



IIRA Affirms the Ratings of Al Baraka Bank Sudan

Manama, February 24, 2022– The Islamic International Rating Agency (IIRA) has reaffirmed the ratings of Al Baraka Bank Sudan (“Al Baraka Sudan” / “the Bank”) on the national scale at ‘A-(sd)/A2 (sd)’ (A Minus / A Two) with a “Stable” outlook. The assigned ratings denote the repayment capacity of the Bank in local currency terms only in the national context.

The ratings assigned to the Bank are reflections of tough political and economic condition in the country resulting in very high inflation and continuous weakness in the currency. Despite the economic measures taken to smoothen the path of recovery, the economy recovery is expected to take a longer duration with limited improvements during 2022.

In the backdrop of consistent currency depreciation and hyperinflation, ABBS’s total assets have surged and with financings growth not being commensurate, has resulted in a highly liquid balance sheet. It is notable that about 80% of cash held is placed either as foreign currency reserves with the CBoS or with correspondent banks outside Sudan, resulting in a large FCY component to the bank’s liquidity reserves.

Capitalization levels have strengthened significantly since 2019, as per local capital requirements, alleviating any immediate concerns. The FCY component in supplementary capital is likely to have also provided support in the current year. The Bank posted enhanced earnings in 2020, most of which were retained. Hence, a significant surge in equity was observed, bringing capital adequacy ratio up to 14% as at end 2020 (2019: 13%). With increased earnings of SDG 3.1bn in H1’2021, largely supported by foreign currency gains, capital is expected to have strengthened further. IIRA has noted an increase in core income levels also in SDG terms since 2018.

The level of independence in the Board of Directors has risen to three independent members from two previously, although still below one-third representation advised as per best practices. An independent Chairman is also viewed more favorably from a governance perspective. Reinforcement in the risk management function has been noted with the implementation of a new system for operational risk management during 2020. The reporting structure of control functions ensures independence of control lines and direct oversight of the Board.

The Bank has separated Shari’a Audit from Internal Audit department, now reporting directly to the FSSB. Shari’a governance is strengthened by the ultimate approving authority vested in Higher Shari’a Supervisory Board (HSSB). Moreover, the oversight and guidance of the ABG Shari’a Board provides strength to the Bank’s overall governance framework.

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