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## IIRA Maintains Ratings of Bahrain Islamic Bank

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**Manama, June 15, 2017** – Islamic International Rating Agency (IIRA) has reaffirmed ratings of Bahrain Islamic Bank (BIsB or ‘the bank’) at BBB/A2 (Triple B)/ (A Two) on the national scale and BBB-/A3 (Triple B minus / A Three) on the international scale.

Our rating assessment of BIsB derives strength from recent positive developments that the bank has posted with improving profitability and asset quality indicators over the past couple of years. However, the bank’s rating outlook is constrained by the macroeconomic environment and tougher industry conditions facing banks in the Gulf, which may have a restrictive effect on growth whilst also implying increased systemic risks. As such, given the presence of external, regional concerns, the outlook on international scale ratings is assessed as ‘Negative’. Ratings will be reviewed if these present conditions persist.

The bank’s maintained ratings reflect the effective implementation of a business strategy, developed in 2014 with recent growth being largely focused on retail business, as well as acquisition of sovereign assets, which has positively affected all key health indicators. Impairment in recent financings remains minimal, indicating improvement in the business underwriting capability of the bank. However, overall asset quality concerns remain notable, given the still significant, though steadily reducing, legacy non-performing assets, with continued implications for provisioning charges.

Given these aforementioned constraints and limited internal capital generation in the past few years the bank’s capitalization level may warrant reinforcement to enable gradual growth. This has gained enhanced significance, in the wake of increasing credit risks in a challenging macroeconomic situation.

BIsB is an Islamic retail banking institution operating in the Kingdom of Bahrain. Within the context of the country’s Islamic Banking industry, the bank can be classified as mid-sized, given a market share of about 17% as of Dec’16. The bank’s majority ownership is held by quasi sovereign entities, on account of which we have incorporated a strong element of ‘sponsor support’.

IIRA has assigned BIsB a Fiduciary Score of 71-75, which signifies that the rights of various stakeholders are adequately protected. The respective components of the Fiduciary Score include Asset Manager Quality, Corporate Governance and Shari’a Governance. Our assessment on the bank as an ‘asset manager’ has improved on a timeline as the institution progresses towards stronger controls and risk management framework.

For further information on this rating announcement, please contact Mr. Mohammad Arsal Ayub at [arsal.ayub@iirating.com](mailto:arsal.ayub@iirating.com).

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