

لا فصح
البريد
١٤/٥

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السادة هيئة الأوراق المالية المحترمين
عمان - الأردن

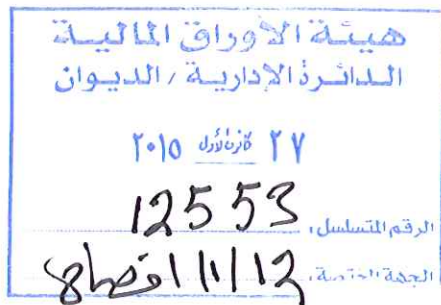
السلام عليكم ورحمة الله وبركاته،،

الموضوع: التصنيف الائتماني Capital Intelligence

بالإشارة إلى الموضوع أعلاه ، يسرنا أن نرفق لكم في طيه نسخة من التصنيف الائتماني الخاص بمصرفنا والصادر عن Capital Intelligence إصدار كانون أول ٢٠١٥ . حيث تم تثبيت التصنيف (BB-/B/Stable) مع الحفاظ على القوة المالية -BBB.

وتفضلوا بقبول فائق الاحترام،،،

محمد علان
نائب المدير العام



ريزي
١٢/١٢

Capi.

Credit Rating Announcement



Ref: JO01014PRS00-1

14th December 2015

Jordan Islamic Bank's Ratings Affirmed on 'Stable' Outlook

Capital Intelligence (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. JIB's FCRs are constrained by Jordan's sovereign ratings ('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 of '3' is affirmed, on the basis of the high likelihood of support from the CBJ in case of need, and from the parent Al-Baraka Banking Group in Bahrain. The Outlook for JIB's FCRs remains 'Stable', in line with the Outlook for Jordan's Sovereign FCRs.

The Bank's Financial Strength Rating (FSR) is maintained at 'BBB-', on a 'Stable' Outlook, underscored by the Bank's good and improved asset quality as a result of the higher financing loss reserve (FLR) cover for non-performing financings (NPFs), together with a low NPF ratio, ample liquidity and good profitability at both the operating and net levels. The Bank's established Islamic banking franchise in Jordan and high market share of Islamic banking assets and customer deposits are also supporting factors. The FSR is constrained by the low total capital to total assets ratio, single large customer concentration risk, the low share of non-profit sharing income (NPSI) to gross income, and the challenging operating environment combined with increased geopolitical risk factors (as is the case for all Jordanian banks).

JIB continues to control the lion's share of Islamic banking assets and customer deposits in Jordan, despite stiff competition in the local market. 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 had translated into moderately higher NPFs and lower FLR coverage – as was the case with conventional banks in Jordan – the Bank's NPF ratio remains one of the lowest in the local market. Moreover, the FLR coverage for NPFs improved further during 2014 and in the first half of 2015, reaching a sound level.

Having had consistently high levels of liquidity prior to 2012, due to 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 has since remained tighter than the sector average, the Bank's liquidity metrics improved in recent years to a very comfortable level, despite the slight tightening during H1 2015. Being an Islamic bank, JIB is precluded from investing surplus liquidity in interest earning government securities and T-bills. Accordingly, 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 – although CI understands that the government is considering to issue a Sukuk sometime in the near future). JIB's funding is almost entirely sourced from customer deposits and these have continued to grow, though at a slower pace during H1 2015.

The capital adequacy ratio (CAR), calculated based on CBJ regulation and in line with the Islamic Financial Services Board methodology, increased noticeably in 2014 to a very comfortable level, underscoring the Bank's still high exposure to government guaranteed financings and large balances with the CBJ, both of which carry zero risk-weight factors. It has to be noted, however, that the Bank's seemingly high CAR is due to the inclusion of a part of Unrestricted Investment Accounts with regulatory capital. However, JIB's ratio of total capital to total assets remained limited and below the average of local conventional banks. As a mitigating factor, JIB's rate of internal capital generation has been sound in recent years, reflecting its good net profitability, besides a moderate dividend payout ratio.

Notwithstanding a marginal decline, the Bank's profitability benefits from a growing and high level of net profit sharing income, thanks to a healthy net profit sharing margin along with an expanded financing portfolio. JIB has always been a lean cost operator. Having seen a solid increase in net profit and return on average assets (ROAA) in 2013, JIB's profitability at both the operating and net levels retreated moderately in 2014, as a result of narrower net profit sharing margin and stepped up provision charges. Although operating profitability retreated further in H1 2015 due to a fall in NPSI, ROAA rebounded to a good level, thanks to lower provisioning. At the same time, the Bank's sound operating profitability continues to provide adequate absorption capacity for unforeseen provision losses.

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 Al-Baraka Banking Group, which 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 71 branches, 19 cash offices and 147 ATMs in Jordan. At end-June 2015, the Bank had total assets of JOD3.7 billion (USD5.16 billion) and total capital of JOD289mn (USD407mn).

CREDIT RATINGS

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

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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 October 1985. The ratings were last updated in December 2014.

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://cerp.esma.europa.eu>.

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