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## IIRA Reaffirms Fiduciary Ratings of Al Baraka Bank Tunisia

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**Manama, November 19, 2018** – The Islamic International Rating Agency (“IIRA”) has reaffirmed the outstanding foreign currency rating of ‘BB-/B’ (Double B Minus / Single B), and a local currency rating of ‘BB/B’ (Double B / Single B) on the international scale, assigned to Al Baraka Bank Tunisia (“ABBT” or “the Bank”). National scale rating has also been reaffirmed at ‘BBB+ (tn) /A2 (tn)’ (Triple B Plus (tn) / Single A Two (tn)). The outlook on the assigned ratings remains ‘Stable’.

Al Baraka Banking Group (“ABG”) is the largest shareholder of ABBT with a majority stake of 78.4%. As a leading international Islamic banking group with extensive geographical presence in 16 countries, ABG’s asset base stood at USD 23.3bn as of September 2018. The Tunisian Republic is the Bank’s second largest shareholder with a total stake of 20% through direct and indirect shareholding. Strong shareholder structure is deemed a credit positive.

Tunisia’s economy has posted recovery with improved growth, led by exports and tourism. However, wide twin deficits, deteriorating external position, inflation well above historical averages, global monetary tightening and high unemployment rates, remain key challenges for the economy. Prevailing macroeconomic conditions are manifested in decelerated lending growth compared to 2017.

Following retarded business growth in 2017, the bank has picked pace in H1’2018. Reflective of business trends, profitability has also improved with wider margins and controlled operating expenses, following a net loss in 2017. ABBT has sizable capital buffers, to allow growth as targeted in the medium term. Deposit growth accelerated in 2017 and in the first half of 2018; however, overall funds base depicts considerable reliance on inter-bank funds. ABBT’s total depositor base is markedly concentrated, despite the gradually increasing share of retail deposits.

NPFs were elevated on account of a single, large, non-performing exposure, which is not generic of the financing portfolio’s asset quality. The referenced financing has been restructured and is collateralized.

The bank’s overall fiduciary score has also been reaffirmed in the range of ‘71 – 75’ and reflects adequate protection of the rights of various stakeholders. However, certain weaknesses persist in corporate governance, despite the favorable medium-to-long-term impact of CBT’s commitment to achieving full Basel III compliance by 2020, and the Group’s endeavor towards unification of policies and practices. IIRA notes the strengthening of the Bank’s Shari’a governance infrastructure favorably. Further reinforcement is warranted, given the size of the Bank’s network and ongoing business growth.

For further information on this rating announcement, please contact us at [iira@iirating.com](mailto:iira@iirating.com).