



CEO's Message

Recession is knocking at the doors of the largest economy of the world sending waves of apprehension to all other countries. Liquidity constraint in the U.S, triggered by the sub-prime mortgage market collapse is posing a great challenge for both regulators and market players. Islamic finance is somewhat less affected by this turmoil. Nevertheless these events call for serious thinking on the part of economic managers, regulators and market players in Islamic countries particularly with reference to disclosure and controls. High oil prices have been pumping huge liquidity into this market driving the economy and creating a boom in real estate investments. It is good while it lasts. The flip side of all this is that it has promoted a sense of urgency in making quick profits diverting attention from, if not completely ignoring, the principle of full disclosures of risks in investment proposals.



Mr. Jamal Zaidi
IIRA's CEO

Islamic International Rating Agency's aim is to remove such information gaps, provide a well considered opinion on the risk profile of issuers / issues and thus contribute to the stability of the financial markets of the region. Our opinions are arrived at after a thorough analysis of the past, the present and what the future promises. Our ratings are completely independent and unbiased from the influence of any interest groups. They are based on information derived from issuers / issues and other independent sources using rigorous and consistent analytical approaches. The reports of our Analysts can contribute to internal improvement of an entity as they point out the strengths as well as weaknesses in an organization. We will, therefore, continue to promote a rating culture in this region which we believe is essential to ensure healthy and sustained growth of capital markets.

IIRA's Rating Workshop

The Islamic International Rating Agency (IIRA), as a continuation of its services to enhance the level of understanding of rating and to share its professional experience, has organized a Rating Workshop on Monday 18th February 2008 at the Diplomat Radisson SAS Hotel, Bahrain. This workshop will introduce to the CEOs and managers the rating analysis, rating types and definitions, and how different institutions should prepare themselves for rating. The main audience will be directors, CEOs, senior managers and other professionals from different financial and corporate institutions. The workshop is free of charge. For more information about this workshop please contact us directly on + 973 17 211 606.

IIRA's New Service - Training Seminars

As part of IIRA's strategy to share its knowledge and experience in financial analysis IIRA is currently developing a new service to organize training seminars. The seminars will provide exposure to high quality analytical approaches and will also provide networking opportunities. The seminars will be conducted by IIRA's experienced and professional team members who have many years of experience in rating industry. The knowledge about the analytical tools and techniques will be passed on to the participants through an interactive learning environment. The course material and its delivery will be designed to meet the needs of conventional and Islamic finance professionals, investment and fund managers, regulators, risk managers, Shari'a compliance officers and the like. The program can also be customized to an organization's needs and offered in-house. IIRA's training seminars will be an effective way to sharpen the analytical skills with the sole objective of identifying, measuring and managing risks. The detailed programs will be released soon.

Central Bank of Bahrain recognizes IIRA as an ECAI

As a proof of continued interest in developing Bahrain as the regional financial hub, the Central Bank of Bahrain has taken another step in fostering the development of financial markets by recognizing Bahrain based Islamic International Rating Agency (IIRA) as an ECAI (External Credit Assessment Institution). This development is expected to pave the way for greater transparency in the region. "This is a very important milestone for IIRA", said IIRA's CEO, Mr. Jamal Abbas Zaidi. "It is a reflection on the quality of IIRA's rating methodologies and its rigorous analysis. The recognition will further boost the credibility of IIRA and will strengthen investors' confidence in IIRA's ratings". Earlier in 2006, Islamic Development Bank, Jeddah had also included IIRA in its list of approved rating agencies.



Central Bank of Bahrain (CBB)

Since inception in 2005, IIRA has been expanding its client base and organizational capability to carry out rating assignments. Measures to increase organizational capability include expanding the resource base, publication of methodologies for various types of ratings on offer, in house software development to ensure that the system support is available to carry out rating assignments, adoption of code of best practices for rating agencies, compliance with BASEL II requirements etc. Currently IIRA has clients in many countries, besides Bahrain, examples include Kuwait, Saudi Arabia, Turkey, Dubai, Malaysia and Indonesia. IIRA has completed Sovereign Rating of Bahrain, Credit Rating of an Islamic bank, and Shari'a Quality Rating of a Takaful company, a commercial bank and an Islamic fund. Quite a few assignments are in hand and many others are being negotiated. "IIRA's ratings provide to its investors a very reliable benchmark for risk and Shari'a compliance assessment of the issuers/ issues. The ratings of IIRA will thus bring about higher levels of transparency in the financial system which will lead to greater stability" added Mr. Jamal Abbas Zaidi, CEO of IIRA.

IIRA has assigned Shari'a Quality Rating 'AA' to Bank Muamalat Indonesia (BMI)

IIRA has assigned Shari'a Quality Rating of 'AA' to Bank Muamalat Indonesia (BMI), the first Shari'a-compliant bank in Indonesia. The rating reflects IIRA's opinion that BMI confirms to a very high level of standards of Shari'a requirements in all aspects of Shari'a quality analysis and takes the bank closer to its vision as a role model of Islamic banking module in Indonesia, initiated by the Indonesian Council of Ulama (Majelis Ulama Indonesia) and approved by the government. The Chief Executive Officer of IIRA Jamal Abbas Zaidi made the announcement in the presence of President Director of Bank Muamalat Indonesia, A. Riawan Amin in the briefing session of International Islamic Financial Markets in London on Tuesday, 5th February, 2008.



Bank Muamalat Indonesia Branch in Jakarta

The bank's Shari'a board consists of prominent Shari'a scholars with advanced qualifications and years of experience in the Islamic and financial industry. They regularly meet to approve all new products and schemes and to give opinion on any issues arising on previously approved schemes, Riawan Amin said. IIRA said the excellent standing of the bank was helped by a well structured and sophisticated internal Shari'a control department while the accounting and reporting practices were implemented in full compliance with the Standard Statement of Financial Accounting of the Indonesian Accountants Association, the prevailing accounting standards for Islamic financial institutions in Indonesia. BMI also operates an independent institution, Baitulmal Muamalat, specialised in helping the poor and channeling Zakat and other religious obligations to their appropriate ends. IIRA said that bank's commitment to Islamic principles was further observed in its practice of maintaining a significant proportion of its financing operations in profit and loss sharing schemes. The bank's desire for excellence has led it to establish the Muamalat Training Institute offering short and long term training and education programs in Islamic banking, both to the bank's employees and to outsiders domestically and internationally.

Albaraka Banking Group signs agreement with IIRA

The Albaraka Banking Group B.S.C. (ABG) has signed an agreement with Islamic International Rating Agency (IIRA) to carry out a Shari'a Quality Rating (SQR). ABG is a Bahraini Joint Stock Company listed on the Bahrain Stock Exchange and Dubai International Financial Exchange and is one of the well-known Islamic banks. ABG offers retail, corporate and investment banking and treasury services. The authorized capital of ABG is US\$1.5 billion, while the total equity amounts to about US\$ 1.5 billion and the total assets are US\$ 10.1 billion. The Group has a wide geographical presence in the form of subsidiary banking Units in 12 countries. The President & Chief Executive of ABG, Mr. Adnan Ahmed Yousif said that "It is our corporate objective to be highly transparent and Shari'a compliant. We believe that getting a SQR will strengthen the bank and will make it more credible among Islamic investors and will give further assurance to our customers about our commitment to Shari'a compliance and will further assist us in meeting the highest standards in Shari'a compliance". "Shari'a Quality Rating is an independent opinion on the level of Shari'a compliance by an entity" said Mr. Jamal Abbas Zaidi, Chief Executive of IIRA. "The rating is the result of a thorough assessment based on objectivity and independence and is carried out by rating experts and eminent Shari'a scholars of IIRA. This is a tool which will lead to improvement in the Islamic finance industry and will create a healthy competition which is useful and necessary for the growth of Islamic financial institutions on a sound foundation", added Mr. Zaidi.



*Mr. Adnan Ahmed Yousif
President & Chief Executive,
ABG*

Takaful Malaysia (TM) Feedback on Shari'a Quality Rating (SQR)

IIRA assigned 'AA' SQR to Takaful Malaysia (TM) on Wednesday, 2nd May, 2007. Recently we requested TM to give their feedback on the usefulness of Shari'a Quality Rating to TM. Their response was "IIRA's SQR service has a bright future in the Islamic finance industry and it plays a very important role in assisting Islamic financial institutions towards achieving the highest level of quality in the implementation and application of Shari'a". We are encouraged by these remarks from a client. IIRA expects that other entities using SQR will also benefit from this service in achieving high level of quality in the implementation and application of Shari'a in their organizations.



(From Left) Md Azmi Abu Bakar, Chief Executive Officer, Takaful Malaysia and Mr. Jamal Abbas Zaidi, Chief Executive Officer, IIRA at the signing ceremony on 24th November 2006 at Kuala Lumpur, Malaysia.