



الوكالة الإسلامية الدولية للتصنيف  
Islamic International Rating Agency

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## IIRA updates its assessment for alBaraka Bank Syria

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**Manama, September 28, 2020** – Islamic International Rating Agency (“IIRA”) has revisited the ‘Domestic Financial Risk Assessment’ (“DFRA”) of Al Baraka Bank Syria (“the Bank” or “Al Baraka Syria”), and reaffirmed the “BBB” (“Triple B”) band assessed. DFRA analyses the Bank in a standalone context, (excluding environmental factors and government or regulatory intervention, but accounting for potential for parent support). At the same time, the Bank remains classified as “NR” (Non-rated).

Syrian Arab Republic– based Al Baraka Syria has been operating since its incorporation in 2009 and is listed on the Damascus Securities Exchange. The bank is a subsidiary of Al Baraka Banking Group (“ABG” or “the Group”) which is its largest shareholder with an equity stake of 23%. The Group has a strong franchise and multijurisdictional presence across Asia, Europe and Africa and extends support, if and as needed, to Al Baraka Syria.

The Bank’s physical footprint has expanded slightly to 12 branches and 2 offices as of end-2019. Asset profile has remained conservative, being invested in low-risk / low-return holdings. A sizable proportion of Al Baraka Syria’s assets continued to represent non-resident foreign currency placements, thereby hedging the Bank to a large extent against country risk. Since 2019, the Bank has reinforced capital twice having raised the paid-up capital to Syrian Pound (“SYP”) 15bn by H1’20, thereby complying with the minimum threshold of Central Bank of Syria (“CBS”). The present capital base may be deemed sufficient to allow for asset growth comparable to recent years and no material elevation in risk levels. Moreover, the Bank’s improving profitability position vis-à-vis the banking industry in 2019 is also viewed favorably.

IIRA remains cognizant of the challenges faced by the banking sector due to regional situation, exacerbated by the Covid-19 health pandemic. An uptick in the Bank’s financings was noted in 2019, in addition to improving asset quality indicators, on the back of recoveries and regularization in addition to enhanced provisioning and collateral coverage. While the scale of BBSY’s financings remains relatively small in relation to balance sheet size and equity at present, IIRA shall continue to monitor the emerging trends in asset quality given the further stressed conditions in its operating environment.

IIRA’s assessment on the Bank’s overall fiduciary score ranges between “71 - 75” reflecting adequate fiduciary standards, wherein rights of various stakeholders are adequately protected. Corporate and Shari’a governance scores have been uplifted based on the Bank’s improving framework for self-regulation, encompassing its internal control structure. The Bank’s Shari’a governance framework has been further harmonized with the practices of ABG Group, which is also viewed favorably.

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

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