



الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA Reassess Al Baraka Bank Syria

Manama, November 13, 2018 –Islamic International Rating Agency (IIRA)has reassessed Al Baraka Bank Syria ('BBSY' of 'the Bank'), and continues to classify the Bank as 'NR' (Non-ratable). The Bank's overall fiduciary score has been reassessed within the range of 71-75, which denotes adequate fiduciary capacity.

BBSY is an Al Baraka Banking Group (ABG) institution, operating as a retail bank in Syria. The Bank was incorporated in 2009 and is listed on the Damascus Securities Exchange. At present, the Bank operates with a network of 13 branches and 2 offices, located within the Government controlled jurisdiction. Given the continuing conflict, the scale of which has reduced on a timeline, economic activity has consolidated with a small group of economic participants, rendering the bankable market extremely limited. Furthermore, the sector is faced with considerable operational challenges given the lack of effectiveness and governance at state level institutions, limited access to international correspondent banking institutions, and a severely compromised operating environment.

Following significant inflow of funds mainly from financial institutions, BBSY became the largest private bank in the country with a market share of 17% as of Dec'17, within the private banking sector. The Bank's long term business strategy remains focused on being part of the reconstruction activity, once the Syrian conflict is resolved. Accordingly, in the meanwhile and specifically in view of the prevailing macroeconomic position, the bank largely remains invested in low risk /low return assets.

Relevant risk considerations include the bank's ability to readily access funds placed externally or with Central Bank of Syria (CBS) internally, particularly with regards to the foreign currency component of liquidity placed with CBS. The regulatory environment may also not be considered appropriately stringent given the uniquely strained circumstances. In addition to the domestic risks, the bank's accessibility of liquidity placed with foreign financial institutions may be subject to constraints including delays in inward remittance.

IIRA has, however, conducted a 'Domestic Financial Risk Assessment' (DFRA), which assesses the bank in a standalone context, (excluding environmental factors and government support, but accounting for potential of parent support) and incorporates assumptions such as relative normalcy in terms of political, economic and financial activity. Our DFRA has placed the bank within the 'BBB' (Triple B) band. The DFRA reflects the institution's superior local position vis-à-vis the banking industry, with a sizable proportion of the asset base maintained in foreign currency and held outside Syria, thus being hedged to a large extent against sovereign level risk. Our assessment of the bank's financial risk profile is supported by the large proportion of cash equivalents held, relatively low exposure to credit risk and very high provisioning coverage.

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