



IIRA Reaffirms Fiduciary Ratings of Al Baraka Bank Sudan

Manama, March 12, 2017 – Islamic International Rating Agency (IIRA) has reaffirmed the ratings of Al Baraka Bank Sudan (ABBS or ‘the bank’) at ‘A-(sd)/A2(sd)’ (A Minus / A Two) on the national scale. Outlook on the assigned rating is ‘Stable’.

ABBS, a retail banking institution in Sudan, is part of the Bahrain-based Al Baraka Banking Group (ABG) which owns 75.7% of the bank’s shareholding. ABBS is listed on the Khartoum Stock Exchange and operates with a branch network of 26, holding a deposit market share of about 2%.

Ratings assigned to ABBS take into account a conservative asset deployment strategy and sound liquidity profile. Asset quality indicators are considered to be within acceptable thresholds, with relatively controlled impairment and adequate provisioning coverage. On a stand-alone basis, ABBS features a robust capital base which is considered to be adequate for the short to medium term horizon, specifically in overview of the moderate growth projections and the existing trend of profit retention. The assigned rating also incorporates the presence of a strong institutional sponsor, ABG that has, in the past, supported the bank by way of tier-II equity injection.

The primary constraining factor for the bank’s rating is the increased industry-wide systemic risk arising from the sizable holdings of sovereign securities. These sovereign securities, which serve as the primary liquidity placement avenue, have showcased increased liquidity risk lately, which has accordingly impacted the liquidity profile of the banking sector. Furthermore, it also poses an earnings risk on the sector, given the absence of any alternative liquidity placement avenues offering market competitive returns. However, ABBS operates with considerably high spreads, which is expected to help in absorbing any spread compression arising from divestment in sovereign securities.

ABBS’s fiduciary score has been assessed in the range of ‘70-75’, reflecting adequate fiduciary standards wherein rights of various fund providers are adequately defined and protected. The fiduciary score is an aggregation of scores assigned to its three sub-sections, namely Corporate and Shari’a Governance, and Asset Manager Quality. Fiduciary score captures the role of the management of the institution as Mudarib, the entity’s governance practices and compliance with Shari’a principles adopted by the bank.

For further information on this rating announcement, please contact the Mr. Mohammad Arsal Ayub at arsal.ayub@iirating.com.

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