



IIRA places ratings of Al Janoob Islamic Bank for Investment and Finance on 'Rating Watch'

Manama, March 11, 2024 – Islamic International Rating Agency (“IIRA”) has maintained national scale ratings of A- (iq) / A2 (iq) (A Minus (iq) / Single A Two (iq), assigned to Al Janoob Islamic Bank for Investment and Finance (‘Al Janoob’ or ‘the Bank’). IIRA has also maintained local and foreign currency ratings of B/B (Single B / Single B) on the international scale.

Al Janoob has demonstrated superior access to the market for both deposits and business opportunities relative to peers, allowing the Bank to post rapid asset growth over the last two years. Despite this, the deposit base remains concentrated and primarily sourced from corporations. Earning potential is also restricted, with concentrated business relationships causing volatility in business volumes from year to year. During 2023, the Bank experienced significant repayments in financings reflected in diminished balances at YE2023, vis-à-vis prior year. Non-performance is minimal with net non-performing balances being almost nil as at YE2023.

With new capital issuance on the directive of the Central Bank to increase equity, the already overcapitalized Bank has further reinforced its equity reserves. Further capital infusion is on the anvil, rendering the Bank overcapitalized for the foreseeable future and providing a strong base to grow going forward.

Given the results for 9M'23 a further improvement in net earnings is expected for the full year, mostly driven by higher fee and commission income. Expenses are growing at a moderate pace in lieu of increased branches and staff, and so far cost of risk has remained contained. Quality of earnings is superior to peers with reliance on fee and commission income and core sources rather than volatile exchange gains.

In February 2024, the Bank was placed on the list of Banks restricted temporarily from participation in USD based transactions. Ratings have therefore been placed on ‘Watch’ and will be reviewed in the 3rd Quarter of 2024, to consider the progress against these measures. Meanwhile, the Bank’s loss buffers are strong and able to withstand adverse circumstances.

IIRA has assessed Al Janoob’s fiduciary score in the ‘66–70’ range, reflecting adequate fiduciary standards, wherein the rights of various stakeholders are considered to be adequately protected. The Bank’s corporate governance structure is supported by an independent Board, strong disclosure practices and a team that brings with it diverse international experience. Increasing focus on compliance infrastructure is evident, as was required, given the CBI’s increasing vigilance.



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The Shari'a governance infrastructure at the Bank benefits from the strength of the regulatory framework. The SSB is a 5 member Board; the conduct of the meetings is frequent allowing for close monitoring and effective guidance. The funding side of the bank is differentiated from other local Islamic banks, with participative accounts, which require the Bank to share its earnings with investment accountholders. This is viewed positively, being aligned with the principle of participative finance underlying the precept of Islamic Banking. Moreover, the Bank is in the process of diversifying its product structures to provide depth of services to its Shari'a conscious customers. The Bank also issues a sustainability report annually, which reports on the Bank's commitment to its stakeholders, and is socially aware with its regular allocation to charity and social support initiatives.

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

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