الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA announces its Risk Re-assessment of Al Baraka Bank Syria

Manama, December 15, 2025 – Islamic International Rating Agency ("IIRA") has concluded the reassessment of Al Baraka Bank Syria ("the Bank") which remains "NR" (Non ratable). Meanwhile, IIRA's 'Domestic Financial Risk Assessment' ("DFRA") reaffirms its placement of the Bank within the "BBB" ("Triple B") band. DFRA assesses the Bank in a standalone context, (excluding the potential effects of external factors such as economic volatility and regulatory interventions). Meanwhile, cognizant of recent positive developments in Syria, IIRA expects to revisit its assessment following the expected reforms by the Central Bank of Syria and leading to a more stable environment for the banking sector, with a view to assign national scale ratings.

The Bank's network remained unchanged at 16 branches and 2 offices. Management's strategic focus continues to emphasize strengthening retail operations and expanding digital banking capabilities rather than pursuing extensive physical expansion. Nonetheless, the Bank plans to open two new branches in Homs and Idlib, aligned with its selective growth strategy and efforts to enhance geographic reach within key local markets.

Despite reform initiatives, there are several challenges ahead for the Syrian economy. The geopolitical environment is not very conducive, given global political uncertainties and strained relations amongst powers in the region. In addition, the international financial institutions have not yet extended firm commitment for funds, as needed for reconstruction. For foreign fund flows to crystallize, the improvement of key infrastructure like power and water systems, would be crucial.

Once the economy and banking sector become more stable, Al Baraka Bank Syria could be one of the most important beneficiaries owing to the international banking expertise of its main shareholder, Al Baraka Group B.S.C.(c) ('ABG') which holds 23.0% stake in the Bank. ABG is licensed as an investment business firm – category 1 (Islamic) by the Central Bank of Bahrain, and operates as an international Islamic financial group providing financial services through its banking subsidiaries offering retail, corporate, treasury and investment banking services, in accordance with the principles of Shari'a with geographical presence spread across 13 countries and 3 continents.

The Bank's total assets expanded by 26.7% in 2024, representing real growth of 17.3% in USD terms, unlike the prior year's nominal expansion driven by currency depreciation. The balance sheet remained highly liquid despite an increase in financing portfolio. Going forward, financing growth is expected to remain measured, constrained by CBS-imposed liquidity controls, macroeconomic uncertainty, and a cautious credit stance favoring short-term, secured exposures. Overall, management expectations of full year asset growth is modest at 2% in USD terms (translating into 18% decline in SYP terms) whereas the financing portfolio is expected to register decline given the cash liquidity squeeze. The H1'25 trends are largely representative as total assets declined by 12.5% to SYP6,707bn as of June 2025.

The Bank's asset quality metrics weakened modestly in 2024 amid macroeconomic disruption and the announced currency redenomination. Stage-3 financings rose, largely due to repayment delays and elevated systemic risk. However, provisioning coverage remained strong, keeping net impairment in check. Historically, a single legacy exposure denominated in foreign currency has dominated the non-performing financings of the Bank. During the ongoing year, this exposure, which was fully provisioned for, was transferred off balance sheet and the Bank took the necessary legal action to reclaim its rights. Therefore, gross non-performance indicators would improve notably in the near term. Overall, the Bank's low financing-to-asset ratio along with strong provisioning buffers, continues to support the credit risk profile. Nevertheless, the rising Stage-2 exposures and overall macroeconomic outlook could pose downside risks. Going forward, asset quality resilience will depend on effective monitoring of stage-2 exposures and prudent underwriting in light of regional volatility and currency pressures.

The Bank's funding base expanded organically in 2024, led by growth in customer deposits and reduced reliance on interbank placements. Liquidity buffers remained well above regulatory requirements, supported by a stronger, low-cost deposit mix. However, management anticipates near-term moderation in deposit growth amid weakened confidence and withdrawal constraints. Excess liquidity holdings and stable institutional relationships underpin funding resilience, while greater diversification into retail and SME deposits remain a key strategic focus.

Al Baraka Bank Syria's shareholders' equity rose by 19.2% in 2024, supported by profit retention and higher revaluation reserves. A 100% bonus issue doubled paid-up-capital to SYP 120 bn, with plans for a further increase to SYP 200 bn pending regulatory approval. Despite higher leverage, the Bank's CAR improved to 49.2% during 2024 and further to 57% as of June 2025, with buffers remaining well above the regulatory requirement. The Bank's conservative capitalization and absence of cash dividends underscore a cautious stance, though a cash distribution is under consideration for the first time since 2015. Given that the current level of capital is well above local regulatory minimum and sufficient from a risk perspective, the board aims to deploy more capital into productive assets once macroeconomic conditions stabilize.

The Bank's net earnings dropped sharply in 2024, which had been inflated by sizable FX revaluation gains in the previous year. Excluding these effects, operating net income rose 46% YoY, driven by wider spreads and an increase in fee income, which accounted for over half of total operating revenues. Despite higher yields and a low-cost funding base, profitability was constrained by a five-fold rise in provisioning expenses and inflation-induced cost pressures. In 2025, profitability was pressured by constrained financing growth and sharply lower commissions income, as the cash squeeze in the Syrian market hampered banking activity with net operating revenues declining by 22.1% compared to H1'24.

IIRA maintained the Bank's overall fiduciary score in the range of "71 – 75", denoting adequate fiduciary standards, wherein rights of various stakeholders are sufficiently protected. There were several changes at the Board level whereby its current composition includes three representatives of ABG, one non-executive member, and three independent members, reflecting a balanced governance structure with diverse professional expertise in banking and finance. The Board is intended to comprise nine members as per the approved structure, with the process of filling the remaining seats currently in progress. Re-elections are scheduled for 2026. Board committees remained active, convening more frequently than regulatory requirements, while control functions continued to operate under direct Board-level oversight with frameworks assessed as adequate.

There has been no material change in the Bank's Shari'a governance framework, which remains robust and aligned with AAOIFI standards. The SSB continues to provide assurance that all operations comply with Shari'a principles, supported by an active Internal Shari'a Audit function and established profit distribution mechanisms through profit equalization and investment risk reserves. Disclosure standards meet regulatory requirements, though transparency could be further enhanced through publication of the SSB charter.

The Board Social Responsibility & Sustainability Committee implemented several ESG initiatives, retained its ISO 26000:2010 certification with a strong performance rating, and continued to allocate a portion of its financing portfolio to renewable-energy projects, reflecting its sustained commitment to social impact and responsible finance.

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