



IIRA Maintains Ratings of Al Janoob Islamic Bank for Investment and Finance on 'Rating Watch'

Manama, October 20, 2025 – Islamic International Rating Agency (“IIRA”) has reaffirmed the national-scale ratings of A-(iq) / A2(iq) (A Minus (iq) / Single A Two (iq)) and the international scale ratings of B / B (Single B / Single B) assigned to Al Janoob Islamic Bank for Investment and Finance (“Al Janoob” or “the Bank”).

Al Janoob’s balance sheet contracted in 2024 as the Bank settled outstanding trade exposures and reduced its foreign-currency operations. This trend continued into the first half of 2025 as corporate clients curtailed LC-related business amid ongoing foreign-currency limitations. Despite these headwinds, the financing portfolio expanded, reflecting growth in corporate Murabaha and new retail initiatives, while investments in CBI Islamic Certificates helped offset the impact of lower trade volumes handled. Asset quality remained sound, with non-performing exposures low, and coverage adequate.

Liquidity remained a core strength, supported by a large equity base and high reserves with the CBI. Funding composition shifted in 2024 as cash margins declined, while deposits—largely comprising corporate balances—decreased during the first half of 2025; the Bank is developing new products to revive access to customers’ deposits. Liquidity buffers remained in excess, and capitalization stayed well above regulatory requirements. The Bank continues to rank among the first private Islamic banks to meet the enhanced capital threshold, with management considering strategic partnerships to diversify ownership and strengthen the capital structure.

Profitability softened during 2024 as trade finance and foreign-exchange income declined under USD restrictions from CBI, though growth in financing and investment income partially cushioned the impact. Operating expenses were kept in check, and provisioning remained modest given stable asset quality. Performance in HY’2025 indicated a steady earnings trend, and management expects profitability to stabilize as domestic financing activities gain momentum.

IIRA has maintained Al Janoob’s fiduciary score in the ‘66–70’ range, reflecting adequate governance standards and protection of stakeholder rights. The Bank restructured its Board and committees during 2024, to enhance independence and oversight and introduced a Board ESG and Sustainability Committee to align with the CBI’s guidelines. The Shari’a Supervisory Board continues to function independently, confirming compliance with AAOIFI principles across the Bank’s activities.

On the social front, Al Janoob’s approach to community engagement was revised in 2024. While no new allocations were made during the year, the Bank maintains a social-responsibility reserve for future

initiatives. Under the new policy, contributions will be made directly by shareholders following dividend distributions, reflecting a more shareholder driven model of social contribution.

Ratings remain on 'Watch' pending clarity on sector-wide regulatory developments and foreign-currency transaction restrictions from CBI. IIRA notes Al Janoob's strong liquidity, capital resilience, and enhanced governance framework as key credit strengths.

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