



IIRA Reaffirms Fiduciary Ratings of Al Baraka Bank Egypt

Manama, January 28, 2019 – The Islamic International Rating Agency (“IIRA”) has reaffirmed the outstanding foreign currency rating of ‘B-/B’ (Single B Minus / Single B), and a local currency rating of ‘B/B’ (Single B / Single B) on the international scale, assigned to Al Baraka Bank Egypt (“ABBE” or “the Bank”). National scale rating has also been reaffirmed at ‘A-(eg)/A2(eg)’ (Single A Minus (eg)/ A Two(eg)). The outlook on the assigned ratings has been revised to ‘Positive’ from ‘Stable’.

Al Baraka Bank Egypt operates according to the Islamic banking principles as dictated by its Articles of Association. ABBE has a local market share of 1.3% in deposits at end-2017. Al Baraka Banking Group (“ABG”) holds a majority stake of 73.7% in the Bank. ABG is a leading international Islamic banking group with extensive geographical presence in 17 countries, including key Islamic finance markets of Bahrain, Pakistan, Turkey and Saudi Arabia. State-owned Misr Life Insurance Company and Misr Insurance Company held 5.3% and 4.5% stakes respectively as of the year-end 2017.

Overall macroeconomic trends in the country depict relative improvement, with pickup in growth and expectations of narrower fiscal and current account for the fiscal year 2018/2019. Moreover, inflationary trends have eased over time, while still reflective of significant pressures on price stability going forward. Reflective of banking sector trends, ABBE features a high proportion of liquid assets, rendering the bank’s balance sheet highly liquid. Asset quality indicators are sound with low net impairment.

ABBE’s CAR improved significantly in 2017 with strong profitability and higher tier-2 capital. However, the tier 1 capital ratio indicates a relatively low cushion against minimum regulatory requirements, given also that such requirement is due to be raised in 2019. Although steady internal generation of capital is a risk mitigating factor, capital reinforcement will assist in maintaining the bank’s presently sound risk profile.

The bank’s overall fiduciary score has been revised upward to the range of ‘71 – 75’, reflecting adequate protection of the rights of various stakeholders. The upward revision is supported by strengthening corporate governance framework amidst ongoing regulatory reforms. Notwithstanding this, raising the level of independent representation on the Board of Directors and reinforcing human resources deployed in Shari’a audit and review functions remain key priorities.

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