



IIRA Reaffirms the Ratings of Bank ABC Islamic E.C.

Manama, January 13, 2019 – Islamic International Rating Agency (IIRA) has reaffirmed the international scale ratings of Bank ABC Islamic E.C. (“ABCI” or “the Bank”) at A- / A2 (Single A Minus /A Two). At the same time, national scale ratings have been maintained at A+(bh) / A1(bh) (Single A Plus /A One). Outlook on the assigned ratings is ‘Stable’.

As a wholly owned subsidiary of the ABC Group (“Arab Banking Corporation B.S.C.” or “ABC B.S.C.” or “the Group”), ratings assigned to the Bank derive strength from the operational and financial support extended by the parent Bank. Bulk of the Bank’s funding requirement is met by the Group. Further, certain control functions of the Bank are subject to an outsourcing arrangement with the Group.

Following a 4.6% reduction in portfolio size in 2017, whilst showing 17.6% growth in total operating income and 11.6% in net profit, the Bank has posted overall growth over the most recent quarters, despite tough conditions across most of its key markets. Prolonged economic stress in key jurisdictions may further weaken the credit environment and thereby, temper the Bank’s business generation potential. From coverage perspective, the strategy and focus has been to grow the corporate book. Considering market conditions and environment, focus has also remained on relatively low-risk asset classes and capital market transactions resulting in an increase of exposure in financial institutions and sovereign issuances. Further, asset quality trends have remained favorable, particularly with part recovery of non-performing finances. Nonetheless, the Bank’s continued ability to maintain asset quality metrics, in an environment of rising credit risk will be monitored. Profitability of the Bank has depicted improvement on a timeline. Further, the Bank has strong capital buffers to withstand asset losses over the next two years.

IIRA’s assessment of the ABCI’s overall fiduciary score lies in the range of ‘76 – 80’, reflecting strong fiduciary standards with a well-developed governance structure, wherein the rights of stakeholders are considered to be well-protected. The policy and strategy direction from the Group guides the governance infrastructure at ABCI, which has remained sound. At the same time, the Bank’s governance infrastructure benefits from strong regulatory guidance in Bahrain.

ABC B.S.C. is a conventional wholesale bank headquartered in the Kingdom of Bahrain (“Bahrain” or “the country”). The Group is one of the largest financial institutions in the MENA region with an asset base of about US\$27.9bn at Q3’18. The Group has international presence in 16 countries through 7 banking subsidiaries and 3 branch licenses. Further, the quasi-sovereign shareholding of the bank is viewed as a strength.

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

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