



IIRA upgrades ratings of Faisal Islamic Bank

Manama, December 05, 2022—The Islamic International Rating Agency (IIRA) has upgraded the national scale ratings of Faisal Islamic Bank (“FIB” or “the Bank”) to ‘A-(sd)/A2 (sd)’ (A Minus / Single A Two) from ‘BBB+(sd)/A2 (sd)’ (Triple B Plus / Single A Two). Meanwhile, the outlook on the ratings was maintained at ‘Stable’.

Rating upgrade reflects the positive trends in core profitability, notable improvement in asset quality, and potential for large though essentially non-core currency gains marked by sizable on balance sheet foreign currency position. Despite a macroeconomic situation marked by hyper-inflation, and political uncertainty, positive trends in FIB risk profile and performance, have persisted in 2022. IIRA also notes the bank’s franchise and ongoing uplift in control infrastructure, as contributing factors to the upgrade.

FIB has remained defensive through a difficult economic situation with asset growth of 148.4% in 2021 remaining below banking sector average and market share retreating to 8.3% from 11.9% in 2020. The bank’s lower growth is reflective of both lower share of FCY denominated funding relative to peers and a restrained approach to business. Despite some increase in non-performance, asset quality measures have remained sound at a gross NPF ratio of 1.0% (2020:2.0%) and net non-performance at about 0.1% of assets. Strong collateralization as well as the defensive nature of the portfolio resulted in FIB’s impairment levels being considerably below the Sudan banking sector average of 3.7% in 2020. In addition, FCY financings being only 1.6% of gross financings is deemed to be positive for asset quality prospects.

The Bank’s net earnings after tax and zakat surged to SDG21.4bn in 2021 from only SDG1.1bn in prior year. Even after adjusting for FCY revaluation gains, the bank posted pre-tax and zakat earnings of SDG3bn depicting YoY growth of 420% supported by net spread income but most significantly by a surge in net fee income. Uptrend in profitability indicators was carried onto the year 2022, despite elevated cost base, and given further improvement in margin and fee income. Capital buffers present a narrow margin above regulatory limits. Low FCY component in total risk weighted assets, the bank’s strong ability to generate capital internally and full profit retention, partly mitigate concerns on the capital front.

The Bank’s fiduciary score was maintained at ‘71-75’ and reflecting adequate fiduciary standards wherein rights of various stakeholders are adequately defined and protected. IIRA noted the institution of Board Strategy and Digital Transformation Committee positively. In line with the CBoS directives regarding the control functions, improvements in risk management and compliance functions also continued. Recent institution of a centralized Internal Control Function shall further enhance the overall control environment in the Bank.



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The Shari'a Governance framework is supported by the oversight of a Higher Shari'a Commission of Control on Banks and Financial Institutions. Overall Shari'a control and oversight functions remain sufficiently well-resourced. Within the context of sustainability, the Bank has made investments in AWG Investment Fund denoting 1.5% of financing portfolio aiming to collect investments to produce energy from sustainable sources and reduce heat emissions and negative effects of climate change. In the year 2022, Faisal Islamic Bank has been on track to further increase its investments in sustainable energy sources. Assigned ratings however have not been affected by this assessment.

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

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