



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

Manama, December 19, 2019– Islamic International Rating Agency (IIRA) has affirmed the international scale ratings of Bank ABC Islamic E.C. (“ABCI” or “the Bank”) at ‘A- / A2’ (Single A Minus /ATwo). Likewise, the national scale ratings have been affirmed at ‘A+(bh) / A1(bh)’ (Single A Plus /AOne). The outlook on the assigned ratings remains ‘Stable’.

ABCI is wholly owned by ABC Group (“Arab Banking Corporation B.S.C.” or “ABC B.S.C.” or “the Group”) which maintains international presence in 15 countries through its subsidiaries, branches and representative offices, with a consolidated asset base of just under USD30b as of Q2’19. The quasi-sovereign shareholding of the Group is further viewed as credit positive. Our assessment of ABCI is strengthened by strong implicit support from its parent, justified by its 100% ownership of ABCI as well as a shared franchise, and reflected in funding and functional support.

Despite a more challenging operating environment, the bank’s asset base grew at a more inclined pace of 12% in 2018, vis-à-vis a 5 -year CAGR of 7.9% between 2012-2017, just to stabilize in Q2’19 to USD1,703mn showing a slight decline of 2.4%. Asset risk remains largely contained with minimal impaired assets; nevertheless, heightened credit risk is evident in most geographies that the bank conducts business in.

Liquid asset coverage of total assets and funding remains high. As most of the funding is secured from the parent, with high probability of continued support, liquidity risk is rather low. Capitalization is strong with CAR of 34%, with almost all of eligible capital being tier-1. Profitability metrics have been trending up on a timeline, on the back of higher net margin income and improving efficiency.

IIRA’s assessment of ABCI’s overall fiduciary score is maintained 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. ABCI is in compliance with CBB’s CG requirements with few exceptions whereby CBB has provided exemptions. Overall, we deem the governance framework strong which is supported by Group oversight, and CBB supervision.

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