الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA Reaffirms Ratings of Jordan Islamic Bank

Manama, December 19, 2023 – Islamic International Rating Agency (IIRA) has maintained ratings of Jordan Islamic Bank ('JIB' or 'the Bank') at A+(jo)/A1(jo) on the national scale and BB+/A3 on the international scale with a 'Stable' outlook. Assigned ratings reflect the stability in risk profile of the bank. A strong franchise translating into a cost-effective, and steady retail footprint is a key competitive advantage. Liquidity indicators have consistently pointed to a sound liquidity position.

Global trends point to continuing monetary tightening, with rising policy rates leading to significant slowdown in global economic growth. This has direct repercussions on international banks, with generally elevated risk of non-performance in financings, coupled with marked to market losses and significant pressure on banking margins across global financial markets.

On the other hand, the economic landscape of Jordan shows improving trends in terms of rapid easing of inflation since Q2'2023, and likely continuation of the uptrend in fiscal and current account performance. As a pegged currency, monetary policy stance reflects that of the Federal Reserve Bank, USA, reflected in several policy rate hikes by the Central Bank of Jordan (CBJ) since the 2nd half of 2022 and further in the current year. Across the banking sector we expect pressure on margins of banks, and hence profitability.

Despite the pressures, JIB has remained steady both in terms of risk profile, and overall profitability. While pressure on operating profitability is evident, with inflationary effects and tighter margins, overall net earnings have remained broadly stable over the years, in the backdrop of continuously rising business. Sustained asset quality indicators support profitability by minimizing cost of risk to the bank. Return indicators are likely to remain range-bound in the current year. Net return indicators have nevertheless softened over the last 3 years.

Business pickup with increasing balances in investments and financings has outpaced internal capital generation, resulting in relative decline in capital adequacy YoY, as at YE2022. Nevertheless, overall capital adequacy levels point to sufficient loss absorption capacity. A deep presence in the retail market has assured the Bank, a stable supply of cost-effective liquidity, which has been a key driver of sustained performance and a well-managed liquidity risk profile, over the years. The bank's high franchise has translated into its sustained and notable market share.

For further information on this rating announcement, please contact us at iira@iirating.com

RATING REPORT

Jordan Islamic Bank

December 2023

الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency
Serving the Islamic Ummah

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CREDIT RATING REPORT

Jordan Islamic Bank

Report Date:
December 20, 2023

	Latest Rating (December 19,2023)	Previous Rating (October 11,2022)
International Scale- FCY	BB+/A3	BB+/A3
National Scale	A+(jo)/A1(jo)	A+(jo)/A1(jo)
Outlook	Stable	Stable

Company Information

- **Incorporation year:** 1978
- **Listed on:** Amman Stock Exchange
- **External auditors:** PwC from May 2022
- **Key Shareholders:** AlBaraka Group
- **Chairman:** H.E Abdullah Ibrahim AL-Howaish
- **Chief Executive Officer:** H.E. Dr. Hussain Said Saifan
- **Branches & Banking offices:** 111, as at September 2023
  - 89 Branches
  - 22 Banking Offices

CORPORATE PROFILE

Jordan Islamic Bank ('JIB' or 'the Bank') was established in 1978 and is considered a pioneering Islamic bank globally. It is listed on the Amman Stock Exchange. As one of the largest banks in the Kingdom of Jordan (Jordan or 'the Kingdom'), representing 9.6% (FY2021: 9.5%) of the Jordanian banking sector assets, a slight market gain is noted since prior year-end. The bank's total assets (including restricted investments accounts - off-balance sheet exposures) reached JD 6.2bn as of YE2022. Designated as a systemically important bank (D-SIB) for the stability of the domestic financial system, JIB is also the largest Islamic Bank of Jordan with almost 50% market share within the Islamic segment. The Bank has a very strong franchise, with broad-based geographical coverage through (89) branches and (22) cash offices across Jordan, supporting the bank's retail footprint.

With 2440 employees as of end-2022, the staff strength has remained stable, as the bank pursues operational efficiency. Moreover, the management has remained committed to the bank, with most senior level staff having had a longstanding association with the institution. H.E. Dr. Hussein Said Saifan is the CEO/ General Manager and has also been serving the Bank for over thirty years. Recent inductions at Board level have brought new perspectives to the Bank.

The conduct of banking operations since inception is marked by stability and a commitment to social causes, in a manner compliant with Shari'a principles. The mission and vision statement of the bank, clearly spell out the institution's endeavor towards serving public interest and fair dealings with all stakeholders, while offering innovative and digitally advanced banking solutions, and adhering to an evolving Shari'a governance framework, globally.

Through challenging times over the past few years, the Bank has progressed as a pioneer amongst banks in the region, and serving the local economy through a full suite of banking services, in addition to having initiated banking facilities and programs for needy segments of the population. Digitalization has also been high on the agenda, with an expanding array of technologically delivered services, which continues to add to the bank's capacity to serve its customers.

The bank has also spearheaded endeavors that protect the environment, having installed solar panels on rooftops of several of its main locations which serves to lower energy costs as well as contribute to the environmental initiative of the bank. The Central Bank is yet to announce its green banking strategy, following which banks are further likely to expedite and focus their efforts towards 'greenification' of the portfolio.

Sponsors' Profile

Al Baraka Group B.S.C. ("ABG" or "the group" and erstwhile Al Baraka Banking Group) is a major shareholder in JIB. ABG license has recently been converted from an Islamic wholesale bank to a 'category 1 - investment firm', following approval by the Central Bank of Bahrain. ABG has a global presence and operates through 17 subsidiaries, associates, and representative offices, providing investment and commercial banking services. ABG's reported assets decreased to about US$24.98bn in 2022 (2021:US$27.79bn), largely representing currency effects in several host jurisdictions. The Group's total net income for 2022 increased 52% and amounted US$239mn (2021: US$157mn).

RATING RATIONALE

Global trends point to continuing monetary tightening, with rising policy rates leading to significant slowdown in global economic growth. This has direct repercussions on the banking sector, with generally elevated risk of non-performance in financings, coupled with marked to market losses and significant pressure on banking margins across global financial markets.

The economic landscape of Jordan shows improving trends in terms of rapid easing of inflation since Q2'2023, and likely continuation of the uptrend in fiscal and current account performance as was seen in 2022. As a pegged currency, monetary policy stance reflects that of the Federal Reserve Bank, USA, reflected in several policy rate hikes by the Central Bank of Jordan (CBJ) since the 1st half of 2022 and further in the current year. Across the banking sector we expect pressure on margins of the bank and hence profitability.

JIB on the other hand has remained steady both in terms of risk profile, and overall profitability. While pressure on operating profitability is evident, with inflationary effects and tighter margins, overall net earnings have remained broadly stable over the years, in the backdrop of continuously rising business. Sustained asset quality indicators support profitability by minimizing cost of risk to the bank. Return indicators are likely to remain range-bound in the current year. Net return indicators have nevertheless softened over the last 3 years.

Business pickup with increasing balances in investments and financings has outpaced internal capital generation, resulting in relative decline in capital adequacy YoY, as at YE2022. Nevertheless, overall capital adequacy levels point to sufficient loss absorption capacity. A deep presence in the retail market has assured the Bank, a stable supply of cost-effective liquidity, which has been a key driver of sustained performance and a well-managed liquidity risk profile, over the years. The bank's high franchise has translated into its sustained and notable market share.

ECONOMIC OVERVIEW- Hashemite Kingdom of Jordan

Table 1: Macroeconomic Indicators

Figures as stated	2020	2021	2022
Population (Mn)	10.2	10.3	10.3
Nominal GDP (US$'bn)	43.8	45.3	47.5
GDP per capita (US$ in k)	4.29	4.41	4.6
Real GDP Growth (%)	-1.6	2.2	2.8
Average CPI (%)	0.4	1.3	4.2
Unemployment Rate (%)	22.7	24.1	22.9
Current Account Balance (% of GDP)	-5.7	-8.2	-8.8
Fiscal Balance (% of GDP)	-7.0	-6.4	-4.6

Jordan's economy has posted broad-based recovery following the pandemic with growth seen across a range of sectors. While the momentum in the service sector lagged pre-pandemic levels in 2021, with contact sensitive sectors still in turnaround phase, the economy is generally in steady recovery mode. As such following 2.2% uptick in 2021, the economy posted 2.8% growth[1] in 2022, and is poised for continued momentum in 2023. A full turnaround of tourism and further improvement in business sentiment will be instrumental in achieving this. Going forward, economic growth is projected to be moderate at 2.8% in the current year.

Jordan has reported high unemployment rate over the years. The COVID-19 pandemic further worsened labor market conditions, with rising unemployment statistics, which inched barely lower

[1] Source: WDI, Macro Poverty Outlook, and official data.

following the pandemic, at a still high 21.9%[2] in Q1'2023. The long-term strategy of the government is to focus on broadening the tax base, eliminating pressure from public utilities, and improving fairness, efficiency, and transparency in public finances. Moreover, concentrated efforts at building an improved investment climate and attracting foreign direct investment, can also aid in providing employment opportunities to the youth and women.

The state of the global economy has implications for Jordan's economic outlook with the Russia Ukraine crisis in 2022 and the recovery in consumer demand since 2021, having propelled the global economy into inflation, with still elevated energy and food prices despite having eased over the last few months. Inflation in Jordan has been trending down since March 2023, following a peak of 4.23[3]% in December 2022 and down to 2.68% in July marking a significant decrease when compared to the corresponding period in 2022. While the currency is pegged, giving CBJ minimum monetary policy independence, policy rates have risen since March 2022, reaching 7.5% currently, from 2.5%, as reduced in 2021, following 7 rate hikes in 2022 and a further 4 already YTD in 2023. With inflation responding to monetary policy actions, further rate hikes may slow down for the rest of the year and likely stand stable in 2024.

In 2020, the government signed a staff level agreement with IMF on a new four-year program targeted to stimulate growth and create jobs, strengthen external and fiscal balances, and increase transparency. Commitment to IMF targets is evident. The fiscal position rebounded significantly in 2022 with the help of recovery in domestic revenue collection as fiscal deficit fell to 4.6% of GDP – an improvement over prior year as well as budget targets. Capital spending remained high as a necessary input to revival of the economy. On the other hand, Jordan's current account deficit remained range bound in 2022 at 8.8% of GDP compared to 8.2%[4] in 2021. The improvement in the current account in 2022 could be attributed to an improvement in the tourism sector amongst other factors, and as commodity prices ease in the face of a global recession. We expect favorable trends in external position to continue through 2023. The relatively wide deficits are checked by strong international and bilateral access, which has allowed Jordan to maintain sufficient international reserves.

THE ISLAMIC BANKING INDUSTRY IN JORDAN

The Islamic banking industry in Jordan has benefitted from the strong and supportive regulatory environment in the country. The 4 Islamic banks in the Kingdom comprise 19.2% of banking assets. Islamic Banking windows are not permitted in the Kingdom, requiring entirely segregated and independent entities to conduct Islamic banking.

Shari'a compliant instruments are limited with sukuk issued to finance Government or Government entities. In the latest 2022 report, the Islamic Finance Development Report and Indicator (IFDI) maintained the ranking of Jordan at 13th globally for industry-wide quantitative development, knowledge, governance, corporate social responsibility, and awareness of Islamic banking and finance[5], scoring high on sustainability and low on general industry financial performance.

[2] Trading Economics Data for unemployment and
[3] Association of Banks in Jordan - Inflation
[4] Source: IMF - World Economic Outlook – October 2023
[5] Islamic Finance Development Report 2021

FINANCIAL PROFILE

Table 2: Financial Indicators

JD'mn	2019	2020	2021	2022
Cash & Bank Balances	939	852	938	753
% Growth	2.3%	-9.2%	10.0%	(19.7%)
Net Financings	2,914	3,329	3,650	3889
% Growth	8.2%	14.3%	9.7%	6.5%
Net Investments	423	424	490	618
% Growth	-0.4%	0.3%	15.5%	26.1%
Other Assets	174	239	224	205
% Growth	38.0%	37.5%	-6.1%	(8.5%)
Total Assets	4,449	4,844	5,303	5,463
% Growth	6.9%	8.9%	9.5%	3.0%

JIB achieved moderate growth of 3.0% in 2022 reflected across asset classes, with offtake in financing being most noteworthy and marking 6.5% growth to comprise 71.1% of total assets at YE2022 (2021: 68.8%). New opportunities also allowed relatively enhanced allocation to the investment portfolio, although investment in financial instruments remained limited overall, and concentrated in public sector securities, particularly to one State Owned Enterprise. A shift away from non-earning assets is accordingly evident over time. Cash held with the central bank is maintained on a non-earning basis and balances with financial institutions are maintained almost entirely with foreign institutions.

New growth was balanced and while Government exposures remained significant within the deferred sale receivable portfolio at 25.9% (2021: 29.9%), balances had receded slightly by YE2022. On the other hand, growth was seen in the already significant contribution of retail and corporate financings. As part of the bank's public sector exposure, National Electric Power Company (NEPCO) dominates the portfolio. Nevertheless, the exposure remained guaranteed by the government of Jordan, and is as such considered low-risk in the national context. As of YE2022, JD 1,008mn of total sales receivables, other receivables and financing exposures are government guaranteed, being 25.9% of such exposures. Over time the bank's financing exposure to NEPCO is shifting towards financial securities issued by the entity.

The retail segment continues to lead with about 70% share of financing portfolio (excluding government financing). Within this segment, 22% comprises real estate financing which has continued to grow from last year. Housing finance has depicted stable trends given continued unmet demand and as also reflected in low non-performance in this segment over the years. Further, retail financing under the Ijarah Muntahia Bittamleek Assets, also pertains largely to housing finance.

Corporate financing is the second most noteworthy component of receivables (deferred sale and others), having shown significant YoY growth of 17.2%. Balances in SMEs have also receded slightly. While corporate financings, contribute most notably to overall non-performing accounts given its larger quantum, SMEs feature the highest segmental non-performance at 9.8%, despite having inched down from 10.88% as of YE2021. While Qard Al Hassan balances rose during the pandemic years given participation in government initiatives in the form of relief packages; the bank expects that Qard Al Hassan balances will retreat in the current and next year.

The bank's key sector exposures comprise Government, Ijarah Muntahia Bitamleek (mainly retail real estate) and consumer financing. Given the strategic nature of these sectors and given that the real estate financing is mostly vested in housing finance, the bank's portfolio is considered well balanced and conservative in terms of risk profile, as also evidenced in a maintained non-performance ratio.

Gross NPFs rose by 8% to JD 93.3mn as at YE2022 (2020: JD 86.4mn), taking gross NPF ratio from 2.6% at YE2021 to 2.7% in 2022. Increase in provisions held against non-performing advances has allowed net non-performance to also remain range-bound, overall reflecting the stability in the business environment.

Table 3: Asset Quality Indicators

In JD'mn/%	2019	2020	2021	2022
Gross Non-Performing Financing (NPF)	107.3	98.3	86.4	93.3
Net NPF[6]	29.8	22.0	11.7	17.4
Gross NPF % Gross Financings	3.5%	2.8%	2.57%	2.68%
Net NPFs % Net Financings	1.1%	0.7%	0.4%	0.4%
Total Provisions[7]	131.3	141.0	144.6	144.3

Total provisions inclusive of general provisions and provisions set aside against stage 1 and stage 2 receivables, together with the still remaining balance of the erstwhile investment risk fund (now being maintained as provision against future losses, and to which the Bank has according to regulatory directive, suspended allocation since May 1, 2019), still amount higher than non-performing receivables and other financings. At JD 144.3mn at YE2022 (2020: JD 144.0mn), inclusive of expected credit loss computed under IFRS 9/ FAS 30, the bank has the ability to withstand any expected increase in non-performance, implying generally strong risk buffers.

Funding and Liquidity

Table 4: Funding Sources

JD'mn	2019	2020	2021	2022
Retail	3,433	3,623	3,856	3,900
Corporate	27	38	61	83
SME	265	295	392	469
Government	79	105	169	208
Financial Institutions	31	114	108	100

The bank's funding sources have historically depicted no reliance on large corporates or the public sector for deposits. Similarly, financial institutions have remained marginal in terms of contribution in the deposit base, which remains almost entirely driven by trends in the retail sector and is also representative of strong presence in SMEs. With an annual growth of 3.8%, total deposits of JIB reached JD 4,760mn (2020: JD 4,586mn), with the retail sector comprising 82% of total and SME segment deposits and investment accounts having grown by 77% since YE2019. Deposit mix was largely maintained indicating favorable funds composition overall, and current accounts forming 30% of non-shareholder funds.

Table 5: Liquidity Indicators

%	2019	2020	2021	2022
Net Financings[8] / Total Deposits	75.6%	81.9%	80.9%	82.0%
Liquid Assets /Total Funding	26.5%	22.5%	21.9%	17.3%
Liquid Assets /Total Assets	23.1%	19.6%	19.2%	15.3%

Financings over deposits ratio trended higher but indicated a strong earning base at 82%. Meanwhile the liquidity position is sound with an LCR of 202.4% as of December 31, 2022, and a monthly average of 217% during 2022, indicating a sound liquidity position maintained over the year. Moreover, the Legal Liquidity Ratio to be maintained was reported at 130% and 120% for the year, for all currencies and Jordanian Dinar respectively, vis-a-vis a corresponding regulatory requirement of 100% and 70%.

[6] Net of stage 3 impairment provisions only, Al Qard Al Hasan included. Stage 3 provisions sourced from Bank private data
[7] Including Stage 1+2+3 provisions and provision against future risk
[8] Including Al Qard Al Hasan

Capitalization

Strong capitalization has been maintained over the years, as reflected in both financial leverage and capital adequacy ratio. As business base increased in 2022, exceeding pace in relation to equity, both capital adequacy ratios and basic financial leverage indicate an increase in leverage. Net shareholders' equity grew by 2.07% to JD 520.6mn (2020: JD 510mn) in 2021 on the back of increasing reserves, and as the bank distributed 25% dividend or JD 50mn for 2022 during the current year.

Table 6: Capitalization Indicators

In JD'm unless stated otherwise	2019	2020	2021	2022
Net Shareholders' Equity	422	474	510	520.6
- **Paid-up Capital**	*200*	*200*	*200*	*200*
- **Reserves**	*132*	*150*	*169*	*188*
- **Retained Earnings**	*89*	*125*	*141*	*132*
Dividend Rate (% Paid-up capital)	-	-	12.0%	25%
Equity to Total Assets	9. 5%	9.8%	9.6%	9.5%
Financial Leverage	17.3%	18.9%	17.8%	18.4%
CAR[9]	24.3%	23.7%	23.0%	21.2%

The eligible capital of the bank increased marginally by 1.4% to JD 469.15mn during 2022 (2021: JD 462.7mn), with higher reserves set aside. The bank has not needed to rely on additional tier 1 capital issuance or supplementary tier-2 issues so far, and only holds reserves in lieu of Expected Credit Losses as tier2 capital leading to very high overall quality of capital. On the other hand, risk weighted assets grew by 10%, with CAR resultantly falling to 21.21% (2021: 23%), remaining strong and above the minimum regulatory requirement of 12.5% (as a D-SIB, CAR requirement is higher by 0.5%).

Profitability

With rising policy rates across the globe, banks have experienced lower margins, and compounded by the impact of inflation, operating costs have in general risen. Nevertheless, overall profitability of JIB inched upwards, despite the present tight monetary conditions. Net income for the year rose to JD61.11mn from JD59.06mn, even as profit before tax and provisions fell by almost 6.9%, driven primarily by a dip in net margin income, which is a global trend.

Table 7: Profitability Indicators

In JD '000s/%	2019	2020	2021	2022
Total Income from Financing& Investments	196,731	200,220	214,403	224,121
Cost of funds	55,280	60,647	69,224	92.042
Net Margin Income	**141,451**	**139,573**	**145,180**	**132,079**
Commissions & Other Income	24,695	26,456	28,354	35,157
Income from RIAs Management	5,823	5,867	7,985	8,997
Operating Expenses	77,721	80,065	78,094	79,764
Operating Profit Before Provision & Tax	**96,200**	**91,830**	**103,609**	**96,467**
Provisions	1,178	8,065	7,153	929
Share of Investment Risk Fund	6,469	-	-	-
Net Income for the Year	**54,349**	**52,122**	**59,058**	**61,109**
ROAA (%)	1.3%	1.1%	1.2%	1.13%
ROAE (%)	13.3%	11.6%	12.0%	11.86%
Spread	**5.4%**	**4.8%**	**4.4%**	**3.5%**
- Return on Earning Assets	6.9%	6.3%	5.9%	5.4%
- Cost of non-shareholders fund	1.5%	1.5%	1.6%	1.9%
Efficiency Ratio[10]	39.6%	41.7%	38.4%	40..6%

Net earnings are likely to remain range bound for 2023 with gradual growth in business likely to offset pressure on margins and continued inflationary effects. A noteworthy trend in 2022 and likely to persist in the current year, is the significant acceleration in ancillary income from banking services which grew by 18.8% YoY, with much of the momentum coming from commissions on cards, LCs, guarantees and other bills of exchange. While this is a continuation of past trends,

[9]The bank computes the capital adequacy ratio in accordance with CBJ's instructions based on the Islamic Financial Services Board (IFSB) standards.

[10]Adjusted for depreciation and amortization expenses.

having posted increase in prior years also on a YoY basis, the significant improvement in 2022 is notable. Further reprieve was afforded by significantly lower provision charge-offs, as well as an effectively lower tax burden. With instances of non-performance largely in check, material provisioning requirement is not expected in the current year.

Operational expenses, driven primarily by higher employee expenses, which comprised 53.9% of total operating expenses in 2022, rose by 6.15%. Energy related expenses continue to decline, reflective of the bank's continuing focus on energy self-sufficiency and green initiatives taken thereof. Inflation in Jordan has eased rapidly in response to the Central Bank's monetary stance, raising benchmark rates considerably in the ongoing year and following 7 successive rate hikes in 2022. For the current year, the tight monetary stance will hamper growth to an extent, although the government's financing needs will persist, leaving room for financing and sukuk investment in the public sector. On the other hand, margins will remain under pressure, still allowing the Bank to maintain the level of earnings, in the absence of any significant charge-offs anticipated against asset losses.

IIRA Rating Scales & Definitions

Ratings on International Scale

Foreign Currency Ratings

The foreign currency ratings by IIRA measure the ability of the rated entities to service their foreign currency obligations. These ratings incorporate all the sovereign risks of a country, including the risk of converting local currency to foreign currency.

Local Currency Ratings

The local currency ratings by IIRA measure the ability of the rated entities to service their local currency obligations. These ratings incorporate all the sovereign risks of a country, except the risk of converting local currency to foreign currency.

Ratings on National Scale

The national scale local currency ratings assigned by IIRA are tiered against an assumed local government rating of 'AAA' and, therefore, do not incorporate all the sovereign risks of a country.

Issue/Issuer Rating Scale & Definitions

Medium to Long Term

IIRA uses a scale of AAA to D to rate credit worthiness of the issuer and long term issues, with AAA being the highest possible rating and D being the lowest possible rating.

AAA: Highest credit quality. Represent the least credit risk.

AA : High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A : Good credit quality. Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB : Adequate credit quality. Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB : Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B : Obligations deemed likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC : Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC : A high default risk

C : A very high default risk

D: Defaulted obligations

Note: IIRA appends modifiers + or - to each generic rating classification from AA through B. The modifier + indicates that the obligation ranks in the higher end of its generic rating category; no modifier indicates a mid-range ranking; and the modifier - indicates a ranking in the lower end of that generic rating category.

Rating Outlook : The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of rating change.

Rating Watch-list : IIRA places entities and issues on 'Watch-list' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). A 'Watch-list' announcement means that the status of the assigned rating(s) is uncertain and an event or deviation from an expected trend has occurred or is expected and additional information is necessary to take a rating action.

Short Term

IIRA uses a scale of A1+ to C to rate credit worthiness of the issuer and its short term obligations, with A1+ being the highest possible rating and C being the lowest possible rating.

A1+ : Highest certainty of timely payment. Short-term liquidity, including internal operating factors and / or access to alternative source of funds, is outstanding and safety is just below risk free short-term obligations.

A1 : High certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A2 : Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A3 : Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B : Speculative investment characteristics. Liquidity may not be sufficient to ensure timely payment of obligations.

C : Capacity for timely payment of obligations is doubtful.

Fiduciary Rating Score

(91-100) – Very Strong Fiduciary Standards
(91-93), (94-97), (98-100)*
Rights of various stakeholders are well protected and the overall governance framework is strong.

(76-90) – Strong Fiduciary Standards
(76-80), (81-85), (86-90)*
Rights of various stakeholders are protected. Minor weaknesses have been identified in the overall governance framework.

(61-75) – Adequate Fiduciary Standards
(61-65), (66-70), (71-75)*
Rights of various stakeholders are adequately protected. Certain weaknesses have been identified in a few governance related areas.

(40-60) – Basic Fiduciary Standards
(40-46), (47-53), (54-60)*
Rights of various stakeholders are relatively vulnerable. Significant weaknesses have been identified in the overall governance framework.

(Less than 40) – Low Fiduciary standards
Rights of various stakeholders are at high risk and the overall governance framework is weak.

**Apart from the lowest score range, all score ranges have been split into three sub-divisions for further clarity*

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