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