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الموافق : ١٩ / جمادى الآخرة / ١٤٤٠ هـ

السادة بورصة عمان المحترمين ،،،

السلام عليكم ورحمة الله وبركاته،،،

الموضوع: التصنيف الائتماني للبنك الإسلامي الأردني من مؤسسة فيتش للتصنيف الائتماني
(Fitch Ratings)

بالإشارة الى الموضوع أعلاه، يسرنا أن نرفق لكم طيه نسخة من خبر التصنيف الائتماني الخاص بمصرفنا والصادر عن مؤسسة فيتش للتصنيف الائتماني إصدار شباط ٢٠١٩.

وتفضلوا بقبول فائق الاحترام،،،

المدير العام
موسى عبدالعزيز شحادة

بورصة عمان الدائرة الإدارية والمالية الديوان
٢٤ شباط ٢٠١٩
الرقم المتسلسل: ٩٥١
رقم الملف: ١٦١١
الجهة المختصة: المدير العام

المرفقات: نسخة من خبر تصنيف Fitch Rating

ري/رب

CORRECT: FITCH AFFIRMS JORDAN ISLAMIC BANK AT 'BB-'; OUTLOOK STABLE

Fitch Ratings-Paris/London-20 February 2019: This commentary replaces the version published on 19 February to correct interest in suspense to profit in suspense in the fourth paragraph of the Key Rating Drivers.

Fitch Ratings has affirmed Jordan Islamic Bank's (JIB) Long-Term Issuer Default Rating (IDR) at 'BB-'. The Outlook is Stable. At the same time, Fitch has affirmed all of JIB's other ratings. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS and VR

JIB's IDRs are driven by its standalone credit profile, as defined by its Viability Rating (VR). As JIB is essentially a domestic bank, its ratings and Outlook are constrained by Jordan's challenging operating environment. The operating environment suffers from below-potential GDP growth, elevated unemployment, a difficult, albeit improving, regional environment and rising social tensions resulting from fiscal consolidation measures. The Stable Outlook on JIB's Long-Term IDR reflects our expectation that Jordan's operating environment will be stable over our rating horizon.

JIB is highly exposed to the sovereign through the bank's sizeable exposure to government-related entities, which results in elevated single-name concentration. At end-3Q18, JIB's largest exposure to National Electric Power Company (NEPCO) against a 100% government guarantee equalled 1.5x the bank's Fitch Core Capital (FCC). The remaining exposures within the top 20 list were equal to 0.6x JIB's FCC.

The VR considers JIB's well established domestic franchise. JIB is the largest Islamic bank in Jordan and the third-largest bank in Jordan, with an 11% share of total banking sector deposits at end-2017. The bank is classified as a domestic-systemically important bank (D-SIB) by the Central Bank of Jordan (CBJ). JIB represented 56% and 55% of total Islamic banking sector assets and financing at end-2017, respectively.

We view JIB's asset quality position as adequate, supported by the bank's conservative risk appetite and longstanding relationships with customers. This has enabled the bank to maintain healthy asset quality metrics despite adverse operating conditions. The impaired financing ratio was 4.3% (4.7% including profit in suspense) at end-3Q18 and reserve coverage was 86.3%. However, this excludes the bank's surplus investment risk fund reserves for its financing book. Reserve coverage would have been 104.3% at end-3Q18 if adding the investment risk fund reserves to financing loss reserves, comparing well with peers.

JIB continues to demonstrate consistent profitability through the economic cycles despite challenging operating conditions. Annualized pre-impairment operating profit covered 3.3% of gross financing in 9M18 (3.6% in 2017), providing the bank with a good cushion against deteriorating credit conditions. JIB's net profit margin was 4.3% in 9M18, lower than most peers' given the bank's small investment portfolio and limited sharia-compliant investment opportunities to deploy its excess liquidity. Loan impairment charges (LICs) remain well contained, supported by the bank's conservative risk appetite and prudent lending strategy.

We consider JIB's capital buffers as adequate given its risk profile. The FCC ratio was 24.3% at end-3Q18 despite a JOD4.5 million IFRS 9 ECL provisions (1.2% of equity at end-3Q18)

dédution from retained earnings. However, capital ratios benefit from 0% risk weighting on local currency sovereign debt and government-related entities exposures, as well as lower risk-weighted assets (RWAs) under the Central Bank of Jordan (CBJ) instructions based on IFSB standards for Islamic banks. JIB applies an alpha factor of 30% when calculating credit RWAs that are funded by unrestricted investment accounts (URIA deposits). This means only 30% of the bank's credit RWAs that are financed by URIA deposits feed into the bank's regulatory RWAs calculation. As such, JIB's tangible common equity to tangible assets ratio is significantly lower than peers', at only 9.1% at end-3Q18, highlighting weaker loss absorption buffers.

We consider JIB's funding and liquidity position as strong. This is underpinned by JIB's resilient and granular deposit base supported by the bank's strong domestic franchise. Retail deposits accounted for 87.4% of the deposit base at end-3Q18, resulting to a low concentrated deposit base. The 20 largest depositors accounted for only 4% of the total at end-3Q18. JIB has also a good liquidity position. Liquid assets (including interbank placements, cash balances less mandatory reserves and sovereign sukuk) covered 24% of total customer deposits at end-3Q18. The bank's LCR and NSFR stood at 328% and 187% at end-1H18, respectively.

SUPPORT RATING AND SUPPORT RATING FLOOR

JIB's Support Rating of '4' and Support Rating Floor of 'B+' reflect a limited probability of support from the Jordanian sovereign due to constraints on its ability to provide it, although we believe willingness to provide support would be high, as JIB is systemically important. Support from the bank's main shareholder, Al Baraka Banking Group, is possible, but is not factored into the ratings

RATING SENSITIVITIES

IDRS and VR

JIB's VR and IDRs are mainly sensitive to fluctuations in the operating environment. Changes in Fitch's perception of risks relating to Jordan, in either direction, could affect the bank's ratings. Material deterioration in asset quality could have a negative impact on the bank's ratings. Pressure on capitalisation could also negatively affect JIB's ratings. Upside depends mainly on material positive developments in the economic environment and an expansion of growth opportunities.

SUPPORT RATING AND SUPPORT RATING FLOOR

JIB's Support Rating and Support Rating Floor are sensitive to changes in Fitch's perception of the Jordanian sovereign's ability or willingness to support the bank.

Fitch acknowledges that important differences between Islamic and conventional banks were considered in JIB's ratings. These factors include closer analysis of risk management, funding and liquidity, regulatory oversight, disclosure, accounting standards and corporate governance. Islamic banks' ratings do not express an opinion on the bank's compliance with sharia. Fitch will assess non-compliance with sharia if it has credit implications.

The rating actions are as follows:

Long-Term IDR: affirmed at 'BB-'; Outlook Stable

Short-Term IDR: affirmed at 'B'

Viability Rating: affirmed at 'bb-'

Support Rating: affirmed at '4'

Support Rating Floor: affirmed at 'B+'

Contact:

Primary Analyst

Eric Dupont

Senior Director

+33 1 4429 9131

Fitch France S.A.S.
60 rue de Monceau
75008 Paris

Secondary Analyst
Zeinab Abdalla
Director
+971 4 424 1210

Committee Chairperson
Olga Ignatieva
Senior Director
+7 495 956 6906

Media Relations: Louisa Williams, London, Tel: +44 20 3530 2452, Email:
louisa.williams@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria
Bank Rating Criteria (pub. 12 Oct 2018)
<https://www.fitchratings.com/site/re/10044408>

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