



IIRA Reaffirms Ratings of Bank of Khartoum

Manama, Nov 22, 2018 – Islamic International Rating Agency (IIRA) has reaffirmed ratings of Bank of Khartoum ('BoK' or 'the Bank') at AA-(sd)/A1 (Double A Minus/ Single A-One) on the national scale with a 'Stable' outlook. The Bank's Fiduciary Score has been assessed within the range of '71-75', which signifies adequate protection of stakeholder rights.

BoK's ratings take cognizance of the Bank's strong market positioning. With the largest branch network in the country, in addition to overseas branches in Bahrain and United Arab Emirates, the Bank has strong franchise value, both domestically and across the Middle East region. Furthermore, the rating assessment of BoK also incorporates the presence of strong institutional shareholders such as Dubai Islamic Bank, Islamic Development Bank, Abu Dhabi Islamic Bank and Sharjah Islamic Bank.

In recent periods, BoK has emerged as the largest Bank in Sudan, having notably increased its market share in 2017 and Q1'18 period. The bank's business portfolio features concentration, mainly arising from counterparty exposures that are sizable in relation to the Bank's equity. When viewed in relation to these large-sized exposures, BoK's capitalization may require further reinforcement, given also continued rapid business growth.

BoK's profitability compares favorably to peers in the industry. The strong profitability is a product of its superior ability to attract deposits - as evident from its cost of funding that is the lowest in the industry - a steadily growing financing portfolio (both funded & unfunded) and strong contribution from ancillary sources.

Recently, there have been changes at the Board of Directors and Executive Management level. We have noted the change, and will continue to closely monitor the developments.

Overall systemic risk on the Sudanese banking sector has reduced on a timeline basis, with the lifting up of sanctions and ongoing reforms in the financial sector. Coupon payment on sovereign securities has resumed on a cash basis; as such liquidity risk associated with these key instruments of liquidity has trended down.

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