الوكالة الإسلامية الدولية للتصنيف
Islamic International Rating Agency

IIRA NEWS

Issue 10, December 2009

Waiting for Another "Tsunami"?

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IIRA's CEO

The importance of the real economy, even in a country like Bahrain where financial sector is dominant, cannot be over-emphasized. By real economic sector we mean non-financial sectors consisting of all kinds of manufacturing and processing, tourism and trade, construction and real estate, transportation and communications, etc. The firms operating in these sectors provide job opportunities, create real assets for investment and consumption, and generally contribute in the well being of the population in addition to contributing to growth of GDP. The recent crisis which started in the financial sector quickly spread to the real economy causing serious disruption of economic activity and hardship to populations at large. The corporates in the real economy need funds for operations and growth. The more diversified sources of fund are, the more stable are the corporates. Besides the banking system an efficient capital market could be a good source of funds either through equity or debt instruments. However to develop an efficient capital market, certain pre-requisites, like a strong regulatory environment, high standards of transparency and disclosure and a framework of independent, unbiased, and continuous risk assessment and monitoring of firms are necessary. This quality framework can only be provided by a Credit Rating Agency (CRA).

IIRA is determined to play a proactive role in its markets in enhancing the level of transparency, disclosure and risk assessment of corporate sector. IIRA has therefore developed a comprehensive Corporate Credit Rating methodology which is a complex and detailed approach to assessing the risks to which a corporate is exposed, and which necessarily have an impact on investors and lenders. The recent failure of two high profile corporate groups in the GCC hit a large number of financial institutions like a Tsunami. The jolt came suddenly, without public warning and caused extensive damage. These groups did not have ratings from the Islamic International Rating Agency.

The question is; has this battering opened the eyes of the lenders about the risks in this "name lending" practice? Or, do the lenders feel that this was a rare event and another Tsunami will not hit them.

A prudent and cautious approach for these lenders would be to follow international best practice and incorporate in their corporate credit analysis policies a requirement for the credit rating by an independent rating agency. Credit rating and the supporting reports from the rating agency is a reliable and independent source of in-depth analysis and a strong supplement to the internal analytical practices. The rating agencies with their monitoring exercise are likely to give a warning of an impending disaster through a possible 'downgrade' or 'rating watch' signs thus containing the risks.

Withdrawal of Shari'a Quality Rating of AA (SQR) assigned to Bank Muamalat Indonesia

Manama, October 11, 2009

The Islamic International Rating Agency has withdrawn the Shari'a Quality Rating of AA (SQR) assigned to Bank Muamalat Indonesia (BMI). The withdrawal of rating follows the discontinuation of the rating process by BMI due to new management's preoccupation with business consolidation and development of future strategy.

IIRA Hosts Rating Workshop at the 16th Annual WIBC

As a continuation of its strategy to disseminate the knowledge of analysis, and to generate awareness about ratings and its importance in the Islamic capital markets, IIRA sponsored a rating workshop on the sideline of WIBC. The workshop was held on the pre-conference day, Sunday 6th December 2009, and started at 2:30pm. The workshop was led by senior members of IIRA's rating team representing collectively nearly several decades of experience in financial markets.

The workshop was attended by a large number of participants from the GCC and outside. The participants showed keen interest in the presentations and asked a number of inquisitive questions during the presentation, as well as at the end of session, about the various aspects of analysis and about the rating agencies, their work ethics and their rating methodologies. Suggestions were also made to promote the rating culture in the region and the need of a greater role by regulators in this regard.

IIRA Announces its International and National Scale Ratings of Jordan Islamic Bank (JIB)

Amman/ Bahrain, 29 September, 2009

IIRA has assigned its international scale ratings of BBB- / A-3 / Stable for foreign currency long term and short term obligations and BBB/ A-3/ Stable for local currency long term and short term obligations of Jordan Islamic Bank (JIB). IIRA has also assigned its National scale ratings of A (jd) and A-1 (jd) to long term and short term obligations of JIB. The outlook for the ratings is stable.

Jordan Islamic Bank has been operating for the last 30 years in the Kingdom of Jordan and has strong brand recognition, being the leading Islamic bank of the country. Capital of the bank is strong as reflected in a capital adequacy ratio of 13.7% as of FYE'08. This is coupled with a strong parent, which has shown demonstrated support to the bank in the recent past.

Liquidity position is strong given the high level of liquid assets, large proportion of individual deposits, negligible reliance on bank borrowing as a funding source and sound loan to deposit relationships.

Asset quality is good and is maintained through well-conceived credit and investment policies. Borrower and real estate concentrations, though high, are well within the regulatory limits. Though non-performing loans have shown an increasing trend over the last 2 years, they have been covered adequately through loan loss provisioning and the unutilized portion of the investment risk reserve. The bank has improved the utilization of its balance sheet over the last 5 years through a gradual and consistent conversion of cash balances into earning assets, loans and advances.

Core earnings have shown impressive growth over the last 5 years through improvement in profit spreads, consistent increase in non-fund based revenues and adequate control on operating expenses.

The preliminary figures received for half year ended June 30, 2009 indicate that despite difficult economic conditions, JIB has been able to maintain its performance in the first six months of 2009, as indicated by a growth of 6.9%, 8.8% and 10.9% in assets, customer deposits and loans and advances from its Dec 2008 levels. Net income has increased by 3% in the first half of 2009, compared to corresponding period of 2008.

The challenges that JIB faces include implementation of the new MIS, succession planning and implementation, and devising strategies to remain as the premier Islamic bank of the country given that new and strong competition is expected in the future due to arrival of new players,, backed by strong and established foreign Islamic banks.

IIRA will continue to monitor the trend of non-performing loans and exposure to real estate and equity markets. The possible impact of the overall global economic conditions on Jordan and Jordan Islamic Bank will be kept under review.

For further information on this rating announcement, please contact Mr. J. M. McMullen (Senior Vice President- Ratings) or Mr. Nasir Ali Merchant (Vice President) at +973-17211606 or fax no +973 17211605.

IIRA Hosts a 3-Day Training Workshop on Corporate Credit Analysis (CCA)

IIRA organized a 3-day training workshop on Corporate Credit Analysis (CCA) on 19-21 October, 2009 at a local hotel. This three-day workshop intended to deliver comprehensive step-by-step knowledge on the framework of corporate credit analysis in an interactive learning environment. It was a continuation of the series of other workshop / seminars organized by the agency in the past in line with IIRA's mission of fostering development of the financial markets.

During the course, the participants were trained to put together a comprehensive loan proposal for a credit decision as well as to prepare bankable proposals. The workshop was attended by a good number of participants from Bahrain and the GCC. The participants showed keen interest in the presentations and the feedback received from them was positive, as they expressed a desire to attend more such workshops in the future. This workshop was sponsored by Islamic Corporation for the Development of Private Sector (ICD).

Sponsored by

Islamic Corporation for the Development of Private Sector

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