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## **IIRA maintains its international and national scale ratings of Jordan Islamic Bank**

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Amman/ Bahrain, Islamic International Rating Agency (IIRA) has maintained its international scale ratings of BBB- / A-3 / Stable for foreign currency long term and short term obligations and BBB/ A-3/ Stable for local currency long term and short term obligations of Jordan Islamic Bank (JIB). IIRA has also maintained its National scale ratings of A (jd) and A-1 (jd) to long term and short term obligations of JIB. The outlook for the ratings is stable.

Jordan Islamic Bank has been operating for more than 30 years in the Kingdom of Jordan and has strong brand recognition, being the leading Islamic bank of the country. Capital of the bank is strong and has improved as reflected in a capital adequacy ratio of 14.5% as of FYE'09 from 13.7% as of FYE'08. This is coupled with a strong parent, which has shown continuous demonstrated support to the bank in the recent past.

In terms of deposits, 86% of the deposits as of FYE'09 are from individuals. This is considered positive as generally the individual customers are less-price sensitive and perceived to have kept these deposits in an Islamic bank due to their faith related matters. There is negligible reliance on bank borrowing as a funding source together with sound loan to deposit ratio. Furthermore, liquidity position indicated by liquid assets to liquid liabilities ratio of 45.5% is considered strong.

Asset quality is good and is maintained through prudent credit and investment policies. The non-performing loans are low at 3.7% of gross loans. The growth in non-performing loans over the last 5 years has been either in line or less than the growth in advances, which is a positive sign. Individual borrower and real estate concentrations, though high, are well within the regulatory limits set by the CBJ.

Net Income stood at JD 27.9M in FY'09 compared to 35.1M in FY'08. The decline is primarily due to (a) reduction in income from restricted accounts and (b) reduction in realized gains from sale of equities, both of these are primarily market driven earning factors. Net profit has grown at a CAGR of 16% in the last 5 years from JD 13.1M in FY'05 to JD 28.0M in FY'09.

The preliminary figures received for nine months ending Sept 30, 2010 indicate that despite difficult economic conditions, JIB has been able to maintain its performance in the first nine months of 2010, as indicated by a growth of 13.8%, 15.4% and 7.9% in assets, customer deposits and net of loans and advances from its Dec 2009 levels. Net income has decreased by 10.8% in the first nine months of 2010, compared to corresponding period of 2009. However, the drop in net income was largely due to non-operational factors like increase in depreciation, and one of the reversals of provisions in 2009.

The main challenge that JIB faces is to devise strategies to remain as the premier Islamic bank of the country given that new competitors backed by strong and established foreign Islamic banks have already started operation within the kingdom.

IIRA will continue to monitor the trend of non-performing loans and exposure to real estate and equity markets. The possible impact of the overall global economic conditions on Jordan and Jordan Islamic Bank will be kept under review.

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