indirect effects sovereign distress would have on banks' operations.

We could also lower the ratings if ABG's credit profile was to deteriorate, and we continue to expect capital to be fungible within the group or JIB not benefitting from stronger than currently anticipated regulatory protection.

Upside scenario

An upgrade is unlikely over the next 12 months because it would require both an upgrade of Jordan and an improvement of ABG's GCP, all else being equal.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	B+/Stable/B	B+/Negative/B
SACP	bb-	bb-
Anchor	bb-	bb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and	Adequate (0)	Adequate (0)
Liquidity	Adequate (0)	Adequate (0)
Support	0	0
GRE support	0	0
Group Support	0	0
Sovereign Support	0	0
Additional Factor	-1	-1

ESG credit indicators: E-2, S-2, G-2

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- 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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 20, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Al Baraka Banking Group B.S.C. Ratings Lowered To 'B-' Following License Change; Outlook Stable, June 17, 2022
- Jordan Islamic Bank Outlook Revised To Negative; 'B+/B' Ratings Affirmed Despite Al Baraka Banking Group Downgrade, March 14, 2022

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Jordan Islamic Bank		
Issuer Credit Rating	B+/Stable/B	B+/Negative/B

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. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on 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 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; or Stockholm (46) 8-440-5914