



IIRA Assigns Fiduciary Rating To Financial Investment Bank

Manama, September 23, 2020 – The Islamic International Rating Agency (IIRA) has assigned a medium to long-term rating of A - (A Minus) and a short-term rating of A-2 (A Two) to Financial Investment Bank ('FIBA' or 'the Bank') on the national scale. Outlook on the assigned ratings is 'Stable'. The ratings denote the bank's repayment capacity in local currency terms.

Meanwhile, the Bank's Fiduciary Rating Score is assessed as 'SCFR (Global): High' reflecting high level of conformance to global standards in terms of fulfilling fiduciary obligations of Shari'a compliant finance. Fiduciary Ratings reflect Modarib quality and have been evaluated under the broad scope indicated by the Governance Standard of Islamic Financial Institution (GSIFI 10) of Auditing and Accounting Organization of Islamic Financial Institutions, developed for banking activities and therefore applied only to the extent deemed relevant for financial activities, as undertaken by the Financial Investment Bank.

Incorporated in the year 1997, FIBA is the only bank in Sudan for financial investments. Its main activities include launching and managing funds and private portfolios, trading securities, promoting public and private offerings, for debt issuances of institutions, financial advisory and consultancy services in addition to catering to the corporate banking. Fund and portfolio management activities comprise a significant share of the bank's revenue streams; FIBA remains the market leader in terms of funds initiated. The bank also manages the Interbank Liquidity Management Fund ("LMF") set up to meet banks' liquidity management needs.

With a low degree of leverage, the bank places most of its liquidity in investments, which in turn largely constitute government securities and Sukuk. The bank has remained profitable, with diversified revenue streams sourced from deployment of own funds as well as a healthy stream of commissions and management fee, while overheads remain controlled.

Regarding the compliance with Shari'a principles and rules, IIRA opines that the Bank's performance is at a high level of conformance given the Shari'a compliance of product structures, both for on balance sheet and off-balance sheet products, and compliance to the approved structures and policies as also indicated by non-existence of Shari'a non-compliant income.

The Bank's Shari'a Governance framework benefits from the presence of a Higher Shari'a Commission of Control on Banks and Financial Institutions (HSCC). The Bank has an experienced Shari'a Supervisory Board which is responsible for ensuring that operations are conducted in accordance with principles of Islamic Banking.

The bank's Board composition, albeit aligned with local regulations, diverges from international best practices regarding the independent representation on the Board. However, fragmented shareholding structure mitigates the concentration of Board voting power to an extent. Risk management should be strengthened to enable efficient oversight and tracking of risks the bank faces amidst dynamic macroeconomic conditions.



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IIRA opines that the financial and Shari'a disclosures of the Bank should be enhanced as the general practice of transparency remains weak in the sector in general. Conformance to international standards of performance presentation is also advisable. For the performance of the funds, the comprehensiveness of information on the web page is deemed sufficient in terms of scope.

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

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