



الوكالة الإسلامية الدولية للتصنيف  
Islamic International Rating Agency

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## IIRA's Concludes Re-assessment of Al Baraka Bank Syria

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**Manama, December 04, 2019** – Islamic International Rating Agency (“IIRA”) has concluded the reassessment of Al Baraka Bank Syria (“BBSY” or “the Bank”), which is classified as “NR” (Non-ratable). However, IIRA’s ‘Domestic Financial Risk Assessment’ (“DFRA”) continues to place BBSY within the “BBB” (“Triple B”) band. DFRA assesses the Bank in a standalone context, (excluding environmental factors and government or regulatory intervention, but accounting for potential for parent support) and incorporates assumptions such as relative normalcy in terms of political, economic and financial activity.

Incorporated in 2009, BBSY operates as a retail bank in the Syrian Arab Republic (“Syria” or “the country”). The Bank has a domestic network of 11 branches and 2 offices; the scale of operations may be expected to expand as the state of normalcy returns in the country and BBSY focuses on reconstruction activity. The Bank is listed on the Damascus Securities Exchange.

BBSY is part of Al Baraka Banking Group (“ABG” or “the Group”) institution, which is a prominent Islamic banking group with multi-jurisdictional presence across 17 countries. While ABG holds 23% stake in the Bank, the Group reserves full management control through a mutual agreement, thereby allowing outsourcing of back office functions in lieu of annual charges.

IIRA’s DFRA assessment reflects the institution’s superior local position vis-à-vis the banking industry. At end-2018, the Bank has further gained market share, accounting for about 18% of the local private banking sector assets. In the backdrop of existing macroeconomic conditions, BBSY continues to register growth while predominantly remaining invested in low-risk / low-return assets mostly representing cash and cash equivalents. General financings off-take has remained low; however, growing delinquencies, albeit relatively small in relation to balance sheet size and equity at present, may pose challenges for the Bank if unaddressed.

It may be noted that a sizable proportion of the asset base is maintained in foreign currency and held outside Syria, thus being hedged to a large extent against sovereign level risk. At the same time, the Bank’s accessibility of liquidity placed with foreign financial institutions may be subject to repatriation constraints including delays in inward remittance. BBSY’s recent growth was a function of enhanced funds with improved deposits access. Further, the Bank’s access to foreign currency funding was also largely maintained in proportion to total non-shareholder funds. Capital buffers are viewed as adequate and may support growth, yet further reinforcement of equity may be required in case of meaningful growth in market credit off-take, as expected with full return to normalcy.

IIRA has assessed the Bank’s overall fiduciary score within the range of “71 - 75” reflecting adequate fiduciary standards, wherein rights of various stakeholders are adequately protected. The assigned score has weighed in the current situation of increasing credit risk necessitating further reinforcement of risk management function at the Bank. It may be noted that the Syrian banking sector continues to face considerable challenges amidst a severely compromised operating environment. The Shari’a governance score may also

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benefit from BBSY's adherence to relatively stricter global Shari'a framework guidelines in terms of resource addition and re-alignment of Shari'a governance infrastructure with international regulatory requirements.

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

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