



---

## IIRA Assesses Liquidity Position of the Islamic Banks

---

Manama, June 7, 2009

The Islamic International Rating Agency has published a research report on the liquidity characteristics of Islamic Banks. The research was conducted by selecting key Islamic Commercial Banks based in a few countries. The liquidity indicators for these banks were extracted from the published financial statements and the measurements as at Dec 2007 and Dec 2008 was analyzed.

The study concluded that Islamic Banks face challenges in managing their liquidity in adverse markets. The liquidity indicators have deteriorated compared to 2007, but for some banks it simply means holding less liquid assets and reserves compared to the prior year.

The liquidity indicators, albeit down from the previous year, still indicate adequate liquidity for some of the banks while a few face challenges. Since the origin of the credit crisis rests in the diminution of asset values, especially interest bearing asset backed securities; the nature of Islamic banking with its prohibition on interest has served to protect Islamic banks to some extent. That is not to suggest they are entirely immune from the impact of declining real estate values and restricted real estate lending.

The detailed research report containing analysis, ratios and statistics can be downloaded from the IIRA website, [www.iirating.com](http://www.iirating.com), under the research reports section.

For further information on this research report, please contact Mr. Umer Zuberi (Assistant Vice President) or J. M. McMullen (Senior Vice President- Ratings) at +973-17211606 or fax no +973 17211605

Jamal Abbas Zaidi  
Chief Executive Officer  
Islamic International Rating Agency

---

All of the information contained herein is obtained by IIRA from sources believed to be accurate and reliable. IIRA does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. IIRA's rating is an opinion and not a warranty of a rated entity's current or future ability to meet contractual obligations, nor it is a recommendation to buy, sell or hold any security.