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الموافق : ٢٣ / جمادى الآخرة / ١٤٣٩ هـ

السادة بورصة عمان المحترمين ،،،
عمان - الأردن

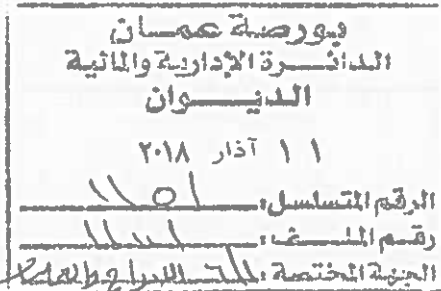
السلام عليكم ورحمة الله وبركاته،

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

بالإشارة الى الموضوع اعلاه ، يسرنا أن نرفق لكم طيه نسخة من خبر التصنيف
الائتماني الخاص بمصرفنا والصادر عن مؤسسة فيتش للتصنيف الائتماني إصدار شباط
٢٠١٨.

وتفضلوا بقبول فائق الاحترام،،،

موسى شحادة
المدير التنفيذي/المدير العام



المرفقات: نسخة من تصنيف Fitch Rating

RS / R B

Jordan Islamic Bank (/gws/en/esp/issr/86755327)

FitchRatings

Fitch Revises Jordan Islamic Bank Outlook to Stable; Affirms IDR at 'BB-'

Fitch Ratings-London-28 February 2018: Fitch Ratings has today revised Jordan Islamic Bank's (JIB) Outlook to Stable from Negative and affirmed the bank's Long-Term Issuer Default Rating (IDR) at 'BB-'. A full list of rating actions is at the end of this rating action commentary.

The Outlook change reflects the stabilisation of the operating environment in Jordan while the affirmation reflects limited changes to JIB's credit profile since the last review. However, the operating environment remains challenging due to sluggish growth, the significant influx of Syrian refugees, which is putting pressure on the country's resources, and the rising government debt trajectory.

KEY RATING DRIVERS IDRS AND VR

JIB's IDRs are driven by its standalone strength, as indicated by its Viability Rating (VR).

As JIB is essentially a domestic bank, its ratings and Outlook are constrained by the challenging operating environment in Jordan and sovereign-related risks. JIB is the largest Islamic bank in Jordan with an 11% share of total banking sector deposits at end-3Q17. JIB represented 56% of the total Islamic banking sector assets and 55% of total Islamic financing at end-3Q17.

The bank's asset-quality risks are driven by its concentrated exposure to the Jordanian operating environment, where financing and funding is mainly domestic and the bank has high concentrations to the government or to government-guaranteed entities. JIB's largest exposure is to National Electricity Petroleum Company (NEPCO), representing 1.6x the bank's equity at end-3Q17 against a government guarantee covering 100% of the exposure.

Asset-quality metrics remain adequate due to the bank's conservative risk appetite and longstanding relationships with customers. The impaired financing ratio was 4.3% at end-3Q17 and reserve coverage was 81%. However, this excludes the

bank's surplus investment risk fund reserves for its financing book. If added to specific reserves, reserve coverage would have been 106% at end-3Q17.

JIB's profitability is good, with pre-impairment operating profit covering 3.5% of its gross financing in 9M17, providing the bank with an extra cushion against an increase in impaired financing without hurting its capital.

However, Islamic banks have lower profit margins than conventional banks due to limited sharia compliant investment opportunities in which to place their excess liquidity. Placements with the Central Bank of Jordan (CBJ) above mandatory reserves do not earn interest. JIB's net financing margin was 4.4% in 9M17, below other peers given the bank's small investment securities portfolio (3% of total assets), while a big portion of its liquid assets sits in cash balances and reserves with the CBJ (26% of total assets). The bank is managing its cost base well and has a favourable cost to income compared with peers (41% in 9M17).

JIB's Fitch Core Capital (FCC) ratio was 23% at end-3Q17. However, JIB's risk-weighted assets (RWAs) and capital ratios benefit from the application of the alpha factor as per CBJ regulations 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 that is financed by URIA deposits feed into the bank's regulatory RWA calculation. As such, while JIB's regulatory capital ratios are strong, its tangible equity to assets ratio is significantly lower than peers, at only 8.6% at end-3Q17.

JIB has a solid and diversified deposit base supported by its strong domestic franchise. Retail deposits form around 88% of the deposit base. Deposit concentration is low as a result, with the 20 largest depositors accounting for only 4% of the deposit base at end-3Q17. JIB also has a good liquidity position with liquid assets (including interbank placements, cash balances less mandatory reserves and sovereign sukuk) covering 26% of total deposits at end-3Q17.

SUPPORT RATING AND SUPPORT RATING FLOOR

JIB's Support Rating of '4' and Support Rating Floor of 'B+' reflect the 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 operating environment risks. 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. Upside depends mainly on material positive developments in the local economy 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:

Jordan Islamic Bank

Long-Term IDR affirmed at 'BB-'; Outlook revised to Stable from Negative

Short-Term IDR affirmed at 'B'

Viability Rating affirmed at 'bb-'

Support Rating affirmed at '4'

Support Rating Floor affirmed at 'B+'

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Bank Rating Criteria (pub. 25 Nov 2016)
(<https://www.fitchratings.com/site/re/891051>)

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