



IIRA Reaffirms the ratings of Asia Aliraq Islamic Bank

Manama, January 28, 2026 – Islamic International Rating Agency (“IIRA”) has maintained Asia Aliraq Islamic Bank for Investment and Finance’s (“Asia” or “the Bank”) local and foreign currency ratings at B-/B (Single B Minus / Single B) on the international scale, while reaffirming the national scale ratings at BBB (iq) / A2 (iq) (Triple BBB (iq) / Single A Two (iq)). Meanwhile, the ratings are placed on ‘Rating Watch’, with neutral implications in terms of the direction of ratings, until regulatory constraints stand resolved and the future course of action regarding recapitalization or merger become clear.

The Central Bank of Iraq has been taking steps to strengthen the banking sector, improve governance and ESG standards and promote financial inclusion, as manifested in recent directives to enhance the level of compliance and recapitalize or consolidate ownership interest in the sector. While the reform process augurs well for the sector as a whole, challenges remain, with 42 banks having been restricted from USD dealings.

Driven by enhanced deposit mobilization, total assets of Asia Bank grew by 7.2% in 2024 and 3.0% during 9M’25. Following the restrictions imposed on USD dealings, financing portfolio growth has been a key focus to generate core earnings. As a result, healthy growth at 14.4% YoY was seen in the financing portfolio in 2024, raising the proportion of financings within the asset mix to 47.4% from 44.4%. During 9M’25, the aggregate share of financing and investment portfolio improved to 64.6% of total assets vis-à-vis 59.6% in Dec’24 while the proportion of cash and cash equivalents declined to 22.7% from 28.1%. Gross non-performance remained steady at 3.5% as of September 2025 remaining well below the Iraqi banking sector average of 7.2%, however, stage-2 financings representing 18.6% of total financings and macroeconomic challenges, point to downside risks to the asset quality profile.

After posting a decline in 2023, total funding sources of the Bank recovered to IQD72.5bn as of December 2024 marking a 26.5% YoY increase on the back of 63.7% surge in customer deposits while funding from CBI fell on a sector-wide basis. In 9M’25, total funding base grew by 8.4% owing to 18.9% increase in customer deposits, whereas CBI funding declined further. Despite the downtrend in recent periods, liquid assets covered 125.5% of total funding base as of September 2025 (Dec’24: 149.3%) denoting strong liquidity buffers, whereas LCR and NSFR stood at 328% and 115% (Dec’24: 546% and 111%) respectively.

Having increased by 1.6% during 2024 to IQD255.1bn, the Bank’s total shareholders’ equity grew further to IQD258.3bn as of September 2025, marking a 1.3% Ytd¹ increase in tandem with modest internal capital generation. As Risk Weighted Assets (“RWA”) paced faster than regulatory capital, the Bank’s total Capital Adequacy Ratio (CAR) retreated to 142.2% as of December 2024 (Dec’23: 196.0%) and edged further down to 134.9% as of Sep’25, while remaining comfortably above the CBI’s regulatory minimum of 12%. Capital

¹ Year-to-date

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buffers would likely be adequate in the medium term, due to the size of existing buffers, and the Bank's conservative risk stance given the ongoing USD dealing restrictions, likely preventing any significant financing & investment growth.

The Bank's net income after tax grew to IQD4.1bn in 2024 vis-a-vis IQD1.4bn in 2023 mainly on account of much stronger spread income driven by revenues from Islamic Certificates of Deposits issued by CBI. Accordingly, the return on average assets (RoAA) improved to 1.3% from 0.4%. In the 9M'25 period, Asia Bank posted IQD3.3bn net profits vis-a-vis IQD 7.5bn during 9M'24 as revenues shrank by 53.7% vis-a-vis 52.0% decline in operating expenses. Profitability trends are unpredictable given the still significant reliance on non-core streams of income and external challenges.

IIRA has assessed Asia's fiduciary score in the '61 – 65' range, reflecting adequate fiduciary standards, wherein the rights of various stakeholders are considered to be adequately protected. There was no change to the Bank's 7-member Board since IIRA's prior review, with 4 members being independent. Meanwhile, as per the CBI's ESG Corporate Governance Code, Board Environmental, Social, Corporate Governance, and Sustainability Committee was formed. An update to AML & CFT policies as per CBI's new regulatory controls issued in early 2025 is noteworthy. On a positive note, staff strength of Internal and Shari'a Audit Department was strengthened by two auditors. The Bank's web disclosures are superior to its private bank peers. Meanwhile, there was no major change to the Bank's Shari'a governance practices, whereby the composition of the Shari'a Supervisory Board remained stable.

CBI and Iraqi Government have launched a USD763mn financing programme, targeting to support renewable energy, lowering emissions, expanding green spaces, waste recycling, palm cultivation and a reforestation project. The Central Bank of Iraq announced the financial sustainability road map for Iraq's banking sector, for years 2023 – 29, which incorporates both social and institutional standards. Under the guidance of Board Environmental, Social, Corporate Governance, and Sustainability Committee of Asia, training plans were reviewed to contribute to the development of all staff, taking into account the ESG and sustainability standards. In addition, as per BESGSC's recommendations, a management level committee was formed to monitor and supervise climate change related matters at Asia Bank.

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