



IIRA Reaffirms Ratings of Jordan Islamic Bank

Manama, August 18, 2021 – 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. Given the adverse economic and social challenges presented by the pandemic, JIB's rating reaffirmation is a representation of superior financial performance vis-à-vis the industry during 2020. Moreover, the Bank has continued to increase its market share, given a sustained strong franchise. Broad-based presence in the retail sector is considered a key advantage.

The economy continued to be in turmoil, with the pandemic affecting a broad range of economic sectors. Restricted movement impacted the business environment causing economic contraction of 1.6% during 2020. Despite the slowdown, total banking deposits grew by 3.1%, against which JIB posted 8.9% growth, with retail sector remaining dominant at 87% of total deposits and 69% in total financings excluding government financing. To support liquidity in the sector, Central Bank of Jordan reduced the reserve requirement. With the objective of providing relief to affected individuals and business, a moratorium on financings was also advised by the Central bank, which became effective in March 2020 and was last extended till June 2021.

Despite noteworthy growth in financings, the bank's liquidity ratio remained strong at a Liquidity Coverage Ratio (LCR) of 190% at end 2020. Asset quality indicators have improved further with gross non-performance declining to 3.13% during 2020 (2019: 3.97%), largely given the base effect. The Bank maintains provisions and risk reserves collectively in excess of impaired financings. We expect asset quality to remain strong even after the lifting of forbearance measures in effect. At 23.74% capitalization levels are sufficient to support growth for the foreseeable future and have not declined despite growth in business assets, being driven largely by government exposures. Despite some moderation in banking spreads in a reduced policy rate environment, the Bank's return indicators have remained range bound and denote steady earning generation ability.

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